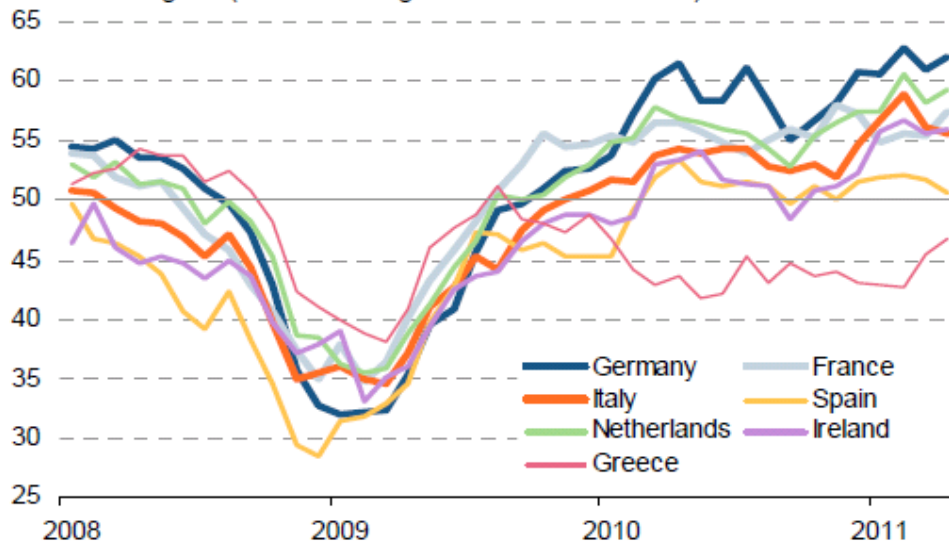


Markit Intraday Alert: Obituaries and Markets

Manufacturing PMI by country

Manufacturing PMI (50 = no change in business conditions)



- Markit CDX NA IG S16 88.80bp (unch), Markit CDX NA HY S 16 103.33 (-0.03)
- ISM PMI for April: 60.4 vs. 61.2 Mar; vs. 59.5 forecast
- Markit PMI for Eurozone Manufacturing: 58.0 vs. 57.5 Mar; vs. 57.7 forecast

With London markets closed, it was left to the US markets to set the tone today. With the US focus on the hunt for Osama bin Laden for over ten years, it was not surprising that his death at the hands of US Special Forces would capture the imagination of investors and markets early today. Oil prices fell, the US dollar strengthened and US equities rallied early in the session. As the day went on, investors refocused on the dollar's fundamentals and the Fed's loose monetary policy causing the dollar to plummet again. Another contributing factor may have been concerns of retaliatory measures from Al Qaeda. The bottom line is that the USD fell to a 17 month low vs the EUR. US equities did however hold onto some of their earlier gains. Corporate credit markets were more subdued with the Markit CDX NA IG and HY effectively unchanged at the time of this report.

Earnings announcements before market open helped boost sentiment to a degree earlier in the session and helps maintain pace for a possible record profit quarter. While investors will continue to monitor earnings as a progress report on the economic recovery and inflation, this week will see a shift more to macro factors. This would have been the case anyhow with all of the economic data due out this week but is likely reinforced with the deaths of bin Laden and members of Colonel Gadhafi's immediate family over the weekend.

The ISM manufacturing PMI showed a slowdown in activity in April to 60.4 vs. 61.2 in March beating a forecast of 59.5. The price index rising by 0.5 did nothing to reassure concerns about higher material costs, however. While US construction spending data on the rise and a less than expected slowdown in manufacturing helped improve sentiment, the markets saw a more favorable reaction to the Markit PMI data for eurozone manufacturing with a reading of 58.0 vs. 57.5 previously and compared to a forecast of 57.7. Markit PMI data for the UK will be out tomorrow due to the London holiday.

Investors will also be watching the ECB rate decision on Thursday at least for the tone in the statements. Conventional wisdom is discounting an actual rate hike at this meeting on the heels of the 25 basis points hike at the last one. Finishing out the week will be US nonfarm payrolls.

In the peripherals, there were more denials from the Greece finance ministry about the prospects of a Greek debt restructuring. The emphasis in the rationale was again that the stress on the Greek banks from a restructuring would yield a counterproductive result. The EU's Olli Rehn sounded a similar note in saying that a restructuring of peripheral debt was not a part of its strategy. In an interview with a French magazine, Greek Finance Minister George Papaconstantinou indicated that the Greek government may push yet again for more time and a lower rate on its bailout loans. It is unclear how much political appetite exists in the rest of Europe for a further easing of terms.

Further to that point, there were conflicting newswire reports today regarding the stance of the True Finns in supporting a Portuguese bailout. How the party decides the issue will likely impact whether or not it will be able to participate in a coalition government. Formal talks for forming the coalition are set to start tomorrow. Klaus Regling, the head of the EFSF, suggested in an interview with Les Echos today that no country would veto a bailout plan for Portugal although some might abstain. In Finland's case, it seems that he is likely right; it is just a matter of whether or not, the True Finns will be part of the government.

"I've never wished a man dead, but I have read some obituaries with great pleasure." ~ Mark Twain

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