

Politicians...

Today's comment

Majors & Scandies

By the Majors & Scandis Team

Yesterday stock markets rose as negotiations in the US Congress on the infamous 700 bn USD bank bail out plan looked promising. However all hope of an impending solution was lost as negotiations fell flat after a meeting in the White House between President Bush and the presidential candidates. At the meeting the Republican candidate John McCain supposedly threw his support behind an alternative suggested solution proposed by a group of conservative Republican lawmakers. Thus it seems that negotiations have turned into chaos.

To make matters worse the Seattle-based bank Washington Mutual was closed by regulators in what has already been named the biggest bank failure in US history. The bank collapsed as its credit rating was cut to junk, its stock price tumbled and customers withdrew 16.7 billion USD from their account since September 16th. The third largest bank in the US, Morgan Stanley, said that it bought the deposits of Washington Mutual for 1.9 bn USD and that it would be business as usual on Friday morning. However there is no doubt that we are in for a rough day with a sustained pressure on credit markets and an unwinding of carry trades in the FX markets. Hence we prefer to maintain a neutral stance for the time being.

Emerging Markets

By the Emerging Markets Team

Financial markets were in a marginally positive mood yesterday as market participants were hoping for Congress to reach an agreement on the USD 700 bn. rescue package. Reports of an agreement having been reached were good news for the financial markets including EM. But it turned out that a group of Republicans does not agree with the guidelines in the package and it still remains uncertain what the outcome will be. On top of that another US



financial was in troubles and had to be taken over - JP Morgan buys Washington Mutual. Hence what yesterday seemed to have the potential to become a positive day now seems to be yet another day with fragile markets.

Taking a look at the local stories the central banks in the Czech Republic and Romania chose to keep rates unchanged. We had expected a 25 bps cut in the Czech Republic. In spite of a weaker growth outlook and expectations of decreasing inflation, CNB chose to keep the rate unchanged because of the many uncertainties that are present in the financial markets at the moment. We still expect cuts of 50 bps in the key rate within the next 6 months. In Romania we had expected a 25 bps hike but it now seems that the central bank could be reluctant to hike further. There are no important data releases on EM today and focus will once again be directed towards the US and news on the rescue package.

Today's Key Events

- N/A CPI from German federal states (DEM)
- 10:00 Retail sales (PLN)
- 10:00 Unemployment (PLN)
- 12:15 ECB' Wellink (EUR)
- 14:30 GDP (USD)
- 14:30 Personal consumption (USD)
- 15:00 ECB's Bini Smaghi speaks (EUR)
- 16:00 Trade balance (TRY)
- 19:15 ECB's Wellink and Gonzalez-Paramo speaks (EUR)

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Majors Short Term (0-1 Month) FX Recommendations						
Currency	Spot	Short Term	Entry Date	Entry Price	Target*	Stop Loss*
EURUSD	146,32	neutral	sep 05		140,90 - 148,60	-
USDDKK	509,964	neutral	sep 05		502,14 - 529,58	-
EURGBP	79,587	neutral	aug 28		77,95 - 82,00	-
GBPDKK	937,564	neutral	aug 28		909,97 - 957,25	-
EURJPY	154,63	neutral	sep 05		148,20 - 158,75	-
JPYDKK	4,82558	neutral	sep 05		4,70 - 5,03	-
EURCHF	158,88	neutral	jun 06		154,40 - 160,80	-
CHFDKK	469,649	neutral	jun 06		464,04 - 483,28	-
EURNOK	827,633	neutral	sep 01		815,00 - 854,70	-
NOKDKK	90,1582	neutral	sep 01		87,30 - 91,56	-
EURSEK	966,03	neutral	jun 04		953,00 - 974,00	-
SEKDKK	77,2418	neutral	jun 04		76,61 - 78,30	-
AUDUSD	83,08	neutral	aug 08		78,40 - 86,65	-
NZDUSD	68,51	neutral	aug 06		67,15 - 72,00	-
USDCAD	103,44	neutral	feb 19		103,00 - 106,55	-
USDJPY	105,68	neutral	maj 05		100,90 - 108,80	-

* Adjusted against DKK to daily EURDKK exchange rate

<< = Recommendation updated

Emerging Markets Short Term (0-1 Month) FX Recommendations						
Currency	Spot	Short Term	Entry Date	Entry Price	Target*	Stop Loss*
EURCZK	24,39	neutral	jul 07		23,50 - 25,50	-
CZKDKK	30,58	neutral	jul 07		29,25 - 31,74	-
EURPLN	3,33	neutral	jul 24		3,25 - 3,50	-
PLNDKK	224,11	neutral	jul 24		213,09 - 229,48	-
EURISK	137,00	neutral	sep 24		132,00 - 147,00	-
ISKDKK	5,44	neutral	sep 24		5,07 - 5,65	-
EURTRY	1,81	neutral	sep 19		1,74 - 1,90	-
TRYDKK	412,17	neutral	sep 19		392,53 - 428,63	-
EURZAR	11,91	neutral	sep 19		11,00 - 12,20	-
ZARDKK	62,61	neutral	sep 19		61,13 - 67,80	-

* Adjusted against DKK to daily EURDKK exchange rate

<< = Recommendation updated

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