Week 23

9th – 15th June 2009

the macro trader’s guide to major markets

John Lewis

Authorised and regulated by the FSA

summary – macro trader

Summary	
Global Calendar	
Interest Rate Futures	
+ Euro Dollars	**SQUARE** short term, **BEARISH** medium & long term
+ Short Sterling	**SQUARE** short term, **BEARISH** medium & long term
+ Euribor	**SQUARE** short, medium & long term
Government Bonds	
+ US 10yr Note	**BEARISH** short, medium, long term
+ Gilt	**BEARISH** short, medium & long term
+ Euro Bund	**BEARISH** short, medium & long term
Currencies	
+ US Dollar	**BEARISH** short, medium & long term
+ Pound Sterling	**BULLISH** short, medium & long term
+ Euro	**SQUARE** short, medium & long term
Stocks	
+ S&P 500	**BULLISH** short, medium & long term
+ FTSE 100	**SQUARE** short term, **BULLISH** medium & long term
+ Dow Jones Eurostoxx50	**BULLISH** short , medium & long term
Commodities	
+ Gold	**SQUARE** short, medium & long term
+ Oil	**SQUARE** short, medium & long term

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

	Week of 1st June
Monday	US Prsnl spndg 0.5 **BETTER** US Persnl income -0.1 **BETTER** US PCE Core 0.3m, 1.9y **MORE** US ISM Mfg 42.8 **BETTER** US ISM Prces 43.5 **STRONGER** US Construct'n spndg 0.8 **STRONGER** UK PMI Mfg 45.4 **STRONGER** IT PMI Mfg 41.1 **STRONGER** FR PMI Mfg 43.3 **BETTER** DM PMI Mfg 39.6 **BETTER** EZ PMI Mfg 40.7 **BETTER** **THAN EXPECTED**
Tuesday	US Pndg home sales 6.7 **STRONGER** UK Mrtge apps 43k **BETTER** UK Net cons CR 0.3B **BETTER** UK Net lndg on dwellings 1.0B **AS** UK PMI Construct'n 45.9 **STRONGER** FR PPI -0.9m, -6.4y **WEAKER** EZ Unemploym't rate 9.2% **WORSE** **THAN EXPECTED**
Wednesday	US MBA mrtge apps -16.2 **WORSE** US ADP Employm't chge -532k **WORSE** US ISM Non-mfg 44.0 **LESS** US Fctory orders 0.7% **STRONGER** UK PMI Services 51.7 **STRONGER** EZ Q1 GDP -2.5q, -4.8y **WEAKER** EZ PPI -1.0m, -4.6y **WEAKER** FR PMI Services 48.3 **BETTER** DM PMI Services 45.2 **WEAKER** EZ PMI Services 44.8 **BETTER** **THAN EXPECTED**

	Week of 8th June
Monday	UK BRC Retail prices n/f UK RICS Hse prce bal -52.0% DM Fctory orders 0.0m, -33.0%y
Tuesday	US Wholesale inventories -1.1% UK DCLG House prces -13.3%y DM Trade bal 9.3B DM C/A Bal 10.0B FR Trade bal -4.5B DM Ind production 0.3m, -20.5y
Wednesday	US MBA Mrtge apps n/f US Trade bal -$28.7B US Mnthly bdget stat -$175.0B US Feds beige book UK Trade bal -6.4B UK Trade non-EU -3.5B UK Ind production -0.1m, -12.4y UK Mfg production 0.1m, -12.6y UK NIESR GDP Estimate n/f DM CPI -0.1m, 0.0y FR Ind production 0.1m, -16.8y FR Mfg output 0.0m, -18.4y IT Ind production 0.7m, -24.4y IT Q1 GDP -2.4q, -5.9y

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

	Week of 1st June Cont'd
Thursday	US Q1 Non-farm productivity 1.6% **STRONGER** US Q1 Unit labor costs 3.0% **WORSE** US Jobless claims 621K **AS** UK MPC Int rate decision 0.50% **AS** FR Q1 ILO Unemploym't rate 9.1 **WORSE** IT PMI Services 43.1 **MORE** EZ Retail sales 0.2m, -2.3y **MORE** EZ ECB Rate decision 1.0% **AS** **THAN EXPECTED**
Friday	US Non-farm payroll -345k **BETTER** US Unemploym't rate 9.4% **WORSE** US Avge hrly earngs 0.1m, 3.1y **LESS** US Avge wrk week 33.1 **LESS** UK PPI Input 0.4m, -9.4y **WEAKER** UK PPI Output 0.4m, -0.3y **WEAKER** UK PPI Core 0.2m, 1.2y **LESS** **THAN EXPECTED**

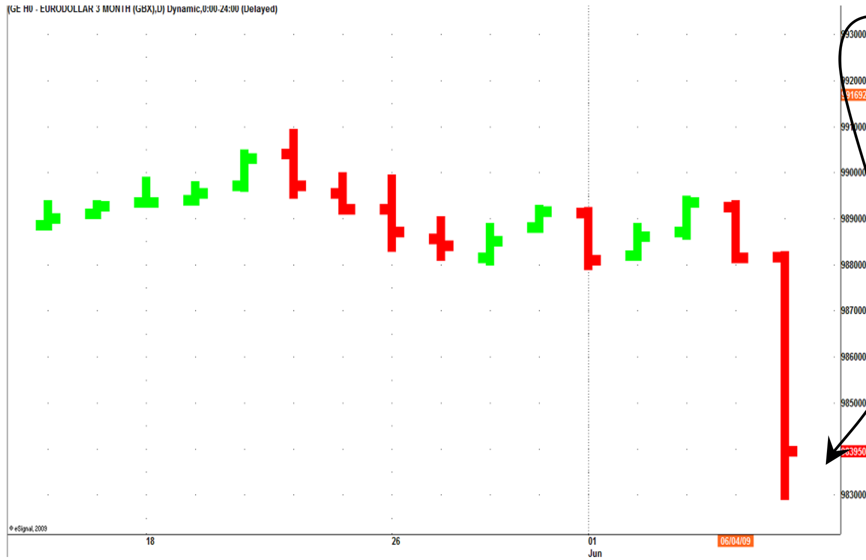
	Week of 8th June Cont'd
Thursday	US Retail sales 0.4% US RS less autos 0.2% US Jobless claims n/f US Bus inventories -1.0%
Friday	US Import prices 1.1m US U. Of Michigan conf 69.2 DM WPI 0.1m, -9.0y FR CPI 0.2m, -0.2y FR C/A n/f EZ Ind production -0.4m, -19.8y

Summary
Global Calendar
Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor
Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund
Currencies
+ US Dollar
+ Pound Sterling
+ Euro
Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50
Commodities
+ Gold
+ Oil

Interest Rate Futures: Euro Dollars March 10

OUR TRADING STANCE: SQUARE.

Last week we were square of December 09.



See how Eurodollars sold off hard on Friday after a much better than expected non-farm payroll report, even though the unemployment rate came in higher than expected.

Last time we remained square of this market as we held to our judgement that the Eurodollar market offered limited upside potential, and going short seemed premature.

And in a week with few key data releases due, we advised traders to monitor the following:

- On Monday; Personal spending and income; better than expected, PCE Core; more than expected, ISM Mfg and construction spending; both stronger than expected,
- On Tuesday; pending home sales; stronger than expected,
- On Wednesday; MBA Mortgage applications; weaker than expected, ADP employment change; worse than expected, ISM Non-manufacturing survey; less than expected and factory orders; stronger than expected,
- On Thursday; Q1 Non-farm productivity; stronger than expected, unit labour costs; higher than expected and jobless claims; as expected, and
- On Friday; non-farm payroll; better than expected, unemployment rate; worse than expected, average hourly earnings and average work week; both less than expected.

Most of last week's key data was either broadly in line or better than consensus with the clear exception of the non-farm payroll report which was much better than forecast.

