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STOCK INDEX FUTURES

The influence of stronger than anticipated corporate earnings was offset by the bearish on balance durable goods report.

June durable goods orders were down 1%, which compares to an estimate of a 1% increase and durable goods, excluding transportation, were down .6%, when a .4% advance was anticipated. The bearish impact of the June report was partially offset by bullish influence of the upwardly revised figures for the May report.

The Mortgage Bankers Association reported mortgage applications were down 4.4% in the week ended July 23, which compares to a 7.6% increase in the previous week.

At 1:00 Central Time, the FOMC will release their “Beige Book” on the economy. This report may show a toned down assessment of the economy in light of Bernanke’s July 21 comment that the outlook for the economy is “unusually uncertain.” Their previous “Beige Book” report showed that the U.S. economy improved in all twelve districts in April and May.

Over 80% of the companies in the S&P 500 that have reported second quarter earnings have reported numbers that were stronger than the median analysts’ estimates.

Our analysis continues to suggest that corporate earnings will be stronger than the analysts’ median estimates.

This morning’s bearish on balance economic reports are having only a limited negative impact on stock index futures, which is a sign of strength.

We believe that the fundamental and technical aspects of this market are becoming more bullish.

CURRENCIES

The euro recently traded to a two-month high due to ideas that the worst of the euro zone's sovereign debt problems are behind us.

The British pound advanced to a five-month high in spite of dovish interest rate comments from the Bank of England.

Yesterday the Australian dollar traded at its highest level against the U.S. dollar since May 10. However, today the Australian dollar came under pressure after the Bureau of Statistics said the consumer price index increased .6% in the second quarter from the previous quarter, which was less than anticipated. The median guess called for a 1% increase. This report reduces that probability that the Reserve Bank of Australia will increase interest rates at their next policy meeting.

The "commodity currencies," the Australian dollar and the Canadian dollar are likely to be the strongest currencies in the long term. The next upside target for the Australian dollar is the .95 level and, for the Canadian dollar, the next major resistance is 1.00 (parity) with the U.S. dollar.

INTEREST RATES

Prices firmed when the weak June durable goods orders report was released.

The Treasury is auctioning a total of \$104 billion in debt this week. Today the Treasury will sell \$37 billion of five-year notes and on Thursday they will auction \$29 billion of seven-year notes.

Financial futures markets are currently factoring in a 42% probability that the FOMC will increase their fed funds target rate by at least 25 basis points on or before their April 27, 2011 meeting. One month ago the probability of an interest rate increase at the April meeting was 56%.

The bullish flight to quality influence is fading now that it appears that Europe is on the mend.

Futures are likely to work lower in the long term due to the growing belief that the global economy is improving.

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