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STOCK INDEX FUTURES

Much of the afternoon weakness yesterday was linked to the release of the Fed's "Beige Book" on the economy. The report said U.S. economic growth slowed in some of the districts in the last two months. This should not have been much of a surprise in light of Bernanke's July 21 comment that the outlook for the economy is "unusually uncertain."

Prices are higher today, as corporate earnings continue to come in stronger than the estimates. Over 80% of the companies in the S&P 500 that have reported second quarter earnings have had results that were stronger than the median estimates. Our analysis continues to suggest that corporate earnings will be better than analysts' expectations.

Jobless claims in the week ended July 24 were down 11,000 to 457,000, when 460,000 were expected. Continuing claims in the week ended July 17 were 4.565 million, which compared to an estimate of 4.5 million.

At 12:20 Central Time, Fisher of the Federal Reserve will speak on the U.S. economy.

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

CURRENCIES

The euro advanced to an eleven week high against the U.S. dollar after it was reported that European confidence in the economy in July increased to its highest level in over two years. The euro was also supported by news that German unemployment fell for thirteen consecutive months. The euro is also being helped by ideas that the worst of the euro zone's sovereign debt problems may over.

The British pound traded to a five month high after a survey showed the financial conditions of the largest U.K. banks are improving.

The Australian dollar is sharply higher in light of mostly higher global equity prices.

The next upside target for the Australian dollar is the .95 level and, for the Canadian dollar, the next major upside objective is 1.00 (parity) with the U.S. dollar.

The “commodity currencies,” the Australian dollar and the Canadian dollar are likely to be the strongest currencies in the longer term.

INTEREST RATES

Yesterday’s five-year note auction was well received. The bid- to- cover ratio was 3.06, which is the highest ratio in just under four years. Today the Treasury will auction \$29 billion of seven-year notes. The Treasury is auctioning a total of \$104 billion in debt this week.

Financial futures markets are currently factoring in a 40% 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.

The bullish flight to quality influence is fading now that it appears that the financial situation in Europe is improving.

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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