



Week 1  
5<sup>th</sup> – 11<sup>th</sup> January 2010

## 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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### Global Calendar

### US Markets

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- + S&P 500

- **SQUARE**
- **BEARISH** below 119.00
- **BULLISH** against Sterling
- **BULLISH** on growth outlook

### UK Markets

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

- **SQUARE**
- **BEARISH** on growing debt concerns
- **BEARISH** on growing debt concerns
- **BULLISH** on an extended period of unchanged rates

### Euro Zone Markets

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

- **SQUARE**
- **SQUARE**
- **SQUARE**
- **SQUARE**

### Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

- **SQUARE**
- **SQUARE**
- **SQUARE**

### Commodities

- + GOLD
- + OIL

- **BULLISH** on inflation concerns
- **BULLISH** on economic recovery

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	Week of 4 <sup>th</sup> January
Monday	US ISM Mfg survey 54.0 US ISM Prces 60.0 US Construct'n spndg -0.5% UK PMI Mfg survey 52.0 UK Mrtge apps 58.0k UK Net Indg on dwlgs 0.9B IT PMI Mfg n/f FR PMI Mfg 54.4 DM PMI Mfg 53.1 EZ PMI Mfg 51.6 IT CPI 0.1m, 1.0y JP Money base n/f
Tuesday	US Pndg home sales -3.1m, US Factory orders 0.5% UK PMI Construct'n 47.3 FR Cons conf -30 DM Unemploy'm't chge 5k DM Unemploy'm't rate 8.1% EZ CPI 0.9y JP Vehicle sales n/f
Wednesday	US MBA Mrtge apps n/f US ADP Employ'm't chge -75k US ISM non-mfg 50.5 US FOMC Minutes UK BRC Shop prices n/f UK PMI Services 56.9 FR PMI Services 59.3 DM PMI Services 53.1 EZ PMI Services 53.7 EZ PPI 0.2m, -4.5y EZ Ind new orders -1.0m, -11.0y

	Week of 4 <sup>th</sup> January
Thursday	US Jobless claims n/f UK MPC Int rate decision 0.5% UK B of E QE Target 200B IT PMI Services n/f EZ Retail sales 0.1m, -1.8y EZ Cons conf -16 EZ Ind conf -17 DM Factory orders 1.5m, -0.3y
Friday	US Non-farm payrolls 0.0k US Unemploy'm't rate 10.0% US Avge hourly earngs 0.2m, 2.1y US Avge wkly hrs 33.2 US Wholesale inventories -0.3% UK PPI input -0.4m, 6.4y UK PPI Output 0.0m, 3.1y UK PPI Core 0.1m, 1.9y DM Trade bal 12.4B DM C/A 10.8B FR Trade bal n/f EZ Q3 GDP 0.4q, -4.1y EZ Unemploy'm't rate 9.9% DM In production 1.0m, -7.9y



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	Week of 28 <sup>th</sup> December
Monday	UK Hme trk hsng srvy 0.1m, -1.9y <b>BETTER</b> JP Labour cash earngs -2.8y <b>WEAKER</b> <b>THAN EXPECTED</b>
Tuesday	US Case-shiller comp 20 -7.28 <b>WEAKER</b> US Cons conf 52.9 <b>AS</b> UK B of E Hsng eqty draw -4.9B <b>BETTER</b> DM CPI 0.7m, 0.8y <b>STRONGER</b> FR Q3 GDP 0.3q, -2.3y <b>BETTER</b> IT Bus conf 82.6 <b>BETTER</b> <b>THAN EXPECTED</b>
Wednesday	US Chicago PMI 60.0 <b>STRONGER</b> EZ M3 0.6 3m, <b>WEAKER</b> EZ M3 -0.2 y/y <b>WEAKER</b> IT PPI 0.3m, -3.5y <b>AS</b> <b>THAN EXPECTED</b>

	Week of 28 <sup>th</sup> December
Thursday	US Jobless claims 432k UK Nat'nwde Hse prces 0.4m, 5.9y <b>STRONGER</b> <b>THAN EXPECTED</b>
Friday	<b>NEW YEARS DAY</b>



