Week 28

14th – 20th July 2009

the macro trader's guide to major markets

John Lewis

Authorised and regulated by the FSA

SEVEN DAYS AHEAD

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	**SQUARE** short, medium & long term
+ Gilt	**SQUARE** short, medium & long term
+ Euro Bund	**SQUARE** short, medium & long term
Currencies	
+ US Dollar	**BEARISH** short, medium & long term v the Yen
+ Pound Sterling	**SQUARE** short, medium & long term
+ Euro	**SQUARE** short, medium & long term
Stocks	
+ S&P 500	**SQUARE** short, medium & long term
+ FTSE 100	**SQUARE** short, medium & long term
+ Dow Jones Eurostoxx50	**SQUARE** short , medium & long term
Commodities	
+ Gold	**SQUARE** short, medium & long term
+ Oil	**BEARISH** short, medium & long term

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Commodities
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	Week of 6th July
Monday	US ISM Non-mfg 47.0 **BETTER THAN EXPECTED**
Tuesday	UK Ind production -0.6m, -11.9y **WEAKER** UK Mfg output -0.5m, -12.7y **WEAKER** UK NIESR GDP Estimate -0.4 **WEAKER** FR Trade bal -2.7B **BETTER** DM Factory orders 4.4m, -29.4y **BETTER THAN EXPECTED**
Wednesday	US MBA Mrtge apps 10.9 **STRONGER** UK HBOS Hse prices -0.5m, -15.0y **WEAKER** EZ Q1 GDP -2.5q, -4.9y **LESS** DM Ind production 3.7m, -17.9%y **BETTER THAN EXPECTED**

	Week of 13th July
Monday	US Budget stat -$86.0B UK BRC Retail sales n/f UK RICS Hse prces -40.0%
Tuesday	US Retail sales 0.4% US RS Ex-Autos 0.5% US PPI 0.8m, -5.3y US PPI Exf & e 0.1m, 2.9y US Bus inventories -0.8% UK DCLG Hse prices -12.8%y UK CPI 0.3m, 1.8y UK RPI 0.3m, -1.6y UK RPI-X 1.0% DM ZEW 47.8 EZ Ind product'n 1.5m, -17.5y
Wednesday	US CPI 0.6m, -1.6y US CPI Ex f & e 0.1m, 1.7y US Empire mfg -5.0 US Ind production -0.6 US Capacity utilisat'n 67.9% US FOMC Minutes UK Unemploym't chge 41.3k UK Unemploym't rate 5.0% UK ILO 7.4% UK Avge earngs 2.1% UK AE Ex-bonus 2.6% IT CPI 0.1m, 0.5y EZ CPI 0.2m, -0.1y

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	Week of 6th July Cont'd
Thursday	US Jobless claims 565K **BETTER** US Wholesale inventories -0.8% **BETTER** UK Trade bal -6.263B **BETTER** UK Trade non-EU -3.264B **BETTER** UK MPC Int rate decision 0.5% **AS** DM Trade bal 9.6B **BETTER** DM C/A Bal 3.7B **LESS** DM CPI 0.4%m, 0.1%y **AS** **THAN EXPECTED**
Friday	US Trade bal -$26.0B **BETTER** US Import prices 3.2%m, -17.4y **STRONGER** US U. Of Michigan conf 64.6 **WEAKER** UK PPI Input 1.5m, -11.0y **STRONGER** UK PPI Output -0.2m, -1.2y **WEAKER** UK PPI Core -0.8m, 0.1y **WEAKER** DM WPI 0.9m, -8.8y **MORE** FR Ind production 2.6m, -13.4y **STRONGER** FR Mfg production 2.4m, -15.0y **STRONGER** FR C/A Bal -2.2B **BETTER** IT Ind production 0.0m, -19.8.0%y **STRONGER** **THAN EXPECTED**

	Week of 13th July Cont'd
Thursday	US Jobless claims 555k US Net lg term TIC flows n/f US Philly Fed -5.0 US NAHB Housing mkt indx 16 FR CPI 0.3m, -0.4y IT Trade bal 0.0M IT Trade bal Emu n/f
Friday	US Housing starts 530k US Buildg permits 523k IT Ind orders 1.0%m, IT Ind sales n/f IT C/A Bal n/f EZ Trade bal 0.0B EZ Construct'n output n/f

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Interest Rate Futures: Euro Dollars March 10

OUR TRADING STANCE: SQUARE.

Last week we were square of March 10.

See how Eurodollars continued to crawl higher on doubts over economic recovery, despite stronger than expected ISM non-manufacturing survey on Monday.

Last week we remained square of this market ahead of several key reports, culminating with Thursday's release of non-farm payrolls.

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

- On Monday; ISM non-manufacturing survey; better than expected,
- Wednesday; MBA mortgage applications; stronger than expected,
- On Thursday; Jobless claims; better than expected and wholesale inventories; better than expected, and
- On Friday; Trade balance; better than expected, import prices; worse than expected and University of Michigan confidence; weaker than expected.

The market continued to rally throughout the week despite broadly stronger than expected data, notably ISM non-mfg and jobless claims.

But when it did correct a little lower on Friday, it was after the release of weaker than University of Michigan confidence.

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Interest Rate Futures: Euro Dollars

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

- On Monday; monthly budget statement,
- On Tuesday; retail sales, PPI and business inventories,
- On Wednesday; CPI, Empire manufacturing, industrial production, capacity utilisation and FOMC minutes,
- On Thursday; Jobless claims, Net long term TIC flows, Philly Fed and NAHB Housing market index, and
- On Friday; Housing starts and building permits.

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

And in a week with so many key reports it is difficult to pick one which holds the key to the week's trading, but we think given all the market doubt recently over the existence of early recovery signs, we judge retail sales and the FOMC minutes to be the two key events.

The Macro Trader's view is; traders have been having doubts about the emergence of recovery, but the evidence continues to built, albeit slowly.

The ISM non-manufacturing survey has been improving for several months and is only just away from forecasting growth.

Additionally, on the back of the recent slowdown in the pace of non-farm payroll job losses, the jobless claims report was significantly better than during recent weeks, even though it remains at elevated levels.

If this week's retail sales report is in line or better traders will have to acknowledge that the economy is doing better.

We judge the Fed minutes will have much to say on the state of the economy and where they see it over the coming months. Remember the policy statement issued at the last meeting dropped reference to deflation, and one or two Fed speakers have recently said recovery is close at hand.

We advise remaining square of this market, if traders begin believing in recovery once more, the upside will be capped, and even if they do, unless data suddenly turns dramatically stronger, the downside must be strictly limited for now.

