



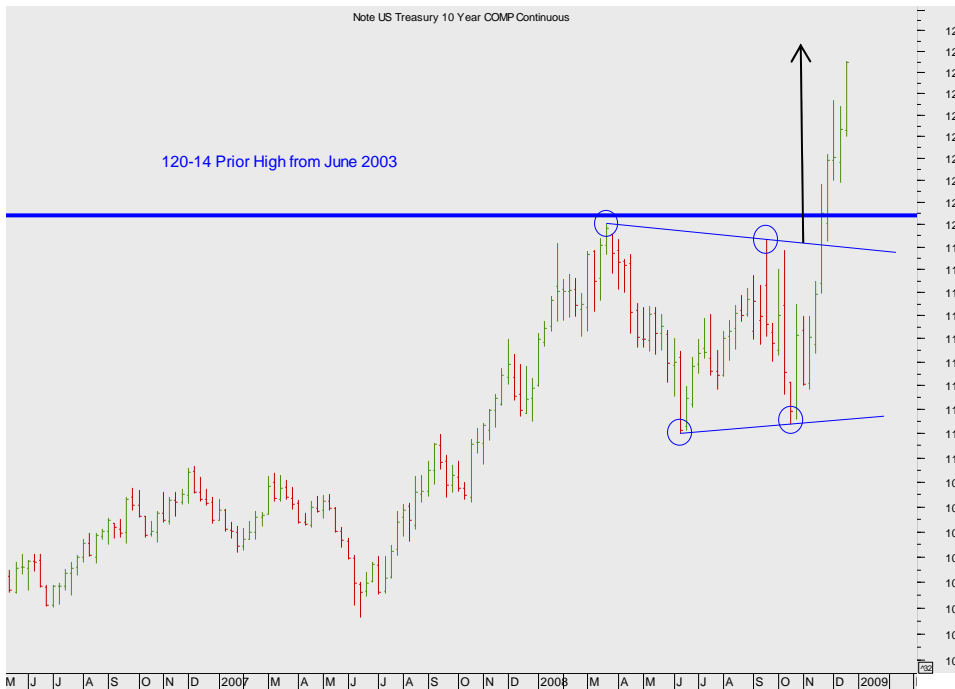
New Key Trade

New Position

1. T Note

17th Dec Buy March 09 TNotes today @ 127-15. Stop 124-15.

The Technical Trader's View:



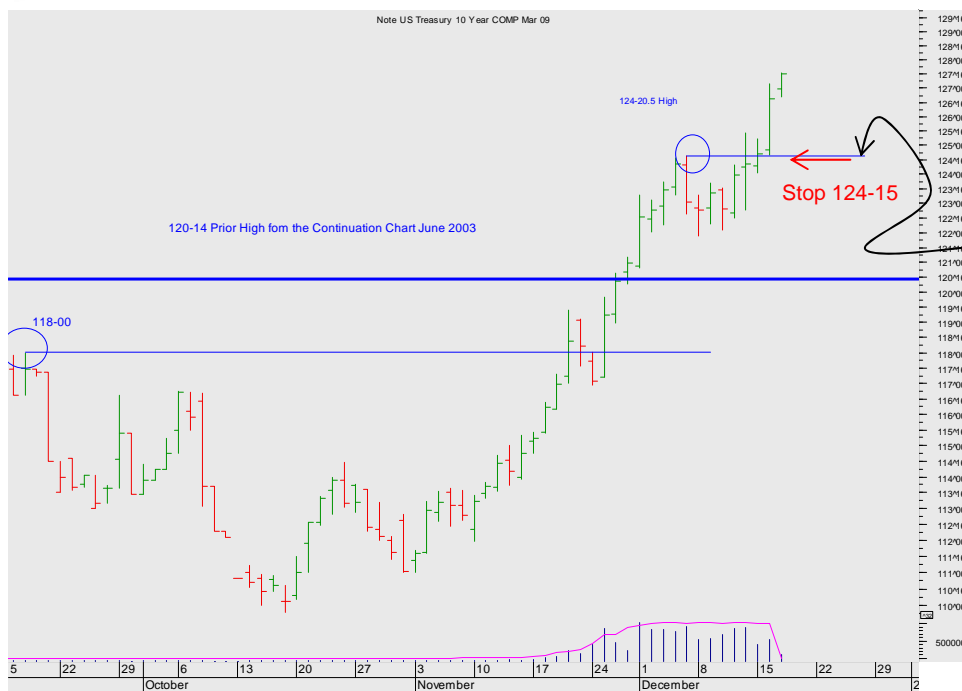
Weekly Bar chart

The big picture is thrilling for the bulls. The break through the Prior high was driven by the completion of the continuation Triangle.

Minimum target for the triangle?

Somewhat higher.

But the trend is so strong; we think it can go higher still.



Daily Bar chart

This rally is beginning another leg.

Use the near high as a Stop.

It's a long Stop, so position size must be adjusted accordingly.

The Macro Trader's view:

Last night's decision by the Fed to reduce rates to virtually zero and announce they intend widening the range of bonds they buy, expanding their balance sheet to its fullest possible extent, puts a powerful floor under this market.

In short the US Government issues bonds to finance the fiscal stimulus and the Fed buys them. This guaranty's the governments IOU's are bought, removing fears over funding, and drives long term yields down at the same time; remember how low JGB yields went in Japan as the Japanese authorities utilised quantum easing.

So with the Fed set to become a serious player in the bond market we see this market rallying much further, as the US economy is clearly suffering its worst downturn in 70 years.

Although T Notes have already rallied hard in response to this news, we see the way clear for a further substantial rally and advice going long.

Mark Sturdy

John Lewis

Seven Days Ahead