

Morning Rundown



Overnight Indices

Index	Level	Move	Long Term Trend	Short Term Trend	Trading Comments
DOW JONES INDEX	12898.38	66.20	Neutral	Down	Possible top around here and looking bearish
S&P 500 INDEX	1408.66	5.62	Neutral	Neutral	Failed at 200 dma and could be very bearish
NASDAQ COMPOSITE	2496.70	1.58	Neutral	Neutral	Rise in volatility spells possible trend change
GERMAN DAX	7083.24	23.05	Neutral	Neutral	Crucial week ahead and could be a top
FTSE 100	6216.00	4.10	Neutral	Neutral	Approaching dangerous territory here
AUSTRALIA ASX ALL ORDS	5971.80	31.50	Neutral	Up	More resistance here around 5850
HANG SENG INDEX	25401.33	-132.15	Neutral	Down	Sharp pullback suggests possible top here
TOKYO NIKKEI	14323.08	204.53	Down	Neutral	Struggling at major resistance around 14000

CFD Currencies & Commodities

Index	Level	Move	Long Term Trend	Short Term Trend	Trading Comments
Euro v. US Dollar	154.64	-0.11	Euro Bullish	Euro bearish	Short term top in place
Sterling v US Dollar	194.55	0.05	Neutral	Sterling bearish	Intermediate support around 194
US Dollar v Japanese Yen	104.99	0.26	Dollar Bearish	Neutral	Back into trading range
Gold Spot	866.50	-3.10	Up	Neutral	Target hit but stay short
Crude Oil	124.11	-1.48	Up	Up	Possible false break here
CRB Index	422.00	-2.75	Up	Up	Still bullish but looking dangerous

Market and Share News

Another volatile session saw US stocks finish up higher although there was a late pullback. There was reassuring news on inflation, with the Labor Department saying CPI rose 0.2% in April after rising 0.3% the previous month, against expectations for a 0.3% increase. This decline came despite the largest jump in food prices in 18 years. **Freddie Mac** posted a widening of Q1 losses to \$151m as the housing market deteriorated, though the results were better than expected. **Macy's** posted a loss of \$59m in Q1 due to poorer sales and increased costs but it was still higher than forecasts. A big faller was **Whole Foods Market** after it reported a slowdown in sales growth and lower than expected Q2 profits. **Deere** also stumbled after downgrading revenue guidance for its Q3. It said revenue may top out at \$575m, against a forecast of \$654.6m among analysts.

A flat day in London saw mining strength offset by weakness elsewhere with an early rise in **BHP Billiton** after its CE said he had not ruled out an increased bid for **Rio Tinto**, which also sparked buying across the sector.

Eurasian Natural Resource topped the list after it said it had seen a very significant increase in Q1 revenue. In the financials, **Bradford & Bingley** confirmed it would raise around £300m, net of expenses, in a 16 for 25 rights issue at 82p. Many banks were down on the news as it confirmed a trend amongst the sector, following cash calls from **RBS** and **HBOS**. **RBS** chairman Tom McKillop told shareholders at their meeting to vote on its record £12bn rights issue that it should be able to afford a dividend equal to 45% of earnings going forward. Elsewhere, **FirstGroup** was the biggest faller after it said it would raise up to £260m with the issue of 43.7m shares, 10% of those currently in issue, even though adjusted operating profit for the year to March was up nearly 40% at £360m.

Technically, we have now seen markets move above intermediate resistance in both the US and the UK but then fall back. There has been a clear lack of buying volume, which makes us very cautious, and the recent action on the Dow Jones Index could be pivotal. Although the FTSE 100 index is slightly stronger short term, there has also been more volatility which also suggests a potential trend change. Short term trends are now moving to bearish, and the important UK financials may now look weak for a while given the new supply of stock due in this sector in coming weeks.

In the press, the board of **British Energy** will meet today to consider a takeover approach from EDF but board members, who include Sir Adrian Montague, chairman, and CE Bill Coley are minded to hold out for a higher offer, says the Times.

BP is caught in the crossfire of a growing struggle over the ownership of its Russian oil venture, **TNK-BP**, as a shareholder in the venture launched a fresh legal action to ban 148 workers seconded from BP from working at the company, reports the FT.

Barclays will today reveal around £750m worth of credit market write-downs, on top of the £1.6bn taken last year, and indicate plans to strengthen its capital base

but will stop short of an immediate fundraising, according to the Telegraph.

The rising cost of food and fuel is not so far leading to a broader rise in inflation in the US, according to the latest figures, reports the Independent.

Gordon Brown was warned by one of his closest advisers against scrapping the 10p tax rate before the 2007 Budget, the Times has learnt.

Results: **Barclays** states that group profit in Q1 was in line with the monthly run rate for 2007, with profit under last year's strong numbers. **BT** announces Q4 EBITDA of £1.57bn up 2%, in line, with revenues up 2% to £5.4bn, also in line, and expects to deliver continued growth next year. **DSG International** reports full year sales up 8% and expects year profits between £200-210m with the trading environment still very challenging. **Balfour Beatty** states that trading in 2008 to date has been strong. **Thomas Cook** states that trading for the summer is strong in all markets with robust consumer demand. **3i** reports growth in assets under management of 37% to £9.8bn. **Unite** states that it has continued to make good progress despite the challenging market conditions. **ITV** announces Q1 group revenues up 3%, with net ad revenues up 2% and expects NAR to be flat in H1 and ahead of the market seen down 1%. **National Grid** states that its outlook for 2009 is still positive and in line with its previous expectations. **Cookson** continues to anticipate a strong performance in 2008. **SABMiller** announces H1 EBITA gained 15%, or 9% on a constant currency basis and despite the rising input costs. **Vedanta Resources** reports full year revenues of \$8.2bn down 26% and attributable profit of \$879m down 5.9% and states it is well placed to serve the still strong demand for metals. **Cadbury** announces some board changes and takes the opportunity to state that it still expects a strong H1.

The FTSE 100 index is set to open around 10 points lower this morning.

Diary: 09:00 Eurozone Q1 flash GDP, 0.5% exp.
09:00 Eurozone final HICP m/m 0.3% exp.
12:30 US Weekly jobless claims, 365k prev.
12:30 US May NY Fed manufacturing, 0.6% exp.
13:15 US April capacity usage, 80.3% exp.
13:15 US April industrial production m/m, -0.1% exp.
14:00 US May Philadelphia Fed business, -20.0 exp.
17:00 US May NAHB, 20.0 exp.

CFD Trades for the open

Buy: LOG

Sell: BXTN, PFG