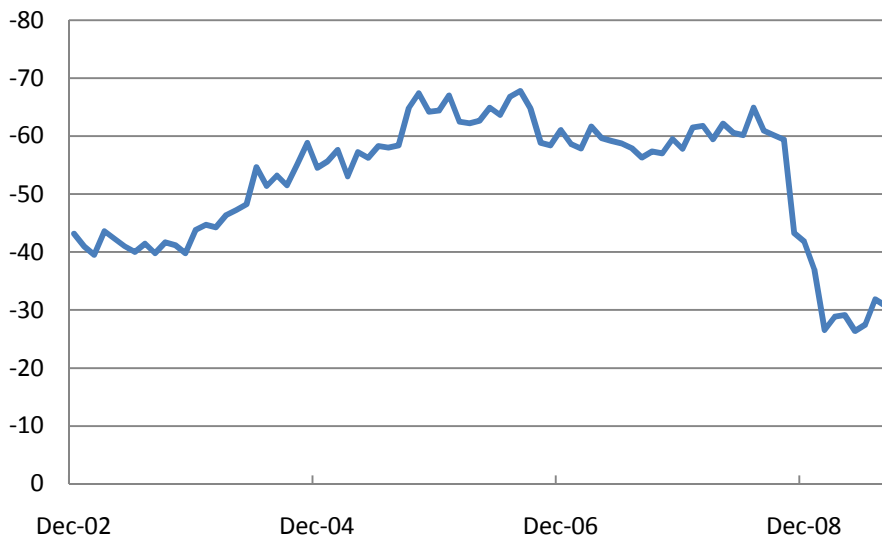


October 12, 2009

### Will the Fed turn hawkish?

US markets finished the week rising, led by Technology (1.18%) and Healthcare (+1%) with Telecommunications (-0.77%) again as the weakest performers. Trade Balance unexpectedly decreased in the US in August to -30.7 bn. The narrowing was due entirely to a drop in petroleum imports, as the real ex-petroleum trade deficit widened to \$26.2bn from \$25.6bn.

### US Trade Deficit



Market Data*		
CDS HY 5Y	676.34	
ITX Crossover	534.37	
CDS Japan 5Y	115.44	
CDS EM 5Y	111.44	
CDS Russia 5Y	172.35	
US Tsys 10Y	3.79%	-0.03%
US Tsys 5Y	2.58%	-0.05%
Brazil 10Y	4.95%	-0.39%
UK 10Y	3.42%	+0.23%
Germany 10Y	3.21%	-0.09%
LIBOR-OIS	0.1244	+0.0035
EUR/USD	1.4695	+0.25%
USD/JPY	90.26499	-0.53%
EUR/GBP	0.9314	-0.19%
Oil Brent	70.65	+0.93%
Gold	1049.1	+0.05%
Copper	6235	-1.50%
Nickel	18678	-3.84%
S&P 500	1071.49	+0.56%
Topix	894.5	-0.28%
Shanghai Comp	2,894.48	-0.59%
DJ EURO Stoxx	2891.3	+0.32%
VIX	23.12	-1.06

\*As of 8:00 GMT, Bloomberg

Asian markets closed mixed on Monday. Japanese exchanges were closed due to a national holiday. The strongest pessimism was seen at the Korean exchange – KOSPI fell 0.42 due to the slump in refineries. Shanghai stock indices lost up to 0.5% with materials as the worst performers and Technology stocks leading (+2.38%).

Commodities were slightly higher during the Asian session. Copper added 0.6% while nickel rose 1.6. Gold was up by 0.6%.

At the FX market the USD held firmer to the euro and yen. Fed Chairman Bernanke statement said that "accommodative policies will likely be warranted for an extended period," which is different than the latest FOMC statement

that said "economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period." That may indicate on a shift in the Fed sentiment. Main three approaches to the exit strategy will be the following: 1) reverse repos with financial market participants, including banks, the GSEs, and other institutions; 2) term deposits to banks; and 3) selling a portion of Fed holdings of long-term securities in the open market.

European indices slightly rose at the beginning of the session. CAC 40 added 0.32% while DAX was 0.55% up. Dow Jones Eurostoxx 50 added 0.49%. Technology and Industrials led the market higher.