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	Week of 21 <sup>st</sup> December
Monday	JP All ind actvty indx 1.2% <b>BETTER</b> JP Convenience store sales -6.3% <b>WEAKER THAN EXPECTED</b>
Tuesday	US Q3 GDP F 2.2% <b>WEAKER</b> US Q3 Persnl consumptn 2.8% <b>WEAKER</b> US Q3 GDP Price indx 0.4% <b>WEAKER</b> US Q3 Core PCE 1.2% <b>WEAKER</b> US Existing home sales 6.54M <b>STRONGER</b> US Hse prce indx 0.6% <b>BETTER</b> UK Q3 GDP F -0.2q, -5.1y <b>WORSE</b> UK Q3 C/A -4.7B <b>BETTER</b> DM GFK Cons conf 3.3 <b>LESS</b> FR PPI 0.2m, -4.5y <b>STRONGER</b> IT Trade bal non-EU -30.0M <b>WEAKER</b> JP Sml bus conf 40.4 <b>WEAKER</b> JP Super mkt sales -8.0% <b>WORSE THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps -10.7% <b>WEAKER</b> US Persnl income 0.4% <b>WEAKER</b> US Persnl spendg 0.5% <b>WEAKER</b> US Core PCE 0.1m, 1.4y <b>LESS</b> US New home sales 355k <b>WEAKER</b> US U. Of Michigan conf 72.5 <b>WEAKER</b> UK MPC Minutes 9/0 <b>AS</b> UK BBA Home loans 44.713k <b>BETTER</b> UK Indx of services -0.2 <b>AS</b> DM Import prces 0.4m, -5.0y <b>STRONGER</b> FR Cons spendg -0.1m, 3.2y <b>WEAKER</b> IT Cons conf 113.7 <b>STRONGER</b> IT Retail sales 0.5m, 0.5y <b>STRONGER THAN EXPECTED</b>

	Week of 21 <sup>st</sup> December
Thursday	<b>CHRISTMAS EVE</b> US Durable goods 0.2% <b>WEAKER</b> US DG Ex-Transport 2.0% <b>STRONGER</b> US Jobless claims 452k <b>LESS</b> JP Jobless rate 5.2% <b>AS</b> JP Household spendg 2.2y <b>STRONGER</b> JP Tokyo CPI -2.3%y <b>WEAKER</b> JP Natnl CPI -1.9%y <b>STRONGER</b> JP Corporate service price -2.0%y/y <b>AS THAN EXPECTED</b>
Friday	<b>CHRISTMAS DAY</b>



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## US MARKETS: economic background

Last week we judged the main event would be the **Existing and New home sales** reports with **Q3 GDP** data only likely to move markets if radically different than expected.

In the event the housing reports delivered a conflicting message, as did other key reports.

The week's calendar began on Tuesday with **Q3 GDP, Q3 Personal consumption and Q3 Core PCE all weaker than expected**, but crucially **Existing Home sales was much stronger than expected**. The next day **personal income and spending were both weaker than forecast** and surprisingly, so too were **New Home sales**.

The final report was **durable goods** and this too was mixed with **the headline number weaker than forecast**, but the **ex-transport data was stronger**.

Data between Christmas and New Year was sparse, but **Consumer confidence was in line with consensus**, the **Chicago PMI survey was much stronger than expected** and of greatest significance,

### Jobless claims was much lower than forecast.

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; **ISM Manufacturing survey**,
- On Tuesday; **Pending home sales**,
- On Wednesday; **ISM non-manufacturing survey and FOMC minutes**, and
- On Friday; **Non-farm payroll and unemployment rate**.

The market's focus this week is likely to be non-farm payroll as traders look for the improving employment trend to continue, which was hinted at in last week's drop in the Jobless claims report.

But with the FOMC minutes due and both ISM surveys released, traders will have plenty to digest and markets could be a little choppy.



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## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were square of September 10 Eurodollars.



See how Eurodollars weakened over the last two weeks, despite several disappointing key data releases as traders approached the Year End with thoughts of an inevitable change of policy direction at some point during the New Year.

**The Macro Trader's view of Eurodollars is;** much of recent price action could have been year end running down of positions by traders squaring books over the Holiday period, as data released over the period was more supportive of the Bull cause than that of the Bears.

But among the disappointing data several reports stood out; the strong Existing Home sales, strong Chicago PMI and last week's much better than expected Jobless claims.

Looking ahead we doubt this week's FOMC minutes will reveal anything that wasn't covered in the original

policy statement throwing attention onto key reports, especially non-farm payroll which we expect to extend the recent trend of improvement.

However the Fed isn't yet poised to alter policy as they wait for the recovery to mature and display clear signs of becoming self sustaining.

The recent final release of Q3 GDP suggests patience is required.