After Bernanke's warning earlier in the week in congress, traders judged higher rates could be seen sooner rather than later.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Interest Rate Futures: Euro Dollars

Looking ahead there are several key reports due, and we advise traders to monitor the following:

- On Tuesday; wholesale inventories,
- On Wednesday; MBA mortgage applications, trade data, monthly budget statement and the Feds Beige book,
- On Thursday; Retail sales, jobless claims and business inventories, and
- On Friday; import prices and University of Michigan confidence.

The key events this week are highlighted red, and we advise traders to monitor them closely. But we judge the retail sales report is likely the main event for this week with Michigan confidence running a close second.

The Macro Trader's view is; last week we maintained our square stance because we believed, despite recent gains on the back of the LIBOR spread narrowing, that the next big move in this market would be bearish, as traders factored in expectations for higher official interest rates.

However with unemployment having continued to rise sharply over much of the year, we were focused on the ISM non-manufacturing report, rather than non-farm payroll as an early indicator of economic recovery.

In the event non-farm payroll came in much better than expected, but the ISM report was barely in line.

While it is good news that the pace of job destruction has slowed, the Fed is unlikely to move policy until key indicators such as the ISM non-manufacturing report moves closer to reporting growth, and for this reason we advise remaining square since Friday's sell off could well retrace over the next several days.

But, if retail sales were to come in stronger than expected this week, the market would start to look different and we would consider going short.

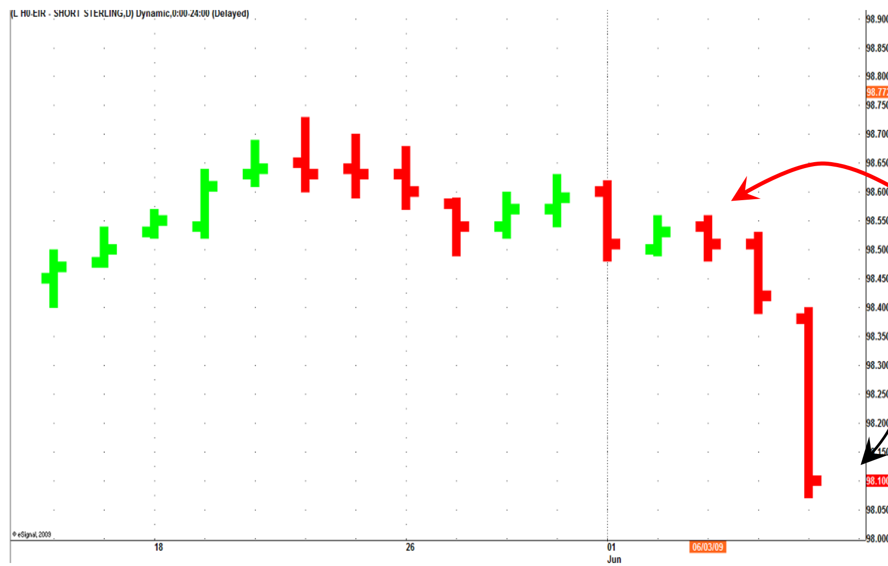
More

Summary
Global Calendar
Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor
Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund
Currencies
+ US Dollar
+ Pound Sterling
+ Euro
Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50
Commodities
+ Gold
+ Oil

Interest Rate Futures: Short Sterling March 10

OUR TRADING STANCE: SQUARE.

Last week we were square of December 09.



See how Short Sterling sold off in reaction to the better than expected US non-farm payroll report which together with better than expected UK data, especially the PMI Services report on Wednesday, refocused minds onto the inevitable tightening cycle that could start later this year.

Last time we remained square of this market as we held to our judged Short Sterling had little scope on the upside despite a re-alignment of LIBOR spreads.

And in a week with several key data releases due, we advised traders to monitor the following:

- On Monday; PMI Manufacturing survey; stronger than expected,
- On Tuesday; mortgage applications, net consumer credit; both better than expected, net lending on dwellings; as expected and PMI Construction survey; stronger than expected,
- On Wednesday; PMI Services survey; stronger than expected,
- On Thursday; MPC Interest rate decision; as expected, and
- On Friday; PPI; Input, output and core; broadly better than expected.

The data came in better than consensus last week and our expectation that the PMI Services report could show further solid improvement was justified, and strengthened expectations of economic recovery later this year.

But it took a much better than expected US non-farm payroll report on Friday to force a re-appraisal of interest rates in the UK.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Interest Rate Futures: Short Sterling

Looking ahead there are several key reports due this week and we advise traders to monitor the following:

- On Monday; BRC Shop prices and RICS House price survey,
- On Tuesday DCLG House prices, and
- On Wednesday; The trade data, industrial production, manufacturing output and NIESR GDP estimate.

This week's key releases are highlighted red, and we advise traders to monitor them closely, but we judge Wednesday's industrial production and manufacturing output data to be the main release this week with sentiment from the US also exerting an influence.

The Macro Trader's view is: the Short Sterling market confirmed our analysis of a false rally, when it sold off hard on Friday, but we were not involved as we hadn't expected such a bearish reaction so soon.

While we have supported the view that the economy is indeed in the early stages of recovery and looked to last week's PMI Services survey to re-enforce that view, the main dynamic behind last week's sell of was the better than expected US Non-farm payroll report.

From a domestic stand point, the UK PMI Services survey is now flagging a return to growth, and with retail sales proving more durable than analysts originally expected over recent months, there is an argument in favour of policy being tightened later this year, indeed both Nationwide and HBOS reported house prices rising last month, which adds to the sense of recovery.

For now though we advise caution; the housing market could still correct further, but more importantly short term, Friday's sell off was so sharp that we would expect the market to correct over the next few day's since recovery is only just starting to emerge.

But we are now seeking selling opportunities in this market and would look to sell into any rally that isn't support by fresh weakness in key data.

More

SEVEN DAYS AHEAD

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

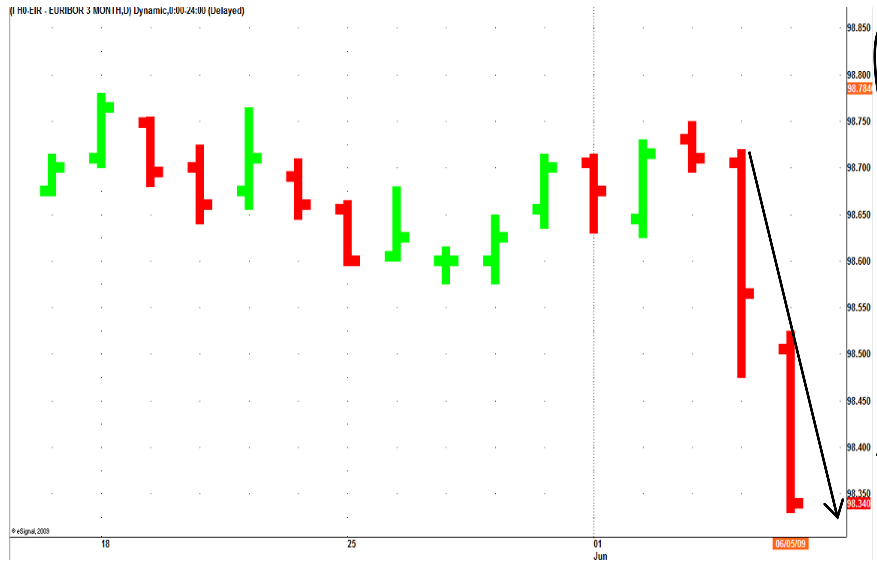
Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Interest Rate Futures: Euribor March 10

OUR TRADING STANCE: SQUARE.

Last week we were square of December 09.



See how Euribor sold off on Thursday and Friday after the ECB left policy unchanged on Thursday and Trichet said there were no plans to cut rates further or expand the Bond purchase program.

Last time we remained square of this market as we judged Euribor was likely to remain essentially range bound for an extended period as the economy formed a bottom.

