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GLOBAL MARKET OVERVIEW

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Mood upbeat on hopes for Eurozone

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Friday 10.35 GMT. A more optimistic tone pervades the market after successful debt auctions in Europe reduced fears that the continent's fiscal funding difficulties would hobble global growth.

The FTSE All-World equity index is up 0.3 per cent to a nine-week high, Asia rallied 0.9 per cent and the FTSE Eurofirst is up 0.5 per cent, helped by a 2 per cent bounce for the region's banking index.

S&P 500 futures suggest Wall Street will advance 0.1 per cent to a fresh five-month high, though traders must first navigate the fourth-quarter earnings report from US bank JPMorgan Chase.

Hungrier risk appetite is not universal, however. The dollar index, which tends to display an inverse correlation to an improving mood, is up 0.1 per cent, and some commodities are struggling after their recent strong run. Copper, for example, which had risen 6.2 per cent in the first four days of the week, is down 0.2 per cent to $3.64 a pound.

The euro is stable at $1.2810, signalling more traders are warming to the theme that the tide may have started to turn in the eurozone debt crisis, following Thursday's well-received sales of Spanish and Italian bonds.

The rally in "peripheral" bonds, and subsequent plunge in yields, that those auctions delivered was holding its ground in early European trading. But the more optimistic eurozone narrative faced another test on Friday when Rome was due to auction three-year notes.

In the event, the sale was solid, if less spectacularly successful than the previous day's efforts, with the yield demanded falling and the €4.8bn raised matching the top of the targeted range.

Italian bonds in the secondary market saw a bit of profit taking but the 10-year yield is still off 8 basis points at 6.56 per cent, down from about 7.2 per cent on Monday.

Traders will also have their eyes on the oil market following recent sharp moves. Brent crude topped $114 a barrel in the previous session on worries about supply disruption as the west continues to pressure Iran about its nuclear ambitions and as Nigeria tries to avert a strike in its oilfields.

Debate has already returned to the market over what level crude must hit before it starts to have a debilitating impact on the global economy. Those concerns were somewhat salved later on Thursday as the Brent contract swiftly fell below $111 a barrel on reports that the European Union's possible embargo of Iranian oil imports would likely be delayed by up to six months.

On Friday, Brent is again finding its feet, gaining 0.2 per cent to $111.51. Gold is down 0.5 per cent at $1,641 an ounce.

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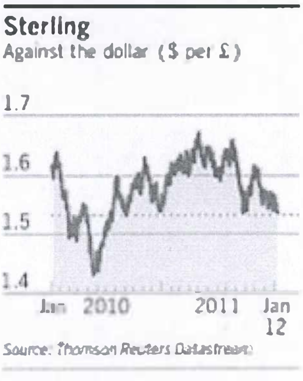
Trading Post

Sterling feels almost like the forgotten man among the major currencies as the market focuses on the euro's travails, dollar strength and the Swissie and yen's central bank machinations.



But technicians may take a look at the pound's chart relative to the buck and reckon we are entering a period of "cable" weakness that could push the currency into the limelight.

Cable on Thursday morning all but matched its lowest levels since July 2010 – below $1.53 – after a weak industrial production report drew unfavourable comparisons to recent US economic data.

Talk of more quantitative easing from the Bank of England in February may add to the pressure in coming weeks. It is currently $1.5340.

According to analysts at Bank of America Merrill Lynch the pound is now susceptible to establishing a fresh down leg.

"A sustained break of $1.5345/$1.5272 ... will result in a longer-term trend change for cable," the bank said in a note to clients.

"Such a move will complete a 15-month head and shoulders top," it added, "targeting the $1.3908/$1.3825 zone in the months and quarters ahead."

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