

# Monday Morning Kickoff @ Saxo

## G-20 meeting fuels risk appetite

### Themes

- After Friday's holding up in the US equity market closing well above the 1170-level look for a try at 1200.

### What's going on?

European equity markets will most likely open 0.8% as the outcome of the G20 meeting was seen as a success. Earnings in terms of market driver will be the force today as we have seen earlier and there is a few names out today you should watch. Look out for Texas Instruments, Scania and STMicroelectronics.

The G-20 meeting did not produce much worth writing home, but can nevertheless be seen as a victory for the Asian economies. Their influence increased and no 'currency manipulation' policies were agreed upon. Furthermore, US Treasury Secretary Geithner did not find support for his current account surplus cap. Hence, risk is rallying today while the US dollar index is down.

### Monday's Key Events

GMT	Event	Saxo Bank	Consensus	Previous
09:00	Eurozone Industrial New Orders MoM (AUG)		2.2%	-2.4%
12:30	Fed's Bernanke speaks about housing finance			
12:30	US Chicago Fed National Activity Index (SEP)		-0.30	-0.53
14:00	US Existing Home Sales MoM (SEP)	9.0%	4.1%	7.6%
14:30	US Dallas Fed Manufacturing Index (OCT)		-8.5	-17.7

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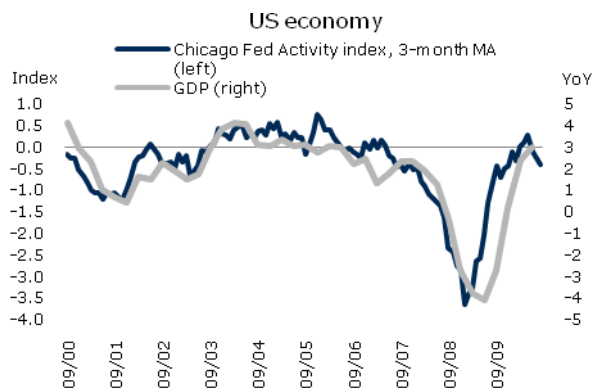
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## Markets at a glance

With a light economic calendar and an earnings report from Texas Instruments, risk is moving higher (and USD lower) on the non-event that was the G-20 meeting over the weekend. There was a lot of talk, but nothing tangible came from it and instead a decision on China's currency manipulation was postponed until the next meeting. The German Finance Minister Brüderle, however, did make a somewhat reasonable remark, when he said (speaking of the US) *"An excessive, permanent increase in money is, in my view, an indirect manipulation of the (foreign exchange) rate."* Our only disagreement is with the inclusion of *excessive* in that sentence since all money increases are manipulations. Furthermore, US Treasury Secretary Geithner's proposal to cap current account surpluses did not gain any traction at the meeting – fortunately, we might add.

Existing home sales is the economic data event of the day and we expect sales to increase 9% MoM. Consensus is looking for a weaker increase of 4.1%, which would take home sales to 4.3 million annualised in September. Also look out for the Chicago Fed Activity index, which is a broad measure of activity in the US and does correlate quite nicely with GDP. A reading of -0.70 in the 3-month moving average following an expansion has historically indicated that the US is in a recession. The moving average currently stands at -0.42.

especially in Europe pickup. Contrary to aggregate numbers where industrial production is not developing that well they see increased demand for input to industrial production picking up; hopefully Honeywell has things right and we will see this trend in the aggregate numbers soon or later. This would clearly boost sentiment quite significantly increasing risk appetite in markets. Verizon was out with strong earnings as customers were buying more smart phones than expected. The new added mobile phones to the network have clearly offset the trend seen in the other major divisions of Verizon with a flat/negative sales trend. Swedish industrials like Alfa Laval, Husquarna and Atlas Copco presented all better than expected results Friday and this is in our view a broad indicator that there are demand picking up in industrials – either for end-user products or input to industrial processes; this is very much in line with what we saw from Honeywell – now we only need the aggregate numbers start moving.

