

## Bernanke Watch – But Also Revision to 2nd Q US GDP Today

Chinese banks have reported great earnings results - however lingering doubts remain as to the level of NPL's;

The Japanese have been careless again - they have lost another PM - the 6th in 5 years. Quite frankly, I don't know why anyone wants the job. The Upper House passed a bill today, which reduces Japan's dependency on nuclear power. The Upper house is controlled by the opposition, and the Lower house by the ruling party ie no legislation will be passed;

Japanese core July CPI was +0.1%;

Indian swap rates are some 25bps below the RBI rate (8.0%), the 1st time for 15 months, reports Bloomberg - basically suggesting that the RBI is on hold in terms of further hikes in interest rates. However, the RBI remains hawkish and I believe a further 25bps hike this year is a better than odds on possibility - though likely the peak;

Gazprom is trying to defend the contract prices for gas (which are linked to the Oil price) that its customers have been paying. Well, they may succeed for a bit longer, but these contracts will be negotiated downwards. German utilities, EON and RWE (though EDF and Eni are also involved) are paying much higher than market rates, due to the contract prices link with Oil prices;

French, Italian and Spanish financial regulators extended their alleged "temporary" short selling ban by a further 1 month today - expect further "temporary" extensions for quite some time to come;

Spain final 2nd Q GDP QoQ came in at +0.2% or +0.7% YoY. the 1st Q was revised slightly higher to +0.4% QoQ (+0.3% QoQ previously) and +0.9% YoY, from +0.8% YoY previously;

The Greek Finance Minister states that Greece will be "very close" to its 2011 budget target. "Very close" - how amusing - what he means is that Greece, once again, WILL FAIL TO DELIVER. By the way, Greek 2 year yields were over 45% yesterday;

Still no solution to the Finnish collateral issue. The Finns have withdrawn plan A, but maintain that they still need collateral. Other Euro Zone members say, no chance. This is going to be really amusing to watch, as the Euro Zone leaders wiggle around. I suppose at the end of the day, enough pressure will be put on the Finns to withdraw their demands for collateral this time around, but the future response is likely to be very difficult for the Finns;

Buffet to the rescue yesterday. His investment in BoA resulted in a near 10% rise in the bank's equity. Great deal for Buffet, but I still dislike financials, whether they are US or European;

US 2nd Q GDP was revised down to +1.0%, slightly lower than the +1.1% forecast - the whisper no was much worse, so this will come as a relief;

Everyone awaits Bernanke's Jackson Hole speech;

A question for you today - what's the annualised cost of a Brazilian overdraft. Answer below;

## Summary

Markets all over the place yesterday - European fears prevailed. and resulted in lower markets. Asian markets closed lower today (ex Japan and S Korea). European markets are weaker today. Gold is rebounding, given increased concerns, whilst Oil is marginally lower and should drift down further. Euro is strengthening against the US\$ - Asian/Chinese buying. Bond yields of US, German and UK bonds are lower.

Everyone is on Bernake watch.

Best

Kiron

Brazilian annualised overdraft interest rate is around 190%