

News: US markets snap back as earnings season gets into full swing

Despite worst than expected housing starts and a disappointing set of revenue reports from Goldman Sachs (+2.2%), Johnson & Johnson (-1.7%), Texas Instruments (-3.1%) and IBM (-2.5%), the market trended higher all day to finish on its highs. After hours Apple broke the earnings trend posting impressive numbers. Today and tomorrow see a slew of results. Focus is also very much on the upcoming European bank stress tests. Results expected Friday.

| Commodity | Price | 1 Day Change |
|--------------|----------|--------------|
| Brent Crude | 76.52 | 0.39% |
| Baltic Dry | 1,761.00 | 1.67% |
| Gold | 1,191.50 | 0.83% |
| Copper | 6,641.00 | 2.01% |
| Silver | 17.67 | -0.14% |
| Dollar Index | 82.73 | -0.07% |

| Commodity | Price | 1 Day Change |
|-----------|---------|--------------|
| Eur / Usd | 1.2863 | -0.13% |
| Eur / Gbp | 0.84184 | 0.25% |
| Eur / Yen | 111.80 | 0.81% |
| Gbp / Usd | 1.528 | 0.11% |
| Usd / Yen | 86.91 | 0.69% |

| Stock Index | Latest | 1 Day Change |
|-------------|--------|--------------|
| ISEQ | 2,856 | 1.31% |
| FTSE 100 | 5,213 | 1.43% |
| NIKKEI 225 | 9,279 | -0.23% |
| DOW JONES | 10,230 | 0.74% |
| S&P 500 | 1,083 | 1.14% |
| NASDAQ | 2,222 | 1.10% |
| CAC 40 | 3,518 | 1.45% |
| DAX 30 | 6,044 | 1.28% |
| EUROSTOXX | 2,662 | 1.31% |

| 10 Year Benchmark | Yield % | 1 Day Change |
|-------------------|---------|--------------|
| United States | 2.94 | -0.13% |
| United Kingdom | 3.35 | -0.27% |
| Germany | 2.65 | 0.53% |
| Japan | 1.09 | -0.82% |
| Ireland | 5.40 | -0.13% |

Portfolio Strategy: Earnings and Stress test to give direction

So far the results from the 2nd quarter earnings season have been less than thrilling with a pattern of better profits but lower revenues. Macro numbers still show slowing growth. Summer trade means that volumes are low on both up days and down days. For now the market lacks direction.

Over the next two days the earnings season gets into full swing, the market expects:

| Company | EPS | Revenue |
|------------------------|---------|---------|
| Abbott Labs | \$1 | 8.85B |
| EMC | \$0.27c | 1.03B |
| Freeport-McMoran | \$1.35c | 3.52B |
| Coca-Cola | \$1.02c | 8.69B |
| Morgan Stanley | \$0.53c | 8.06B |
| M&T Bank | \$1.27c | 848.2M |
| Stanley Black & Decker | \$0.78c | 2.26B |
| Wells Fargo | \$0.49c | 21.41B |

If the recent pattern is confirmed we expect a lackluster performance in equity markets for the rest of the summer.

European bank stress tests will also steal the headlines. According to reports European regulators are to describe 3 scenarios in the upcoming tests, the sovereign-shock scenario being the most severe.

The view in the market is that the assumptions of the tests are too relaxed and there is a fear that the market will drop on the release as it judges the inputs as not being stressful enough. Government bond yields in PIIGS countries are edging higher.

Top 5 Open Positions

| Ticker | Stock | Price | BID now | Gain/Loss |
|--------|------------------|-------|---------|-----------|
| EMC | EMC Corp | 16.83 | 20.24 | +20.3% |
| LGF | Lions Gate | 5.59 | 6.52 | +16.6% |
| AZN | AstraZeneca Plc | 2760 | 3194 | +15.7% |
| QQQ | Nasdaq Trust ETF | 42.6 | 45.25 | +6.2% |
| SKG | Smurfit Kappa | 7.27 | 7.41 | +1.9% |

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