



Weekly Market Insight

July 9, 2010

NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

Will the Bulls Keep Running?

By Peter Buchanan

Besides Pamplona, the bulls were out in some force this week on Wall Street, after a lengthy absence. Whether they continue to roam quite so freely will depend in no small part on the upcoming S&P earnings season, which begins Monday. Market eyes will also be on China. That country, a centre of slowdown fears that have battered commodities, reports Q2 GDP on Thursday, becoming the first major economy to do so.

Investors and companies have had their plates full of market moving developments lately. Eurozone contagion fears dominated the headlines during the spring. More recently, concerns have shifted to the US economy itself.

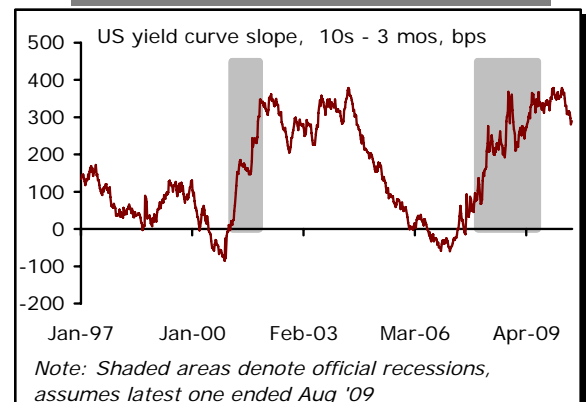
Forward-looking data is always more critical in interesting times. Analysts are expecting a year-on-year rise of 23% in earnings for the S&P 500 in the quarter ended. How well firms do against that target will as always be of significance. But even more important, given the fast-changing backdrop, will be the clues provided in the guidance of what to expect down the road.

Announcements from some firms have suggested that meeting last quarter's targets may not prove so difficult. However, the year-on-year comps will get more challenging from here as the earnings recovery matures. Given that fact, a loss of fiscal support and drag from the higher dollar, investors will be more interested in firms' views on their ability to validate the 27% and 31% earnings gains pencilled in for Q3 and Q4, based on the Thomson data.

Double-dip recession fears appear to have eased a bit in recent days, contributing to the improved tone. That's not so surprising. While the housing data has been abysmal, two broader gauges of the US economy's health are still some way from recessionary territory. The yield curve has only flattened by about a fifth as much as it did before the last two recessions (Chart). The ISM index, while softer, is still 14 points above the level typically associated with a broad economic pullback. The IMF's upgrade of its forecast for 2010 global growth also helped to ease gloom on Thursday.

Part of the story there was China. With fiscal retightening set to slow growth in the indebted developed nations to a crawl of 2% or less next year, the global recovery's prospects will rest even more on the shoulders of emerging market businesses and consumers. China's GDP report will indicate whether those in one key market are up to the task.

Yield Curve Not Yet Clearly Signalling a "Double Dip"