We judge policy unlikely to be changed until Q2 at the earliest and for now we advise traders to remain square a little longer.



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## Commodities

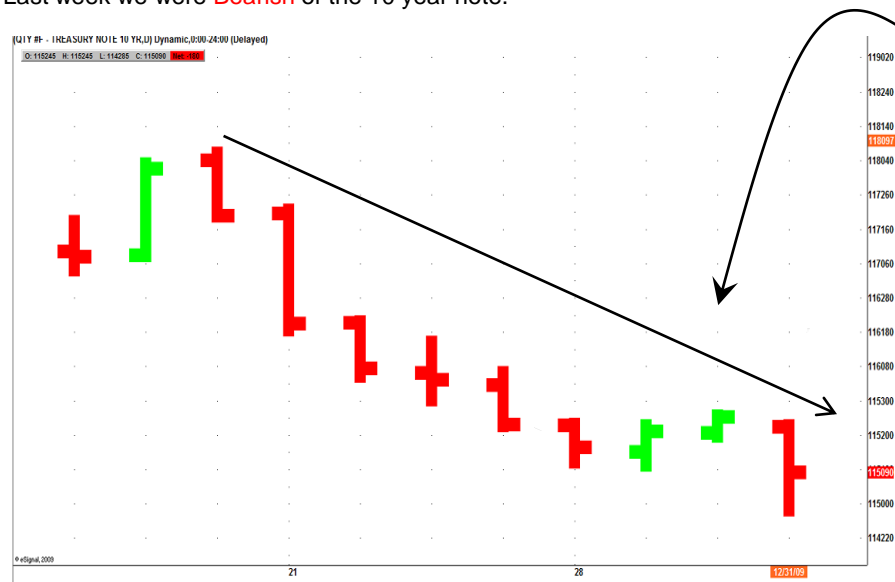
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: **BEARISH.**

Last week we were **Bearish** of the 10 year note.



See how the 10 year note sold off as the markets attention turned towards debt.

**The Macro Trader's view of the 10 year note is;** the 10 Year note comfortably exceeded our target as traders at last began to focus on debt.

And although data over the last two weeks was a little disappointing, recovery is now universally expected to strengthen during 2010.

But with US legislators close to passing a health reform bill that will add to National debt and talk of a new stimulus, markets are becoming increasingly concerned about the US fiscal stance, which could have shown modest improvement as several leading

Banks paid back Billions of rescue Dollars in recent weeks.

But the Obama administration is looking at pumping this money back into the economy, raising serious questions about how and when the US will even contemplate a debt reduction plan, let alone actually implement one.

Traders should remain short of this market, our target this week continues at 114.22 and our stop is reduced to 116.31 for protection.





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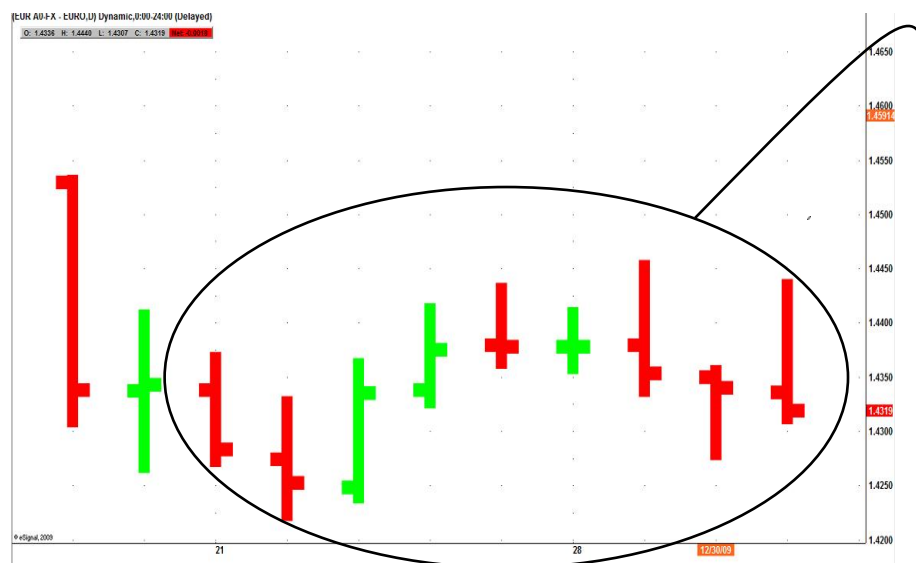
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: SQUARE.

