



Week 47
24th – 30th November 2009

Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer



the macro trader's guide to major markets

John Lewis

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SUMMARY

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+ EURODOLLARS
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● **SQUARE**
● **SQUARE**
● **BEARISH** v the Euro
● **BULLISH**

UK Markets

+ SHORT STERLING
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● **BULLISH** of DEC 2010
● **SQUARE**
● **BEARISH** v the Euro
● **BULLISH** on an extended period of unchanged rates

Euro Zone Markets

+ EURIBOR
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● **SQUARE**
● **SQUARE**
● **BULLISH** v Sterling & the Dollar
● **BULLISH**

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

● **SQUARE**
● **BULLISH** v the Dollar
● **SQUARE**

Commodities

+ GOLD
+ OIL

● **BULLISH** on tensions with China over trade and the Dollar
● **SQUARE**

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Commodities

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	Week of 23 rd November
Monday	US Existing home sales 5.70M EZ PMI Composite survey 53.4
Tuesday	US Q3 GDP 2.9% US Q3 Persnl consump't 3.2% US Q3 Core PCE 1.4% US Q3 GDP Price indx 0.8% S&P/Case/Shiller-20 -9.20% US Cons conf 47.5 US Hse prces indx 0.1% US FOMC Minutes UK Q3 Tot bus investm't -5.0q, -22.9y UK BBA Hse byer loans 44.k DM Q3 GDP 0.7q, -4.7y FR Bus conf 91 FR Cons spndg 0.4m, 2.3y DM IFO 92.5 EZ Ind new orders 1.0m, -17.3y JP BOJ Mnthly report JP Super mkt sales n/f JP Trade bal 465.5B JP Corp service price -2.6%
Wednesday	US MBA Mrtge apps n/f US Durable goods 0.5, US DG Ex- Transport 0.7 US Persnl income 0.2 US Persnl spndg 0.6 US Core PCE 0.1m, 1.4y US Jobless claims 500k US New home sales 405k US U. Of Michigan conf 67 UK Q3 GDP -0.3q, -5.1y UK Q3 Prvt consmptn -0.2 UK Indx of services -0.1q DM GFK Cons conf 4 IT Cons conf 111.5 IT Retail sales 0.1m, -2.9y JP Sml bus conf n/f JP BOJ Minutes

	Week of 23 rd November
Thursday	UK CBI Qrtly distrib trds survy n/f DM CPI 0.0m, 0.5y IT Bus conf 78.0 IT Trade bal non-EU 2.350B EZ M3 3M 1.7% EZ M3 Y/Y 0.8% JP Jobless rate 5.4% JP Hsehold spndg 0.6y JP Tokyo CPI -2.3y JP National CPI -2.4y JP Lrge retailers sales -5.8% JP Retail trade -0.9m, -1.6y
Friday	DM Import prces 0.4m, -7.8y FR Cons conf -35 EZ Economic conf 88.0 EZ Cons conf -17 EZ Industrial conf -19



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	Week of 16 th November
Monday	US Retail sales 1.4% STRONGER US RS Ex-Autos 0.2% WEAKER US Empire mfg 23.5 WEAKER US Business inventory -0.4% BETTER US Fed's Bernanke speaks UK Rgt mve hse pces -1.6m, 1.6y MIXED IT C/A -4.194B WORSE IT CPI 0.1m, 0.3y AS EZ CPI 0.2m, -0.1y AS JP Industry indx -0.5m WEAKER JP Hsing Ins 0.8m, BETTER THAN EXPECTED
Tuesday	US PPI 0.3m, -1.9y WEAKER US PPI Ex f&e -0.6m, 0.7y WEAKER US Net lg trm TIC flws \$40.7B BETTER US Ind production 0.1% WEAKER US Capacity utilisation 70.7% WEAKER UK CPI 0.2m, 1.5y STRONGER UK RPI 0.3m, -0.8%y STRONGER UK RPI-X 1.9y STRONGER EZ Trade bal 6.8B BETTER THAN EXPECTED
Wednesday	US MBA Mrtge apps -2.5% WEAKER US CPI 0.3m, -0.2y MORE US CPI Ex f&e 0.2m, 1.7y STRONGER US Hsing strts 529k WEAKER US Bulding prmts 552k WEAKER UK MPC Minutes 7/1/1 UK CBI Ind trnds survey -45 BETTER EZ C/A -5.0B WORSE EZ Construct'n output -1.1m, -8.0y WORSE JP Machine tool orders F -42.5%y BETTER THAN EXPECTED

	Week of 16 th November
Thursday	US Jobless claims 505k MORE US Philly Fed 16.7 BETTER UK Mrtge apps 61K BETTER UK Retail sales 0.4m, 3.4y BETTER UK PSNCR 5.9B WORSE UK PSNB 11.419B WORSE IT Trade bal -897M BETTER IT Trade bal EU -388M BETTER JP All industry activity indx -0.6m, WEAKER JP Tokyo dept store sales -13.1%y WEAKER JP National dept store sales -10.5%y WEAKER THAN EXPECTED
Friday	DM PPI 0.0m, -7.6y WEAKER IT Ind orders 5.2m, -20.4y BETTER IT Ind sales 2.3m, -17.3y BETTER JP BOJ Int rate decision 0.10% AS JP Convenience store sales -5.5%y BETTER THAN EXPECTED



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US MARKETS: economic background

Last week looked forward to a run of data releases which we judged capable of ending the never ending debate over the strength of the US recovery.

But data held more disappointments than pluses even though headline **Retail sales came in better than expected**, as **the Ex-Autos number came in weaker**, throwing up doubts over the strength of consumer demand.

And although **PPI was weaker than expected**, along with **Industrial production and capacity utilisation**, **CPI was stronger**.

However the combination of weak housing starts, weak building permits and above consensus jobless claims left the doubters in control.

Looking ahead there are several reports due this week, as detailed on the global calendar, but we judge these are the week's **key** releases:

- On Monday; **Existing Home sales**,
- On Tuesday; **Q3 GDP and consumer confidence**, and
- On Wednesday; **Durable goods, Personal income, Personal spending, New home sales and University of Michigan confidence**.

There is a whole raft of data crammed into a three day holiday shortened week, the most important of which is Q3 GDP.

A downward revision from the original estimate is expected, so we judge there is plenty of opportunity for an unexpected result to move markets.

Additionally the New and Existing home sales reports should be closely watched, since a weaker than expected result will support Eurodollars and bonds, but weigh on the S&P.



