

News: Equity rally halted by Macro numbers

Equity markets remained firm yesterday (S&P -0.5%) despite a number of negatives. On the macro front personal income/spending came in below estimates as did factory orders and pending home sales (which saw the homebuilders down (XHB -2.59%). We saw bonds rally strongly amongst rumours of a potential policy change at Mondays FOMC meeting. Earnings also weighed on sentiment with Proctor and Gamble hitting the household and personal product sector, JC Penney -8.24% and the ICSC retail sales number -0.1% dragged the retailers down. Pfizer however lifted the pharmaceutical sector with a strong report. Look out for ADP Employment number as a pre-cursor to Fridays important Non Farm Payroll report. ISM non-manufacturing will also be important for market direction.

| Commodity | Price | 1 Day Change |
|--------------|----------|--------------|
| Brent Crude | 81.92 | -0.92% |
| Baltic Dry | 1,964.00 | -0.66% |
| Gold | 1,196.20 | 0.91% |
| Copper | 7,425.00 | -1.13% |
| Silver | 18.57 | 1.01% |
| Dollar Index | 80.66 | 0.05% |

| Commodity | Price | 1 Day Change |
|-----------|---------|--------------|
| Eur / Usd | 1.3218 | -0.10% |
| Eur / Gbp | 0.83029 | -0.11% |
| Eur / Yen | 112.98 | 0.46% |
| Gbp / Usd | 1.5919 | -0.21% |
| Usd / Yen | 85.48 | 0.36% |

| Stock Index | Latest | 1 Day Change |
|-------------|--------|--------------|
| ISEQ | 2,933 | -0.96% |
| FTSE 100 | 5,335 | -1.14% |
| NIKKEI 225 | 9,489 | -2.11% |
| DOW JONES | 10,636 | -0.36% |
| S&P 500 | 1,120 | -0.48% |
| NASDAQ | 2,284 | -0.52% |
| CAC 40 | 3,719 | -0.77% |
| DAX 30 | 6,277 | -0.49% |
| EUROSTOXX | 2,794 | -0.90% |

| 10 Year Benchmark | Yield % | 1 Day Change |
|-------------------|---------|--------------|
| United States | 2.89 | -0.56% |
| United Kingdom | 3.28 | 0.12% |
| Germany | 2.59 | -0.73% |
| Japan | 1.01 | -3.35% |
| Ireland | 4.89 | -0.31% |

Strategy: US Dollar continues to weaken amid QE rumour

The USD continued its slide yesterday amid heightened rumour of further QE measures from the Fed next week

US data releases yesterday continued their weak tone and fostered heightened speculation of further possible quantitative easing measures by the US Federal Reserve at its next meeting on Monday. Headline US personal income and spending were both unchanged from the previous month but when adjusted for inflation showed very marginal positives. US factory orders fell 1.2% m/m in June against an expected 0.5% decline while on the inventory side, total inventories at factories fell 0.1% m/m, mostly driven by large decreases in petroleum and coal inventories. The US housing story remained weak with pending home sales falling 2.6% m/m versus an expected 1.3% m/m increase.

The weak data helped push US Treasury yields to record lows with the 2-year yield easing to 0.53%. This in turn contributed to a general decline in the USD, helped along the way by speculation of imminent additional quantitative easing measures from the Fed at its next meeting. USDJPY pushed down to its lowest level since late last November, helped lower after Japanese Finance Minister Noda commented that the markets should determine the level for the JPY. Other currencies benefitted from the USD's broad weakness with EUR rallying above 1.32 for the first time in 3 months while GBP approached the psychological 1.60 mark. AUD was held back after the recent weak spate of data and a steady RBA.

Top 5 Open Positions

| Ticker | Stock | Price | BID now | Gain/Loss |
|--------|------------------|-------|---------|-----------|
| EMC | EMC Corp | 16.83 | 20.46 | +21.6% |
| LGF | Lions Gate | 5.59 | 6.56 | +17.4% |
| AZN | AstraZeneca Plc | 2760 | 3237 | +17.3% |
| SKG | Smurfit Kappa | 7.27 | 8.16 | +12.2% |
| QQQ | Nasdaq Trust ETF | 42.6 | 46.48 | +9.1% |

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