And in a week with several key reports due we advised traders to monitor the following:

- On Monday; Italian, French, German and Euro zone PMI Manufacturing surveys; all better than expected,
- On Tuesday French PPI; weaker than expected and Euro zone unemployment rate; worse than expected,
- On Wednesday; Euro zone Q1 GDP, PPI; both weaker than expected, and French, Italian and Euro zone PMI Services surveys; better than expected and German PMI Services; weaker than expected, and
- On Thursday; French Q1 ILO Unemployment data; worse than expected, Euro zone retail sales; more than expected and ECB interest rate decision; as expected.

The market sold off on Thursday after the ECB left policy on hold and Trichet said policy was appropriate as signs of recovery were emerging, with positive quarterly growth expected by mid 2010.

The selling extended into Friday, driven by sentiment from the US after a better than expected US non-farm payroll report.

More

Interest Rate Futures: Euribor

Looking ahead there are several key reports due this week, and we advise traders to focus on the following:

- On Monday; German factory orders,
- On Tuesday; German trade, C/A data and industrial production and French trade data,
- On Wednesday; German CPI, French industrial production, manufacturing output, Italian industrial production and Q1 GDP, and
- On Friday; German WPI, French CPI, C/A and Euro zone industrial production.

This week's key releases are highlighted in red, and we advise traders to monitor them closely.

But we judge the German industrial production and Euro zone industrial production data are likely to be the key releases as traders seek evidence of economic improvement in core German/Euro zone activities.

The Macro Trader's view is; the market reacted to Trichet's comments on Thursday that sought to paint a picture of an economy close to bottoming and in the very early stages of recovery, as he made it clear that while it was possible events could yet deteriorate, that wasn't the councils expectation, as the ECB judged policy was appropriate, no further cuts were necessary and it wasn't necessary to increase the Bond purchase program.

When the US released a much better than expected non-farm payroll report, sentiment in all the leading short term interest rate markets turned negative.

But we judge at this early stage traders were selling through shock. Closer analysis reasons that true recovery is still some way off and not yet guaranteed, so while we expect the next big development in these markets to be a Bear market, we think Friday's sell off could prove to be the 1st of several failed attempts by traders to price in a tightening cycle.

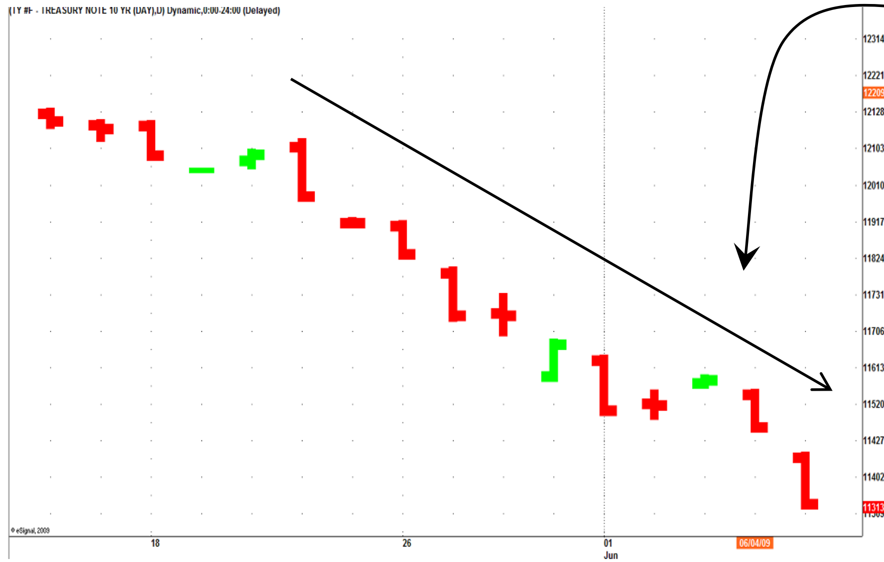
More like the market will over the next few days stage a limited recovery, which depending on the run of data releases, could offer a better selling opportunity.

For now we advise remaining square of this market, but the Bull market is over and the transition to a bear market is under way.

Government Bonds: US Treasury Note (10yr)

OUR TRADING STANCE: Bearish.

Last week we were bearish of the 10yr Note.



See how the 10 yr note sold off last week as Fed Chairman Bernanke highlighted , in a speech mid week, the need for the administration to bring the federal deficit back under control and to within what is considered the long term norm, before markets demand much higher yields.

Last time we were bearish of this market, as bond traders refocused back onto the fiscal stance which was appropriate to avoid recession but can not become the status quo.

And in a week with several key data releases due, we advised traders to monitor the following:

- On Monday; Personal spending and income; better than expected, PCE Core; more than expected, ISM Mfg and construction spending; both stronger than expected,
- On Tuesday; pending home sales; stronger than expected,
- On Wednesday; MBA Mortgage applications; weaker than expected, ADP employment change; worse than expected, ISM Non-manufacturing survey; less than expected and factory orders; stronger than expected,
- On Thursday; Q1 Non-farm productivity; stronger than expected, unit labour costs; higher than expected and jobless claims; as expected, and
- On Friday; non-farm payroll; better than expected, unemployment rate; worse than expected, average hourly earnings and average work week; both less than expected.

The market sold off hard as traders reacted to the combination of improving data and Bernanke's warning that the Federal budget needs to be brought back under control and the deficit slimmed down.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Government Bonds: US Treasury Note (10yr)

Looking ahead there are several key reports due this week, and we advise traders to monitor the following:

- On Tuesday; wholesale inventories,
- On Wednesday; MBA mortgage applications, trade data, monthly budget statement and the Feds Beige book,
- On Thursday; Retail sales, jobless claims and business inventories, and
- On Friday; import prices and University of Michigan confidence.

This week's key events are marked red and we advise traders to monitor them carefully, but we judge the retail sales report as the main event as strength here will echo recent improvements seen in consumer confidence and increase chatter about when the Fed might begin hiking rates.

The Macro Trader's view is; the bear market we have expecting in Bonds looks to be underway.

Bernanke is right to call upon Congress and the Administration to tackle the budget deficit for three reasons:

1. Investors will demand higher yield for buying US debt,
2. Productivity could be threatened, and
3. Inflation risks grow, especially when Fed quantum easing is factored in.

In short, if the Obama administration doesn't shrink the deficit as growth strengthens, the Fed will have to react through higher interest rates, not only to off set its own quantum easing which wont be a quick un-wind, but also excessive government borrowing.

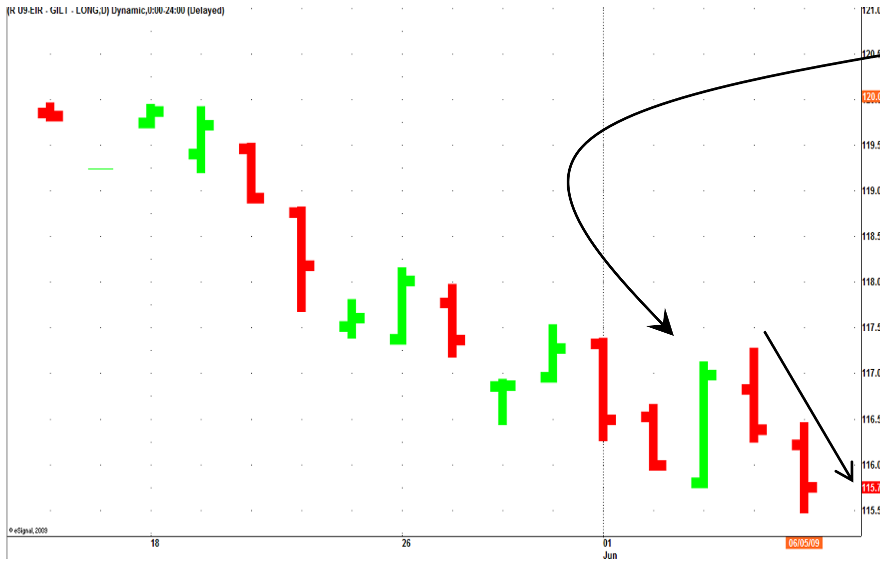
We advise traders to remain short of this market, and our interim target is now 112.19 and our stop is reduced to 115.09 for close protection of profits.

