

Greece fails to meet its targets - yet again and again and.....

Chinese Premier Mr Wen stated that stabilising prices was the Governments key priority - sounds like further monetary tightening, though the Yuan should appreciate faster;

Portugal has reduced its GDP forecasts - it now expects GDP to be negative -2.2% this year and -1.8% next - a rise of +1.2% is expected in 2013. The Government has proposed a tax on higher earners, increased capital gains and corporate tax. The Portuguese plan is to reduce its budget deficit to 5.9% this year and to 3% by 2013, reducing further to just 0.5% in 2015. Debt to GDP is expected to be 100.8% this year, rising to a peak of 106.8 in 2013, before declining. To date the Portuguese have been reasonably compliant with their commitments, though these numbers still look optimistic;

Well guess what - Initial leaks from the Troika (EU, ECB and IMF) who are in Athens currently to review the Greek public finances suggest that Greece's debt dynamics are out of control. Debt to GDP is unlikely to stabilise in 2012, as was planned. Furthermore, the IMF, in particular, suggests that Greek fiscal management is unable to deliver. Indeed, the primary deficit is widening. I'm not sure why anyone expected otherwise.

I understand that the Greeks have hired legal advisers who have previously worked on Sovereign restructuring (source FT);

Whilst Mrs Merkel has secured cabinet approval to the changes in the EFSF, in advance of the Parliament vote on 29th September. However, there is significant resistance to her proposal to limit parliamentary approval if the rules governing the EFSF or the ESM are changed further;

The EU/Sarkozy keep banging on about a financial tax. Sarkozy intends to bring it up at the G20 in November. He must know its a non flier - however he is Sarkozy !!!!!. The only good news is that the EU now understand that it is a global economy and that they cannot act unilaterally, though I am always careful;

US factory orders surprised - for once the data was positive. Orders increased by +2.4% in July, higher than the +1.9% expected. ISM Chicago was also positive. Its business barometer declined to 56.5 in August (the lowest since November 2009), from 58.8 in July, but better than forecasts of 53.3. Whoopee;

President Obama is to announce an initiative to create jobs on 7th September. Good luck passing it through Congress. Essentially, he wants more infrastructure spending, tax incentives to increase hiring, reduction in payroll tax, and changes in unemployment insurance to subsidise companies to retain workers;

Comments by Atlanta Fed President (Lockart) were fairly dovish - he stated that downside risks have risen noticeably, but does not expect a recession. However, he stated that monetary accommodation may be warranted if the economic situation deteriorated. Sounds as if the QE3 bandwagon is gaining momentum. However, he did warn that monetary policy should not be seen as a panacea;

The Canadian economy contracted (-0.1%) marginally in the 2nd Q, for the 1st time since 2008/9. It expanded by +0.9% in the 1st Q. Weaker exports were the main reason, whilst domestic demand increased. Interest rates are on hold. However, economic growth forecasts will need to be reduced.

Brazilian industrial production rose by +0.5% in July from June, less than the expected +0.7%. YoY production declined by -0.3%. The Brazilian Central Bank is expected to keep rates on hold today - currently 12.5%;

Summary

The Swissy is strengthening rapidly - the SNB better react. The Euro, well its declining against the US\$ having been quite steady the whole day - no obvious reason.

European markets closed much higher (between +2.5% and 3.0%). US markets are off their early morning highs - a stronger US\$ is generally bearish - indeed, the Nasdaq is marginally lower. Gold is off, though Brent continues to rise - currently over US\$115.