



Key Trade Round-up

Week beginning 6th October 2009

New Position

1. Sterling Euro

LONG today Spot Sterling Euro 0.9258. Stop @0.9070.

The Technical Trader's View:



Dec 09 Weekly Bar chart

The breakout and completion of the bull Rising Wedge was simultaneous with a break up through the prior Low at 0.8788.

And sets the general bull tone.

We favour a further move up as far as the prior High at 0.9802.

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Spot Sterling Euro Daily chart.

We have been impressed by the strength of the Euro.

On the recent set back the market found good support at the previous High at 0.9080.

We are buyers here with
Stops @ 0.9070

The Macro Trader's view:

The Pound looks very vulnerable to the downside, especially against the Euro.

The Bank of England would like an export led recovery, in the Euro zone they have one. But unlike the ECB that has voiced concerns over the currency becoming too strong, the Bank of England has happily endorsed Sterling's weakness which despite solid data, we expect to remain weak for a while longer.

At least until the Bank recognises the recovery for what it is and starts to contemplate the day when policy will need to be tightened, to ward off inflation and counter the inflationary potential of the massive debt build up if left un-reformed.

However judging by current Bank rhetoric that doesn't seem to be a change of policy that is anywhere near the top of their agenda.

In short we advise going short of Sterling against the Euro.

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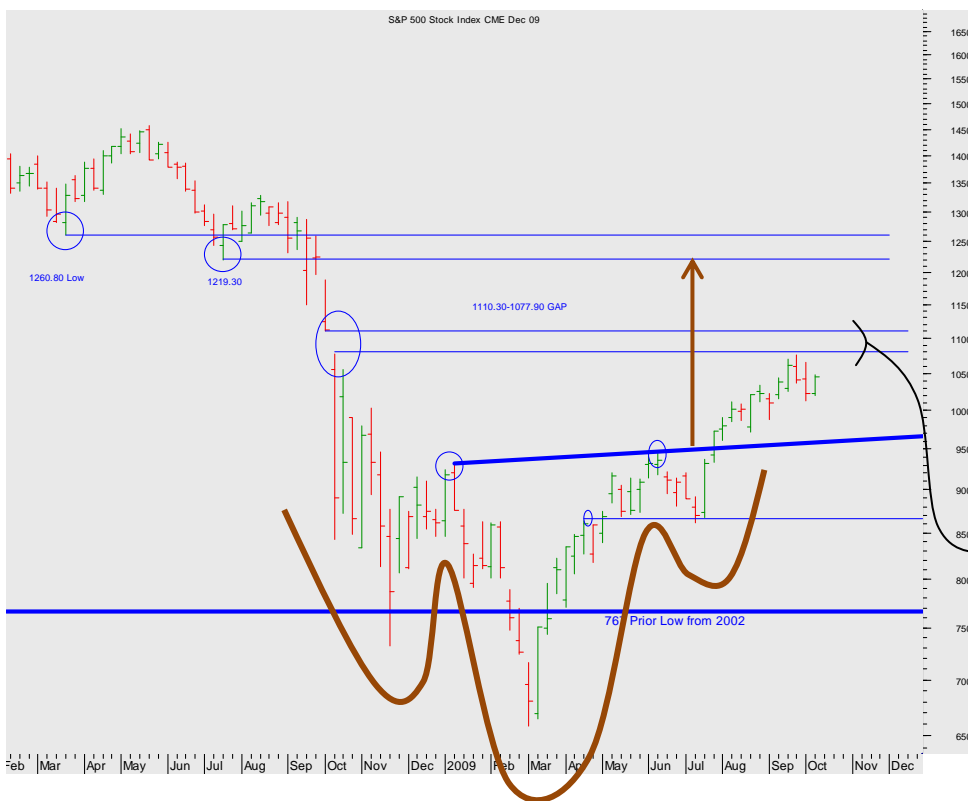


Open Position

2. S&P 500

LONG 15/09/2009 Dec 09 S&P500 @1046.5 . Stop @ 1010. Currently @1056.00. Unrealised Profit: 9.5bp.

The Technical Trader's View:



Dec 09 Weekly Bar chart

The market is in the Grip of a bull rally driven by a completed Head and Shoulders Reversal – which still have some way to go.

The minimum target is around 1250.

Note though that the Gap at 1110-1177 has been good resistance.

And the market may continue to struggle to get through it for a while.

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DEC06 Daily Bar chart

The market's recent pull-back to the support at 1011 was followed by a bounce.

The vigor of the bounce has been sufficient to overcome the resistance from the low at 1036.70.

While the market holds above that level we remain bullish.

The Macro Trader's view:

Risk aversion continued to increase throughout last week as traders expressed their doubts about the durability of the fledgling recovery after a weaker than expected ISM Manufacturing survey and worse than expected non-farm payroll report

However we remain bullish as other data last week was strong:

- Pending home sales were clearly stronger than anyone expected, and
- Personal spending was too.

And we regard these of greater importance as the US economy is heavily weighted towards the service sector and the housing market.

Moreover the unemployment data is a lagging indicator and the number last Friday wasn't dramatically worse than expected.

But the number which set the bulls back on track was yesterday's ISM non-manufacturing survey which was better than expected and above the crucial 50.0 level.

In summary we judge this market has much further to go on the upside and upcoming Q3 Corporate results should help it higher and we advise remaining long of this market.