Last week we were square of the Dollar.



See how the Dollar gave back some of its gains as traders squared positions into year end, but the Dollar could be in for a renewed period of weakness if the markets lose confidence in US fiscal policy.

**The Macro Trader's view of the Dollar is:** the Dollar gave back some of its gains but still closed the year on a relatively high note.

But can that renewed strength carry on through 2010 or will it prove just one more of the many corrections scattered along the Dollars path of decline.

If traders are finally focussing on debt, which we think they are, the Dollar could be in for a fresh period of weakness.

While recent strength was driven by better than expected data earlier in December; mainly non-farm

payroll, recent data has again turned a little mixed. We think this is normal during early stages of recovery, but what isn't is Obama's apparent appetite for debt. At some point he will have to publish a credible debt reduction plan, assuming he understands the need for retaining credibility with the markets and key creditor Nations.

Sadly that decision still looks to be out there somewhere on the horizon. But with several key reports due this week, we want to gauge the Dollar's response before taking fresh positions.

For now we advise remaining square.



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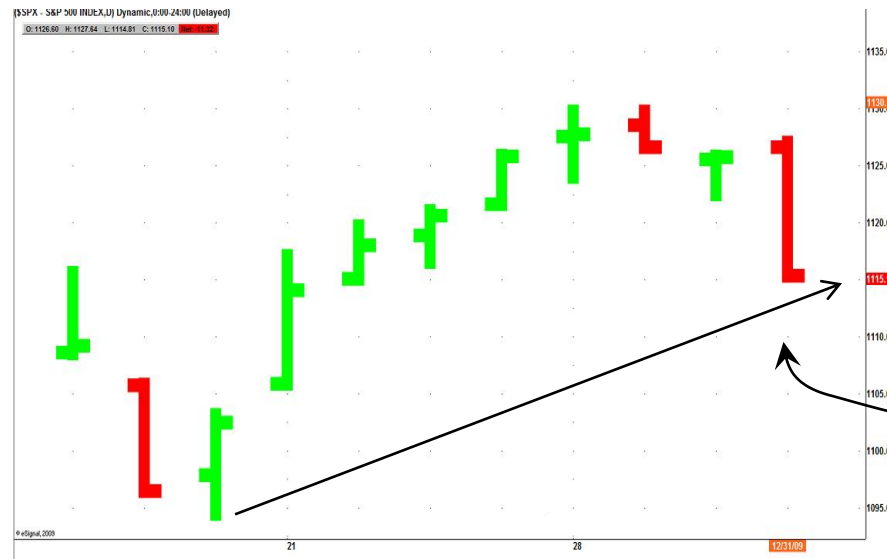
+ GOLD  
+ OIL

## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: BULLISH.

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



**The Macro Trader's view of the S&P 500 is:** in the closing week's of 2009 equity markets cast aside recent fears of debt default in Dubai and doubts of economic recovery, as traders took the market to new recent highs.

With the Fed recently pledging to maintain policy at current levels for an extended period, as they allow the recovery to sink deeper roots, traders rightly judged a benign period was dawning for equities.

If this week's data releases meet or exceed consensus

we judge equity markets will extend the rally further as traders rightly judge the economic recovery is consolidating.

Moreover, if Friday's non-farm payroll data actually manages to report job gains, this market should respond very positively.

Traders should remain long of this market. Our target for this week is 1130.0 with our stop raised to 1090.0 for closer protection.



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## UK MARKETS: economic background

Last week we looked forward to two key releases to reveal whether the economy is actually performing better than previous data revealed and if the Bank of England was finally through with QE, once the current tranche is delivered.

In the event **Q3 GDP was revised better, but didn't meet consensus**, and although the **MPC were unanimous about holding interest rates steady, the door looked left ajar for more QE, which we judge worrying given CPI.**

The main data release between Christmas and New year was the **Nationwide house price report which came in better than expected.**

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

- On Monday; **PMI manufacturing survey and net lending on dwellings,**

- On Tuesday; **PMI Construction survey,**
- On Wednesday; **PMI Services survey,**
- On Thursday; **MPC interest rate decision and QE target, and**
- On Friday; **PPI input, output and core.**

The markets focus this week is likely to be the two PMI surveys. Traders will be seeking confirmation that the expected Q4 resumption of growth remains on track. And although the MPC generally commands full market attention, we see nothing new coming from them this time.

