



Weekly Market Insight

September 3, 2010

GOOD US NUMBERS? OR JUST NOT HORRIBLE?

By Avery Shenfeld

Three data releases from the US this week brought more cheer to the equity markets than to those trying to track the fortunes of America's economy. In traders' parlance, the numbers were "better than expected", and therefore a reason to swing from the safety of bonds into the risky, but perhaps more rewarding, world of equities.

In absolute terms, however, only one of the three was actually a solid reading in terms of growth. That was the ISM manufacturing index, which at its August level of 56.3, has typically been associated with roughly 4% real GDP growth.

But the reason the market was so surprised is that other signposts for manufacturing have not lined up with the robust view indicated by the ISM. New orders, including core measures that strip out aircraft or defense, have shown little momentum in recent months, at a time when both the ISM and its orders component pointed to better figures. The ISM employment index claimed manufacturers were hiring, while August payrolls instead showed small net job losses. And finally, most of the regional factory purchasers indexes were heading lower in August just as the NAPM pressed higher. So we have some reasons to be skeptical on the degree of strength indicated by the latter.

The other two reports that caught market attention beat expectations, but in absolute terms were still weak. The pace of private sector job creation, at 67,000 in August, and an average of 78,000 in the last three months, is not indicative of recession. But these tallies are still a far cry from the 200,000 pace we would need to sustain to make significant inroads in the unemployment rate over the medium term.

Pending home sales looked good only in the one-month percentage change. That came after two abysmal months that were artificially low because sales had earlier been rushed to beat the deadline for an expiring tax incentive. The latest tally was still the third weakest on record, despite new lows in interest rates and still-cheap house prices.

So America-watchers enter the week ahead not far from where they stood a week earlier. The news suggested that those expecting a double dip, and particularly those believing we had already entered a US recession, are off the mark. To the extent that Treasury yields were starting to price in such a scenario, the latest news was a wake-up call. But we are also tracking a US economy that is nowhere near the pace it needs to be at this stage of the business cycle, one still needing easy monetary policy and a softening in next year's planned fiscal tightening if it is going to stay out of trouble.

Market Snapshot

US	Current*	yesterday*	a week ago*	a month ago*	a year ago
TED SPREAD (bps)	17	17	16	30	19
10Y / 2Y SPREAD (bps)	220	212	202	236	247
2Y SWAP SPREAD (bps)	18	19	16	18	36
3M T-Bill (%)	0.12	0.12	0.14	0.15	0.12
LIBOR 1 MONTH (%)	0.26	0.26	0.26	0.31	0.25
LIBOR 3 MONTH (%)	0.29	0.29	0.30	0.45	0.31
2-YR BOND (%)	0.52	0.49	0.52	0.56	0.90
5-YR BOND (%)	1.50	1.42	1.43	1.62	2.30
10-YR BOND (%)	2.71	2.61	2.55	2.93	3.37
A Rated / 10Y TREASURY (bps)	163	169	158	175	199
B Rated / 10Y TREASURY (bps)	622	630	626	687	674
BB Rated / 10Y TREASURY (bps)	435	444	438	453	534
CANADA					
PRIME / BA SPREAD (bps)	169	173	182	186	185
CDOR 3 MONTH (%)	1.03	1.03	1.01	0.99	0.50
CDOR 3 MONTH / 3M T-BILL SPREAD (bps)	32	33	39	34	29
10Y / 2Y SPREAD (bps)	157	158	156	165	210
2-YR BOND (%)	1.38	1.28	1.27	1.49	1.28
5-YR BOND (%)	2.20	2.10	2.09	2.32	2.61
10-YR BOND (%)	2.95	2.86	2.83	3.14	3.37
A Rated / 10Y TREASURY (bps)	123	129	127	136	122
BBB Rated / 10Y TREASURY (bps)	180	186	182	188	186
CAN Sovereign Agency / 10Y TREASURY (bps)	33	41	33	49	47
Provincial / 10Y TREASURY (bps)					
ALTA	68	75	67	71	86
BC	88	95	89	94	90
MAN	82	89	81	83	82
NB	89	98	90	91	86
PEI	95	102	100	108	119
NFLD	109	115	109	114	116
ONT	97	104	98	100	99
QUE	101	108	102	108	104
SASK	101	107	100	106	89
NS	98	104	97	107	104
COMMODITIES					
WTI CRUDE FUTURE (US\$ / bbl.)	73.8	73.8	73.1	77.6	67.7
NATURAL GAS (US\$ / MMBtu)	3.8	3.8	3.8	4.9	2.6
SILVER (US\$ / t oz.)	19.8	19.6	19.1	18.0	16.0
GOLD (US\$ / t oz.)	1250.7	1252.2	1240.7	1175.0	989.3
WHEAT (US¢ / bu.)	700.3	684.3	660.8	640.8	451.3
SOYBEANS (US¢ / bu.)	1030.0	1000.0	1016.8	1042.8	983.8
SUGAR (US¢ / lb.)	20.8	20.6	19.4	19.5	21.6
CORN (US¢ / bu.)	448.5	429.3	421.0	385.3	308.0
FX					
C\$ / US\$	1.040	1.053	1.058	1.031	1.090
US\$ / EURO	1.288	1.282	1.272	1.304	1.423
C\$ / EURO	1.340	1.350	1.346	1.344	1.552
YEN / US\$	84.460	84.170	85.010	86.680	92.870
US\$ / BRITISH POUND	1.543	1.539	1.549	1.567	1.634
SWISS FRANCS / US\$	1.018	1.012	1.025	1.045	1.066

* As of 11:00 a.m.

