



Key Trade Bulletin

11th June 2009

New Position

1. Cable

LONG Sterling SHORT Dollars today at 1.6462. Stop at 1.6100
(Sep 09 equivalent 1.6475 use same distance for Stop)

The Technical Trader's View:



Spot Dollar/Sterling Weekly chart

The market's rally back from the long-term pivot is clear and powerful.

Note well the surge up through the 38.2% retracement level.

The next major (50%) retracement level is at 1.7333.



Spot Dollar/Sterling Daily Bar chart

The bull run from early March has only recently tested the downside - and found good support at 1.5806.

More recently still, the market has described a range.

A push up through the band 1.6661 / 1.6802 will lead to fresh technical buying. We want to pre-empt that.

The recent low at 1.5806 looks too far away.

Our Stop is higher at
1.61

The Macro Trader's view:

The initial reasons for Sterling's steep sell off late 2008 and into early 2009 were based on the assumption that the UK economy would be the hardest hit of the G7 nations; that clearly isn't the case and has been becoming increasingly clear over recent weeks.

Last week's correction in Cable was so obviously politically driven, and as soon as the political crisis around Brown's administration subsided, traders refocused onto the economy.

Here the data has been telling a story of recovery:

- Last week both PMI surveys were better than expected with the services survey moving above 50.0,
- Also last week both the Nationwide and Halifax house price surveys showed growth,
- This week manufacturing output and industrial production have expanded month on month,
- The council of mortgage lenders have reported strengthening data for new mortgages, and

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- NIESR an independent body that among other things produces a well respected monthly estimate of UK GDP, has reported that the latest 3m/3m GDP estimate has improved to -0.9%, but more importantly they say GDP for May was +0.1% and for April +0.2% holding out the possibility that Q2 GDP might mark the end of the recession.

The Pound has rallied on this and since it now looks as though the UK will be the 1st G7 economy to emerge from recession, we expect it to rally a lot further and advise going long Sterling/Short the Dollar.

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