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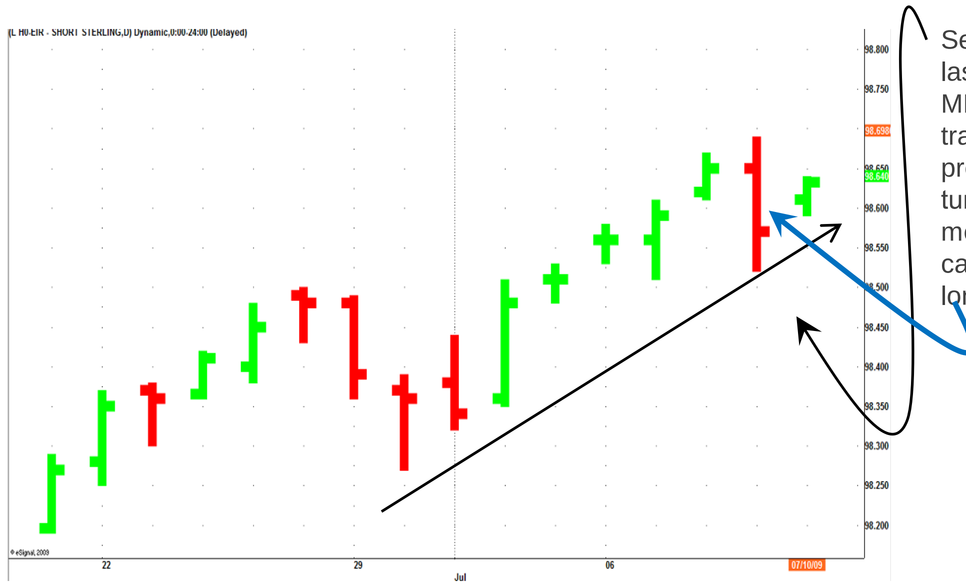
Interest Rate Futures: Short Sterling March 10

OUR TRADING STANCE: SQUARE.

Last week we were Bearish of March 10.



See how Short Sterling rallied last week in anticipation of the MPC committing the last £25.0B tranche of their quantum easing program, as key data releases turned weaker, but Thursday's meeting sprung a surprise, catching traders uncomfortably long.

Last week we remained bearish of this market as we judged the economic outlook was brighter than the authorities view of recent events.

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

- On Tuesday; Industrial production, manufacturing output and NIESR GDP estimate; all weaker than expected,
- On Wednesday; Halifax house price survey; weaker than expected,
- On Thursday; Trade balance; better than expected and MPC interest rate decision; as expected, MPC QE decision; unexpectedly held and
- On Friday; PPI, Input; stronger than expected, output and core; weaker than expected.

The data sprung one or two unpleasant surprises last week with industrial activity weakening and NIESR forecasting another negative quarter for growth when until quite recently a flat or small positive looked possible.

Naturally the market rallied until the bank confused the market by leaving its QE policy unchanged .

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Interest Rate Futures: Short Sterling

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

- On Monday; BRC Retail sales and RICS House price survey,
- On Tuesday; DCLG House price report, CPI, RPI and RPI-X, and
- On Wednesday; unemployment report, ILO rate, and average earnings.

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

But we judge the CPI and unemployment reports as the key events as traders will want to see evidence that inflation is at last correcting sharply, while at the same time monitor the pace of job destruction for any signs the pace is slowing.

The Macro Trader's view is: the market rallied against our expectation last week and we were stopped out as data came in weaker against our clearly stated expectation.

But whether or not this supports the Bank's recent view that recovery remains distant, or is just a patch of mixed data at a time of economic flux is difficult to determine.

What was interesting was the MPC decision to hold their QE program; maybe they want to wait for August inflation report, or perhaps they want to see if the growth forecast by the usually reliable PMI Services report comes through over the next few months.

However, our recent decision to go short has met resistance as sentiment hasn't been our way and we conclude a square position is now the best option, allowing us time to re-evaluate.

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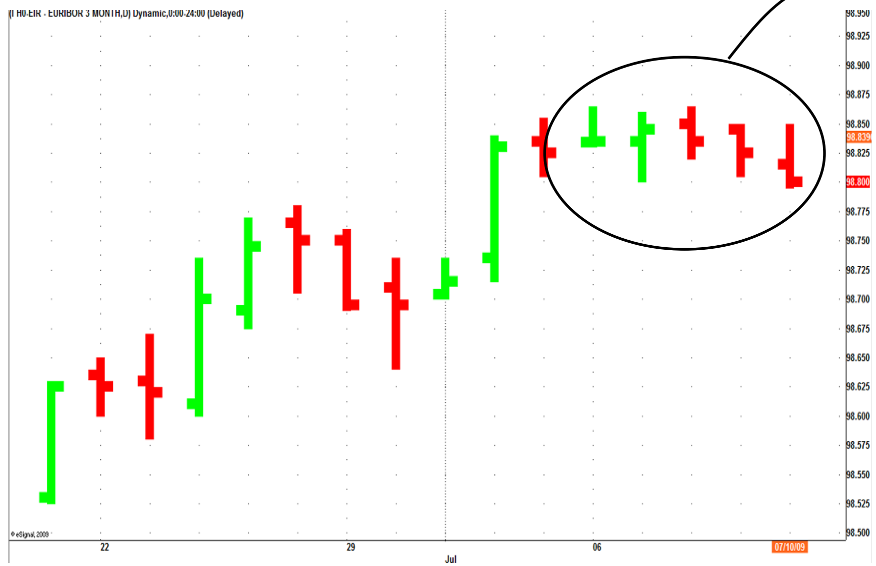
Interest Rate Futures: Euribor March 10

OUR TRADING STANCE: SQUARE.

Last week we were square of March 10.



See how Euribor traded sideways as German data suddenly turned stronger, leaving the market in a state of confusion after several week's of weak data had cemented the view that the Euro zone economy remained in the grip of recession.

Last time we remained square of this market as recent Euro zone data had raised question marks over Euro zone recovery, as global data gave cause for optimism.

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

- On Tuesday; French trade data and German factory orders; both better than expected,
- On Wednesday; Euro zone Q1 GDP; less than expected and German industrial production; better than expected,
- On Thursday; German trade data; better than expected, C/A data; less than expected and CPI; as expected, and
- On Friday; German WPI; more than expected, French industrial production, manufacturing output; both stronger than expected, C/A data; better than expected and Italian industrial production; stronger than expected.

Euribor was effectively stunned last week after two key German reports came in much stronger than expected raising hopes that the German economy, and by extension, the Euro zone economy, might be closer to stabilisation after all.

Following weeks of weaker data when traders had begun to believe recovery was near by, the market really was taken by surprise.

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Interest Rate Futures: Euribor

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

- On Tuesday; German ZEW Survey and Euro zone industrial production,
- On Wednesday; Italian and Euro zone CPI,
- On Thursday; French CPI, Italian trade data, and
- On Friday; Italian industrial orders, sales, C/A, Euro zone trade balance and construction output.

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

But we judge the Euro zone industrial production data as this week's key event, since signs of renewed improvement will re-awaken talk of a bottom in the Euro zone recession.

The Macro Trader's view is; the Euro zone economy, or more accurately the German economy, sprung several pleasant surprises last week, as first factory orders and then industrial production came in so very much stronger.