More

Government Bonds: The Gilt

OUR TRADING STANCE: BEARISH.

Last week we were bearish of the Gilt.



See how the Gilt initially rallied on Wednesday after better than expected PMI Services data held out the hope of earlier recovery and potentially smaller deficits, but the political crisis around Gordon Brown and the ruling Labour party, sharpened by ministerial resignations and poor local election results on Thursday sent the Gilt lower.

Last time we were bearish of the Gilt, after S&P placed the UK'S credit rating on negative watch due to concerns over the current fiscal stance.

And in a week with several key releases due, we advised traders to monitor the following:

- On Monday; PMI Manufacturing survey; stronger than expected,
- On Tuesday; mortgage applications, net consumer credit; both better than expected, net lending on dwellings; as expected and PMI Construction survey; stronger than expected,
- On Wednesday; PMI Services survey; stronger than expected,
- On Thursday; MPC Interest rate decision; as expected, and
- On Friday; PPI; Input, output and core; broadly better than expected.

The gilts sold off last week on a combination of stronger data, and political crisis.

Although the stronger PMI Services report initially lifted the gilt on hopes of recovery resulting in a smaller deficit, the truth is, the fiscal stance is so lose that a recovery will result in inflation if spending isn't cut and the Bank fails to tighten aggressively as soon as growth is seen as self sustaining.

More

Summary
Global Calendar
Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor
Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund
Currencies
+ US Dollar
+ Pound Sterling
+ Euro
Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50
Commodities
+ Gold
+ Oil

Government Bonds: The Gilt

Looking ahead there are few key reports due this week, and we advise traders to monitor the following:

- On Monday; BRC Shop prices and RICS House price survey,
- On Tuesday DCLG House prices, and
- On Wednesday; The trade data, industrial production, manufacturing output and NIESR GDP estimate.

This week's key releases are highlighted in red, and we advise monitoring closely.

The main event this week is the industrial production and manufacturing data, which after a massive contraction during the recession is starting to show signs of life.

The Macro Trader's view is; last week we said...

"the governments chickens have truly come home to roost. Gordon Brown dismissed dissent from the Tories over the expansion of the governments spending and borrowing plans, but they were only tolerated by the markets when the financial world looked on the brink of annihilation.

Now traders can see recovery signs emerging through the economic gloom, they see Brown's spending spree as the seeds of the next problem; inflation.

Bonds react badly to a lax fiscal stance and inflationary fears, and although the opposition are well ahead in the polls and are espousing a policy of fiscal; rectitude, a general election is a year away, and some one once said a week is a long time in politics, so how long then a year?

We judge traders will focus on the government now in power and sell the Gilt as they judge by the time the Tories take power, assuming the polls are right, much damage will already have been done".

After last week's events we saw little fresh to add other than recovery looks stronger after last week's data and given the crisis surrounding Gordon Brown there is zero hope of this government taking any meaningful corrective fiscal action.

Traders should remain short of this market, our interim target in the September Gilt is 115.00 and our stop is placed at 117.30 for protection after our target in the June Gilt was met.

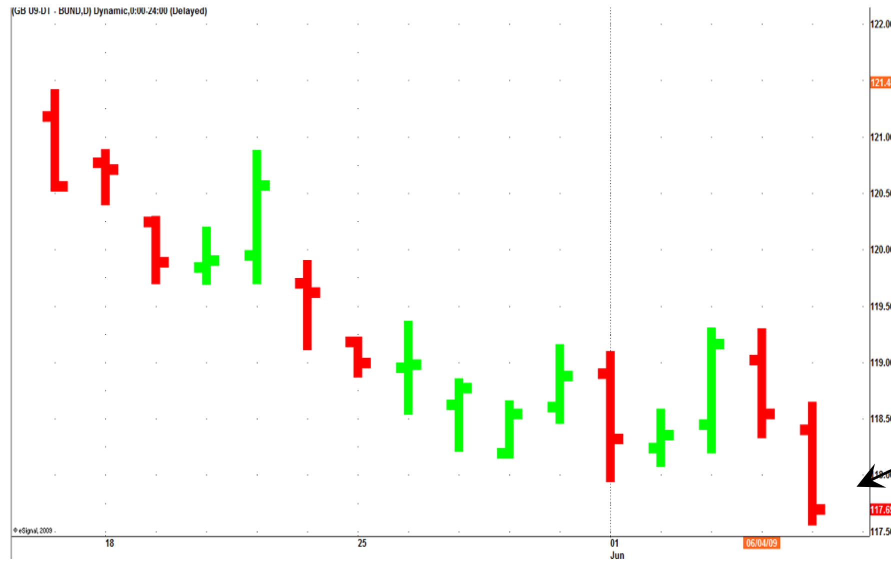
More

SEVEN DAYS AHEAD

Government Bonds: The Bund

OUR TRADING STANCE: BEARISH.

Last week we were bearish of the Bund



See how the Bund ended a feeble attempt to rally on Friday after the release not of Euro zone data, but a stronger than expected US non-farm payroll data which sharpened the view among traders that a recovery was beginning to emerge.

Last week we remained bearish of the Bund as we judged government bond markets, including the Bund were vulnerable to the downside on debt issuance concerns.

And in a week with several key reports due we advised traders to monitor the following:

- On Monday; Italian, French, German and Euro zone PMI Manufacturing surveys; all better than expected,
- On Tuesday French PPI; weaker than expected and Euro zone unemployment rate; worse than expected,
- On Wednesday; Euro zone Q1 GDP, PPI; both weaker than expected, and French, Italian and Euro zone PMI Services surveys; better than expected and German PMI Services; weaker than expected, and
- On Thursday; French Q1 ILO Unemployment data; worse than expected, Euro zone retail sales; more than expected and ECB interest rate decision; as expected.

The Bund attempted a feeble rally until Thursday when Trichet declared Euro zone monetary policy was appropriate, based on his expectation that early signs of recovery were starting to emerge, but sold off further after the US non-farm payroll report came in better than expected and showed the US economy was improving on several fronts.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Government Bonds: The Bund

Looking ahead there are several key reports due this week, and we advise monitoring the following:

- On Monday; German factory orders,
- On Tuesday; German trade, C/A data and industrial production and French trade data,
- On Wednesday; German CPI, French industrial production, manufacturing output, Italian industrial production and Q1 GDP, and
- On Friday; German WPI, French CPI, C/A and Euro zone industrial production.

This week's key events are highlighted in red, and we advise traders to monitor them closely, especially the various industrial production reports.

But we judge sentiment emanating from the US will continue to drive all the leading bond markets over the next few days.

And if US retail sales come in better than expected, all the more so.

The Macro Trader's view is: we were stopped out last week as the Bund tried to recover, but with Bernanke sending warning signals to Congress and Obama over the US fiscal stance, and Germany's Merkel sounding off about Central Bank quantum easing, we went short of the September Bund.

Trichet made it clear on Thursday, that while no policy options were completely shut off, he didn't see a need to cut interest rates further or expand the ECB'S Bond purchase program, because he saw a bottom to the recession in sight and growth resuming in 2010.

However, the here and now is large government deficits that could yet grow further before growth begins to help reverse that trend, and although the Euro zone is at the least risk of inflation, investors are still faced with a massive funding need from all the leading economies and they will demand higher yields; the more so if they judge deficits are becoming entrenched.

