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### STOCK INDEX FUTURES

Global equity markets are mixed to higher on news that Greece's government passed a measure to lower spending by an additional 2.4 billion euros, while raising an additional 2.4 billion euros in revenue. Greece appears to be living up to their pledge to do what is needed to reduce their budget deficit closer to the European Union mandated target of 4% of gross domestic product in 2010.

Mortgage applications were up 14.6% in the week ended February 26<sup>th</sup>, which compares to an 8.5% decline in the previous week.

The Automatic Data Processing employment change report showed a 20,000 decline, which was the estimate.

At 1:00 Central Time the Federal Reserve will release their "Beige Book," which was compiled in advance of their January 27<sup>th</sup> Federal Open Market Committee meeting.

Our research continues to tell us that the main trend for futures is higher and that all of the major U.S. stock indexes will make new highs for the move in 2010.

### CURRENCIES

The U.S. dollar is lower on the belief that the budget deficit problems in Greece are being addressed. The cost of insuring against a Greek sovereign debt default has fallen recently, which suggests that there is credibility to Greece's deficit reduction plans.

The euro gained after it was reported that retail sales in the euro zone fell less than anticipated. January retail sales were down .3%, when a .4% decline was anticipated.

The British pound is higher after it was reported that U.K. consumer confidence increased last month to a two year high at 80, according to the Nationwide Building Society. The median estimate for this report was 73.

The Canadian dollar is higher due to the belief that the Bank of Canada may be a little more hawkish in their interest rate policies at upcoming meetings. It is widely expected that the BOC will increase their benchmark interest rate in the second half of 2010. Higher commodity prices also supported the Canadian currency.

The Australian dollar gained after the government reported that fourth quarter gross domestic product increased .9% from the previous quarter. The Reserve Bank of Australia increased interest rates by 25 basis points to 4% at their policy meeting yesterday. It is

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widely anticipated that the RBA will keep rates steady at their April meeting, but will likely increase interest rates further at following meetings.

Favorable interest rate differentials, higher commodity prices, along with rising global equity prices, should be able to take the Australian dollar to new highs for the move. The Australian currency is likely to be the strongest currency this year.

### INTEREST RATES

Supply concerns, along with rising commodity prices pressured the Treasury issues.

The flight to quality status of U.S. Treasuries was diminished again on news that Greece's cabinet has decided to take additional austerity steps totaling 4.8 billion euros in an ongoing effort to meet their European Union mandated reduced budget deficit target.

The probability that the Federal Open Market Committee will increase the fed funds target by 25 basis points to 50 basis points at or before their November 3<sup>rd</sup> meeting is 46%, according to the financial futures markets. Some of the primary government securities dealers do not believe that the U.S. central bank will raise interest rates until the second half of 2011.

Tomorrow the treasury will announce the amounts of next week's auction of three and ten year notes and thirty year bonds. A total package of \$74 billion is anticipated.

We believe that the main trend for the longer dated Treasuries issues is lower.

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