The ECB will surely be relieved that the Euro zone's largest economy showed such strong signs of life, and will hope that last week's data is more than a blip.

What is clear to us is that as economies reach major turning points, either moving from expansion to recession or the other way, data becomes mixed and we judge that we are at such a point now, not only in the Euro zone, but more generally in the global economy.

Moreover we judge that the current flux or mixed nature of data is causing the frustration in markets for traders, as reason advocates the next major market development should be a bear market, but mixed data acts to delay such a trend from emerging, leaving the only logical position to be taken, as a square position, until clarity emerges.

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Government Bonds: US Treasury Note (10yr)

OUR TRADING STANCE: SQUARE.

Last week we were square of the 10yr Note.

See how the 10 yr note rallied last week as stocks suffered another week of nerves ahead of the Q2 reporting season, as traders continued to doubt the foundations of recovery were being laid.

Last week we remained square of this market, after a worse than expected non-farm payroll report the previous week convinced traders that their doubts about recovery were correct.

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

- On Monday; ISM non-manufacturing survey; better than expected,
- Wednesday; MBA mortgage applications; stronger than expected,
- On Thursday; Jobless claims; better than expected and wholesale inventories; better than expected, and
- On Friday; Trade balance; better than expected, import prices; worse than expected and University of Michigan confidence; weaker than expected.

The market largely ignored last week's data which was at the least encouraging for those that believe recovery is trying to emerge.

The ISM non-mfg report was stronger than expected and jobless claims were well below 600k for the 1st time in many, many weeks, but traders clung to their fears that recovery was no more than an illusion.

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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 Monday; monthly budget statement,
- On Tuesday; retail sales, PPI and business inventories,
- On Wednesday; CPI, Empire manufacturing, industrial production, capacity utilisation and FOMC minutes,
- On Thursday; Jobless claims, Net long term TIC flows, Philly Fed and NAHB Housing market index, and
- On Friday; Housing starts and building permits.

This week's key events are marked red and we advise traders to monitor them carefully.

This week's key data releases are for us the retail sales report due Tuesday and FOMC minutes due Wednesday.

But industrial production data also out on Wednesday and the housing data due on Friday, could send this market lower if they report signs of strength.

The Macro Trader's view is; the bond markets are still mainly influenced by sentiment and what is going on in the equity markets; last week saw stocks trade lower; bonds rallied ignoring clearly better data, and the reassurances of Fed officials who said that recovery is at hand.

This leads us to conclude that traders should remain square.

When markets ignore economic facts and trade off of fears and sentiment alone, it can prove dangerous; the fundamentals always re-assert in the end, and when they do in a situation such as this, traders wrongly positioned get burned.

We sense the FOMC minutes will prove balanced, alluding to the threats to growth that still exist, but point to the positives that are emerging and the threat of deflation which has receded.

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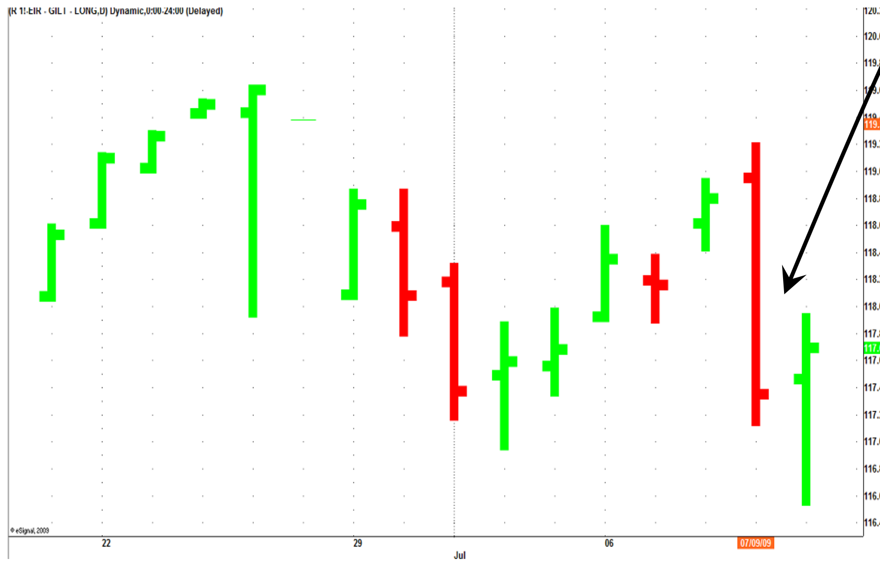
Government Bonds: The Gilt

OUR TRADING STANCE: SQUARE.

Last week we were square of the Gilt.



See how the Gilt suffered a violent correction on Thursday after the MPC chose not to deploy their remaining £25B tranche of QE, contrary to market expectation.

Last week we remained square of the Gilt, in the face of what we judge are disastrous public finances that have place the UK'S Sovereign AAA rating on negative watch.

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

- On Tuesday; Industrial production, manufacturing output and NIESR GDP estimate; all weaker than expected,
- On Wednesday; Halifax house price survey; weaker than expected,
- On Thursday; Trade balance; better than expected and MPC interest rate decision; as expected, MPC QE decision; unexpectedly held and
- On Friday; PPI, Input; stronger than expected, output and core; weaker than expected.

The gilt initially rallied on surprisingly weaker than expected industrial production data and a weaker NIESR GDP estimate, but when the MPC put their quantum easing program on hold, the gilt sold off hard.

Traders were clearly wrong footed and didn't know initially what to make of the decision, was the Bank merely deferring further action until possessing the August inflation report, or were they giving more weight to the recently better PMI Service reports than King had led the market to believe only a week or so before?

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Government Bonds: The Gilt

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

- On Monday; BRC Retail sales and RICS House price survey,
- On Tuesday; DCLG House price report, CPI, RPI and RPI-X, and
- On Wednesday; unemployment report, ILO rate, and average earnings.

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

But we judge the main event this week will be the CPI report, a drop is expected, a sharp decline has been long forecast, but the report has proved stubborn another disappointing read will weigh on the Gilt, still unsettled by last Thursday's QE decision.

The Macro Trader's view is; the Gilt appears to us to be living on borrowed time, held up by doubts among traders and analysts that the data improvements recently seen are real and confused by the noise of mixed data generated by an economy trying to emerge from recession and lay foundations for growth.

But as the year wears on and recovery does emerge, traders will look harder at the state of the UK'S finances which have been devastated by this government and sell the Gilt hard.

The deficit accruing looks certain to release inflationary pressure for years ahead and under mine productivity as the state accounts for 50% of GDP.

At some point creditors refuse to advance any more credit, and that applies to governments as well as individuals and when that occurs the consequences are brutal; remember the events of the late 1970's Labour government rushing to the IMF and forced to adopt the IMF'S policies, it can't happen again; the way things are going here it can!

For now traders should remain square of this market.