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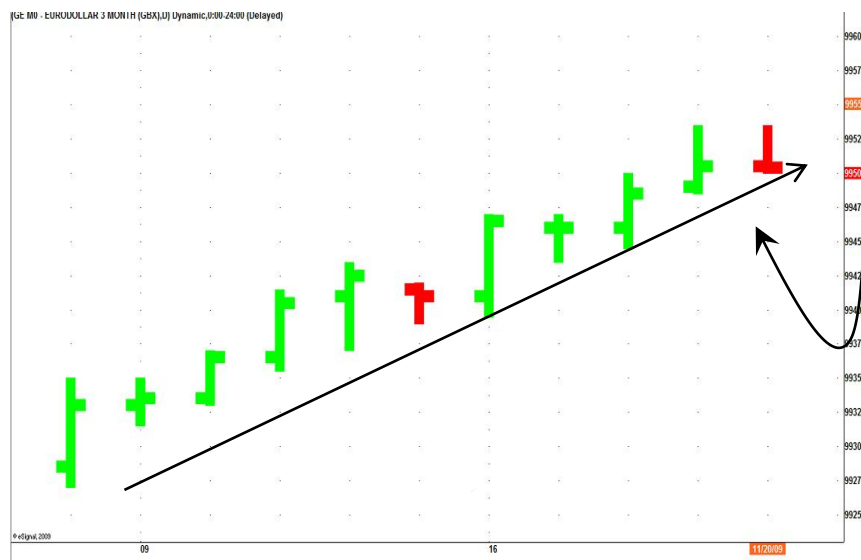
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were square of June 10 Eurodollars.



See how Eurodollars rallied last week as data generally disappointed and although headline retail sales were strong, traders focused on the weaker Ex-Auto number.

The Macro Trader's view of Eurodollars is; the market extended the rally last week, as traders again became nervous about the economy's prospects, as a stronger than expected retail sales report was virtually written off as pumped up by stimulus assisted auto sales.

With Fed speakers continuing to remind traders that interest rates will be held at current levels for an extended period, most notable among these Bernanke on Monday when he spoke in the Dollar's defence and then repeated almost verbatim the most recent FOMC policy statement, traders judged there was only one way for the market to go and that was up.

Even inflation seemed to support the Bulls as PPI came in well below consensus, which eclipsed the worse than expected CPI report.

But with job losses still running at elevated levels and expected to keep the unemployment rate in double digits for some time, traders fear the economy won't have the stamina to sustain a robust recovery. While we are sceptical of these conclusions, the 2nd estimate of Q3 GDP due on Tuesday, is likely to prove important in helping to settle the debate.

So for now amid the current uncertainty we advise remaining square.



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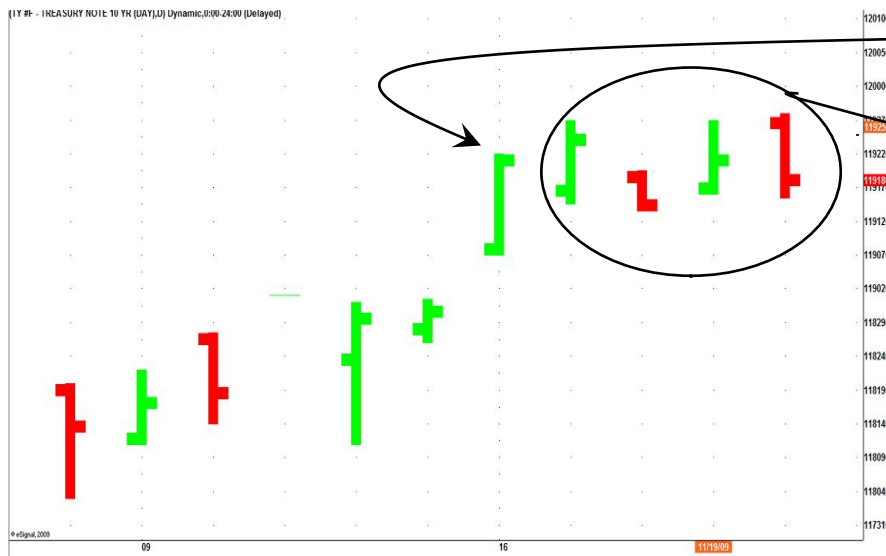
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US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were square of the 10 year note.



See how the 10 year note rallied on Monday after the Fed chairman's comments and then traded sideways in a week dominated by Obama's visit to China, resulting in his sudden call to reduce the deficit.

The Macro Trader's view of the 10 year note is; the deficit came under scrutiny last week as China pressured Obama over US economic policies they judge will undermine the Dollar and devalue their sizeable holdings of US Treasuries and other Dollar denominated assets.

So much so that the Fed Chairman was obliged to speak out in the Dollars defence, a role previously reserved solely for the US Treasury secretary.

But last week's data was a disappointment and offered the market support. With Bernanke repeating the most

recent FOMC policy statement traders were told in no uncertain terms that the Fed is not currently worried about inflation. And on balance last week's PPI and CPI reports confirmed inflation remains subdued.

Towards the week's end Obama seemed converted to the cause of reducing the deficit, but his subsequent requests for funding from Congress reveal those comments as little more than a sop to pacify the Chinese.

For now we advise staying square.



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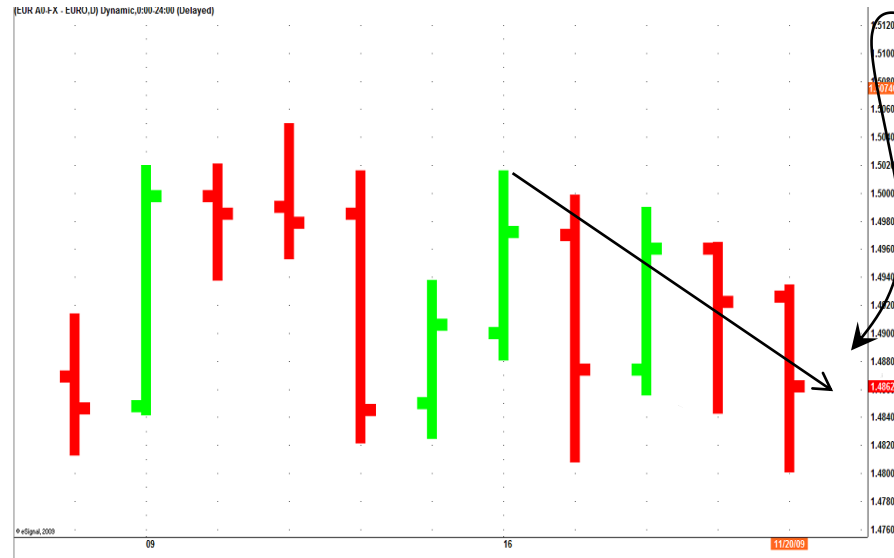
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US MARKETS: US Dollar

OUR TRADING STANCE: **BEARISH.**

Last week we were **Bearish** of the Dollar.



See how the Dollar once again found support from a fresh increase in risk aversion as the rally in equities faded in the 2nd half of the week.

The Macro Trader's view of the Dollar is: the Dollar gained some support from Bernanke's verbal intervention in support of the US Currency last week, as traders were surprised by a Fed Chairman speaking about the Dollar in such terms.

So much so that for a brief period market talk centred on whether the US would openly intervene in the currency markets to support the Dollar.

