



## Summer Sunrise Market Commentary

- Dollar rebound continues, while commodities lose further ground
- Euro and Sterling confirm technical break lower, which may point to a longer-term trend reversal
- War between Georgia and Russia fails to support oil and gold prices
- US equities extend rebound, but Asia slightly lower this morning
- JPMorgan Chase writes down an additional 1.5 B USD on mortgage-backed assets in July
- China's CPI falls to a 10-month low at 6.3% Y/Y on slower food-price gains
- Fed's Senior Loan Officer Survey points to tighter lending conditions on all major loan categories
- UK housing market at a 'virtual standstill', while UK same-store sales decline for the fourth month in five
- UK CPI and US trade balance in the focus today

### Markets

S&P	↗
Eurostoxx50	↗
Nikkei	↘
Oil	↘
CRB	↗
Gold	↘
2 yr US	↗
10 yr US	↗
2 yr EMU	↗
10 yr EMU	→
EUR/USD	↘
USD/JPY	↗
EUR/GBP	→

Yesterday, the **rebound of the dollar continued unabatedly**, as commodities lost further ground. Oil fell to a new recent low at around 111 USD/barrel, while gold and copper sank to a respectively 3- and 6-month lows. As such, markets shrugged off fears regarding the escalating conflict between Georgia and Russia. The euro fell further below the 1.50 mark, while sterling is heading towards the 1.90 mark against the dollar. The moves confirmed last week's technical break lower and do **further improve the technical outlook for the greenback**.

The continuous decline in the commodity markets also supported the **equity markets**, which extended their recent rebound from the mid-July lows. The equity gains weighed on the **bond markets**, which closed the session slightly lower. In the US, there was a bear steepening of the yield curve with yields up between 4 and 7 bps. In the euro zone, yields corrected also slightly higher, but in a flattening way (4.5 to -0.5 bps). The technical picture of the European bond market wasn't however affected and is still bullish following last week's rally on the back of the less hawkish than expected comments of ECB's Trichet at the monthly press conference.

Overnight in the **UK**, the RICS house price balance came out slightly better than expected, while the BRC retail sales monitor showed ongoing sluggish sales growth. There was no immediate market reaction noted. This may however change later today, when the **CPI** numbers will be published. These are expected to break above the 4% level for the first time since the beginning of the 90s. **In the US, the trade deficit** is expected to have widened in June, but it remains to be seen whether this can halt the recent dollar rebound.

# Sunrise Market Commentary



Dollar rebound continues.



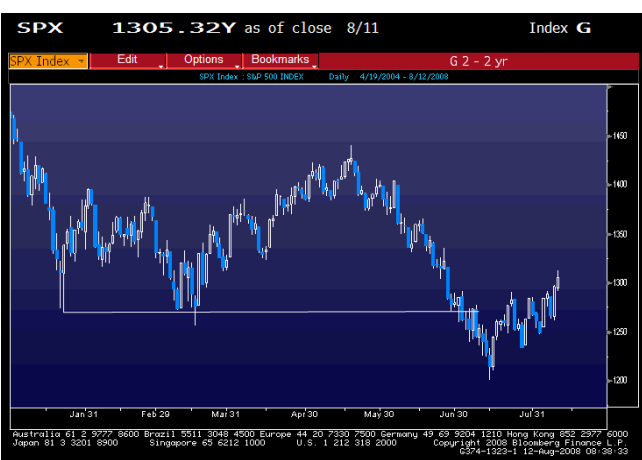
Technical break lower in EUR/USD confirmed.



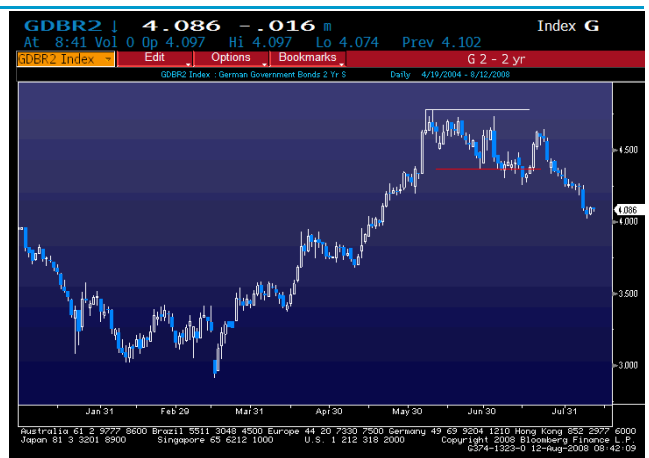
Oil ...



