January 27, 2010

Morning Comment

Markets: US stocks initially rose on a good consumer confidence figure and strong quarterly earnings (Apple, Travelers), but sagged later in the session ahead of tonight’s FOMC decision and Obama’s state of the union speech. China’s tightening weigh on Asian markets.

US stock markets mostly down since Swedish close. S&P500 fell by 0.6%, Dow by 0.4% while Nasdaq managed to edge up by 0.1%. VIX fell by 3.4% to 24.6%. Asian stock markets mostly red: Nikkei is down by 0.6%, Shanghai is down by 0.2% while Hang Seng is up by 0.5%. Oil prices have edged slightly lower to $74.7 while gold prices are flat at $1097.5.

FX: USD/JPY registered the largest move, dropping by 0.5% to 89.25 since Swedish close. AUD was the second largest mover, boosted by a greater-than-expected CPI reading which is boosting rate hike expectations. Other crosses mostly unchanged since Swedish close. EUR and SEK show tendencies of weakening this morning.

Fixed Income: US Treasuries sold off just after our close but the auction of a new 2y bond went well. Bid/cover at 3.13. We might be loosing a bit of momentum in the falling yield environment but with weaker stock markets and some credit worry, there is no reason to believe that this is the turn of the trend. In Sweden the relaxed approach towards the Riksbank continues. The FRA curve flattened again yesterday and red contracts were down 7bp in yield while 1y swaps didn't move more than a couple of bp. The same goes for the 2y area that was in a standstill yesterday with some preference for 5y risk instead. Mortgages rather dull with low interest on the buy side since stock markets and credit markets are wobbling. Low activity on new issues though.

North America:

The U.S. Senate moved to clear the way to confirm Ben Bernanke to a second term as Fed chairman, setting a procedural vote for Thursday in a sign that the needed votes were now secured. (Reuters)

The Congressional Budget Office (CBO) revised down its FY2010 budget deficit estimate from $1.38 trillion to $1.30 trillion. (Reuters)

Europe:

Greece is wooing China to buy its bonds (ETF)

ECB Trichet likes Obama’s bank plan

Dutch group Spyker clinched a last-minute deal to buy Sweden’s Saab from GM (Reuters)

EU’s Juncker: EUR overvalued, CNY, USD undervalued

EU’s Juncker is unhappy with imbalances that have produced an overvalued EUR and undervalued USD and CNYs (Reuters) The pressure on China to start appreciating its currency is increasing by the week. Such a decision, probably due in Q2, will be USD-positive (vs. EUR) in our view.
Asia/Oceania:
Chinese regulators reportedly ordered banks to call back some of the loans extended in January. (Reuters)

North and South Korea exchanged artillery fire near their disputed sea border on Wednesday, the second time in three months the rivals have clashed and briefly sending prices down on jittery Seoul financial markets (Reuters)

Australia’s Q4 CPI was higher than expected; boosting odds for rate hikes (Reuters)

Japan’s exports beat expectations in December, owing to a jump in demand from Asia. (Reuters) The news bureau now paint reliance on China “a worry” – a big change in just a week or two.

Calendar

<table>
<thead>
<tr>
<th>Time</th>
<th>Country</th>
<th>Event</th>
<th>MOY</th>
<th>YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>09:30</td>
<td>Sweden</td>
<td>PPI, Dec</td>
<td>0.3/-0.7</td>
<td>0.9/-1.7</td>
</tr>
<tr>
<td>11:00</td>
<td>Norway</td>
<td>Norges Bank’s Gov speaks</td>
<td></td>
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<tr>
<td>11:00</td>
<td>Sweden</td>
<td>SNDO: T-bond auction: 1047: 3bn</td>
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<tr>
<td>12:00</td>
<td>UK</td>
<td>CBI distributive trade, Jan</td>
<td>8.0</td>
<td>13.0</td>
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<tr>
<td>16:00</td>
<td>US</td>
<td>New home sales, Dec</td>
<td>0.37mn</td>
<td>0.37mn</td>
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<tr>
<td>20:15</td>
<td></td>
<td>FOMC rate decision</td>
<td>0.25</td>
<td>0.25</td>
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Figures are reported in percent month on month/year on year if not otherwise stated

Source: Handelsbanken Capital Markets

Corporate

Acuity Brands, Bed Bath & Beyond, Family Dollar Stores, Monsanto, RPM Intl

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