But while Bernanke warned the Fed monitors currency moves and factors these into policy decisions, he was quick to state his view that recent Dollar weakness was likely an unwinding of the rush to buy Dollars when the financial crisis broke, thereby virtually ruling

out any intervention.

With the President's visit to China over, leaving both the Chinese and US with the feeling their concerns were not fully appreciated by the other side, we expect markets to refocus onto data and this week Q3 GDP is likely to set the tone for the Dollar. A downward revision is expected, but any reading above consensus could see the Dollar weaken, especially if the New and Existing home sales reports shows the housing market remains on a path of recovery.

We remain bearish of the Dollar against the Euro. Our target this week continues at 1.5060 but our stop is raised to 1.4735 for closer protection.



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Japanese Markets

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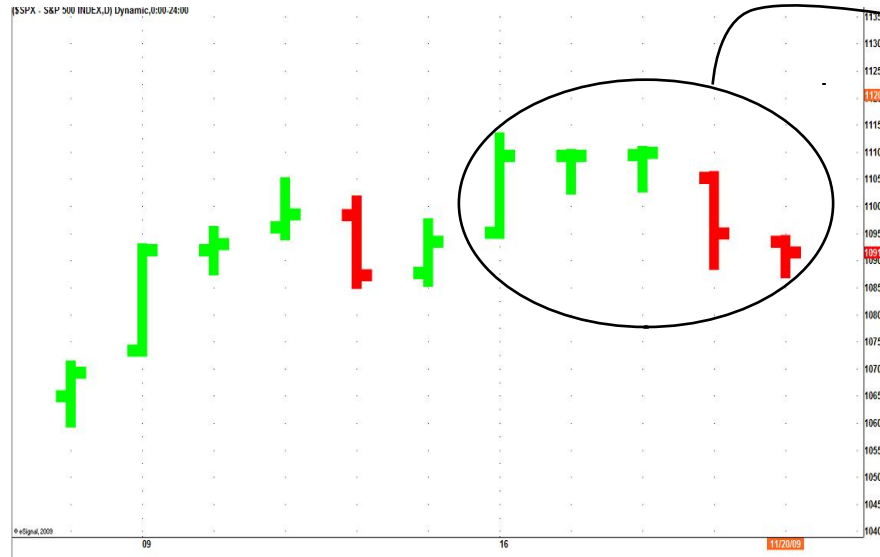
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US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of the S&P 500.



See how the S&P failed to consolidate Monday's rally as fresh fears over the strength of recovery gripped traders, leading to a period of profit taking.

The Macro Trader's view of the S&P 500 is: despite assurances from Bernanke on Monday that policy will remain at current levels for an extended period, equity traders lost their nerve.

The week's key data release; retail sales, failed to support the market. Traders were unimpressed by the strong headline data, as they focussed on the relatively weaker ex-autos report, which they judged was a more accurate indicator of the strength of consumer demand.

The fear is that as stimulus is removed, the pace of

growth will cool and with unemployment in double figures there is a fear that consumer demand will be insufficient to move the recovery to the next level.

However, the market has wobbled on these fears before, and with market consensus expecting a substantial downward revision to Q3 GDP, their is every possibility of a better than expected number which should offer this market support.

Traders should remain long of this market. Our target for this week is still 1115.0 with our stop remaining at 1068.0 for protection.



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Commodities

+ GOLD
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Disclaimer

UK MARKETS: economic background

Last week we focussed on several data releases which were the subject of recent forecasts in the Bank of England's quarterly inflation report.

Central among these was the CPI report. The Bank had flagged an upward spike, and data released on Tuesday showed **CPI slightly, but not dramatically, above consensus**. On Wednesday, the **MPC minutes revealed a three way split on the earlier increase to QE; 7/1/1**, and on Thursday, **Government borrowing data showed a further deterioration**.

But our main focus for the week was **retail sales**. **The m/m number was slightly weaker than expected, but the y/y data was much stronger**, supporting current thinking that the recession may at last be over.

Looking ahead there are several data releases due which are detailed on the global calendar, but we judge this is the week's **key** release:

- On Wednesday; **Q3 GDP**.

The market consensus expects a small upward revision, but no more, we judge there is plenty of room for a surprise.

Given our earlier disbelief over the weakness shown by the flash estimate of GDP our expectation is for a larger revision, but these numbers are devilishly difficult to predict, and they are revised for many years after their first release, such is the relative inaccuracy of their calculation.



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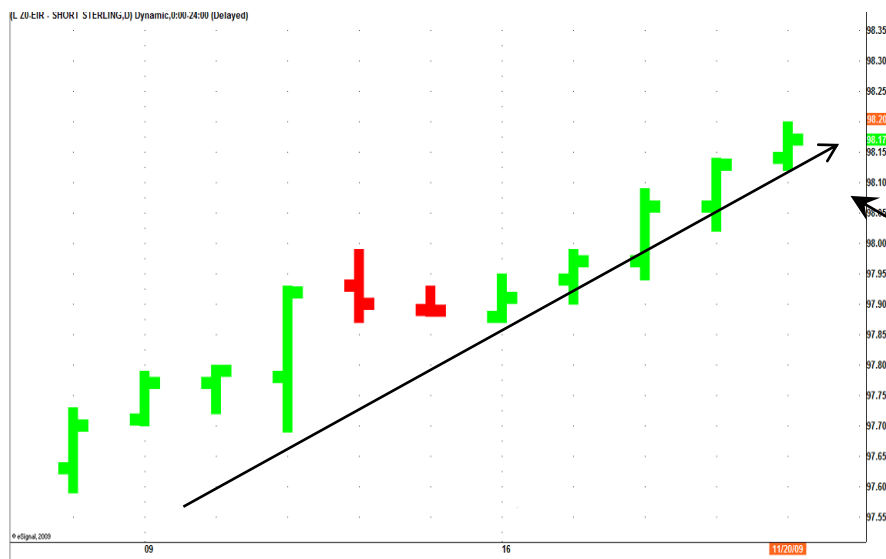
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UK MARKETS: Short Sterling

OUR TRADING STANCE: BULLISH OF DEC 10.

Last week we were Bullish of Dec 10.



See how Short Sterling rallied further last week as traders continued to react to the view that policy will remain virtually unchanged for most, if not all of next year.

The Macro Trader's view of Short Sterling is: the market saw little to undermine it last week, inflation only nudged a little higher, and retail sales on the month on month read were almost in line with consensus, with the stronger year on year data likely a result of upward revisions to earlier reports.

With the PSNCR and PSNB numbers worse than expected, and the government promising to halve the budget deficit within 4 years and the Conservatives promising deeper cuts if elected next year, the MPC should find they have plenty of time before needing to alter policy.

Indeed apart from revealing a 3 way split, the MPC minutes released on Wednesday revealed policy makers discussed reducing the interest paid on Bank's balances held with the Central Bank as a means of forcing them to lend, in what would be yet another form of easing.