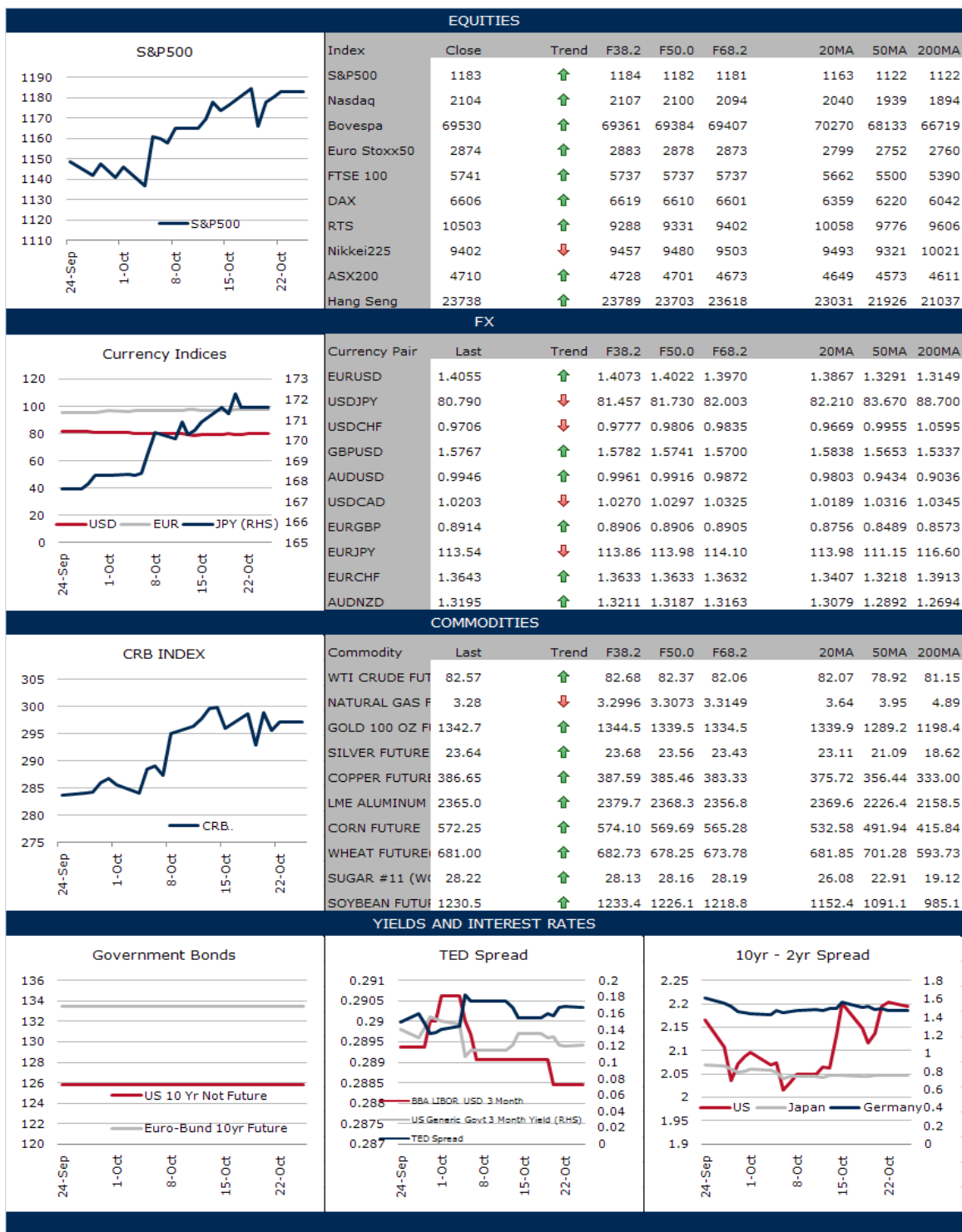


Source: Bloomberg. Our calculations.

## Equities: a closer look

Honeywell has raised their year-end sales forecast as they saw demand for turbochargers from carmakers

Economic data highlights	Saxo Bank	Consensus	Actual	Previous	Revised
GE IFO – Business Climate (OCT)		106.5	107.6	106.8	
GE IFO – Current Assessment (OCT)		110.0	110.2	109.7	109.8
GE IFO – Expectations (SEP)		102.9	105.1	103.9	
CA CPI YoY (SEP)	1.8%	1.9%	1.9%	1.7%	
CA Core CPI YoY (SEP)	1.5%	1.6%	1.5%	1.6%	
CA Retail Sales MoM (AUG)	0.3%	-0.1%	0.5%	-0.1%	0.1%
CA Retail Sales less Autos MoM (AUG)		0.5%	0.4%	-0.4%	-0.2%
GE IFO – Business Climate (OCT)		106.5	106.8	106.8	
GE IFO – Current Assessment (OCT)		110.0	109.7	109.7	
GE IFO – Expectations (SEP)		102.9	103.9	103.9	
CA CPI YoY (SEP)	1.8%	1.9%	1.7%	1.7%	



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