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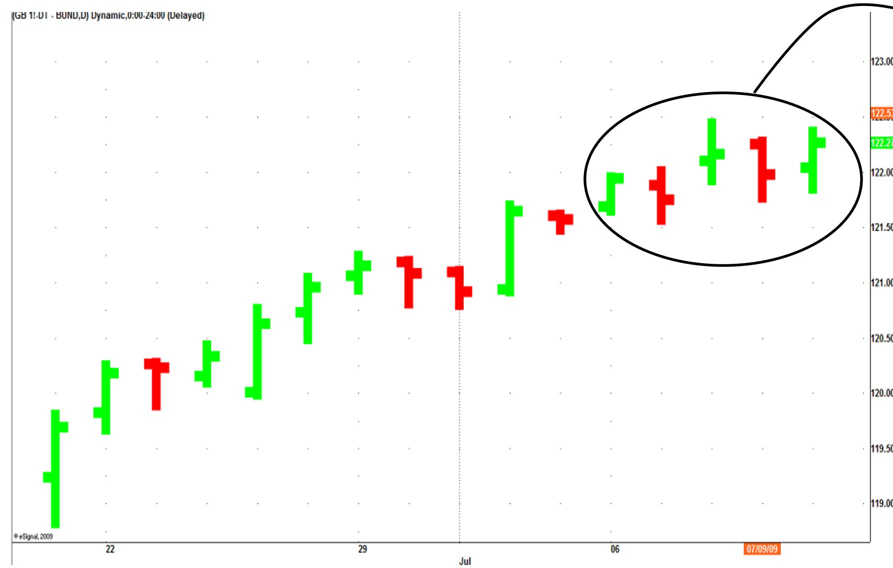
Government Bonds: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were bullish of the Bund



See how the Bund more or less hit our target last week before stronger than expected German data caused a pause.

Last week we remained bullish of the Bund as we judged another run of weaker than expected manufacturing related data would send the market higher.

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

- On Tuesday; French trade data and German factory orders; both better than expected,
- On Wednesday; Euro zone Q1 GDP; less than expected and German industrial production; better than expected,
- On Thursday; German trade data; better than expected, C/A data; less than expected and CPI; as expected, and
- On Friday; German WPI; more than expected, French industrial production, manufacturing output; both stronger than expected, C/A data; better than expected and Italian industrial production; stronger than expected.

The Bund ran into some unexpected economic strength last week, and while at first it continued to rally as stocks weakened, it finally paused after first German factory orders came in very much stronger, and then so too did German industrial production, placing a huge question mark over the theory that the economy was sinking further into recession; if these numbers consolidate, clearly that isn't the case.

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Government Bonds: The Bund

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

- On Tuesday; German ZEW Survey and Euro zone industrial production,
- On Wednesday; Italian and Euro zone CPI,
- On Thursday; French CPI, Italian trade data, and
- On Friday; Italian industrial orders, sales, C/A, Euro zone trade balance and construction output.

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

But the Euro zone industrial production data due on Tuesday is clearly the main release of the week; traders will be looking for confirmation of last week's better than expected German data.

The Macro Trader's view is: the target was met last week, trade closed. Especially as it coincided with much stronger data from Germany.

The German economy has been hit hard by the recession with manufacturing declining by around 30% year on year. As the Euro zones largest economy this really impacts the strength of the Euro zone economy.

But if Germany is emerging from recession, and if last week's data is the start of a new trend, that recovery could prove dynamic.

The German economy remains the world's largest exporter, even ahead of China, as it exports high end manufactured goods to the west and machine tools etc to economies such as China and India.

China has done much to stimulate its economy, maybe Germany is benefitting through new orders for plant etc.

If so the Euro zone data will begin to look better and the ECB remain on hold.

We judge the Bund could struggle from here, especially if the up coming corporate reporting season in the US throws out better than expected profit reports.

For now we advise remaining square.

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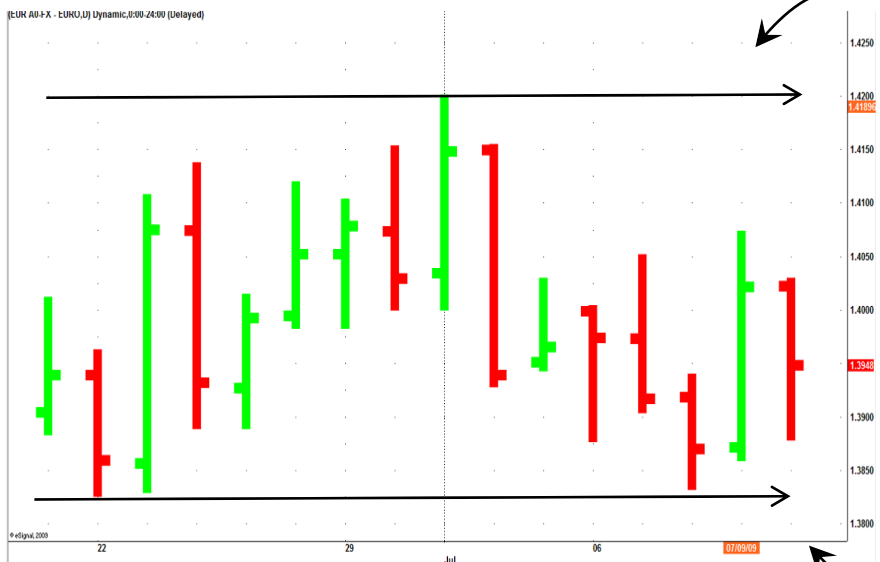
Currencies: The Dollar

OUR TRADING STANCE: BEARISH V YEN.

Last week we were square of the Dollar.



See how the Dollar has entered a distinctly more volatile phase against the Euro as the pair remain locked within a clear trading range.

See how the Dollar weakened against the Yen last week as traders sought the relative safety of the Yen amid the ongoing complaints from China about the Dollars role as sole global reserve currency.

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Currencies: The Dollar

Last week we were square of the Dollar as doubts continued among traders over the reliability of early signs of recovery in the US and globally.

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

- On Monday; ISM non-manufacturing survey; better than expected,
- Wednesday; MBA mortgage applications; stronger than expected,
- On Thursday; Jobless claims; better than expected and wholesale inventories; better than expected, and
- On Friday; Trade balance; better than expected, import prices; worse than expected and University of Michigan confidence; weaker than expected.

The Dollar recovered ground against the Euro as US data came in broadly better than expected, but at the expense of heightened volatility, against the Yen the Dollar weakened as Japan appeared a safer haven amid China's criticism of the Dollar as reserve currency.

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

- On Monday; monthly budget statement,
- On Tuesday; retail sales, PPI and business inventories,
- On Wednesday; CPI, Empire manufacturing, industrial production, capacity utilisation and FOMC minutes,
- On Thursday; Jobless claims, Net long term TIC flows, Philly Fed and NAHB Housing market index, and
- On Friday; Housing starts and building permits.

This week's key events are highlighted red, and we advise monitoring them closely.

In truth, while retail sales and the FOMC minutes probably have the edge as key releases this week, do not dismiss the importance of industrial production and the housing data.