Traders should be short of the September Bund, our interim target is now set at 116.95, and our stop is reduced to 119.40 for protection.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

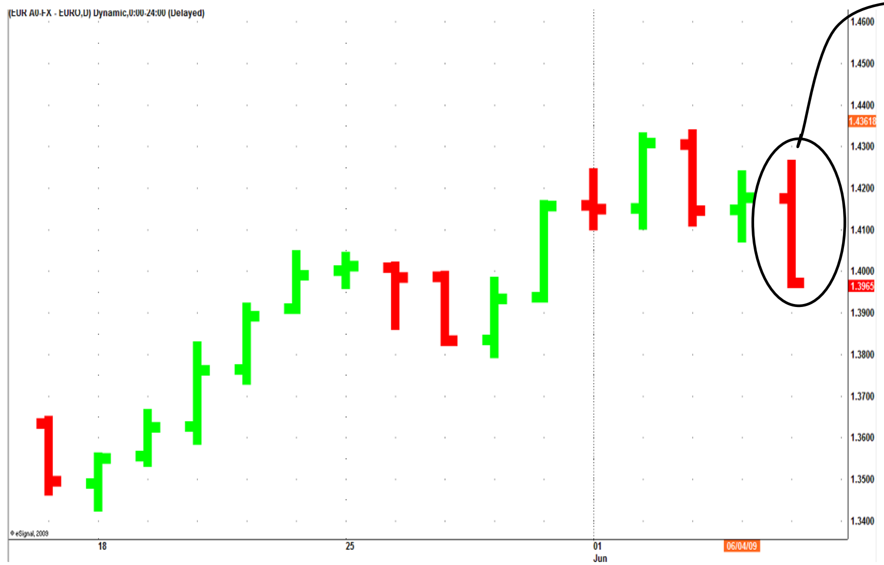
Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

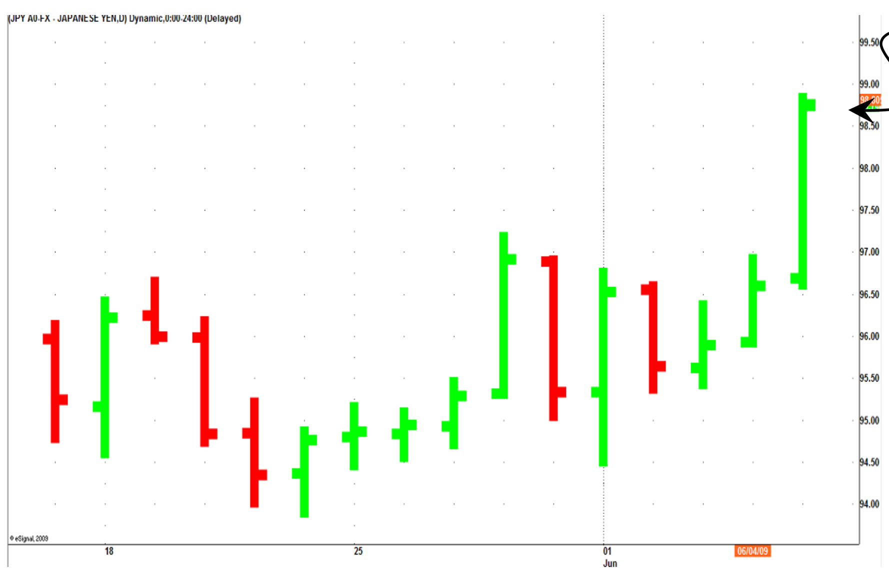
Currencies: The Dollar

OUR TRADING STANCE: BEARISH v STERLING.

Last week we were bearish of the Dollar



See how the Dollar initially weakened after the worse than expected unemployment rate on Friday, but subsequently rallied on the better than expected non-farm payroll report.



See how the Dollar rallied hard against the Yen after a much better than expected non-farm payroll report took traders completely by surprise.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Currencies: The Dollar

Last week we remained bearish of the Dollar, as we judged the prospect of large persisting budget deficits made the Dollar vulnerable to the downside.

And in a week with several key reports due, we advised traders to monitor the following:

- On Monday; Personal spending and income; better than expected, PCE Core; more than expected, ISM Mfg and construction spending; both stronger than expected,
- On Tuesday; pending home sales; stronger than expected,
- On Wednesday; MBA Mortgage applications; weaker than expected, ADP employment change; worse than expected, ISM Non-manufacturing survey; less than expected and factory orders; stronger than expected,
- On Thursday; Q1 Non-farm productivity; stronger than expected, unit labour costs; higher than expected and jobless claims; as expected, and
- On Friday; non-farm payroll; better than expected, unemployment rate; worse than expected, average hourly earnings and average work week; both less than expected.

The Dollar traded mainly sideways for much of the week as better than expected data was largely blunted by concerns over future inflation risks and the US fiscal stance as articulated by Fed Chairman Bernanke, but a better non-farm payroll helped the Dollar recover.

Looking ahead there are several key releases due this week, and we advise traders to watch the following:

- On Tuesday; wholesale inventories,
- On Wednesday; MBA mortgage applications, trade data, monthly budget statement and the Feds Beige book,
- On Thursday; Retail sales, jobless claims and business inventories, and
- On Friday; import prices and University of Michigan confidence.

This week's key events are highlighted red, and we advise monitoring them closely, but judge the retail sales report as the main event, but watch the inventory reports too.

The Macro Trader's view is: the Dollar received a well needed boost last week as non-farm payroll came in better than expected.

But while this bodes well for hopes of recovery, it doesn't remove concerns over the policies the Obama administration are following which mean persistently large budget deficits, threatening productivity and inflation, which have made the Chinese question the Dollar's long term role as reserve currency.

However with a retail sales report due this week, there is a risk that the Dollar could strengthen a little further before fresh selling opportunities present, and make no mistake we are bearish of the Dollar based on the projected expansion of the Federal budget, the explosion of national debt and the damage it will likely do to US competitiveness.

For now we advise remaining long of Cable and our target is reduced to 1.6325 with a stop still at 1.5740, but square v the Euro, but if retail sales disappoints; go short against the Euro too.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

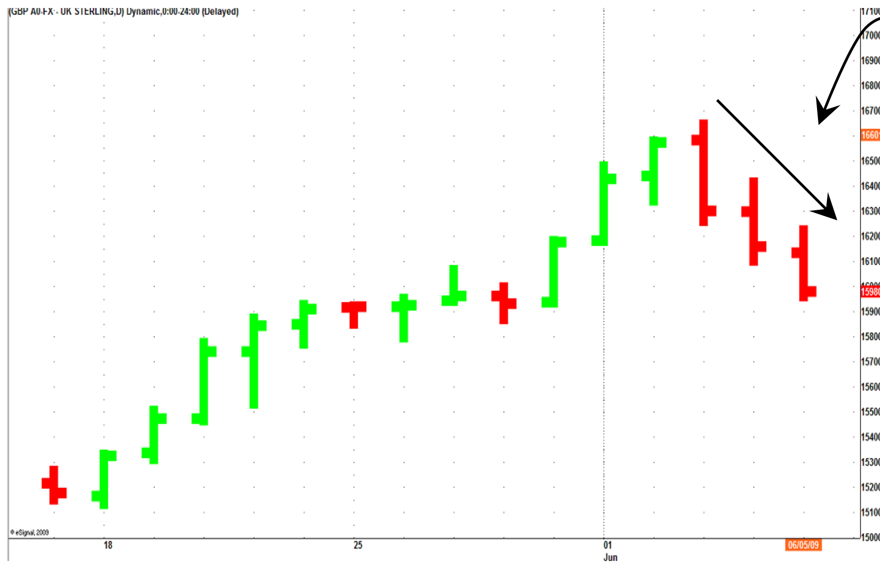
Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

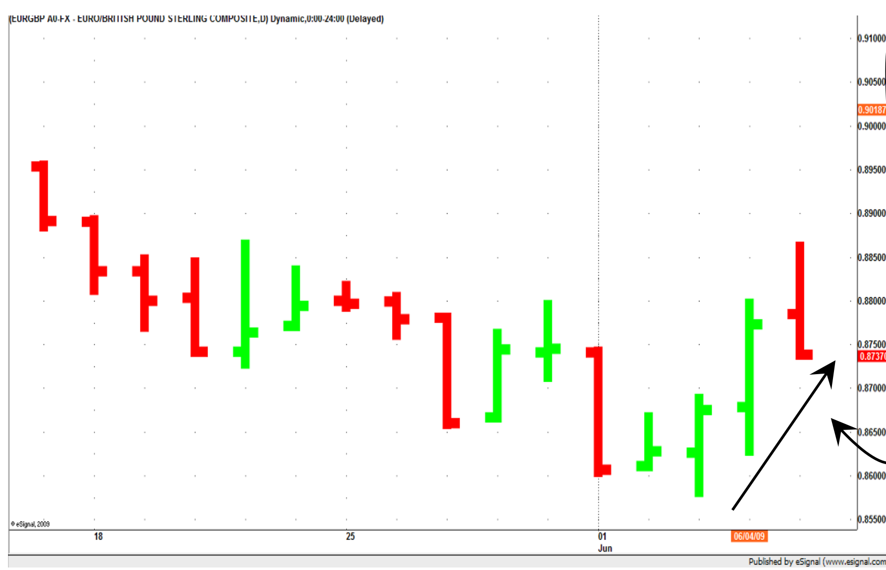
Commodities
+ Gold
+ Oil

Currencies: The Pound Sterling

OUR TRADING STANCE: BULLISH.
Last week we were bullish of Sterling.