Market Snapshot

US	Current*	yesterday*	a week ago*	a month ago*	a year ago
TED SPREAD (bps)	38	38	37	46	35
10Y / 2Y SPREAD (bps)	242	240	233	252	243
2Y SWAP SPREAD (bps)	31	32	36	38	37
3M T-Bill (%)	0.15	0.15	0.16	0.08	0.16
LIBOR 1 MONTH (%)	0.34	0.34	0.35	0.35	0.29
LIBOR 3 MONTH (%)	0.53	0.53	0.53	0.54	0.51
2-YR BOND (%)	0.63	0.63	0.63	0.75	0.91
5-YR BOND (%)	1.84	1.82	1.81	2.05	2.25
10-YR BOND (%)	3.06	3.03	2.97	3.27	3.34
A Rated / 10Y TREASURY (bps)	173	172	175	182	277
B Rated / 10Y TREASURY (bps)	660	657	659	596	844
BB Rated / 10Y TREASURY (bps)	452	451	453	435	646
CANADA					
PRIME / BA SPREAD (bps)	177	182	183	184	186
CDOR 3 MONTH (%)	0.85	0.85	0.84	0.79	0.60
CDOR 3 MONTH / 3M T-BILL SPREAD (bps)	38	35	34	25	37
10Y / 2Y SPREAD (bps)	150	156	165	159	214
2-YR BOND (%)	1.73	1.67	1.44	1.82	1.17
5-YR BOND (%)	2.55	2.50	2.36	2.74	2.41
10-YR BOND (%)	3.23	3.22	3.09	3.41	3.31
A Rated / 10Y TREASURY (bps)	124	125	129	129	197
BBB Rated / 10Y TREASURY (bps)	188	190	190	198	252
CAN Sovereign Agency / 10Y TREASURY (bps)	41	45	42	47	54
Provincial / 10Y TREASURY (bps)					
ALTA	69	73	71	79	101
BC	87	90	89	90	102
MAN	83	87	84	90	98
NB	91	91	90	94	99
PEI	102	101	100	105	132
NFLD	110	112	110	107	130
ONT	99	101	100	103	110
QUE	104	107	106	110	117
SASK	97	100	100	97	99
NS	97	99	98	101	120
COMMODITIES					
WTI CRUDE FUTURE (US\$ / bbl.)	75.5	75.6	72.7	74.2	59.2
NATURAL GAS (US\$ / MMBtu)	4.4	4.6	4.8	4.8	3.4
SILVER (US\$ / t oz.)	18.1	17.8	17.7	18.1	12.6
GOLD (US\$ / t oz.)	1209.0	1192.5	1205.6	1228.9	909.3
WHEAT (US¢ / bu.)	528.3	515.3	483.0	434.0	495.3
SOYBEANS (US¢ / bu.)	1012.5	996.5	953.5	934.8	1105.5
SUGAR (US¢ / lb.)	17.2	17.2	16.4	15.5	17.1
CORN (US¢ / bu.)	376.0	372.5	362.3	344.8	346.0
FX					
C\$ / US\$	1.030	1.042	1.062	1.036	1.162
US\$ / EURO	1.264	1.267	1.259	1.210	1.393
C\$ / EURO	1.302	1.320	1.337	1.253	1.619
YEN / US\$	88.480	88.390	87.750	91.570	92.502
US\$ / BRITISH POUND	1.512	1.513	1.520	1.458	1.621
SWISS FRANCS / US\$	1.056	1.051	1.065	1.150	1.087

* As of 11:00 a.m.

Note: Data is for reference only.