It is too early to begin hiking interest rate; recovery hasn't even officially begun yet, and the current tranche of QE has yet been fully implemented.

Moreover with CPI expected to move above target over the next few months before being forecast to ease lower, more QE would un-nerve bond and currency traders.



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## UK MARKETS: Short Sterling

### OUR TRADING STANCE: SQUARE.

Last week we were **Bullish** of Dec 10.



See how Short Sterling sold off despite the dearth of key data releases over the last two weeks as traders became concerned about the current governments commitment to cutting the budget deficit, with clear implications for monetary policy.

**The Macro Trader's view of Short Sterling is:** over the last two weeks there has been a distinct lack of heavy weight data, and the one important release that did come out; Q3 GDP was disappointing, but the market still sold off, why?

We judge traders are becoming increasingly uneasy about the build up of debt and this governments attitude towards it.

Until recently the opinion polls had shown the opposition Conservative party on course for a strong victory in a general election that must be held in May/June of this year, but over the last week or so that lead had begun to narrow.

Where traders took a view that all would be put right

after May/June, suddenly a nightmare scenario began to emerge; hung Parliament meaning no real improvement in the UK's fiscal position.

Were this scenario to play out the Pound and Gilt market would come under pressure, leading to higher government funding costs and imported inflation making it very difficult for the Bank of England to resist hiking interest rates.

Consequently we were stopped out. Although the opinion polls have since suggested an overall Conservative majority, the seed of doubt is planted and this market looks vulnerable.

For now we advise remaining square, since data needs to show, not just forecast recovery.

More



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## UK MARKETS: Gilt

### OUR TRADING STANCE: **BEARISH.**

Last week we were square of the Gilt.



The Gilt sold off heavily over the last two weeks, fulfilling our often stated view of this market.

**The Macro Trader's view of the Gilt is;** traders showed what could happen in this market during 2010, if the Government fails to retain market confidence in its ability and willingness to tackle the budget deficit and build up of debt.

The benefit of the doubt had been given over much of 2009 due initially to the ravages of recession and then on the assumption that a newly elected Conservative government in Q2 2010 would take decisive action.

But the opinion polls began to show an erosion of the Conservative lead. Worst case scenario looked possible; a hung Parliament where a minority party governs without the support needed to deal with the debt.

Were this to occur the UK would suffer a credit rating

downgrade, the cost of funding the deficit would go up, so too would taxes and the recovery would abort making it even more difficult to correct the fiscal position with further down grades to the Sovereign credit rating, and so the downward spiral would continue.

Although the opinion polls have showed a bigger Conservative lead in recent days, there is a long way to go to the General Election and Brown seems to think he can somehow tell the electorate spending isn't being cut, while at the same time telling the markets it will be halved over 4 years, one story is a lie and the markets will opt for safety.

We judge this market is vulnerable to further heavy selling and advise going short. Our target this week is 113.50 and our stop is placed at 115.90 for protection.



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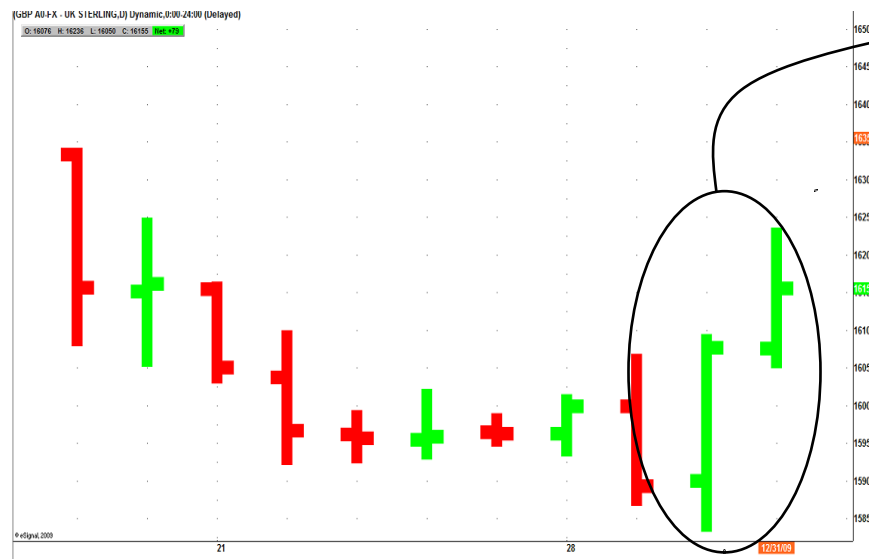
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## UK MARKETS: Sterling

### OUR TRADING STANCE: **BEARISH** of STERLING/DOLLAR (CABLE).

Last week we were square of Sterling/Euro.