The Macro Trader's view is: the Dollar remains something of a mixed bag. Against the Euro and Sterling it remains largely range bound as all three economies have exhibited signs of recovery which are now in doubt.

But against the Yen a clearer trend appears to have emerged. The Japanese economy has reported three straight months of stronger than expected industrial output, raising hopes that the economy is improving.

And although there are elections looming, politically the country is stable, and although it has a very high debt to GDP ratio, as one of the worlds leading net creditor nations that isn't a problem.

Moreover the Chinese criticism of the Dollar as world reserve currency seems to be helping the yen, since with no natural alternative identified, the Worlds 2nd largest economy; Japan, seems a natural short term candidate for reserve diversification.

Trader should be short Dollars, long Yen, our interim target is 90.00 and our stop is placed at 94.10 for protection.

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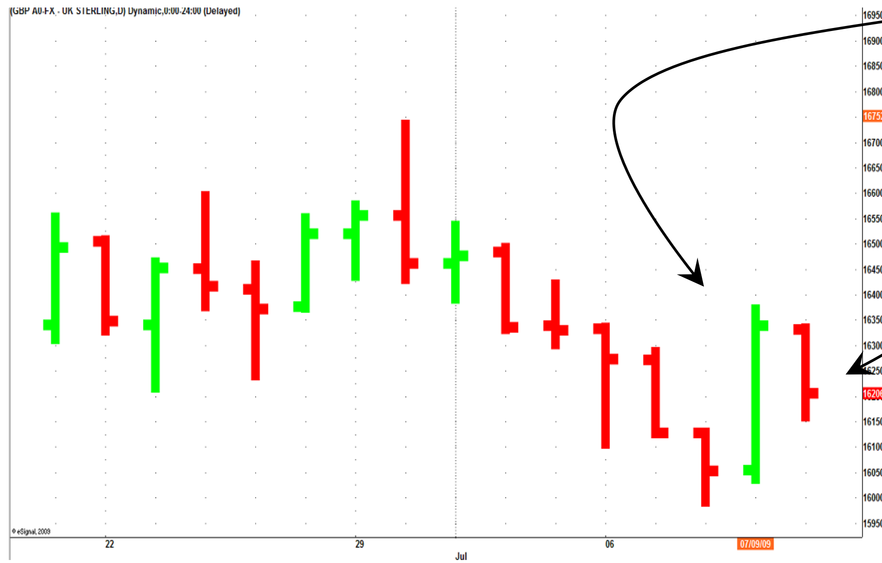
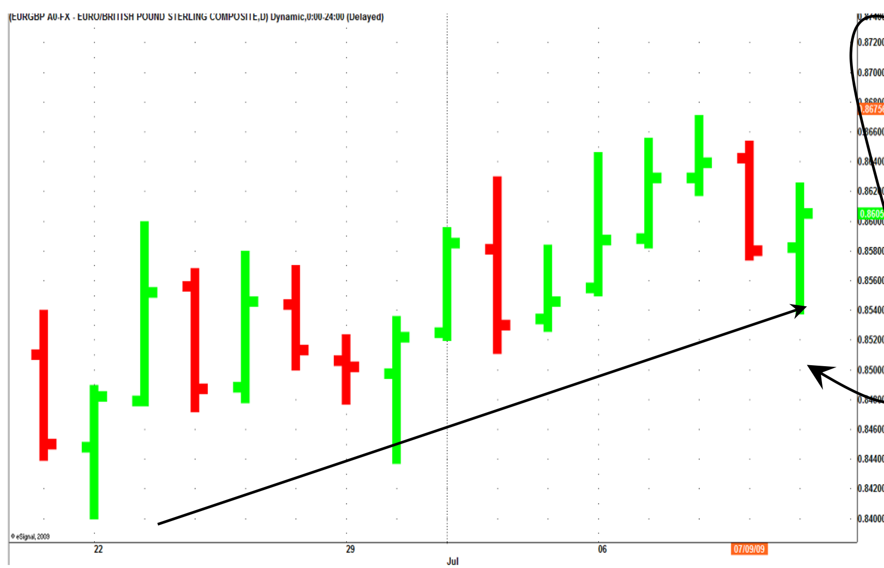
Currencies: The Pound Sterling

OUR TRADING STANCE: SQUARE.

Last week we were square of Sterling.



See how Sterling temporarily reversed the recent sell off after the MPC held their QE program on Thursday against market expectation, but began weakening on Friday as traders judged the decision was more tactical than strategic.



See how Sterling continued the recent weaker tone against the Euro after UK GDP reports both official Q1 and NIESR estimates have disappointed recently.

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SEVEN DAYS AHEAD

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Currencies: The Pound Sterling

Last week we were square of Sterling following a weak set of GDP data and a disappointing reaction to the previous week's PMI services report.

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

- On Tuesday; Industrial production, manufacturing output and NIESR GDP estimate; all weaker than expected,
- On Wednesday; Halifax house price survey; weaker than expected,
- On Thursday; Trade balance; better than expected and MPC interest rate decision; as expected, MPC QE decision; unexpectedly held and
- On Friday; PPI, Input; stronger than expected, output and core; weaker than expected.

The week's key data releases disappointed, with industrial activity weaker and NIESR forecasting yet another negative quarter of growth, which weighed on the Pound.

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

- On Monday; BRC Retail sales and RICS House price survey,
- On Tuesday; DCLG House price report, CPI, RPI and RPI-X, and
- On Wednesday; unemployment report, ILO rate, and average earnings.

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

But we judge the key release is this week's CPI report. The MPC have long forecast this will collapse, but the correction has been slower and no where near as dramatic as once thought. A disappointing read this week could offer the Pound support as it might make traders think last week's QE decision was based on the inflation outlook.

The Macro Trader's view is: we continue to believe the UK economy is showing signs of emerging from recession. The transition from recession to growth isn't like throwing a switch, there is usually a period of uncertainty caused by a run of mixed or confusing data releases, and we judge we are in such a period now.

What is clear though, over recent months the PMI Services report has steadily improved and has for the last two months reported readings above 50.0. Additionally the housing market has shown some limited improvement, and with the Nationwide reported to be offering existing borrowers trapped with negative equity who want to move a 125% mortgage, we take this as another signal that the housing market could be stabilising.

But there remains much unease about the UK'S fiscal stance, with the current government showing little appetite to tackle it and rumours of a Sovereign rating downgrade doing the rounds in the market once more.

So while we judge the Pound could recover further longer term as it was, in our opinion originally over sold amid early hysteria over recession, we judge there is too much confusion currently to take a profitable position and advise remaining square.