International Stock Indexes

Thursday, July 08, 2010

Index (Regiona/Country)	DAILY				% Chg - +	YTD % chg	52 WEEK			3-yr % chg
	High	Low	Close	Chg			High	Low	% Chg	
Global										
The Global Dow (World)	1781.7	1755.57	1778.63	21.93	1.25	-10.4	2087.12	1561.11	13.1	-11.4
The Global Dow (Euro) (World)	1321.52	1315.7	1320.79	11.43	0.87	1.4	1448.65	1054.36	24.7	-9.2
DJ Global Index (World)	213.32	210.21	212.84	2.53	1.2	-6.2	242.2	177.4	19.4	-11.7
DJ Global ex U.S. (World)	185.65	182.42	185.08	2.51	1.37	-8	210.96	156.97	17.1	-12.4
MSCI EAFE* (World)	n.a.	n.a.	1410.4	21.01	1.51	-10.8	1642.2	1251.92	11.8	-15
Asia Pacific										
DJ Asia-Pacific (Asia-Pacific)	119.23	116.91	118.88	1.75	1.49	-3.4	132.22	101.22	14.5	-9.8
All Ordinaries (Australia)	4374	4298.2	4374	96.22	2.25	-10.4	5024.1	3738	16.3	-11.8
S & P/ASX 200 (Australia)	8356.9	4277.7	4356.85	102.29	2.4	-10.5	5001.9	3737.5	15.8	-11.8
DJ CBN China 600 (China)	21753.12	21417.34	21533.53	-55.31	-0.26	-25.9	29890.92	20950.68	-20.2	-9.6
Dow Jones China 88 (China)	214.89	211.81	212.52	-0.4	-0.19	-29.5	327.69	208.48	-28.3	-12.9
Shanghai Composite (China)	2436.28	2402	2415.15	-5.97	-0.25	-26.3	3471.44	2363.95	-22.7	-13.9
Hang Seng (Hong Kong)	20236.18	20002.01	20050.56	193.49	0.97	-8.3	22943.98	17254.63	12.7	-3.8
Bombay Sensex (India)	17728.37	17536.48	17651.73	180.7	1.03	1.1	17970.02	13400.32	28.3	5.7
Jakarta Composite (Indonesia)	2936.26	2902.63	2915.91	13.86	0.48	15.1	2971.25	2020.14	39.9	9.4
Nikkei 300 (Japan)	174.6	173.15	174.28	4.02	2.36	-5.8	202.75	164.24	-0.5	-21.3
Nikkei Stock Avg (Japan)	9545.99	9456.19	9535.74	256.09	2.76	-9.6	11339.3	9050.33	2.6	-19.3
Topix Index (Japan)	862.73	855.76	861.02	19.51	2.32	-5.1	998.9	811.01	-1.5	-21.5
Kuala Lumpur Composite (Malaysia)	1317.05	1312.95	1316.03	4.28	0.33	3.4	1346.92	1063.66	23.5	-1.4
NZSX-50 (New Zealand)	2990.33	2961.74	2983.93	22.2	0.75	-7.6	3335.51	2736.89	8.8	-10.9
KSE 100 (Pakistan)	9895.75	9781.76	9860.99	71.3	0.73	5.1	10677.47	7430.01	32.7	-11
Manila Composite (Philippines)	3405.78	3374.82	3398.16	48.08	1.44	11.3	3398.16	2473.85	37.4	-3.3
Straits Times (Singapore)	2898.6	2886.7	2897.15	36.12	1.26	-0.02	3019.74	2266.64	25.5	-6
Kospi (South Korea)	1702.65	1692.93	1698.64	22.99	1.37	0.9	1752.2	1378.12	18.7	-3
Colombo Stock Exchange (Sri Lanka)	4536.65	4461.94	4521.4	50.62	1.13	33.5	4658.68	2348.26	92.5	21.5
Weighted (Taiwan)	7622.46	7583.36	7608.85	74.39	0.99	-7.1	8356.89	6530.82	12.8	-6.1
SET (Thailand)	826.09	817.57	817.57	2.89	0.35	11.3	817.57	562.55	40.5	-0.6
Europe										
Stoxx Europe 600 (Europe)	249.37	247.11	248.6	2.54	1.03	-1.8	272.14	197.25	24.7	-14.5
Stoxx Europe 50 (Europe)	2425.54	2395.48	2417.64	28.25	1.18	-6.3	2711.84	2016.25	18.5	-15.3
Euro Stoxx 50 (Euro zone)	2676.75	2643.47	2666.42	32.03	1.22	-10.1	3017.85	2281.47	15.2	-16.2
Euro Stoxx (Euro zone)	255.16	252.27	254.24	2.88	1.15	-7.5	284.91	212.34	18.1	-16.6