See how Sterling gave back its gains against the Dollar despite strong data as political risk rose amid several ministerial resignations from an unpopular Brown government.



See how Sterling gave back gains against the Euro as the political crisis surrounding the Brown government temporarily eclipsed the stronger economic data.

More

Currencies: The Pound Sterling

Last week we were bullish of Cable as evidence of recovery continued to percolate through to the surface.

And in a week with several key releases due, we advised traders to monitor the following:

- On Monday; PMI Manufacturing survey; stronger than expected,
- On Tuesday; mortgage applications, net consumer credit; both better than expected, net lending on dwellings; as expected and PMI Construction survey; stronger than expected,
- On Wednesday; PMI Services survey; stronger than expected,
- On Thursday; MPC Interest rate decision; as expected, and
- On Friday; PPI; Input, output and core; broadly better than expected.

The data released last week was bullish; especially the PMI Services report which flagged a return to growth.

But a political crisis surrounding Brown's government and style of leadership over shadowed the good economic news and saw Sterling trade lower.

Looking ahead there are several key releases due this week, and we advise traders to monitor the following:

- On Monday; BRC Shop prices and RICS House price survey,
- On Tuesday DCLG House prices, and
- On Wednesday; The trade data, industrial production, manufacturing output and NIESR GDP estimate.

This week's key events are highlighted red, and we advise traders to monitor them closely, but we judge the industrial production and manufacturing output data the likely key releases of the week, but watch the NIESR GDP estimate, it could spring a positive surprise and has a good accuracy record.

The Macro Trader's view is: the Pound suffered a set back last week driven by political events, but unless the Labour party decides to challenge Gordon Brown's leadership, he is Prime minister until he calls a general election, which given Labour's standing in the country, will be in June 2010; as late as constitutionally possible.

But we judge the economic data coming from the UK not only shows the UK economy wasn't the worst hit G7 economy as originally forecast, but is arguably one of the better performing and certainly looks closer to recovery than either the US, Euro zone or Japan.

With this in mind, we judge the Pound will overcome this set back, but the early part of this week could, for political reasons, prove choppy.

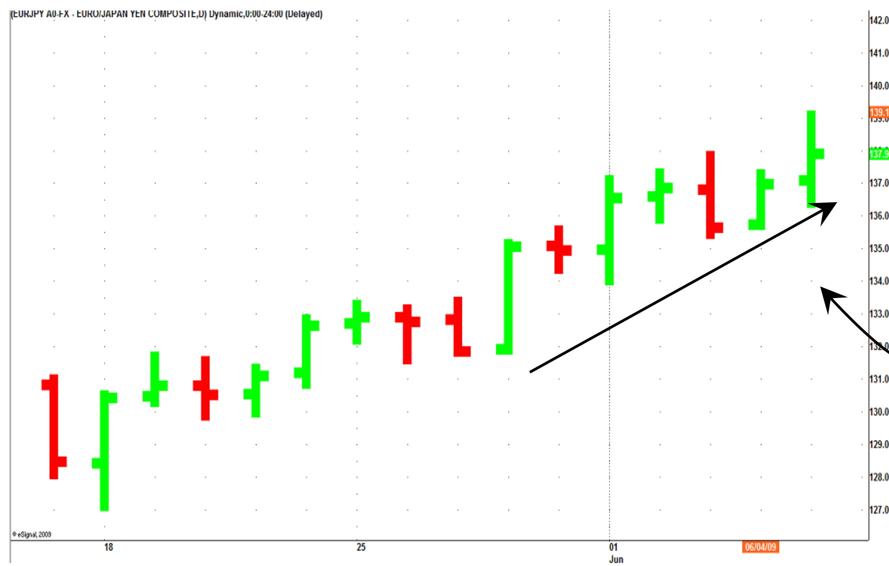
Traders should remain long of Cable, our target is reduced to 1.6325 but our stop remains at 1.5740 for close protection.

More

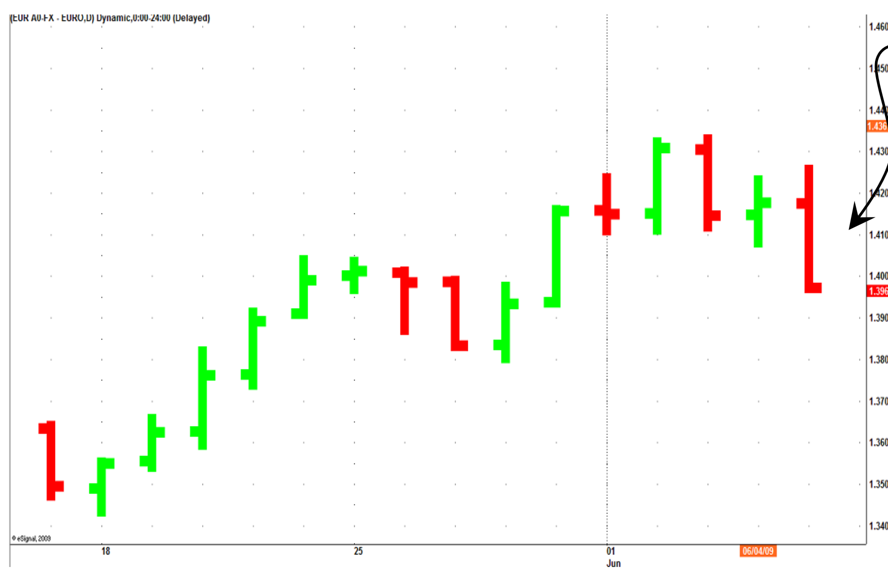
Currencies: The Euro

OUR TRADING STANCE: SQUARE.

Last week we were bullish of the Euro.



See how the Euro consolidated its gains against the Yen after Trichet spoke of his expectation that the Euro zone recession would bottom this year and ruled out further rate cuts.



See how the Euro weakened against the Dollar after US non-farm payroll came in better than expected with the previous months report revised better.

Summary
Global Calendar
Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor
Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund
Currencies
+ US Dollar
+ Pound Sterling
+ Euro
Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50
Commodities
+ Gold
+ Oil
More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Currencies: The Euro

Last week we were bullish of the Euro as we continued to judge the Euro zones superior fiscal stance and lower inflation rates offered the Euro important support.

And in a week with several key data releases due, we advised traders to monitor the following:

- On Monday; Italian, French, German and Euro zone PMI Manufacturing surveys; all better than expected,
- On Tuesday French PPI; weaker than expected and Euro zone unemployment rate; worse than expected,
- On Wednesday; Euro zone Q1 GDP, PPI; both weaker than expected, and French, Italian and Euro zone PMI Services surveys; better than expected and German PMI Services; weaker than expected, and
- On Thursday; French Q1 ILO Unemployment data; worse than expected, Euro zone retail sales; more than expected and ECB interest rate decision; as expected.

The data releases last week were mainly supportive for the Euro and indeed Trichet's press conference comments that policy was appropriate was Euro supportive, but the Dollar staged a strong recovery on Friday after the release of much better than expected non-farm payroll data.

