

News: Alcoa sets the earnings bar, Moodys downgrade Portugal

Stock markets traded sideways in a lackluster European session yesterday as investors await the outcome of company earnings reports. A small rally into the US close left the positive record intact. However yesterday saw this year's lowest trading volumes to date. Alcoa presented a positive set of numbers overnight and have set the bar with profit and revenues better than market expectations. Eurozone concerns still linger with (this morning) the rating agency Moodys downgrading Portuguese debt.

| Commodity | Price | 1 Day Change |
|--------------|----------|--------------|
| Brent Crude | 72.53 | 0.26% |
| Baltic Dry | 2,351.00 | -2.29% |
| Gold | 1,211.60 | 0.44% |
| Copper | 6,330.00 | -2.84% |
| Silver | 18.06 | -2.98% |
| Dollar Index | 84.64 | -0.08% |

| Currency | Price | 1 Day Change |
|-----------|---------|--------------|
| Eur / Usd | 1.2506 | 1.38% |
| Eur / Gbp | 0.81982 | -1.31% |
| Eur / Yen | 109.97 | -0.21% |
| Gbp / Usd | 1.5205 | 1.56% |
| Usd / Yen | 87.92 | 0.40% |

| Stock Index | Latest | 1 Day Change |
|-------------|--------|--------------|
| ISEQ | 2,833 | 1.30% |
| FTSE 100 | 4,829 | 0.48% |
| NIKKEI 225 | 9,204 | 0.13% |
| DOW JONES | 9,733 | -0.42% |
| S&P 500 | 1,044 | 0.24% |
| NASDAQ | 2,101 | -0.37% |
| CAC 40 | 3,347 | 0.21% |
| DAX 30 | 5,875 | 0.30% |
| EUROSTOXX | 2,528 | 0.36% |

| 10 Year Benchmark | Yield % | 1 Day Change |
|-------------------|---------|--------------|
| United States | 2.93 | -0.56% |
| United Kingdom | 3.33 | 0.33% |
| Germany | 2.57 | 0.27% |
| Japan | 1.11 | 3.56% |
| Ireland | 5.41 | -1.13% |

Portfolio Strategy: Reverting to core themes

As the earnings season is predicted to achieve a 75% hit rate of companies that either beat or are in line with analyst expectations, we may look to take advantage of compelling entry levels to gain equity exposure.

Reverting to our core themes we would recommend exposure to:

SPDR Select Sector Healthcare ETF (XLV)

Defensive in its nature, this ETF covers pharmaceutical companies, hospitals and service companies

SPDR Select Sector Technology ETF (XLK)

Blue chip, cash rich, household names. Don't be surprised to see M&A activity in this area.

We await confirmation from this week's reports that there is a pattern of good earnings and positive outlook statements. If this is the case then we look to gain exposure to the equity market.

Conversely if this pattern turns out to be negative we will recommend cutting exposure.

Today, Intel's earnings report will contribute to setting the tone for equity markets.

German ZEW will impact on the European session and the US release May's Trade balance.

Top 5 Open Positions

| Ticker | Stock | Price | BID now | Gain/Loss |
|--------|------------------|-------|---------|-----------|
| LGF | Lions Gate | 5.59 | 6.84 | +22.4% |
| AZN | AstraZeneca Plc | 2760 | 3222 | +16.7% |
| EMC | EMC Corp | 16.83 | 18.65 | +10.8% |
| QQQ | Nasdaq Trust ETF | 42.6 | 44.62 | +4.7% |
| SKG | Smurfit Kappa | 7.27 | 7.24 | -0.4% |

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