See how Cable bounced into the Year End, but we judge this driven largely by Year End position squaring.

**The Macro Trader's view of the Pound is;** we were unimpressed by the Pound's apparent recovery in the closing days of 2009.

We judge the move too closely correlated to the Dollar's move lower and the End of Year position squaring.

The over riding concern most likely to dominate the Pound and also the Gilt this year, at least until the General Election, is the UK's fiscal position and the current governments plans to deal with it.

Until recently an overwhelming Conservative victory in Q2 looked the most likely outcome. Their policy is to

tackle the budget deficit and debt build up through public spending cuts. In recent weeks that lead shrank and the markets were presented with a new scenario; hung Parliament meaning scant progress on putting the UK back on the path to fiscal health.

Although the polls have swung back towards the Conservatives, the outlook remains close and we judge nervous traders and investors will begin to seek other investment opportunities sending the Pound lower.

Traders should be short of Cable, our target this week is 1.5850 and our stop is placed at 1.6350 for protection.

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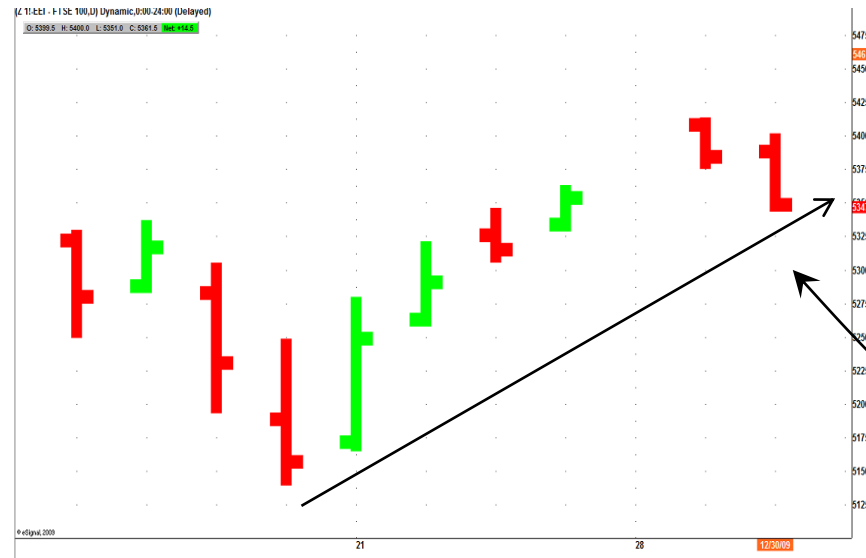
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## UK MARKETS: FTSE

### OUR TRADING STANCE: BULLISH.

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



See how the FTSE enjoyed a solid rally into year end as fears of a Dubai debt default receded and recover looked set to emerge in Q4.

**The Macro Trader's view of the FTSE is:** the FTSE comfortably exceeded our target and looks set to rally further throughout 2010.

Assuming the current Labour government is replaced with the more fiscally responsible opposition Conservative party in Q2 with a comfortable working majority. The Budget deficit should start to shrink and so to public spending.

The Bank of England will be able to leave policy at very low levels for an extended period to off set the fiscal tightening brought to bear.

This together with the private sector finding its self with greater room for manoeuvre will both aide economic recovery and support the stock market rally.

Although the opinion polls have placed a question mark recently over the likely hood of a strong Conservative victory, we judge that still remains the most likely outcome.

Traders should remain long of this market. Our target for this week is 5450.0, and our stop is raised to 5195 for closer protection.





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## Disclaimer

## EURO ZONE MARKETS: economic background

Last week we judged domestic data was unlikely to have a major impact on Euro zone markets in the closing weeks of 2009, and to an extent that proved correct. But markets did never the less move quite spectacularly, especially bonds and equities as other concerns began to dominate.