Note: Data is for reference only.

International Stock Indexes

Thursday, September 02, 2010

Index (Regiona/Country)	DAILY				% Chg		YTD	52 WEEK			3-yr	
	High	Low	Close	Chg	-	+	% chg	High	Low	% Chg	% chg	
Global												
The Global Dow (World)	1839.5	1826.06	1839.07	12.16			0.67	-7.3	2087.12	1699.63	2.7	-9.8
The Global Dow (Euro) (World)	1350.97	1341.81	1349.92	8.1			0.6	3.7	1448.65	1181.67	14.1	-8
DJ Global Index (World)	220.51	218.79	220.46	1.56			0.71	-2.9	242.2	203.56	7.6	-9.3
DJ Global ex U.S. (World)	193.96	192.56	193.73	1			0.52	-3.7	210.96	170.93	6.1	-9.6
MSCI EAFE* (World)	n.a.	n.a.	1471.96	6.28			0.43	-6.9	1642.2	1305.13	0.7	-12.4
Asia Pacific												
DJ Asia-Pacific (Asia-Pacific)	123.4	121.99	123.28	1.29			1.06	0.2	132.22	111.94	6.4	-7.6
All Ordinaries (Australia)	4583.2	4542.4	4563	36.2			0.8	-6.5	5024.1	4250.6	2.9	-10
S & P/ASX 200 (Australia)	4552.7	4513.4	4532.66	36.95			0.82	-6.9	5001.9	4222.1	2.3	-10.1
DJ CBN China 600 (China)	24968.47	24544.64	24891.21	346.67			1.41	-14.3	29811.23	20950.68	1.8	-15.2
Dow Jones China 88 (China)	234.24	230.75	233.02	2.3			1	-22.7	308.76	208.48	-11.8	-20.6
Shanghai Composite (China)	2659.98	2636.42	2655.78	32.89			1.25	-19	3338.66	2363.95	-6.7	-20.2
Hang Seng (Hong Kong)	20938.29	20819.61	20868.92	245.09			1.19	-4.6	22943.98	18985.5	5.6	-4.5
Bombay Sensex (India)	18355.84	18215.28	18238.31	32.44			0.18	4.4	18454.94	15398.33	18.4	6
Jakarta Composite (Indonesia)	3159.72	3105.81	3122.15	-13.17	-0.42			23.2	3145.14	2322.25	34.4	12.5
Nikkei 300 (Japan)	167.3	165.06	166.67	1.66			1.01	-9.9	202.75	163.58	-12	-19.9
Nikkei Stock Avg (Japan)	9083.37	8958.81	9062.84	135.82			1.52	-14.1	11339.3	8824.06	-11.3	-18.2
Topix Index (Japan)	822.98	812.03	819.42	8.02			0.99	-9.7	998.9	804.67	-13.1	-20.1
Kuala Lumpur Composite (Malaysia)	1441.8	1431.71	1441.07	9.11			0.64	13.2	1441.07	1173.66	22.8	4.2
NZSX-50 (New Zealand)	3112.36	3077.1	3082.48	5.38			0.17	-4.6	3335.51	2933.82	-0.3	-9.2
KSE 100 (Pakistan)	9833.71	9717.22	9762.89	27.51			0.28	4	10677.47	8762.4	10.7	-7.2
Manila Composite (Philippines)	3666.92	3593.41	3666.54	73.13			2.04	20.1	3666.54	2768.61	30.8	2.9
Straits Times (Singapore)	3013.21	2986.66	2986.66	3.83			0.13	3.1	3025.04	2583.73	14.9	-3.6
Kospi (South Korea)	1783.85	1767.67	1775.73	11.04			0.63	5.5	1790.6	1524.5	10.1	-1.8
Colombo Stock Exchange (Sri Lanka)	5809.18	5690.63	5785.17	94.88			1.67	70.9	5785.17	2630.77	119.9	31.8
Weighted (Taiwan)	7780.53	7715.31	7720.82	52.57			0.69	-5.7	8356.89	7071.67	8.7	-4.9
SET (Thailand)	928.51	912.45	920.54	1.2			0.13	25.3	920.54	665.54	38.3	4.2
Europe												
Stoxx Europe 600 (Europe)	258.81	257.1	258.18	-0.01	-0.004			2	272.14	230.68	11.9	-11.8
Stoxx Europe 50 (Europe)	2517.12	2500.55	2510.08	-3.65	-0.15			-2.7	2711.84	2285.13	6.8	-12.7
Euro Stoxx 50 (Euro zone)	2725.71	2696.05	2715.19	-0.08	-0.003			-8.5	3017.85	2488.5	0.6	-14.2
Euro Stoxx (Euro zone)	260.42	257.74	259.59	0.48		0.19		-5.5	284.91	237.29	3.5	-14.4