With few key reports to focus on this week, accept Q3 GDP, we judge this market can and will rally further and we advise traders to remain long.

Last week's target was exceeded, and our target this week is raised to 98.25 and our stop is raised to 97.97 for closer protection.



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Japanese Markets

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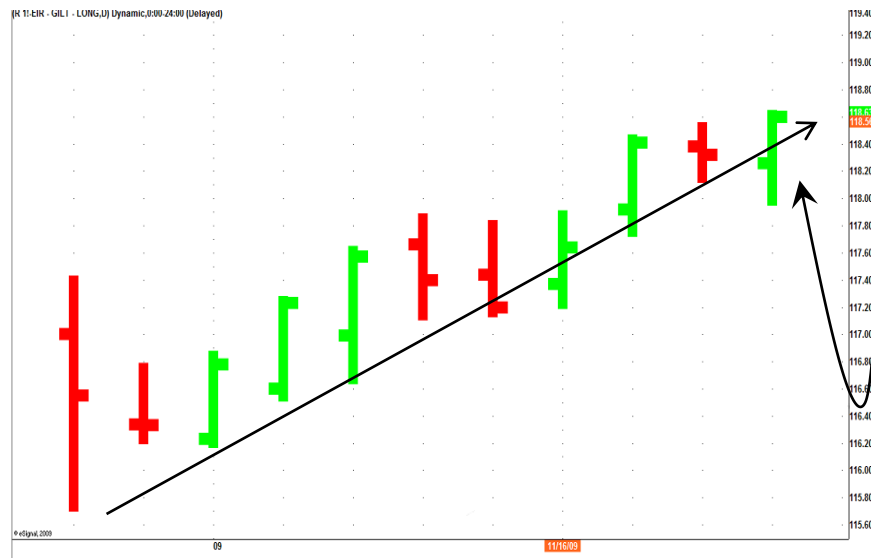
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were **Bearish** of the Gilt.



See how the Gilt rallied last week, despite worse than expected PSNCR and PSNB data on Thursday, as the government committed itself to a new law requiring the budget deficit be cut by half over the next four years, but after next years general election, leaving traders to focus on the Bank of England's broadly benign outlook for inflation.

The Macro Trader's view of the Gilt is; we were stopped out last week as the Gilt once again displayed its amazing Teflon qualities.

Although the borrowing numbers were worse than expected and debt continues to pile up, traders are continuing to focus on the outlook for inflation, which remains benign, despite the slight blip up in the latest CPI report.

With consumer demand holding up, but not roaring ahead and pledges from both the government and the opposition Conservatives to reduce the budget deficit after next year's general election, fears of the growing pile of national debt are clearly not uppermost in the

majority of traders minds.

In this environment, it is conceivable that the gilt could rally further, especially when equity markets display weakness, such as last week.

But we judge were it not for the Bank of England's intervention, via QE in the secondary gilt market, the Gilt would be under greater pressure as a dearth of foreign investors would likely be revealed.

However, the QE program is set to run a few months more and once again we are advising a square position in this market.



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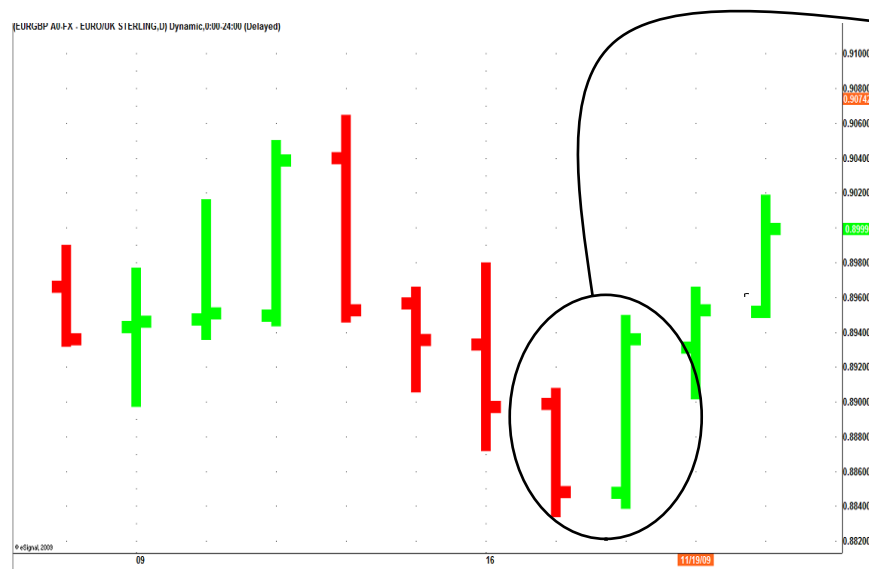
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UK MARKETS: Sterling

OUR TRADING STANCE: **BEARISH** of STERLING/EURO.

Last week we were **bearish** of Sterling/Euro.



See how Sterling's recovery came to an end last Tuesday as Wednesday's MPC minutes revealed policy makers discussing yet another form of easing.

The Macro Trader's view of the Pound is; our stop was nearly hit last week, as the Pound extended its rally on a run of mildly disappointing Euro zone data.

However, that correction ran out of steam, as MPC minutes revealed policy makers discussed reducing interest paid on Bank balances held at the Bank; another form of easing, and moreover, markets became worried about the growing burden of debt accumulating under this government.

Which despite the promises announced in the Queen's

speech, look set to continue growing until after a general election due in May/June of next year.

With Q3 GDP due this week and consensus set for a mild improvement, the Pound could come under renewed pressure if that report disappoints.

Traders should stay short of Sterling/Euro.

This week's target is again 0.9070 and our stop continues at 0.8820 for protection.



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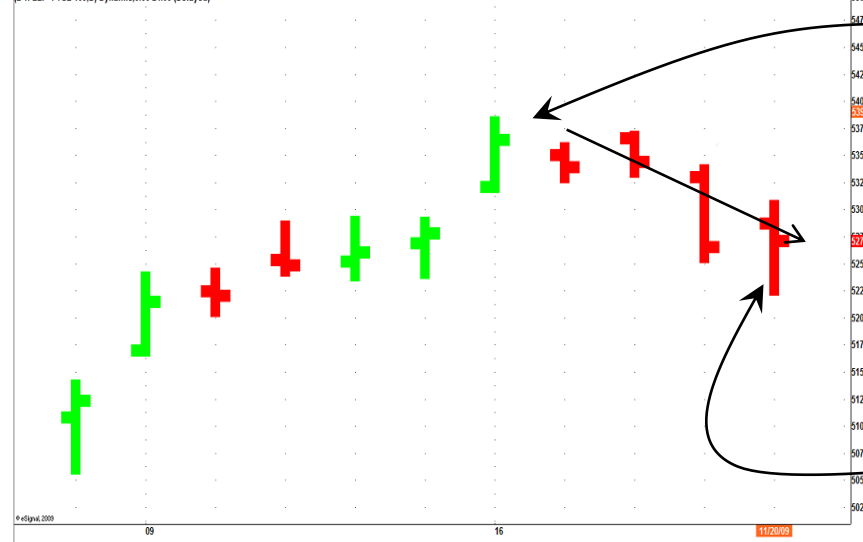
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UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of the FTSE.