ATX (Austria)	2337.41	2292.2	2331.55	38.29	1.67	-6.6	2795.32	1960.1	18	-22.3
Bel-20 (Belgium)	2458.51	2429.46	2455.99	40.18	1.66	-2.2	2716.7	1964.24	24.8	-19.2
PX 50 (Czech Republic)	1144.7	1130.4	1140.8	23.3	2.09	2.1	1314.6	888.7	28.1	-15.6
OMX Copenhagen (Denmark)	383.81	378.6	379.46	2.47	0.66	20.2	392.6	262.45	43.7	-7.6
OMX Helsinki (Finland)	6403.5	6339.77	6358.73	18.52	0.29	-1.5	7452.62	5351.64	17.4	-18.2
CAC 40 (France)	3553.61	3504.78	3538.25	54.81	1.57	-10.1	4065.65	2983.1	16.9	-16.6
DAX (Germany)	6057.52	6006.68	6035.66	42.8	0.71	1.3	6332.1	4576.31	30.4	-9.2
BUX (Hungary)	22748.67	21901.54	22654.21	993.07	4.58	6.7	25322.96	14325.71	55.3	-8.1
FTSE MIB (Italy)	20319.02	20106.13	20243.73	230.66	1.15	-12.9	24425.98	17836.99	11.5	-21.8
AEX (Netherlands)	323.48	318.54	322.62	5.06	1.59	-3.8	357.43	243.2	30.6	-16.5
All-Shares (Norway)	399	393.3	394.74	1.44	0.37	-6	444.01	309.72	24.9	-12.7
WIG (Poland)	40605.73	40321.16	40373.98	99.99	0.25	1	44078.65	29611.48	34.8	-15.8
PSI 20 (Portugal)	7462.47	7386.41	7442.64	66.37	0.9	-12.1	8882.69	6624.29	5.7	-18
DJ Russia Titans 10 (Russia)	5325.49	5211.78	5223.36	-49.75	-0.94	-6.3	6071.02	3573.62	44.4	-9.2
RTS Index (Russia)	1374.65	1356.09	1356.09	3.38	0.25	-5	1676.27	835.23	53.2	-11.8
IBEX 35 (Spain)	10120.7	9929.6	10080.5	93.1	0.93	-15.6	12222.5	8669.8	6.7	-12.5
SX All Share (Sweden)	320.47	314.82	316.14	-1.47	-0.46	5.6	337.54	237.71	32.2	-8.8
Swiss Market (Switzerland)	6186.84	6131.43	6155.72	56.52	0.93	-6	6967.56	5237.81	16	-12.7
Istanbul National 100 (Turkey)	57623.54	57056.1	57345.59	547.04	0.96	8.6	59330.34	36701.2	55	4.8
FTSE 100 (U.K.)	5123.5	5014.8	5105.45	90.63	1.81	-5.7	5825	4127.2	22.8	-8.6
FTSE 250 (U.K.)	9726.76	9562.7	9719.18	156.5	1.64	4.4	10690.08	7184.43	34.4	-6.4
Americas										
DJ Americas (Americas)	286.06	282.33	285.54	2.77	0.98	-3.7	324.75	228.8	24.3	-9.8
Merval (Argentina)	2289.6	2257.8	2289.5	24.5	1.08	-1.3	2487.76	1477.84	54.9	0.6
Sao Paulo Bovespa (Brazil)	63595.7	62894.62	63476.32	192.52	0.3	-7.5	71784.77	48872.58	29.1	4
S & P/TSX Comp (Canada)	11475.72	11330.61	11433.37	36.1	0.32	-2.7	12280.97	9747.13	17	-6.8
Santiago IPSA (Chile)	4175.9	4129.39	4175.9	46.51	1.13	16.6	4175.9	3081.28	35.4	6.8
IPC All-Share (Mexico)	32171.57	31733.61	31960.64	-74.55	-0.23	-0.5	34134.23	23634.27	35.2	-0.5
Caracas General (Venezuela)	66061.09	65602.73	66061.09	458.36	0.7	19.9	66061.09	44515.24	47.7	18
Other Countries										
CASE 30 (Egypt)	6074.9	6026.87	6026.87	81.94	1.38	-2.9	7603.04	5229.4	10.4	-9.6
Tel Aviv (Israel)	1092.46	1082.94	1090.15	15.92	1.48	-4.8	1237.85	836.37	28.5	-1.4
Johannesburg All Share (South Africa)	27153.66	26854.92	27061.19	206.27	0.77	-2.2	29565.1	22157.88	22.1	-2.5

*Europe, Australia, Far East: U.S.-dollar terms.

Three year percent change is annualized.

Sources: Reuters; WSJ.com

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