



Global Daily

Pause ahead of stress tests hurdle



Financial Markets Research

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Market comments

- Equity markets took a bit of a breather in the face of the results of US bank stress tests, an ECB central bank meeting and non-farm payrolls. The pause makes a whole lot more sense than stocks rallying even further on tentative green shoots and ignoring the bad news that's still out there. Most Asian stock markets still managed some small gains, while their European counterparts were decidedly mixed. Only the FTSE-100 had a bit of catching up to do and added 2.2%. US stock markets retreated moderately, with the S&P500 falling 0.4%. 10Y UST yield unchanged on the day at 3.16%, but the 10Y Bund yield gave up 3bps to 3.21%.
- Bernanke testified before the Joint Economic Committee yesterday, presenting the tale of a slow recovery ahead. The Fed Chairman's comments were similar to last week's Fed statement, which included a slightly more upbeat assessment of the economic outlook, even as it acknowledged the economy was still weak. Bernanke this time around highlighted the recession may be losing steam and economic growth could pick up later this year on the back of firmer household spending, a bottom in the housing market and an end to inventory liquidation. He qualified these comments by noting the recovery's likely to prove slow and be accompanied by a high unemployment rate, while a relapse in financial conditions still poses a significant downside risk. When asked about the Fed's Treasury purchases program of US\$300 billion, the Fed Chairman explained it wasn't about targeting interest rates, but instead focused on injecting liquidity into capital markets.
- The results of the US bank stress tests are expected to be released tomorrow, after US market close. Leaks abound, with the WSJ reporting officials initially marked 14 out of 19 banks would need to raise more capital. After talks between the regulators and banks, that number apparently fell to 10.
- Also expected tomorrow: Treasury guidelines for the conditions under which banks are allowed to repay TARP money. Talk about one key condition being banks need to demonstrate they can issue debt to private investors without an FDIC guarantee.
- Deflation's not skipping the Eurozone. Eurozone PPI fell a more-than-expected -3.1% year-on-year in March from -1.8% a month earlier. This could become a headache for an ECB that's working off the assumption price expectations are well entrenched.
- Green shoots update. The US nationwide services PMI advanced 2.9 points to 43.7, the weekly US ABC consumer confidence poll rose 2 points to -43 and UK nationwide consumer confidence jumped 8 points to 50. Elsewhere the Business Council's confidence gauge, which measures confidence among US CEOs, surged to 50. That compared to a 25.9 reading in January.
- Central bank update: RBA left rates unchanged at 3%, SNB's Hildebrand reiterated commitment to preventing an appreciation of the CHF and Bank Indonesia cut its benchmark rate for a sixth consecutive month by 0.25% to 7.25%.

Day ahead

- Undoubtedly more market anxiety about the upcoming stress test results. Looks almost like whatever the outcome the market's going to be very glad the uncertainty will be over.
- EUR/USD hesitates ahead of key resistance area (200-day moving average at 1.3480, March highs at 1.3740). ECB meeting outcome tomorrow could offer up stark reminder of the relative impotence of this central bank compared to the Fed and BoE.
- Data watch: Eurozone retail sales, but in particular US ADP employment as a precursor to payrolls.

G5 macro data releases and key events

Time (CET)	Ctry	Indicator	Period	Cons	Actual	Prior
Overnight						
10:30	UK	PMI Construction	APR	31.9	38.1	30.9
11:00	EC	Euro-Zone PPI (YoY)	MAR	-2.9%	-3.1%	-1.8%
11:00	EC	Euro-Zone PPI (MoM)	MAR	-0.6%	-0.7%	-0.5%
16:00	US	ISM Non-Mfg Composite	APR	42.2	43.7	40.8
23:00	US	ABC Consumer Confidence	MAY3	-44	-43	-45
Today						
1:00	UK	Nationwide Consumer Confidence	APR	43	50	42
4:30	US	Fed's Yellen speaks				
9:55	GE	PMI Services	APRF	43.5	--	43.5
10:00	EC	PMI Services	APRF	43.1	--	43.1
10:00	EC	PMI Composite	APRF	40.5	--	40.5
10:30	UK	PMI Services	APR	46.3	--	45.5
10:30	UK	Official Reserves (Changes)	APR	--	--	\$422M
11:00	EC	Euro-Zone Retail Sales (MoM)	MAR	0.1%	--	-0.6%
11:00	EC	Euro-Zone Retail Sales (YoY)	MAR	-2.6%	--	-4.0%
11:30	EC	ECB's Tumpel-Gugerell speaks				
11:30	UK	BRC Shop Price Index	APR			
13:00	US	MBA Mortgage Applications	MAY1	--	--	-18.1%
13:30	US	Challenger Job Cuts (YoY)	APR	--	--	180.7%
14:15	US	ADP Employment Change	APR	-645K	--	-742K
15:30	US	Fed's Stern speaks				

