



# Trigger-day today or tomorrow?

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**Saxo Bank Research Note      September 8, 2009      Chief Economist David Karsboel**

The irrational exuberance continues and we have to respect it. There is a complete disconnect between what ordinary persons see and experience and the perceptions of investors at this point. But as the recently concluded G20 meeting virtually promised to continue the lax monetary policy, lax regulatory standards and lax accounting standards, this is being taken as a positive. How is the market reacting?

At 10:00 GMT today, German Industrial Production (Jul) came out somewhat worse than expected - and the rally in EURUSD stalled at the 1.45 key resistance level. A broad look at markets suggests that we might see a big move in markets today or tomorrow:

- AUDUSD already broke the long-watched for 0.85.
- Gold broke 1000 and tested the 20<sup>th</sup> of February high of 1006 this morning and silver still looks relatively strong. Gold now trades at 1004.
- The USD Trade Weighted Index has broken lower again and now trades at 10-months lows, forcing to take out ultimate support less than 2% away.
- The S&P500 Future is up and trading at 1025.
- The US 10-year treasury note has broken trendline support and trades down at 117-04.
- The Shanghai Composite ended on a strong note this morning at the days high and bullishly engulfing the past two trading days' candle.
- Itraxx-indices have traded lower for the past four days.
- CDS prices for Banks have are edging lower again and have been doing so for the past week.
- US 10-Year Break-Even Inflation rates (expectations of inflation) have rallied 16 bps. in four days.
- The VIX is down 4 figures in two days.

All of this is suggesting that the market is poised to either break key-resistance in risky assets (1.45 in EURUSD, 1006 in Gold, 1039 in S&P500) or to a retracement big time because of the record amount of complacency.

**Judging by the trend in markets - both on a quarterly, monthly and weekly basis and judging by the still nicely performing credit markets, we will have a break higher. Stay tuned - it could happen tomorrow - despite the lack of important figures.**

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