The key releases we advised watching in the run in to the Christmas break were a little mixed, as **German GFK consumer confidence was weaker than expected, French PPI was stronger than expected, German import prices were stronger than expected and French consumer spending was weaker than forecast.**

Of the few releases due between Christmas and New Year **German CPI was stronger than expected** and **Euro zone M3 was weaker than forecast.**

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; **Italian, French, German and Euro zone PMI Manufacturing surveys,**
- On Tuesday; **German employment report and Euro zone CPI,**
- On Wednesday; **German, French and Euro zone PMI Services surveys and Euro zone Industrial New Orders,**
- On Thursday; **Italian PMI Services report and German factory orders, and**
- On Friday; **Euro zone Q3 GDP and German Industrial Production.**

The markets will have much to digest this week as traders monitor the PMI manufacturing and Services surveys for fresh insight into the pace of economic recovery.

But we judge the main events this week will be German factory orders and Industrial production. Clearly better than expected data will support equities and the Euro.





## 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

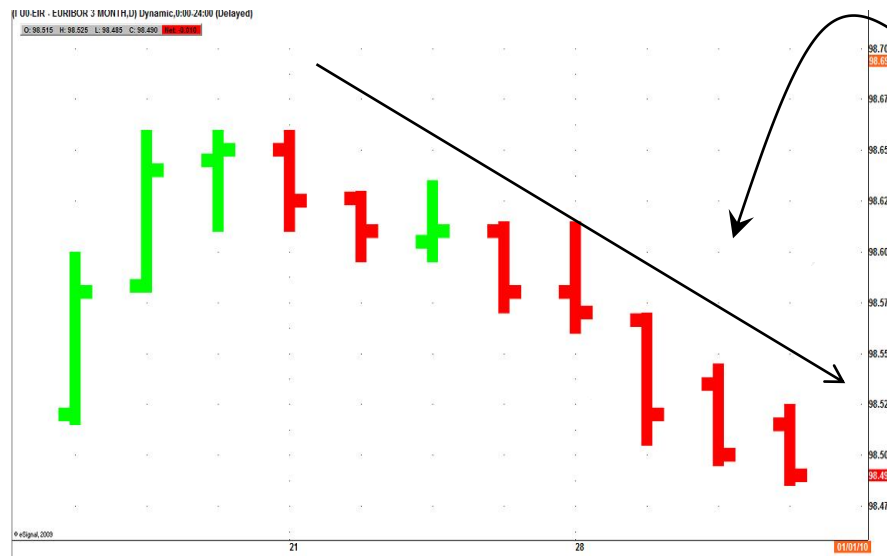
+ GOLD  
+ OIL

## Disclaimer

## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were square of September 10.



See how Euribor sold off during the closing weeks of 2009 as traders turned their attention towards the simmering debt crisis and the inevitable turn of the interest rate cycle.

**The Macro Trader's view of Euribor is:** despite a lack of decisively strong heavy weight data, Euribor endured a sustained correction lower as traders continued to focus on debt.

While the core countries; Germany and France are unlikely to suffer a similar fate to Greece, other Euro zone nations have worrying debt levels and could suffer a Sovereign rating downgrade.

This could unsettle Euro zone markets generally, especially if long term interest rates in the Euro zone began to diverge significantly. The Euro could come

under pressure and the ECB might feel obliged to react.

We judge this market offers almost no upside potential as the recovery continues to slowly build. The next major development in this market will be bearish as traders begin to build in a scenario of policy tightening, expected to begin at some point during this year.

But for now with no compelling case for either Bears or Bulls, 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

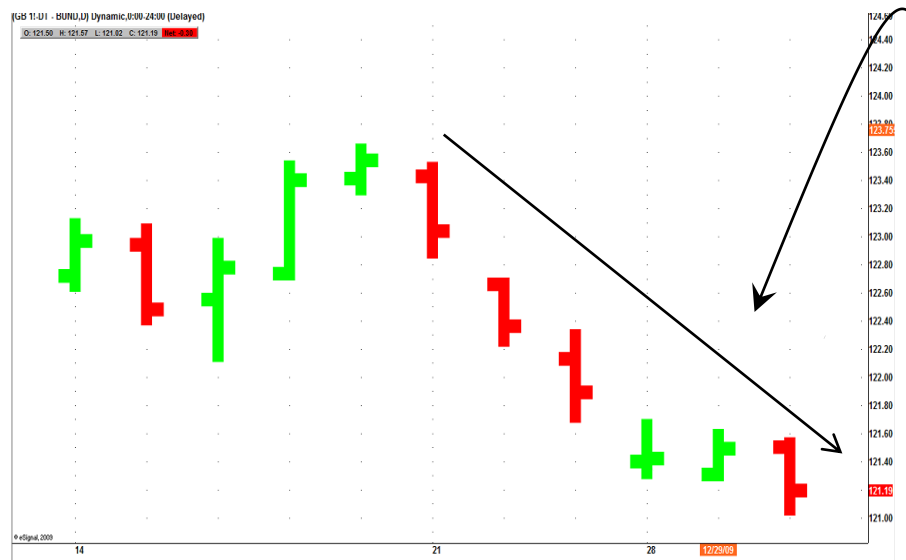
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## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: SQUARE.

