More talk of SNB pegging Swissy against the Euro

Spanish August services PMI declined to 45.2, from 46.5 in July and below the forecast of 46.5 - surprised even gloomy old me. The hoped for stimulus of additional tourists (avoiding N Africa) has not helped - really bad news - suggests autumn numbers will be awful;

Italian August services PMI came in at 48.4, down from 48.6 in July, but marginally better than 48.2.Italian 10 year bond yields rose to 5.37%. The market is concerned that the ECB will suspend its purchases of Italian bonds, but it looks as if the ECB is continuing to buy. What choice do they have. However, yields on the 10 year Italian have risen by 10bps to 5.39% at present.

The good news is that Irish yields are declining - message is to stick to your commitments boys;

Final Euro Zone August services PMI came in at 51.5 compared with 51.6 in July, in line with the flash estimates. However, its the lowest reading since September 2009. The composite PMI was revised down to 50.7 in August, from the flash estimate of 51.1 and down from 51.1 in July, reflecting weakening manufacturing;

French and German final August services PMI were higher than the flash estimates at 56.8 and 51.1 respectively, as opposed to 56.1 and 50.4 and as compared with July's numbers of 54.2 and 52.9. The French still take their summer holidays;

UK August services PMI came in at 51.1, down from 55.4 in July and well below forecasts of 54.0. Bad news, given the importance of services for the UK economy

Euro Zone September Sentix confidence index came in at -15.4 (the lowest level since August 2009), as compared with -13.5 in August, though better than the -17 forecast;

Better Euro Zone July retail sales,which were up +0.2% MoM, or -0.2% YoY - better than the -0.1% MoM and 1.0% YoY forecast;

Euro Zone CDS's are at a record high. Not good news when European banks need to raise debt financing;

More talk about the SNB pegging the CHF against the Euro - personally, I just don't see how that would work, though I totally understand the Swiss dilemma;

Summary

A question for you. Try and imagine that you have been marooned on a desert island from the start of the year and have just been rescued. Being the market animal that you are, you get fully briefed, but was not told what the S&P/FTSE was today. What would be your guess?

A very good friend of mine tells me that I'm a blinkered Euro sceptic and can not see what Europe has achieved. Well, I'm certainly an Euro sceptic and have been from the outset, for all the reasons that are now so blatantly obvious - and, may I say, totally ignored by the Euro proponents. However, I don't believe it is now possible for the Euro experiment to disintegrate - the cost will be much higher than seeking a true monetary and fiscal (which means political) union. Not something I want to see - I would have preferred a European free trade zone, but its too late, I suspect. That means EURO BONDS and a strict, verified, centralised and adhered to Euro Zone fiscal policy, in addition to the existing monetary union. No other alternative is workable. I really don't understand why the Europeans don't get it. That's good for dreadful capitalists like me, who play the financial/political game, but for Europe..........

What is totally clear, is that Europe (and the US, by the way) need a Government policy fix - the markets cannot resolve the current issues. However, is this achievable. Well, actually yes, but I fear that the situation must get worse before the politicians finally act.

I'm amazed that there have been no downgrades of Euro Zone countries by the credit agencies as yet - should be coming soon.

No great surprise - European banks are taking a real pounding today.

European markets are between -2.0% (FTSE) and -3.7% (CAC) lower - oh dear. Euro is weaker, but only -0.2% off against the US$, though -0.4% against the Swissy. Gold is around US$1900 and remains well bid - you Gold bugs must be happy bunnies. Oil is off , though Brent is still above US$111 - just wont go down !!!!!