# Morning Note Monday 30/08/2010

GlobalReach Securities

**News: Bank of Japan Looks to Temper Yen Growth.**

An economic stimulus plan is in the news again as the Bank of Japan looks to act against the sharp rise in the value of the yen. The Japanese economy has seen very poor GDP growth in Q2 with China overtaking it as the second largest global economy. Concerns over the value of the yen in relation to the US dollar has created a weaker outlook for the short-term future of the Japanese economy, as the Bank of Japan looks to correct this position. The market has reacted strongly to this plan with the Nikkei up 2% on this declaration. The Nikkei will be a market to watch as the effect of this stimulus package takes hold.

Closer to home we continue to see Irish firms report earnings, with IL&P and Grafton Group both reporting tomorrow.

| Commodity | Price | 1 Day Change |
|---|---|---|
| Brent Crude | 76.42 | -0.30% |
| Baltic Dry | 2,712.00 | 0.33% |
| Gold | 1,235.80 | 0.02% |
| Copper | 7,459.00 | 2.12% |
| Silver | 19.14 | 0.23% |
| Dollar Index | 82.84 | -0.09% |

| Currency | Price | 1 Day Change |
|---|---|---|
| Eur / Usd | 1.273 | -0.26% |
| Eur / Gbp | 0.81773 | 0.50% |
| Eur / Yen | 107.97 | 0.69% |
| Gbp / Usd | 1.5567 | 0.24% |
| Usd / Yen | 84.82 | 0.47% |

| Stock Index | Latest | 1 Day Change |
|---|---|---|
| ISEQ | 2,680 | 0.40% |
| FTSE 100 | 5,202 | 0.89% |
| NIKKEI 225 | 9,149 | 1.76% |
| DOW JONES | 10,151 | 1.65% |
| S&P 500 | 1,065 | 1.66% |
| NASDAQ | 2,154 | 1.65% |
| CAC 40 | 3,514 | 0.19% |
| DAX 30 | 5,964 | 0.21% |
| EUROSTOXX | 2,639 | 0.33% |

| 10 Year Benchmark | Yield % | 1 Day Change |
|---|---|---|
| United States | 2.62 | -0.95% |
| United Kingdom | 2.90 | 0.45% |
| Germany | 2.16 | -1.82% |
| Japan | 1.04 | 2.87% |
| Ireland | 5.72 | -0.09% |

## US view: Bernanke Announcement Pushes Market Up

On a busy day for US economic data we started Friday off with the downward revision of Q2 GDP. The result was a revision to an annualized figure of 1.6% versus 2.4% on initial announcement. Despite the downward revision, futures rallied from this point in the day. It seems unusual for this to happen on such a low number, but when you consider most analysts expected figures were closer to 1.1% it puts the modest expectations of investors and analysts into perspective. Ordinarily this sort of figure would be considered very poor, but it seems that investors are looking for the positives in the wake of a flurry of disappointing macro releases. Upon closer inspection of the GDP number the biggest cause of the revision was the decline in domestic investment i.e. building homes; businesses investing in its products; buying computers and software etc.

With the recent glut of poor macro numbers, Fed Chairman Ben Bernanke's speech on Friday afternoon was always going to be one with the potential to move the market. Whilst he did not specify a plan of action to respond to economic difficulties, he did signal that the Fed would be ready to respond with any tactic necessary should the US economy contract further. The commitment from the Fed proved a welcome (if somewhat expected) declaration of potential new money to enter the market.

We ended the week with the S&P closing at 1065, an increase of 1.66% on the day for Friday alone. Indeed the shift in focus from bonds to equities saw 30 year yields on Treasuries rise 18 basis points in what appears to be an oversold bounce for the equity markets. The trend of poor macro figures is unlikely to turn around in the short term (non-farm payrolls this coming Friday) but with the Fed ready to act to stimulate the market further, there is enough motivation for bullish investors to seek investment opportunities in equity investments.

## Top 5 Open Positions

| Ticker | Stock | Price | BID now | Gain/Loss |
|---|---|---|---|---|
| LGF | Lions Gate | 5.59 | 6.67 | +19.32% |
| AZN | AstraZeneca Plc | 2760 | 3241 | +17.43% |
| EMC | EMC Corp | 16.83 | 18.37 | +9.15% |
| QQQ | Nasdaq Trust ETF | 42.6 | 44.16 | +3.66 |
| SKG | Smurfit Kappa | 7.27 | 6.84 | -5.9% |

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