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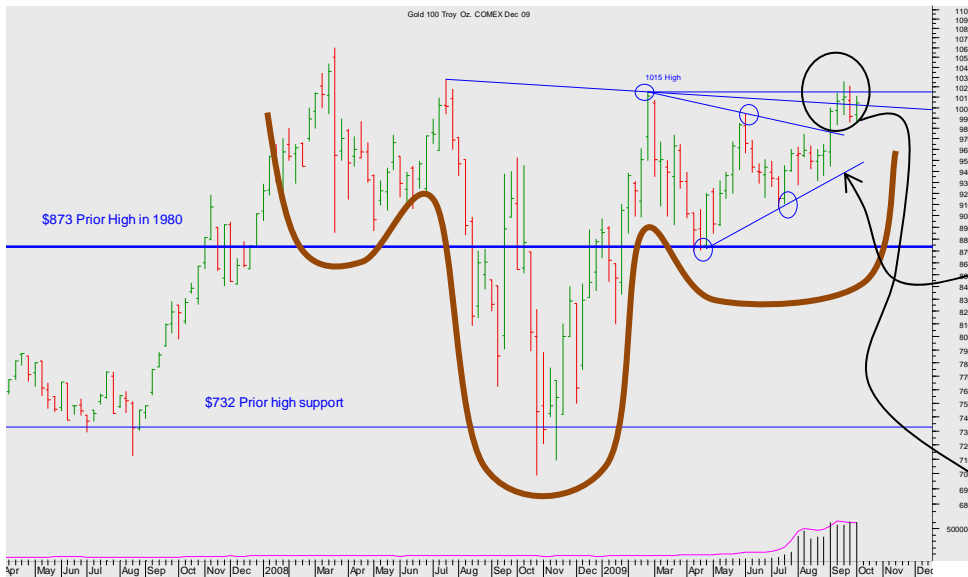
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3. Gold

LONG 11/09/2009 Dec 09 Comex Gold @\$1009.5. Stop @\$965. Currently \$1044.0. Unrealised profit \$34.5.

The Technical Trader's View:



Dec 09 Weekly Bar chart

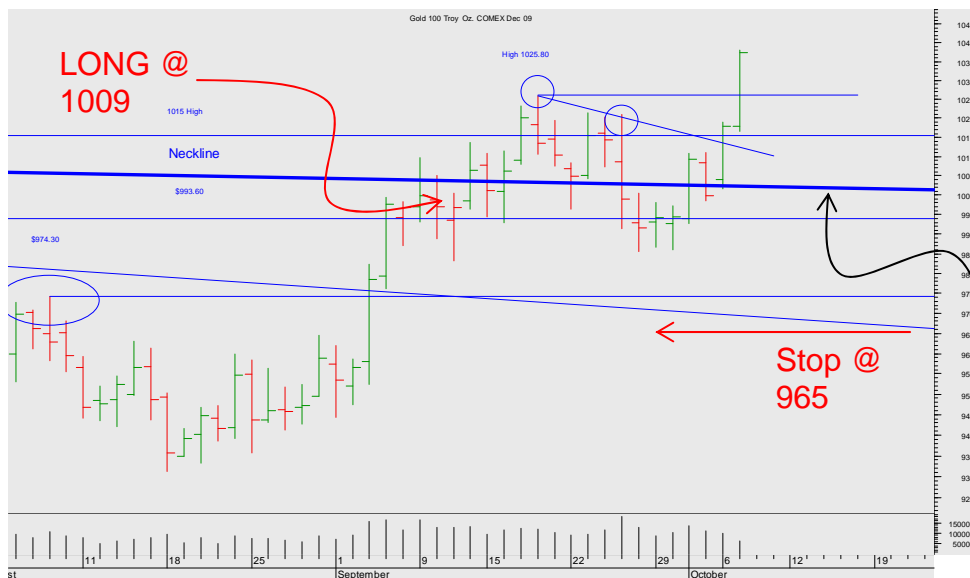
The market is in the Grip of a bull rally driven in the short term by a Continuation Triangle.

The prize for the bulls is the completion of a Large Head and Shoulders Continuation pattern – **clear completion would be achieved by a break and close above 1015.**

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DEC06 Daily Bar chart

The market's recent pull-back to the support at 1011 was followed by a bounce that has driven it through the recent High.

The Neckline has held on a determined pull-back.

The market is set fair.

On a weekly close above the neckline we will be looking to add to longs.

The Macro Trader's view:

The Gold market tried to stage a recovery throughout last week, and although it closed higher on Friday, its progress was hampered for much of the time by the Dollar's own correction.

However, data points to Global economic recovery with strong PMI Services reports released in the Euro zone, UK, and the US yesterday, which have clearly begun to work against the Dollar.

Traders had bought Dollars and unloaded other assets in response to renewed fears over the strength of the recovery. But to us those fears were baseless. In the US last week the number of pending home sales leapt higher and personal spending was much stronger. In the UK the housing market also moved from strength to strength as reported by the Nationwide building society.

And even in the Euro zone, data shows manufacturing continuing to recover augmented by yesterday's series of solid PMI services reports.

In all we judge gold is a market that will rally further as the recovery strengthens and traders turn their attentions to the latent threat of inflation; that move appears already underway today, so remain long.

Mark Sturdy

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