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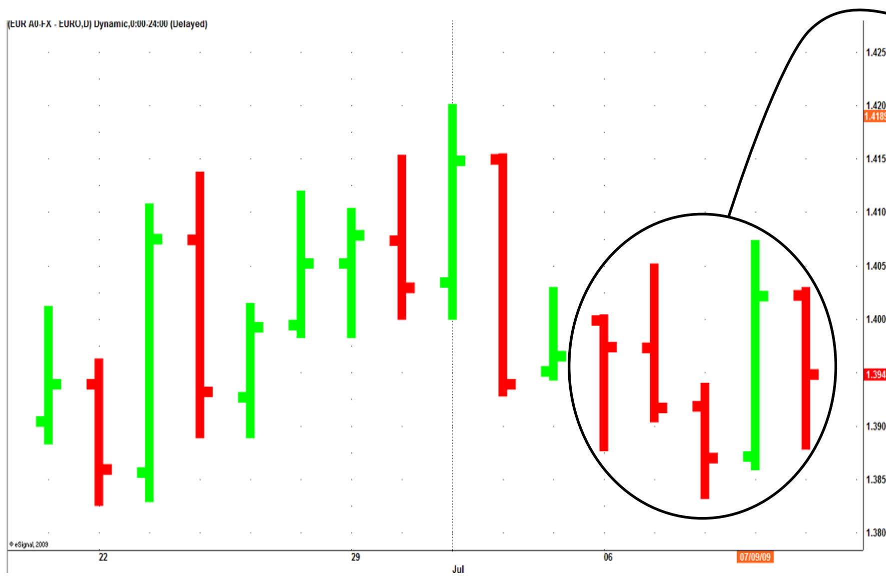
Currencies: The Euro

OUR TRADING STANCE: SQUARE.

Last week we were square of the Euro.

See how the Euro weakened against the Yen despite a stronger than expected run of data from Germany last week which suggests the German economy could at last be stabilising.



See how the Euro traded mainly sideways against the Dollar last week, but with increased volatility and large intra-day ranges, as both US and Euro zone data releases threw out some unexpected positives.

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Commodities
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+ Oil

Currencies: The Euro

Last week we remained square of the Euro as we judged the trend had stalled into a period of consolidation, as Euro zone data had weakened.

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

- On Tuesday; French trade data and German factory orders; both better than expected,
- On Wednesday; Euro zone Q1 GDP; less than expected and German industrial production; better than expected,
- On Thursday; German trade data; better than expected, C/A data; less than expected and CPI; as expected, and
- On Friday; German WPI; more than expected, French industrial production, manufacturing output; both stronger than expected, C/A data; better than expected and Italian industrial production; stronger than expected.

The Euro failed to benefit from a clear and dramatic improvement in German data which suggests the German economy could be closer to turning than previously thought.

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

- On Tuesday; German ZEW Survey and Euro zone industrial production,
- On Wednesday; Italian and Euro zone CPI,
- On Thursday; French CPI, Italian trade data, and
- On Friday; Italian industrial orders, industrial sales, C/A, Euro zone trade balance and construction output.

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

But we judge the Euro zone industrial production data to be the key release as traders will be seeking confirmation of last week's stronger German data.

The Macro Trader's view is: the Euro has weakened against the Yen and remained trapped in a range against the Dollar.

The story in Japan is one of improvement, but what appears to be helping the Yen is Chinas ongoing criticism of the Dollar as sole global reserve currency, but instead of the Euro benefiting, the Yen has emerged as a currency favoured by traders seeking to hedge against further Chinese undermining of the Dollar's position.

And while Euro zone data has begun to improve again this last week, so too did that of the US, but the ECB'S reluctance to drop rates to zero, and unwillingness to adopt a more direct QE program seems to under mine the Euro as a challenger to the Dollar's global dominance.

For now we advise remaining square of the Euro, its outlook against the Dollar seems unclear short term.

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Commodities
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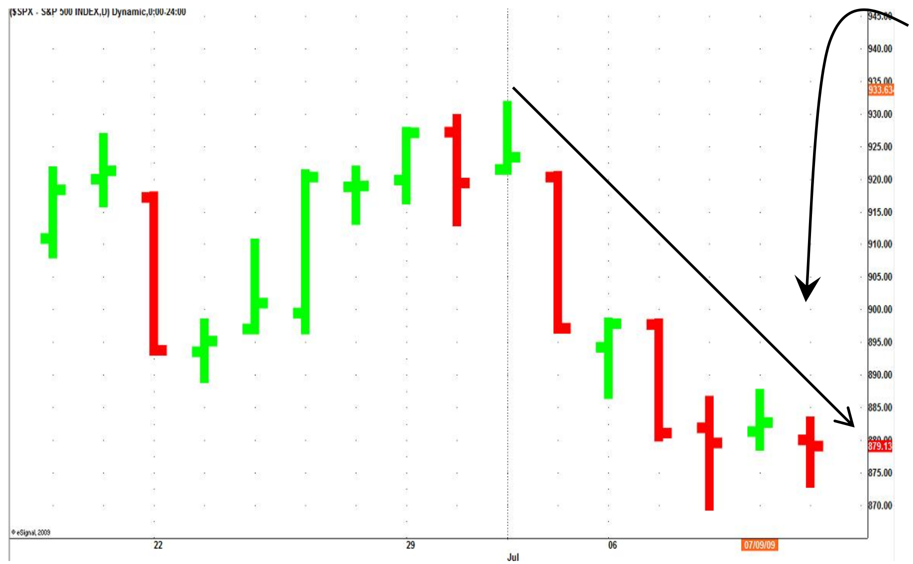
Stocks: S&P 500

OUR TRADING STANCE: SQUARE.

Last week we were square of the S&P 500



See how stocks sold off further last week as sentiment remains negative towards both equities and the idea of economic recovery.

Last week we remained square of the S&P500 after a worse than expected non-farm payroll report the previous week, was taken as confirmation by traders that their doubts over economic recovery were justified.

And although the ISM non-manufacturing survey came in stronger, jobless claims dropped well below recent persistent readings above 600k, and Fed officials commented that recovery was close at hand, equities could find no support and sold off further.

Looking ahead there are several key reports due and we advise referring to the global calendar, but retail sales stands out as a key release this week, with the FOMC minutes also likely to provide guidance, but traders will also be watching corporate profit reports to get a clearer picture of activity closer to the "coal face".

We judge equities will require a consistently upbeat reporting period to enable them to resume the previous rally, otherwise this market looks likely to suffer a period of listless trading over the summer months.

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Commodities
+ Gold
+ Oil

Stocks: S&P 500

The Macro Trader's view is: equity markets still seem dogged by traders fearful that the economy has seen only a false rather than real period of improvement. While it is impossible to say with any certainty either way, the passage of time and further economic releases will clear the matter up one way or another.

But we judge there is evidence that the economy has improved over recent months:

1. ISM surveys have steadily improved,
2. Pending home sales have begun to rise,
3. Non-farm payroll job losses have eased, and
4. Jobless claims have eased lower too.

While others might say that existing and new home sales have yet to turn positive and a return to a more normal savings rate bodes badly for retail sales, the economy is pumped up with both monetary and fiscal stimulus and it should have the desired impact.

For now we advise monitoring the current profit reporting season and remain square.

