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STOCK INDEX FUTURES

The 9:00 Central Time June new home sales report is anticipated to increase 3.7% 311,000.

The 9:30 Dallas Federal Reserve manufacturing activity index is expected to be 2.5%.

According to Bloomberg News, 83% of S&P 500 companies that reported second quarter earnings since July 12 had results that were stronger than the median estimates. Our analysis continues to suggest that corporate earnings will be stronger than the analysts' estimates.

A newly released report showed that pension funds and mutual funds are currently investing more in equities than at any time since the lows were registered for stock index futures in March 2009.

In spite of this, along with a much more bullish technical picture, the consensus view for stock index futures, among analysts and traders, still appears to be overwhelmingly bearish. From a contrarian point of view, this looks like a recipe for higher prices.

CURRENCIES

The euro is higher after it was reported that the leading economic index for the euro zone was up .5% in June after a .3% decline in the previous month.

Last Friday's release of the European Union's stress tests on 91 banks showed that only seven of them did not pass. There was some criticism that the tests were not stringent enough. The European Banking Supervisors said the seven banks in question are in "close contact" with the oversight authorities over how they are going to raise capital in order to shore up their balance sheets. It is estimated that the seven banks will need to raise a total of approximately \$4.5 billion. Prior to the release of the stress tests there were estimates that the seven banks could have needed to raise as much as \$100 billion.

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The British pound advanced to a three-month high after it was reported that major U.K. banks passed the European Union's stress tests. This bullish news more than offset the bearish influence of a report that showed home prices in parts of the U.K. fell .1%.

The "commodity currencies," the Australian dollar and the Canadian dollar firmed as stock index futures advanced. The Australian dollar and the Canadian dollar are likely to be the strongest currencies in the long term.

INTEREST RATES

Prices were slightly higher earlier this morning, when stock index futures were a little weaker. However, prices are under mild selling pressure more recently as stock index futures turned from lower to higher on the day.

Financial futures markets are currently factoring in only a 24% 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. There was a 58% probability of this happening only a month ago.

Prospects of tighter credit from the FOMC continue to be pushed farther out into the future. There is a possibility that the FOMC will not be in a position to increase their fed funds target until 2012.

In the longer term, a global economic recovery will become the dominate influence, as the flight to quality influence fades.

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