Looking ahead there are several key reports due this week, and we advise traders to monitor the following:

- On Monday; German factory orders,
- On Tuesday; German trade, C/A data and industrial production and French trade data,
- On Wednesday; German CPI, French industrial production, manufacturing output, Italian industrial production and Q1 GDP, and
- On Friday; German WPI, French CPI, C/A and Euro zone industrial production.

The key releases due this week are highlighted in red, and we advise traders to monitor them closely.

We judge the various industrial production data due throughout the week are most important this week; the Euro zone relies on manufacturing strength, so any report that shows this improving will help the Euro, but we judge sentiment from the US will be the main dynamic in the market this week, especially if US retail sales come in better than expected.

The Macro Trader's view is: we were stopped out last week, as the Dollar rallied on the non-farm payroll report and for now we judge it wise to remain square.

Although there are domestic reasons to be long of the Euro, the main dynamic has been the concerns over the US fiscal stance and the real risk of inflation once recovery fully takes hold in the US economy.

So while the Dollar corrected on Friday's payroll report, it isn't necessarily a change of fortune, since the reasons for shorting the Dollar are still in play.

However, if the US retail sales report comes in better than expected, the Dollar will likely improve further, before traders turn their attention back to the core concerns; rising US national debt, a yawning budget deficit and fears inflation will emerge due to the fiscal and monetary stimulus not being withdrawn in time.

So yes we are still bearish, but for now stay square.

More

SEVEN DAYS AHEAD

Stocks: S&P 500

OUR TRADING STANCE: BULLISH.

Last week we were bullish of the S&P 500

See how stocks dipped on Wednesday after a mildly disappointing ISM non-manufacturing report and Bernanke's warnings about the US fiscal position.

Last time we remained bullish of the S&P500 as we judged there was clear, albeit tentative, evidence of economic recovery, and while we judge a full recovery will take time to establish, traders are seeing this as the next big event and are trying to position themselves for the bull market they see coming.

With three major economic reports due last week, with our focus on the ISM non-manufacturing survey, we expected the S&P to consolidate its gains and rally further.

But a mildly disappointing ISM survey on Wednesday, together with warnings from Bernanke about the US fiscal stance, weighed on stocks before a recovery set in on Thursday driven by better than expected Q1 Productivity gains.

However, despite better than expected non-farm payroll data on Friday, the market failed to make further gains as traders digested the worse than expected unemployment rate.

Looking ahead the main event this week is the retail sales report due on Thursday, if this is better than expected the market should move higher as traders will turn positive about recovery once more.

More

Summary
Global Calendar
Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor
Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund
Currencies
+ US Dollar
+ Pound Sterling
+ Euro
Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50
Commodities
+ Gold
+ Oil

Stocks: S&P 500

The Macro Trader's view is: equities remain volatile, but the underlying trend is beginning to be bullish.

Although the ISM non-manufacturing survey was a little disappointing, the slower pace of job destruction is obviously good news for the US economy.

The Fed expects the economy to bottom this summer and then start expanding again before the year is out.

A stronger than expected retail sales report will solidify that view and stocks should rally. But when economies are at an early stage of recovery data is mixed and the outcome isn't always clear, hence the hesitancy apparent in this market last week.

But our target was met, if not sustained and we remain bullish of the S&P 500.

Our interim target is now set at 965.0, and our stop is raised to 910.0 for closer protection in still volatile markets.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

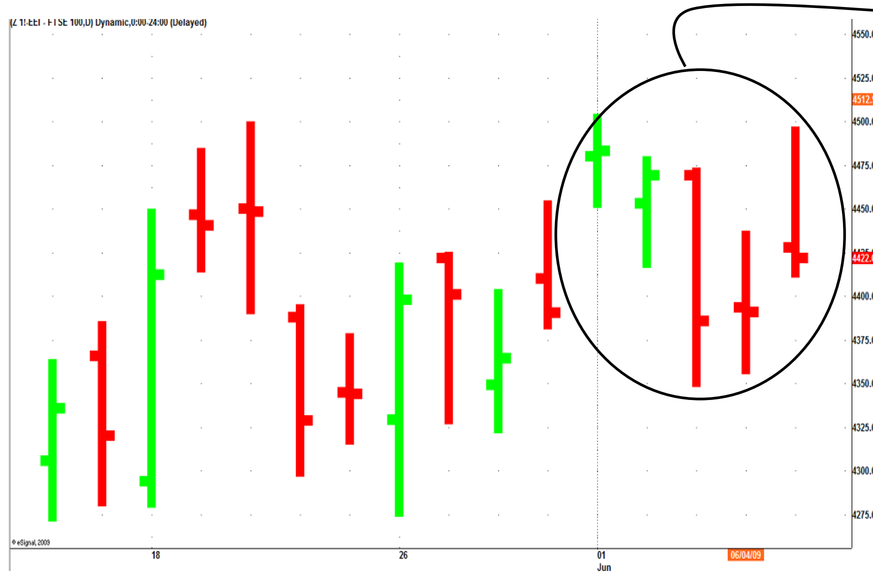
Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Stocks: FTSE 100

OUR TRADING STANCE: SQUARE.

Last week we were bullish of the FTSE 100



See how the FTSE suffered a choppy week even though all the key data releases came in better than expected supporting the view that recovery is closer than previously thought.

Last week we remained bullish of this market as we sensed the data was painting a picture of an economy doing better than thought possible only a few short months earlier.

With our attention fixed on the PMI Services report we were expected additional evidence to support that view, and indeed we got it as both PMI surveys came in better than expected and the Services survey moved into growth territory.

But the FTSE failed to benefit from the data as looming local and European elections threatened to see the Governing Labour party perform badly and intensified the political crisis around Gordon Brown’s leadership which not only hit the Pound but this market too.

Looking ahead we expect politics to continue to negatively impact this market throughout the week, and although traders should monitor key data releases as detailed on the calendar, with the manufacturing and industrial production reports this week’s key data releases, politics is still likely to dominate, after Labour suffered disastrous election losses.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Stocks: FTSE 100

The Macro Trader's view is: the FTSE had a disappointing week, despite good data releases, and even today, Lloyds Bank's successful share issue has failed to lift the market.

For now we advise going square, when politics begin driving markets, albeit even only short term, it becomes difficult to gauge the next turn of events, especially when the economy is trying to emerge from recession.

With the ruling Labour party doing so badly in last week's elections and widespread dissatisfaction with Gordon Brown as Prime minister, traders are likely to pay more attention to the machinations occurring at Westminster than the positive news emanating from the economy.

And although the market came to within a whisker of our target last Thursday, we judge it best to go square of this market short term until politics has settled and book the small profit made.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

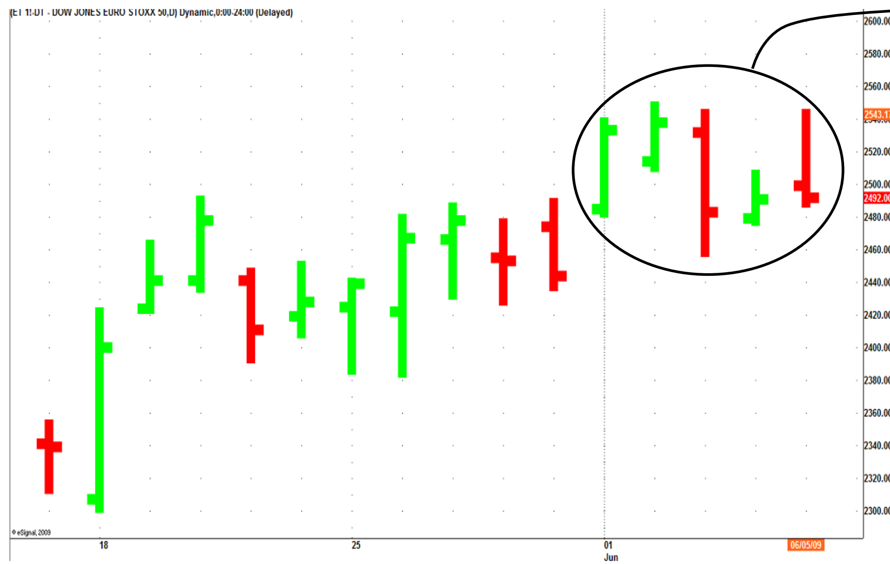
Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Stocks: DJ Euro Stoxx 50

OUR TRADING STANCE: BULLISH.