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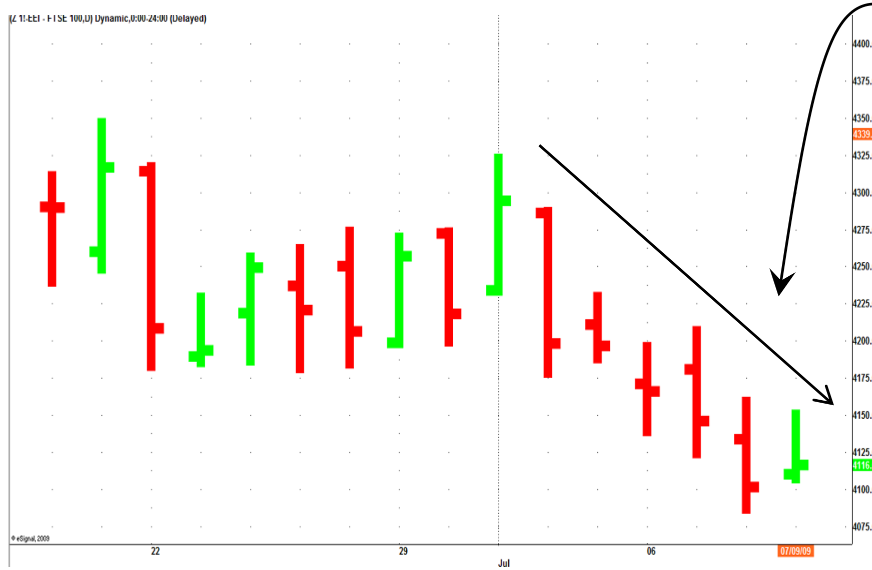
Stocks: FTSE 100

OUR TRADING STANCE: SQUARE.

Last week we were square of the FTSE 100



See how the FTSE sold off as UK data turned weaker with industrial production & manufacturing output down and NIESR GDP estimate showing further contraction when only last month the end to the recession looked possible.

Last week we remained square of this market following a period of weakness that threatened to undermine the FTSE further.

The key reports due throughout the week; industrial production, manufacturing output and NIESR GDP estimate all proved disappointing for the Bulls as they came in surprisingly weaker than expected.

For us the bigger surprise was the NIESR GDP estimate which over the previous 2 months had begun to flag an end to negative GDP, but that optimism wilted and a negative Q2 GDP report now looks likely.

The MPC also weighed on the market when they unexpectedly held their QE policy, preferring not to commit the final £25.0B tranche they still have available.

Looking ahead we see this week's CPI and unemployment reports as the main events domestically, but judge sentiment from the US will have an important part to play in determining the direction of this market during the coming week.

More

Stocks: FTSE 100

The Macro Trader's view is: the FTSE remains under pressure and we were glad to be square since our hitherto underlying bullish preference for this market would have proved costly last week.

After a period of improving data and optimism generated by earlier NIESR reports, traders seem, on the surface at least, to have questioned the recovery signs that had been proclaimed by some in the market, including ourselves.

And while we can not deny that it has been disappointing to see industrial production data turn negative again, it has been a bigger disappointment to see NIESR move its GDP estimates back into negative territory this last week.

For now we judge equity markets will likely struggle to find any upward momentum, but we shy away from recommending bearish trades since we judge there is evidence still emerging to show the economy is improving and the main report is surely the PMI Services survey.

However that survey evidence needs to appear in other key releases, such as retail sales, so for now we advise remaining square.

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Commodities
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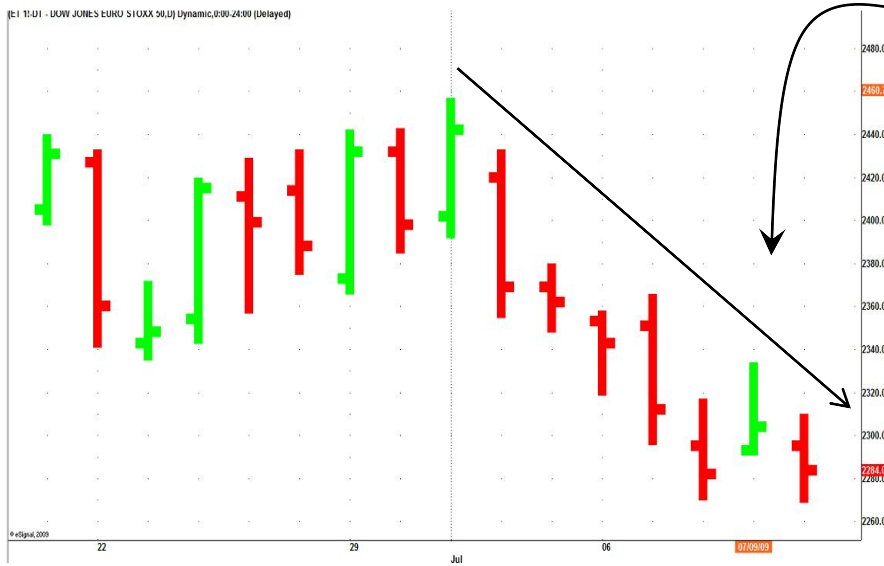
Stocks: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were square of the DJ Euro Stoxx 50



See how the market sold off hard last week despite much better than expected German data which re-ignited talk of the German/Euro zone economy starting to show signs of stabilisation after several weeks of poor data.

Last week we remained square of this market as we judged the combination of actual Euro zone data pointing to intensifying economic weakness rather than flagging an end to recession, together with doubts among traders in the other leading economies that recovery was either close at hand or even under way, made this market both vulnerable to the downside and subject to increased volatility.

In the event the market sold off further as traders remained pessimistic, but data didn't support the markets tone at all.

The two key reports due last week, both showed unexpected strength as German factory orders and industrial production rebounded very strongly.

Looking ahead the key release this week is likely to be the Euro zone industrial production report, as traders seek confirmation of last week's stronger German data.

But the market seems focussed on overseas events, especially those in the US and with the Q2 US profit reporting season starting to get under way there will be plenty for traders to ponder over.

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Commodities
+ Gold
+ Oil

Stocks: DJ Euro Stoxx 50

The Macro Trader's view is: equities generally had another disappointing week last week. And given the unexpected strength of German economic data we are disappointed by last week's price action in this market.

After seeing hopes of an end to the recession wither over recent weeks as data had turned unmistakably bearish, we thought the clear improvement seen in German data last week, might have offered this market a degree of support, but obviously not.

For now it seems the leading equity markets of the Euro zone, UK and US are all predisposed to discounting any good news and it looks increasingly as though both a good US profit reporting season and a sustained run of better economic data will be required to turn this and other equity markets around.

In the current environment of uncertainty, we strongly advise traders to remain square. Trading when the odds (risk reward), aren't even moderately skewed in ones favour makes no sense at all.