(L: FTSE - F: SE 100,0) Dynamic,0:00-24:00 (Delayed)



See how the FTSE spiked higher on Monday as Bernanke reminded the world that interest rates are set to remain low for an extended period.

But the FTSE failed to consolidate its gains as fears emerged once more over the durability of the global recovery and the UK's in particular which is yet to officially begin.

The Macro Trader's view of the FTSE is: once again risk aversion swept through equity markets, with a promising rally on Monday dissolving into a correction by Tuesday which endured all week.

With few domestic data releases due this week, except a 2nd look at Q3 GDP, and with US markets becalmed in the 2nd half of the week due to the US Thanks giving holiday, equity markets will likely struggle for direction.

But with interest rates set to remain at current low levels well into next year for all the leading economies and for virtually all of next year in the UK, we remain

bullish of this market.

But traders are spooked by the experience of Japan which despite almost zero interest rates for years and, various spells of QE still finds its self in deflation, leading western equity traders to fear the same fate could befall the other leading economies.

For now we advise remaining square of this market.

Our target for this week is still 5350.0, despite it being met, though not held last week, and our stop remains at 5140 for protection.



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EURO ZONE MARKETS: economic background

Last week we were aware that Euro zone data could play 2nd fiddle to the trade talks likely to take place between US President Obama and his Chinese counterpart during his visit to China.

But we advised monitoring the following data for fresh clues on the Euro zone economy; **Euro zone CPI was as expected, Euro zone trade data was better than expected, but the Euro zone C/A report was worse than expected with German PPI undershooting consensus.**

On Balance most Euro zone markets did indeed follow sentiment coming from the US as little agreement on key issues relating to the Dollar and trade were reached.

Looking ahead there are several key reports due which are detailed on the global calendar, but we

judge these are the week's **key** releases:

- On Monday; **PMI Composite survey,**
- On Tuesday; **German Q3 GDP, French consumer spending, German IFO and Euro zone industrial new orders, and**
- On Thursday; **Euro zone M3.**

The main event this week is likely to be the Euro zone industrial new orders report which reports directly on the main engine of Euro zone economic strength.

But German Q3 GDP should also be monitored for any revisions, but we judge this unlikely to hold any major surprises.



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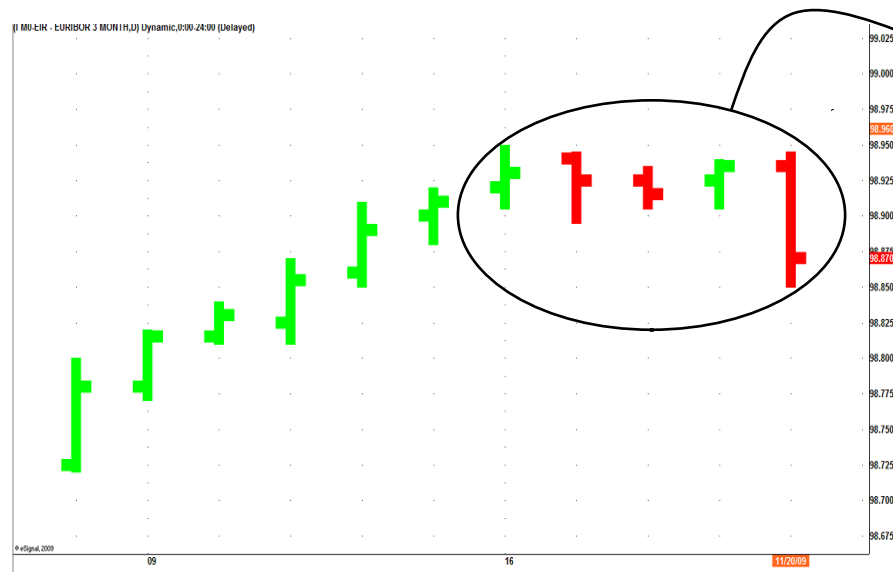
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were square of March 10.



See how Euribor traded sideways last week, despite rallies in Eurodollars and Short Sterling, as the ECB warned markets should get ready for an eventual reduction of stimulus.

The Macro Trader's view of Euribor is: the market performed more or less, as we anticipated last week when we said...

..."With very little heavy weight domestic data due this week, attention will be fixed on Obama's tour to the Far East and primarily China.

And we judge this market is likely to drift in the data vacuum created"...

Talks in China did dominate the agenda, with the Chinese pressuring the US over economic policies

they judge are undermining both the value of the Dollar and their Dollar denominated reserves. At the same time as Obama pressed China on allowing their currency to revalue.

This week traders will be focussing on the Euro zone industrial new orders data, but on balance we expect the current outlook for recovery to be confirmed, leaving the market once again becalmed by the short US holiday week

For now we again advise remaining square.



Summary

Global Calendar

US Markets

+ EURODOLLARS
+ 10 YEAR NOTE
+ US DOLLAR
+ S&P 500

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ **BUND**
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

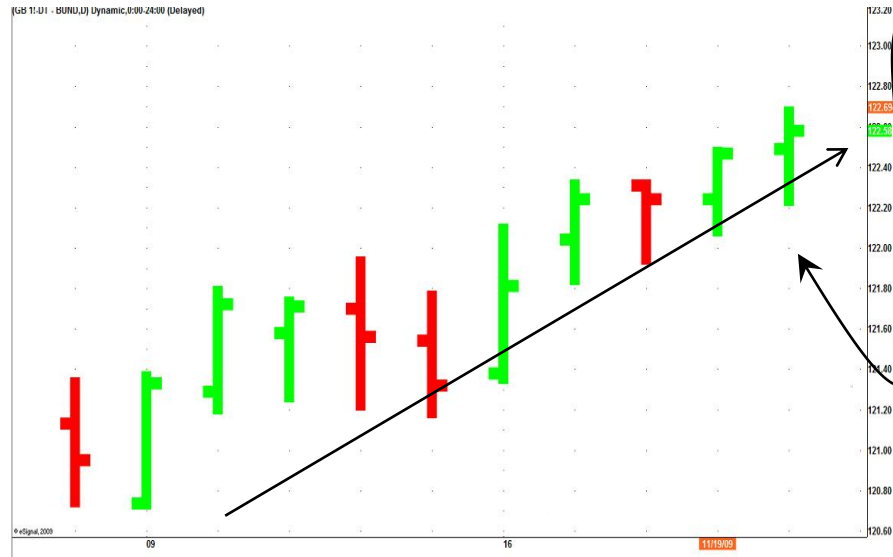
Disclaimer

EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were square of The Bund.