Philips posted 3<sup>rd</sup> quarter earnings of €174 mn. better than analysts expected. Financials are driven by the report of the Financial Times on possible spin-off of a 4 bn. pound portfolio of credit assets by Barclays.

**Investment Research**

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#### **Major economic and corporate news:**

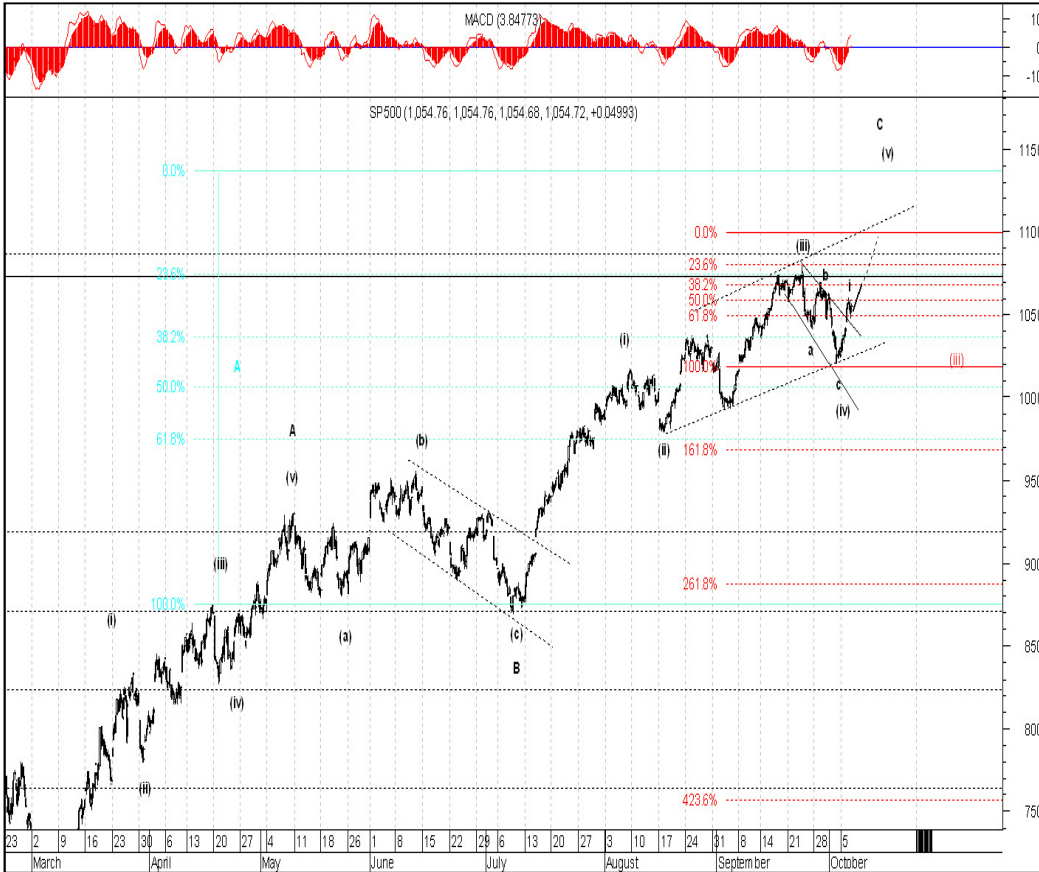
- [Philips post profit](#)
- [Barclays to sell 4 bn. assets](#)
- [US pay tsar gets tough over AIG packages](#)

#### **Ahead today**

There are no data or events scheduled for Monday, and bond markets will be closed due to the Columbus Day holiday.

Daily Market Report

S&P 500 Index



**Technically the S&P 500 Index is likely to continue forming the corrective formation up by wave (v), targeting to 1100. After that, downward movement to 1020 and, later, 990 support is likely to occur later at the end of this year.**

Daily Market Report

**Dow Jones Eurostoxx 50€ Index, Daily**



**Dow Jones Eurostoxx 50€ Index technical picture is similar to those of S&P 500 Index. Testing 4650 resistance is still likely but further upward movement is under considerable doubt. Any breakout down the 4200 support may lead to testing 4000 and 3600 support levels.**

Daily Market Report

US Dollar Index



**US dollar Index is forming ending wave in the 5-wave formation, started in February. To confirm a reversal up, the price should cross 77.5 resistance level.**

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