Last week we were bullish of the DJ Euro Stoxx 50



See how the market tested the upside, and although closing up on the week, failed to hold early promising gains, as attention turned in the US and Euro zone towards managing the withdrawal of the fiscal and monetary stimulus pumped into both economies in a timely manner with German Chancellor Merkel voicing her disquiet over such policies.

Last week we were bullish of this market as we expected to see further signs of recovery emerge in the week's data.

And in the event most key releases were better than expected, with both sets of PMI surveys showing reasonable improvement for an economy that has suffered a serious recession and is only now approaching a bottom prior to recovery setting in.

These sentiments were re-enforced by Trichet at his press conference on Thursday when he said policy is appropriate and the economy should bottom this year and growth resume in 2010.

However fears over the timely removal of the stimulus pumped into the economy as voiced by Merkel weighed heavily and the market failed to consolidate any of its gains.

Looking ahead the various industrial production reports due throughout the week are the events to watch domestically, but we judge sentiment from the US will be key this week as traders await the release of US retail sales which if better than expected should help equity markets rally.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Stocks: DJ Euro Stoxx 50

The Macro Trader's view is: we have been bullish of stocks for only a short while, but it is becoming increasingly clear to us that a significant rally is now far more likely than a significant sell off.

Although traders are increasingly focussed on the early signs of recovery, we judge that they are not trading beyond what is reasonable expectation at this stage.

And although the market failed to make fresh significant gains last week, we judge the price action as consistent with a time of great uncertainty such as this when a serious recession is close to bottoming with expectations of recovery running high.

However, unlike the UK we see little political risk in this market, and judge that last week's price action resulted from comments delivered by Fed Chairman Ben Bernanke and German Chancellor Merkel over how policy makers should respond to recovery vis-a-vis the eventual withdrawal of the sizable fiscal and monetary stimulus.

Traders should remain long of this market, our interim target remains at 2605.0 and our stop is left at 2340.0 for close protection.

More

SEVEN DAYS AHEAD

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Commodities: Gold

OUR TRADING STANCE: SQUARE.

Last week we were bullish of Gold

See how Gold failed to build on its recent rally as the Dollar halted its slide and then rallied on Friday after better than expected non-farm payroll data.

Last week we went long of Gold as we judged the Dollar would come under further pressure as investors became increasingly uneasy about the US fiscal position with debt to GDP set to rise from 40% to 70% or more.

And although the economy had begun to show early signs of turning around, with the Fed voicing its confidence in the recession ending and growth resuming this year, the Dollar had drawn little benefit.

But unexpectedly Friday's non-farm payroll release came in better than expected and led to speculation over when the Fed might consider raising interest rates.

Clearly not yet; the economy is just showing early signs of life, the Fed won't hike until a self sustaining recovery has emerged, but the mood shift helped the Dollar and turned Gold lower.

Looking ahead there are several key reports due this week, and we advise monitoring the inventory reports, but pay special attention to the retail sales report due on Thursday, if this comes in better than expected, the Dollar could strengthen further sending gold lower still.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Commodities: Gold

The Macro Trader's view is: the relationship between the Dollar and Gold over recent years is well understood; weak Dollar, strong gold, and vis versa.

On Friday that relationship was re-enforced by an improving unemployment report, even though the unemployment rate rose to 9.4%.

We judge the current price action is yet another correction.

While we think the Fed will act sooner than people had been expecting, we do not think they are about to change policy yet.

The Fed will want to see the current tentative signs of recovery solidify into recovery proper, that could well occur in the later half of the 4th quarter with the Fed tightening policy around the turn of the year.

That might sound implausible as some might argue that they would want to give retailers and consumers an opportunity to help growth over the holidays, but think about the monetary and fiscal stimulus pumped into the economy.

The administration, despite Bernanke's warnings last week are not going to reverse policy and cut the deficit.

The Fed then will have to use interest rates as the easiest means of countering the expansionary effects of both fiscal policy and quantum easing, and they will need to act promptly if they are to contain inflation and retain their own credibility and that of the Dollar's with the markets, so rates could rise late this year, but not now and the price action in the Dollar and Gold will surely reverse once traders refocus.

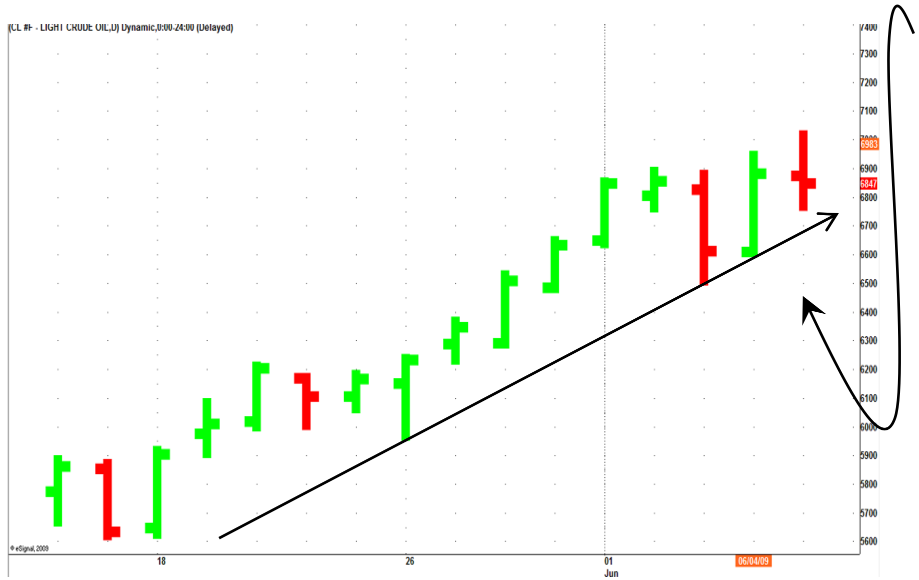
For now we are stopped out and advise remaining square.

More

Commodities: Oil

OUR TRADING STANCE: SQUARE

Last week we were bullish of Oil



See how oil made a new recent high before easing lower despite additional evidence of economic improvement in the US and also the UK.

Last week we remained long of this market as we judged oil could rally further on early evidence of economic improvement, as we judged traders were basically trading off of where they thought oil would go once recovery was a fact rather than current supply demand dynamics.

And with several key data releases due in the US, UK and Euro zone, we were expecting the market to hit $70.00 a barrel.

In the event the data was broadly better than expected and our target of $70.00 was hit. But as US inventories rose, traders, including us, took profit.

Looking ahead the Key release this week is US Retail sales. If that number comes in better than expected it will underline the message coming from consumer confidence reports over recent weeks and show that US consumers are alive and week.

In an economy where consumer spending accounts for 60%+ of GDP that is very important for the over all strength of the economy and the price of oil.

More

Summary

Global Calendar

Interest Rate Futures
+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds
+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies
+ US Dollar
+ Pound Sterling
+ Euro

Stocks
+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities
+ Gold
+ Oil

Commodities: Oil

The Macro Trader's view is; our target of $70.00 was hit and we took profit as we judge this is about as much as can be expected in the current phase of the rally.

It is worth remembering that although recovery signs are emerging, over all economic activity is still weak, and oil supply adequate.

And although we have offered the explanation for the current rally as traders looking to where the oil price can go once recovery is fact, you can only take the market so far, so far in advance of that event becoming reality and that is where we are now.

We expect a correction lower to set in, but not much lower, but we require sight of further recovery signals before going long of this market again.

For now stay square.

Back to main menu