(GB 1:01 - BUND.U) Dynamic:0:00:24:00 (Delayed)



See how the Bund extended the rally as Equity markets faltered from mid week and low inflation continued overshadow the build up of government debt.

The Macro Trader's view of the Bund is: the Bund continued to react to recent pledges from the G20 and leading Central Bankers that both fiscal and monetary stimulus will be left in place.

And with equity markets easing lower in the 2nd half of the week, the Bund was in demand as a safe haven trade, as markets reacted to news that nothing of real substance had emerged from Obama's Far East tour.

For now we judge traders remain buyers of Bonds during periods of equity market weakness, and

reluctant sellers when equities rally, due to the current benign nature of inflation.

But with Euro zone debt to GDP ratios expected to top 100% in the medium term, we judge bond markets remain highly fickle with no long term underlying direction.

So yet again we advise remaining square of the Bund.



Summary

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+ EURODOLLARS
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+ SHORT STERLING
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+ FTSE

Euro Zone Markets

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+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

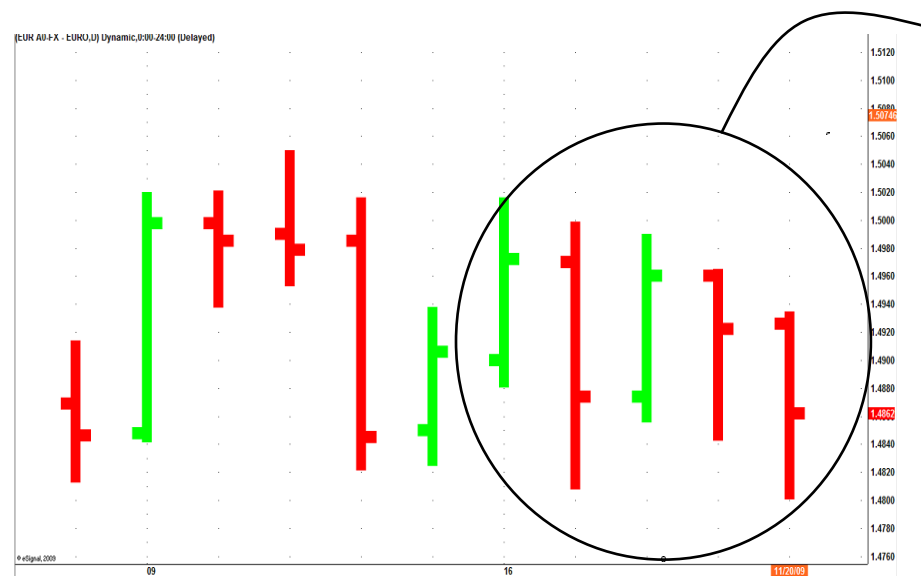
+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BULLISH of the EURO v STERLING & the Dollar.

Last week we were bullish of the Euro v Sterling & the Dollar



See how the Euro endured a Dollar and Sterling correction last week, as Bernanke spoke out in the Dollar's defence and MPC minutes in the UK showed a split emerging on QE among policy makers.

The Macro Trader's view of the Euro: the Euro continued to suffer from what we judge is a Dollar correction, driven by two factors:

1. Safe haven buying of the Dollar on renewed growth concerns and equity market weakness, and
2. The uncertainty of what the US Presidents visit to China might produce.

In the event we judge the trip as a disappointment, both sides aired their concerns but neither side was willing or able to offer any concrete measures that

would help assuage Chinese fears over the Dollar's weakness, or satisfy US complaints that China is artificially suppressing its own currency, leaving markets to ultimately revert to underlying trends.

Traders should remain short of Sterling/Long the Euro and our target this week remains 0.9070 and our stop stays at 0.8820.

Against the Dollar remain long the Euro, our target for this week continues at 1.5060 and our stop is raised to 1.4735 for closer protection.



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Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
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- + FTSE

Euro Zone Markets

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- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

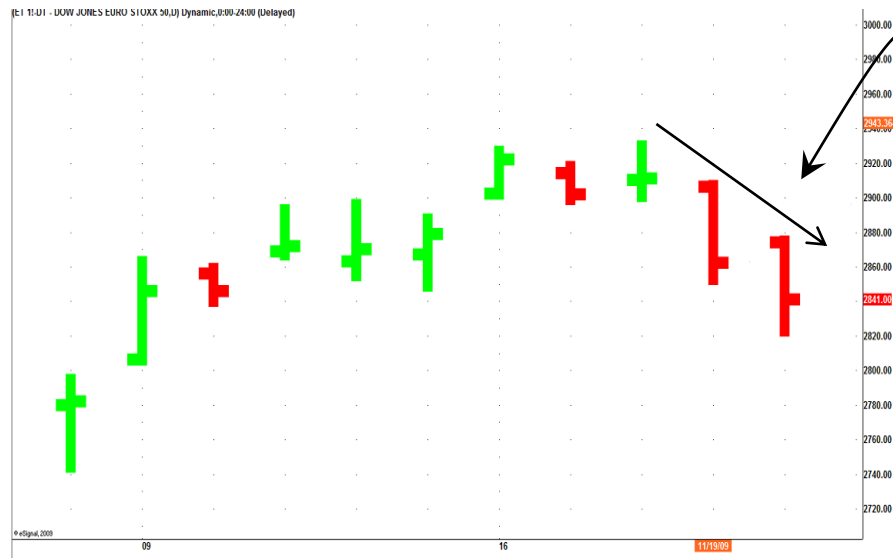
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: BULLISH.

Last week we were **bullish** of DJ EUROSTOXX50.



See how the market sold off on profit taking as yet another wave of risk aversion ran through the market, as traders again became nervous about growth prospects.

The Macro Trader's view of DJ Euro Stoxx 50 is: our target wasn't quite met last week before anxieties about growth once again led this and other equity markets lower later in the week.

With interest rates at exceptionally low levels in all the major developed economies and Central Banks promising to hold them there, traders were spooked by data coming from Japan that showed the economy continues to be in the grip of deflation, despite signs of growth and years of low interest rates and various fiscal stimulus programs.

Additionally, traders took US retail sales negatively,

despite a strong headline number, as they focussed on a weaker than forecast ex-autos sub report which most took as a better indication of underlying US consumer strength, which added to concerns over the durability of growth.

We are more optimistic. With so much liquidity in the global economy, which isn't about to be withdrawn anytime soon, we expect the expansion to prove a little more robust and help equity markets higher.

Traders should remain long of this market, our target this week is again 2940.0, and our stop continues at 2785.0 for protection.



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Japanese Markets

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+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: economic background

Last week we remained positive about the outlook for the Japanese economy, a view that was supported by **Better than expected Q3 GDP data released Sunday night/Monday morning.**

But other Key data releases throughout the week were less supportive of our view.

The **Industry index was worse than expected, although Machine tool orders were better than forecast, but crucially, Tokyo and National department store sales were weaker than forecast,** and the economy was declared to be back in the grip of a deflation that to most independent observers never seemed to go away.