Source: Bloomberg

Overnight Markets

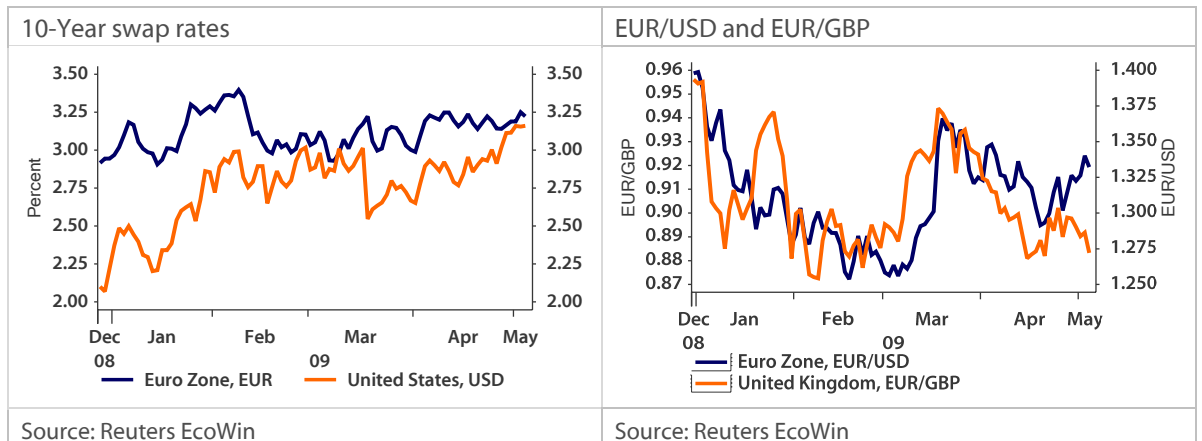
	Last	Previous	Change		Last	Previous	Change
Equity markets				Sovereigns			
DJ Industrials	8410.7	8426.7	-0.19%	10Y Treasuries	3.16	3.16	0bp
S&P 500	903.8	907.2	-0.38%	10Y Bunds	3.21	3.24	-3bp
Eurostoxx 50	2066.0	2054.5	0.56%	10Y JGB's	1.41	1.43	-3bp
DAX-30	4853.0	4902.5	-1.01%	Currencies			
FTSE 100	4336.9	4243.2	2.21%	EUR/USD	1.3290	1.3330	0.30%
Nikkei 225	8977.4	8828.3	1.69%	GBP/USD	1.5037	1.5090	0.35%
HK Hang Seng	16430.1	16381.1	0.30%	USD/JPY	98.80	98.82	0.03%
Money markets				Commodities			
3M EUR	1.34	1.35	-1bp	Oil Brent 1st fut.	54.1	54.6	-0.84%
3M USD	0.99	1.01	-2bp	CRB future	231.8	232.4	-0.23%
3M JPY	0.54	0.55	-1bp	Gold spot \$/oz	896.5	897.2	-0.07%

Source: Bloomberg

Rabobank Forecasts

EUR	06-05-09	1M	3M	12M
3m Euribor	1.35	1.17	0.99	1.18
2y swap	1.83	1.76	1.55	1.80
5y swap	2.76	2.68	2.60	2.85
10y swap	3.50	3.43	3.36	3.70
30y swap	3.81	3.72	3.61	3.74
USD	06-05-09	1M	3M	12M
3m Libor	1.01	0.92	0.86	0.70
2y swap	1.51	1.50	1.47	2.90
5y swap	2.61	2.60	2.57	3.64
10y swap	3.30	3.29	3.27	4.10
30y swap	3.70	3.70	3.70	4.37

Source: Rabobank Financial Markets Research



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