ATX (Austria)	2475.14	2450.36	2465.42	4.13		0.17		-1.2	2795.32	2216.84	1.6	-18.7
Bel-20 (Belgium)	2544.79	2520.98	2537.76	6		0.24		1	2716.7	2296.81	9.3	-16.5
PX 50 (Czech Republic)	1178.2	1160.6	1178.2	21.7		1.88		5.5	1314.6	1092.8	3.9	-13
OMX Copenhagen (Denmark)	380.75	377.2	378.27	-1.62	-0.43			19.8	396.15	304.45	24.2	-7.3
OMX Helsinki (Finland)	6747.37	6703.65	6730.73	14.96		0.22		4.3	7452.62	5913.92	10.9	-16.7
CAC 40 (France)	3646.29	3598.18	3631.43	7.59		0.21		-7.7	4065.65	3331.29	2.2	-13.8
DAX (Germany)	6104.09	6052.55	6083.85	-0.05	-0.001			2.1	6351.6	5301.42	14.8	-7.3
BUX (Hungary)	23095.9	22730.97	22857.7	-153	-0.66			7.7	25322.96	18821.29	21.4	-5.9
FTSE MIB (Italy)	20479.22	20240.18	20412.28	42.32		0.21		-12.2	24425.98	18382.71	-6.9	-20.2
AEX (Netherlands)	327.69	323.87	326.57	1.05		0.32		-2.6	357.43	289.01	13	-14.5
All-Shares (Norway)	408.7	404.69	405.78	-1.72	-0.42			-3.4	444.01	345.32	17.5	-9.6
WIG (Poland)	42761.9	42514.45	42704.39	234.75		0.55		6.8	44078.65	35883.47	18.6	-11
PSI 20 (Portugal)	7501.71	7418.14	7425.49	-36.07	-0.48			-12.3	8882.69	6624.29	-3.9	-16.4
DJ Russia Titans 10 (Russia)	5588.24	5510.25	5556.91	20.19		0.36		-0.3	6071.02	4347.87	26.7	-6.8
RTS Index (Russia)	1461.94	1448.23	1455.64	5.65		0.39		2	1676.27	1063.57	35.5	-8.8
IBEX 35 (Spain)	10578.6	10467.7	10537.6	-7.2	-0.07			-11.7	12222.5	8669.8	-4.4	-10.1
SX All Share (Sweden)	327.2	324.83	326.01	-1	-0.31			8.9	337.54	271.27	20	-6.1
Swiss Market (Switzerland)	6341.98	6308.12	6333.65	1.22		0.02		-3.2	6967.56	5942.25	4.3	-10.7
Istanbul National 100 (Turkey)	60955	60394.97	60865.73	180.23		0.3		15.2	60865.73	44585.14	31.9	6.6
FTSE 100 (U.K.)	5383.7	5347	5371.04	4.63		0.09		-0.8	5825	4796.8	12	-5.2
FTSE 250 (U.K.)	10154.4	10040.44	10140.97	80.08		0.8		9	10690.08	8604.8	17.9	-3.6
Americas												
DJ Americas (Americas)	293.03	290.14	292.95	2.57		0.89		-1.2	324.75	263.27	11.3	-7.7
Merval (Argentina)	2415.92	2398.56	2415.92	21.16		0.88		4.1	2487.76	1754.71	37.7	5.4
Sao Paulo Bovespa (Brazil)	67167.76	66404.82	66808.08	-264.45	-0.39			-2.6	71784.77	55707.17	19.9	6.9
S & P/TSX Comp (Canada)	12111.94	12003.7	12111.09	107.31		0.89		3.1	12280.97	10805.33	10.9	-3.9
Santiago IPSA (Chile)	4603.77	4576.78	4597.6	14.81		0.32		28.4	4597.6	3184.04	44.1	11.6
IPC All-Share (Mexico)	32538.53	32270.23	32417.33	78.1		0.24		0.9	34134.23	28150.09	15.2	2.2
Caracas General (Venezuela)	64842.44	64768.77	64768.77	...	unch.			17.6	66061.09	50100.35	25.3	17.9
Other Countries												
CASE 30 (Egypt)	6540	6511.03	6526.41	33.13		0.51		5.1	7603.04	5850.38	-1.3	-5.6
Tel Aviv (Israel)	1159.35	1149.87	1157.45	3.32		0.29		1.1	1237.85	939.71	19.4	2.4
Johannesburg All Share (South Africa)	28047.13	27823.83	27840.98	-138.28	-0.49			0.6	29565.1	24519.76	13.1	-1

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

Three year percent change is annualized.

Sources: Reuters; WSJ.com

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