Looking ahead there are several data reports due which are detailed on the global calendar, but we judge these are the week's **key** releases;

- On Tuesday; **BOJ monthly report and trade balance,**

- On Wednesday; **BOJ monetary committee meeting minutes, and**
- On Thursday; **the Jobless rate, Household spending, Tokyo CPI, National CPI and retail sales.**

The market is in for an interesting week. The Bank of Japan monthly report and minutes could offer a conflicting view and approach to the one sought by a government that wants a more robust attack on deflation.

So any weakness in household spending and retail sales, accompanied by a weaker than expected CPI report, is likely to hit markets hard this week.

Our expectation is for deflation to prove the main topic for markets this week and we are becoming concerned about Japan's ability to emerge from it and the potential for it to be exported to other major economies.



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Commodities

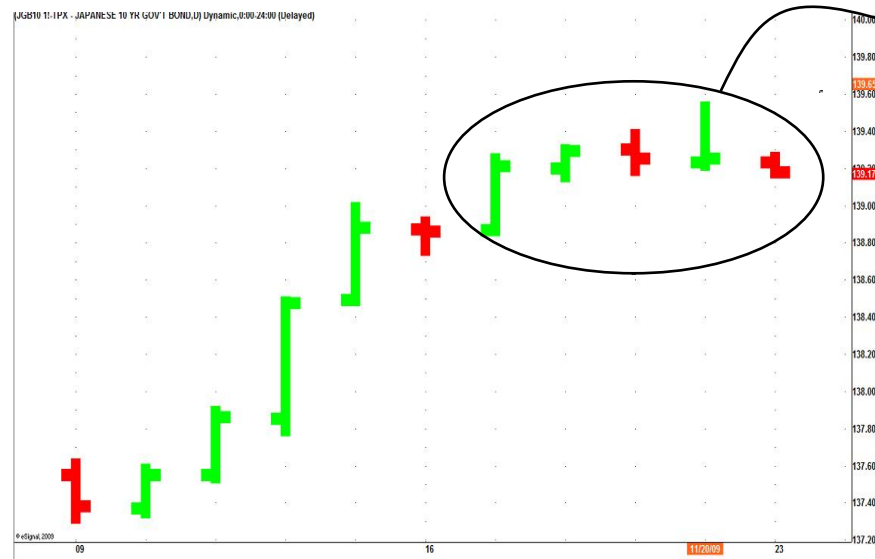
+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were square of Japanese Bonds.



See how the JGB held its gains as key Japanese data disappointed and deflation was once again top of the agenda.

The Macro Trader's view of the JGB is; after last week's strong rally the JGB consolidated its gains despite a stronger than expected Q3 GDP report at the start of last week.

But traders were more interested in weak department store sales and official recognition that the economy was back in deflation; did it ever emerge.

The government seems frustrated with the Bank of Japan that monetary policy makers are not focussing their efforts on fighting deflation as recent comments

from the BOJ seem more focussed on talking up growth rather than recognising the risks to recovery posed by deflation.

With the Bank of Japan's monthly report and monetary policy meeting minutes due this week, together with CPI, deflation is likely to remain the dominant theme offering this market further support.

While these two dynamics of improving growth and deflation continue to vie for attention, we judge it best to remain side lined and advise a square position.



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Commodities

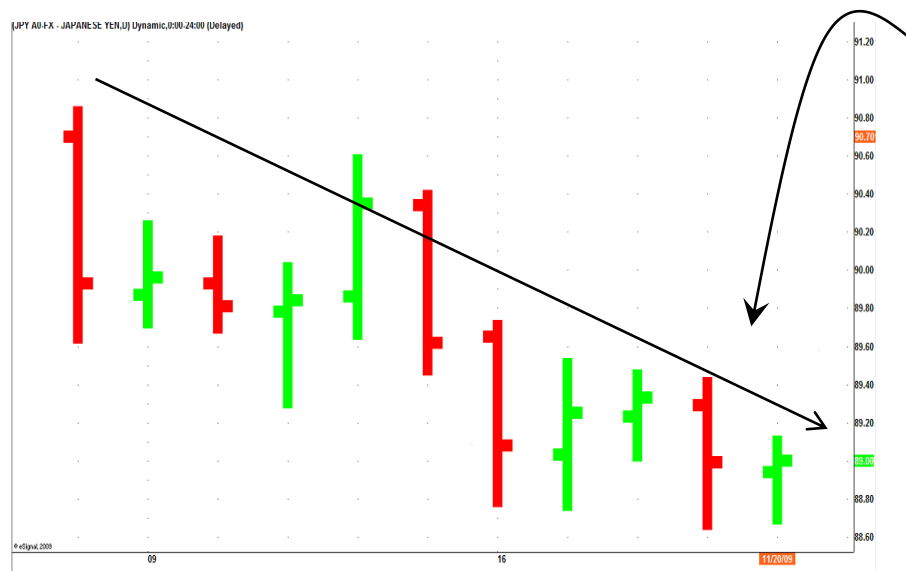
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: BULLISH v the DOLLAR.

Last week we were Bullish of the Yen v the Dollar.



See how Yen held its recent gains against the Dollar amid the tension of Obama's visit to China.

The Macro Trader's view of the Yen is; the Yen held its earlier gains well last week, despite the unhelpful truth that the Japanese economy is officially in deflation.

But Obama's visit to China offered a distraction and lent the Yen support. The Chinese are unhappy with the Dollar's weakness which they attribute to Obama's economic policies. Specifically they are worried about the integrity of their US\$2.0T or more reserves held in Dollars and Dollar assets.

The US is unhappy with China's manipulation of its currency. Which the democrats blame for jobs being

lost to China as US workers cannot compete against the low pay levels of Chinese workers.

And although the Chinese economy is in the ascendant, its growth is still export led and dependent on access to the US market, so both Countries need to listen to each others concerns.

We judge the Yen can continue to benefit from the current situation and advise traders to remain short of the Dollar, long of the Yen and our target for this week is now 88.18 with our stop reduced to 90.70 for closer protection.



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Commodities

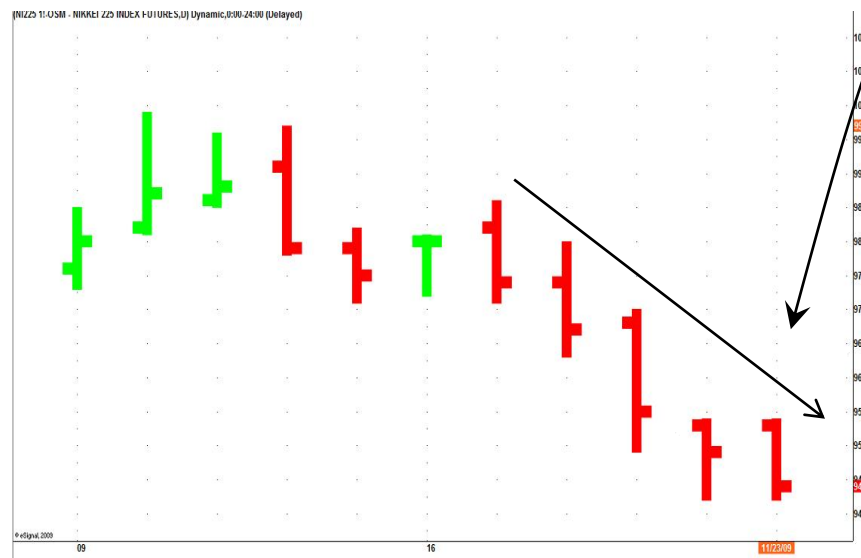
+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were **Bullish** of the Nikkei.