... gold lose further ground in spite of escalating conflict between Georgia and Russia



Lower commodity prices support US equity markets.



German 2-year yields correct slightly higher, but technical still constructive.

# Calendar

Tuesday, 12 August		Consensus	Previous
<b>US</b>			
13:45	ICSC-UBS Chain Store Sales (wk 9 Aug) W/W		0.0%
<b>14:30</b>	<b>Trade Balance (Jun)</b>	<b>-62.0B</b>	<b>-59.8B</b>
16:00	IBD / TIPP Economic Optimism (Aug)	39.0	37.4
20:00	Monthly Budget Statement (Jul)	-90.0B	-36.4B
23:00	ABC Consumer Confidence (Aug 10)		-49
<b>Japan</b>			
01:50	Domestic CGPI (Jul) M/M Y/Y	A 2.0% / 7.1%	R 0.9% / 5.7%
06:30	Industrial Production (Jun F) M/M Y/Y	A -2.2% / 0.0%	-2.0% / 0.2%
06:30	Capacity Utilization (Jun F) M/M	A -1.7%	2.2%
07:00	Consumer Confidence Households (Jul)	A 31.4	32.6
<b>UK</b>			
01:01	BRC Retail Sales Monitor (Jul) like-for-like Y/Y		-0.4%
<b>01:01</b>	<b>RICS House Price Balance (Jul)</b>	<b>A -83.9%</b>	<b>R -86.9%</b>
<b>10:30</b>	<b>CPI (Jul) M/M Y/Y</b>	<b>-0.2% / 4.2%</b>	<b>0.7% / 3.8%</b>
10:30	Core CPI (Jul) Y/Y	1.7%	1.6%
10:30	DCLG House Prices (Jun) Y/Y	1.5%	3.7%
<b>France</b>			
08:45	Consumer Price Index (Jul) M/M Y/Y	-0.2% / 3.7%	0.4% / 3.6%
<b>08:45</b>	<b>CPI – EU Harmonised (Jul) M/M Y/Y</b>	<b>-0.2% / 4.1%</b>	<b>0.4% / 4.0%</b>
08:45	Current Account (Jun)		
<b>Sweden</b>			
10:00	AMV Unemployment Rate (Jul)	3.0%	2.8%
<b>Events</b>			
10:00	IEA Oil Market Report		

10-year		td	- 1d	2-year		td	- 1d	STOCKS			- 1d
US		3,99	0,06	US		2,52	0,05	DOW	11781,78		47,30
DE		4,26	0,00	DE		4,09	0,03	NASDAQ	0,00		0,00
BE		4,60	0,01	BE		4,22	0,02	NIKKEI	13303,60		-127,31
UK		4,73	0,03	UK		4,73	0,06	DAX	6561,65		18,16
JP		1,47	0,01	JP		0,86	0,00	DJ euro-50	3445,66		37,18
<hr/>											
IRS	EUR	USD (3M)	GBP	Eonia		4,30	0,00				
3y		4,711	3,801	5,536	Euribor-1	4,49	0,00	Libor-1	5,383		0,00
5y		4,635	4,211	5,434	Euribor-3	4,97	0,00	Libor-3	5,779		0,00
10y		4,748	4,712	5,175	Euribor-6	5,16	0,01	Libor-6	5,977		0,00
<hr/>											
Currencies			- 1d	Currencies			- 1d	Commodities	CRB	GOLD	BRENT
EUR/USD		1,4881	-0,0085	EUR/JPY		163,84	-0,69		385,13	810,3	111,54
USD/JPY		110,15	0,21	EUR/GBP		0,7817	0,0010	- 1d	-2,29	-49,45	-3,08
GBP/USD		1,9032	-0,0132	EUR/CHF		1,6184	0,0024				
AUD/USD		0,8772	-0,0091	EUR/SEK		9,391	0,00				
USD/CAD		1,0699	0,0028	EUR/NOK		8,0097	-0,02				



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