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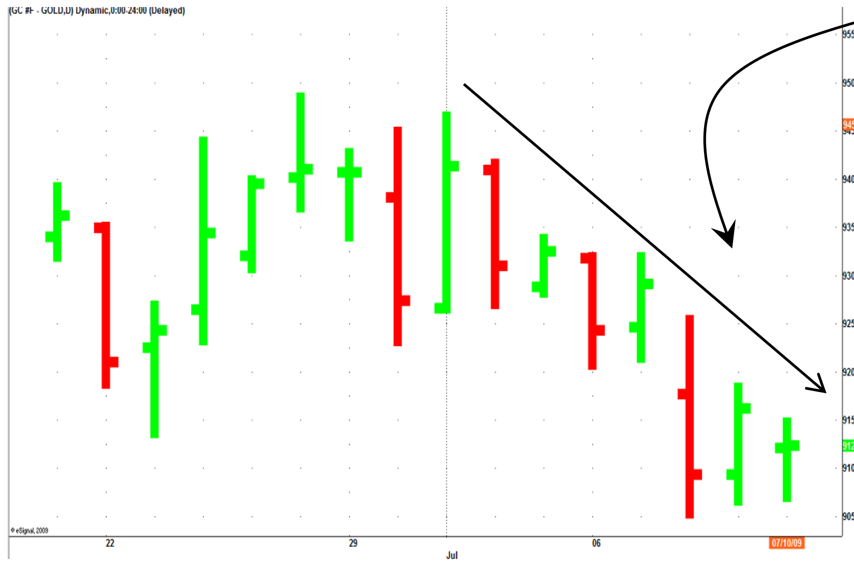
Commodities
+ Gold
+ Oil

Commodities: Gold

OUR TRADING STANCE: SQUARE.
Last week we were square of Gold



See how Gold sold off further last week after the Dollar held its own against the Euro and to a degree, Sterling, helped by improving Jobless claims data and ongoing correction to the trade data.

Last week we remained square of Gold as we judged the market had lost its recent Bull impetus and looked in danger of correcting lower over the short/medium term.

In the event the market was forced lower by stale longs likely forced out by a lack of gains over recent weeks, since holding gold in a prolonged period of sideways trading represents an actual loss in the absence of any form of carry, when compared to an FX trade where there is also an interest rate component.

This period of drift has likely arisen through traders questioning the emergence of economic recovery, which in turn has led to a prolonged period of sideways trading in foreign exchange markets, especially Dollar/Euro and Cable.

But last week's data was better than expected, and doesn't support the argument of the recovery doubters with even German data showing unexpected strength in its key manufacturing area.

Looking ahead the key releases this week are US retail sales and the FOMC minutes, other key data releases are due and are detailed on the global calendar.

More

Commodities: Gold

The Macro Trader's view is: if traders seriously doubt the prospect of economic recovery in the leading economies, but especially the US, it follows that inflation over the short/medium term has diminished greatly as a threat in their thinking, negating an underlying desire to hold gold as a hedge against currency depreciation; both the Dollars as measured on the foreign exchanges and more generally as measured by the erosion effect of inflation.

But we are surprised that Gold hasn't found support from the continued criticism coming from China of the Dollar's role as sole global reserve currency.

In the absence of an immediate candidate to replace the Dollar, and because traders might rightly worry that constant Chinese criticism, especially as the holder of almost $2.0T in Dollar reserves, would eventually act to undermine the Dollars strength.

But so far gold hasn't benefited, the Yen to a degree has. Whether traders judge the Chinese don't actually want to weaken the Dollar, surely given their reserve holdings it would be madness if they do, but are trying to send a message to the US that they are worried about preserving the value of their significant Dollar investments, isn't easy to judge, because the Chinese authorities might have judged that given no immediate alternative to the Dollar, they can set out their case, and longer term aims, with relative impunity.

For now we judge this market looks directionless and advise remaining square.

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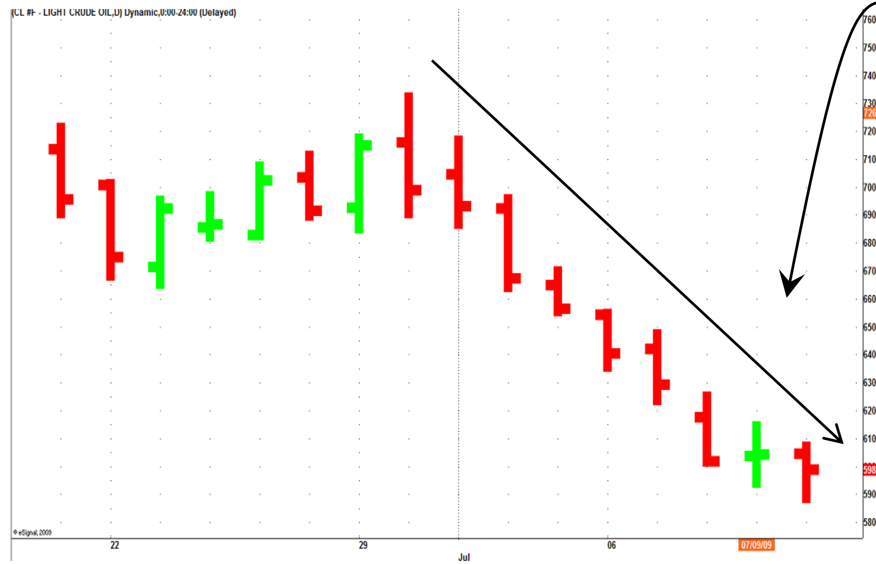
+ Oil

Commodities: Oil

OUR TRADING STANCE: BEARISH

Last week we were bearish of Oil



See how the oil sold off further last week as traders continued to re-position after the revelation a rogue trader was responsible for much of the recent rally, and as traders continued to question economic recovery.

Last week we were bearish of this market as we judged traders would unwind long positions after it was revealed a single rogue trader at a brokerage house was largely responsible for much of the recent strong rally in oil.

Moreover as traders continued to doubt economic recovery and equity markets remained under downward pressure the case for a further sell off in oil looked strong.

In the event the market performed as we expected and traded through our interim target. And even though data in the US and Germany came in better than expected there was little obvious support available in this market.

Looking ahead there are several key data releases due this week, among them US retail sales and Euro zone industrial production, but we judge this market is still correcting after trading way beyond any reasonable price for oil given the current fragile state of the leading economies, which many still judge are mired in recession rather than, as we do, laying the foundations for economic recovery later in the year.

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Commodities
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+ Oil

Commodities: Oil

The Macro Trader's view is; our interim target was more than met last week, as a speculative bubble in this market continued to deflate.

Apart from doubts emerging among traders about whether economic recovery is under way or if the recession will experience another leg lower, not shared by us, OPEC said last week it will take around 5 years for oil demand to recover to pre-crisis levels, another clear indication of just how extended the oil price had become before it was revealed a rogue traders was responsible for the move.

And whether or not economic recovery is fact or fiction, we still judge this market can and will correct further over the short/medium term.

Traders should remain short of this market, our interim target is now $55.00 a barrel and our stop is reduced to $65.00 a barrel for closer protection.

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