

# Morning Rundown



## Overnight Indices

Index	Level	Move	Long Term Trend	Short Term Trend	Trading Comments
DOW JONES INDEX	11348.55	-130.84	Neutral	Neutral	Struggling to get past the 11700 area
S&P 500 INDEX	1266.69	-11.91	Neutral	Neutral	Good recent buying volume, but also stalling
NASDAQ COMPOSITE	2384.36	-32.62	Neutral	Neutral	Outperforming but pulling back
GERMAN DAX	6282.43	-150.45	Neutral	Down	Possible trading range breakout here
FTSE 100	5320.40	-129.80	Neutral	Down	Uptrend over, watch for acceleration down
AUSTRALIA ASX ALL ORDS	4990.90	60.50	Neutral	Neutral	Still trying to form a base around 4900
HANG SENG INDEX	20803.47	319.10	Neutral	Neutral	Struggling for direction right now
TOKYO NIKKEI	12858.54	-6.51	Down	Neutral	Gone into a tight trading range for now

## CFD Currencies & Commodities

Index	Level	Move	Long Term Trend	Short Term Trend	Trading Comments
Euro v. US Dollar	147.83	0.80	Neutral	Euro bearish	Huge gap down ends euro bull run
Sterling v US Dollar	186.77	0.25	Neutral	Sterling bearish	New bear market for sterling
US Dollar v Japanese Yen	109.81	-0.20	Neutral	Dollar Bullish	Gentle trend in favour of the dollar
Gold Spot	816.80	11.10	Up	Down	Looks like the final leg of down move
Crude Oil	114.54	1.65	Up	Down	Impulsive downmove suggests bear market
CRB Index	388.51	4.16	Up	Down	Still bearish, but major support around \$380

## Market and Share News

US shares saw a second down day as rising oil prices, poor economic news and downbeat retail results all hit equities. US producer prices rose 1.2% in July, far above forecasts, after advancing 1.8% in June, and US housing starts in July fell 11% to an annual rate of 965,000, the lowest since March 1991. **Home Depot** reported a drop in net earnings from continuing operations to \$1.2bn from \$1.56bn as revenues slipped 5.4% to \$20.99bn from \$22.18bn. **Staples** said Q2 figures could be weaker than expected as consumers cut back on spending, and sector peer **Office Depot** fell in sympathy. **Saks** suffered its largest quarterly loss in two years and cut its sales forecast for the second year, while **Target** saw earnings decline for the fourth quarter in a row. Goldman Sachs issued a bearish assessment of **AIG**, believing it may be compelled to raise capital on a massive scale as a result of hits taken in the credit crunch. Balance sheet worries hurt **Lehman Bros**, after JP Morgan forecast it could declare \$4bn of credit write-downs in its Q3 results. Oil and coal stocks were better though with **Massey Energy**, **Peabody Energy**, **Chevron** and **Exxon Mobil** higher. Better than expected quarterly sales and earnings from **Hewlett Packard** after the close helped it advance in extended trade.

The FTSE 100 index fell sharply with financials well down on renewed concern that another major US bank could collapse in the next few months. Former chief of the IMF Professor Kenneth Rogoff spooked the banking sector when he warned that the credit crunch could claim another high profile victim in the US, and UK banks fell back, with **HBOS**, **Lloyds TSB** and **Barclays** the worst affected. Insurers were friendless, with **Legal & General**, **Prudential**, **Standard Life** and **Aviva** leading the sector lower. Property groups were weak after **Brixton** fell into an interim loss of £237m after a property valuation hit of £245m. **British Land**, **Hammerson** and linked property groups such as **Punch Taverns** and **Enterprise Inns** all dropped, with the former taking a further blow from JP Morgan, which downgraded it in a bearish review of the pub sector. **Wolseley's** exposure to the US housing market saw it under pressure, but **Smith and Nephew** was a bright spot, rising on speculation US orthopaedic device maker **Zimmer** would bid for it.

Technically, we are now seeing what looks like some impulsive downside action which contrasts with how lethargic recent rallies have been. On the Dow Jones Index, we are once again below the important 11700 area which has repelled it a couple of times, and it could be another mixed week. The Footsie is lagging because of sector variance, with weakness in oil and mining stocks impacting with their heavy weighting, so index players might not do as well as pure stock pickers, for which there are opportunities in both directions. Overall, we are now neutral on equities and the bigger picture suggests more downside to come.

In the press, the computer games industry has launched an unprecedented assault on illegal downloads, demanding payment from thousands of families who obtained the latest releases over the internet without paying, reports the Times.

**Barclays** would consider buying a US wealth management company but is highly unlikely to bid for an investment bank, Bob Diamond, the bank's president, told the Financial Times.

**Tesco** exaggerated the cheapness of its products in the battle for budget shoppers, the

advertising watchdog has ruled, reports the Independent.

The CE of **Alliance & Leicester** will receive a bonus of up to £750,000 if he remains with the company after it is taken over by Santander, according to documents released to shareholders yesterday, writes the Times.

The hedge fund group that took a huge bet on **Northern Rock** last autumn has lost 85% of investors' money, amid evidence of a poor spell for many hedge funds. **SRM** is down by 85%, according to The Wall Street Journal, including a minus 77% performance in the past year, reports the Times.

**Brixton** CE Tim Wheeler has compared the state of the commercial property market to the apocalyptic atmosphere of Bob Dylan's 1967 song, "All Along the Watchtower", reports the Telegraph.

The SFO may launch an investigation into the collapse of **Silverjet**, after receiving a complaint. The airline collapsed weeks after it announced it had arranged a loan of up to \$100m from Viceroy Holdings. The first instalment of \$5m failed to arrive and days later Silverjet grounded planes, leaving business travellers stranded, reports the Telegraph.

Mortgage lending will contract by almost 20% this year, reflecting the market uncertainty, falling house prices, and rising arrears, market analyst Datamonitor has warned, reports the Independent.

The world's biggest brick-maker, **Wienerberger**, is mothballing two British factories as part of 25 closures across Europe, after profits fell 31% during the property slowdown, reports the Telegraph.

**Results: Mecom** saw H1 pre-tax profit of £42m £17m after a 2% decline in advertising spending to £401m, and expects a similar performance in H2. **Xaar** announces an H1 pre-tax profit of £3.8m, citing improved profitability despite lower than expect sales into China. It also sees lower China sales in H2 and warns this will affect H2 profits.

The FTSE 100 index is set to open around 10 points up this morning.

**Diary:** 08:30 UK July PSNCR m/m, -€9.8bn exp.  
10:00 UK August CBI orders, -12.0 exp.

## CFD Trades for the open

**Buy:**

**Sell:**