See how the Nikkei sold off last week despite Monday's better than expected Q3 GDP data as Tokyo and National department store sales disappointed and the spectre of inflation once again stalked the economy.

The Macro Trader's view of the Nikkei is: the Nikkei sold off hard last week stopping us out, as traders reacted to everything negative and ignored the stronger Q3 GDP data.

Although Machine tool orders were better than expected, the Industry index was weak, so too were department store sales, but what hit the market hardest was the recognition that deflation was back.

With interest rates already at zero and the government urging the BOJ to act more aggressively in its fight against deflation, global growth fears combined with

domestic anxieties and sent the market lower.

With the BOJ minutes and CPI due this week, we judge deflation is going to remain the dominant theme, and unless household spending and retail sales can significantly beat consensus, we see this market as vulnerable to the downside.

The markets one saviour could be foreign sentiment; that's if US Q3 GDP beats consensus and puts the bulls back in charge.

For now we advise remaining square of this market.



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Commodities

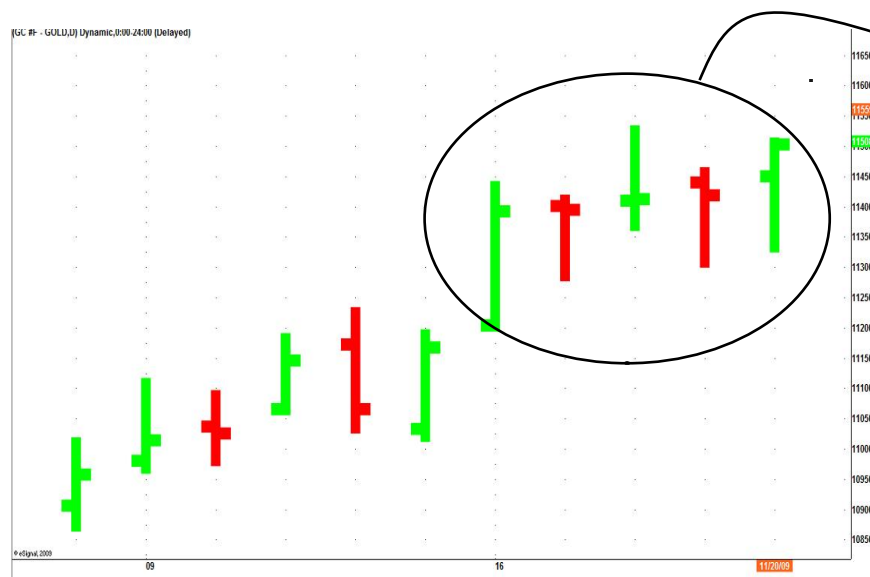
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of the Gold.



See how Gold extended the rally as China repeated her displeasure with the Dollar and the US failed to persuade China to float its currency.

The Macro Trader's view of the Gold is: last week we advised remaining long of Gold as we judged the recent gold purchases by India, China and others amounted to more than just reserve fine tuning.

The Chinese are very unhappy with US economic policies that they see causing a fresh asset bubble, risking inflation and threatening the value of their enormous Dollar holdings.

The US argues if the Chinese didn't artificially restrain their currency, the bilateral trade deficit would be

smaller, so too would Chinas reserves and the drain of US Jobs east would slow, easing the deficit.

But neither is listening to the other.

The Dollar remains a long term sell, despite Bernanke's attempts to talk it up last week, and Gold remains a long term buy.

Traders should remain long of Gold, our target this week is 1184.0, with our stop raised again to 1140.0 for closer protection of profits.



Summary

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Japanese Markets

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Commodities

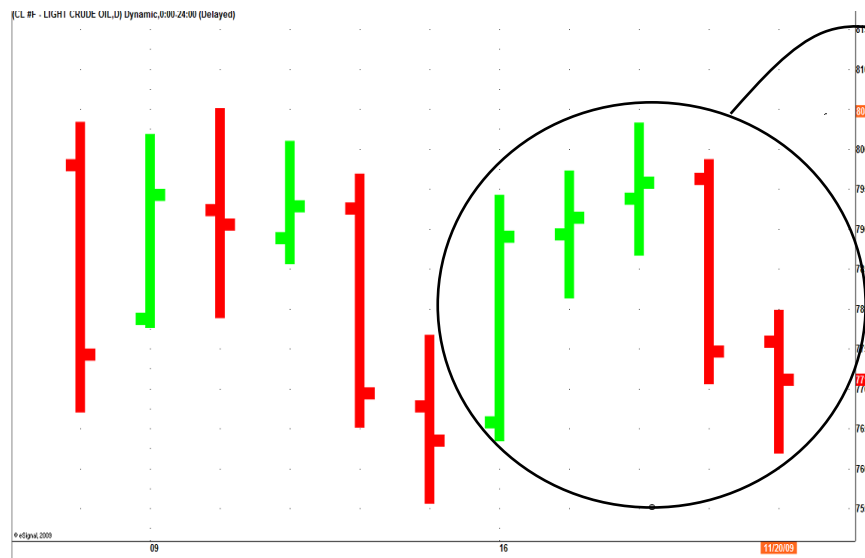
+ GOLD
+ OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were square of the Oil.



See how Oil remains range bound as traders remain nervous of growth/demand prospects amid another correction in global equity markets.

The Macro Trader's view of oil is: we continued our cautious stance last week, and price action once again proved us right.

The market remained quite volatile last week as it attempted to rally early in the week.

But fresh weakness in equity markets and renewed fears over growth, weighed on oil and it retested the lows.

While the market is much higher than would be usually expected at this stage of recovery, it is important to remember that new large economies are now present in the demand structure for energy that were no where near as important at the start of the last expansionary

phase.

So as the worlds economy eventually moves up through the gears, the oil market is expected to make substantially new highs.

However traders will be seeking evidence from the developed economies that shows the recovery has the stamina to withstand an eventual withdrawal of the fiscal stimulus, let alone loose monetary policy.

With Q3 GDP due in the US, UK and Germany this week, and with the US on holiday later in the week for Thanks Giving, we judge it best to remain square a little longer.

More



Summary

Global Calendar

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Euro Zone Markets

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- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

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