Last week we were square of The Bund.



See how the Bund came under downward pressure as traders continued to assess the importance of Greece suffering an across the board Sovereign debt down grade.

**The Macro Trader's view of the Bund is:** the Bund looks vulnerable to further selling as traders continue to evaluate the importance of the debt build up which resulted from trying to cushion against recession.

Although Greece has been the only casualty so far, many other countries in the Euro zone have both high budget deficit to GDP ratios and high debt to GDP ratios.

Moreover the EU Commission recently forecast Euro zone debt to GDP would hit 100% over the next few years.

As the recovery gathers pace, traders will focus on this and expect the authorities to announce corrective measures.

We judge the Bund now finds itself in a bearish environment with the US Treasury market and UK Gilt looking set for heavy selling this year which will also spill over into Bund trading.

For now we judge the Bund remains in a range and although it looks set to test the lower boundaries we want to see a break out before becoming involved, so for now stay square.



## Summary

## Global Calendar

## US Markets

- + EUROS DOLLARS
- + 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

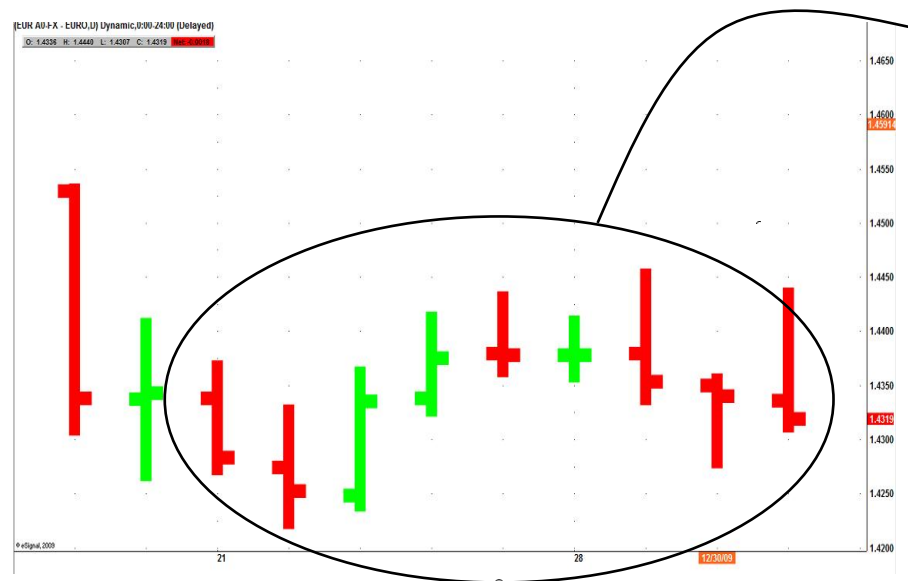
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: SQUARE of the EURO.

Last week we were square of the Euro.



See how the Euro attempted to recover against the Dollar as 2009 drew to a close, but we judge the move was position squaring.

**The Macro Trader's view of the Euro:** the Euro's period of weakness, especially against the Dollar, eased in the dying days of 2009, but we judge traders were squaring up.

As the New Year begins, the Dollar could attempt to re-establish the recent rally, but we judge traders are becoming increasingly concerned about government debt.

And although the Euro zone position isn't exactly a shining example, currency trading is about relative strengths and weaknesses and right now the US debt build up stands out like a sore thumb.

Even as we expect this week's US data to show recovery strengthening, the debt situation in the US will not improve, as Obama continues to think of ways to spend money to "remake" the US economy.

We judge the markets will lose patience and US Treasury markets and the Dollar will bear the brunt of investor frustration.

However, this week is packed with heavy weight data on both sides of the Atlantic, and while we judge it will be US rather than domestic Euro zone data that will dominate, we advise remaining square ahead of its release with Friday's US non-farm payroll report likely to dominate proceedings.



## Summary

## Global Calendar

## US Markets

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

## UK Markets

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+ FTSE

## Euro Zone Markets

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## Japanese Markets

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## Commodities

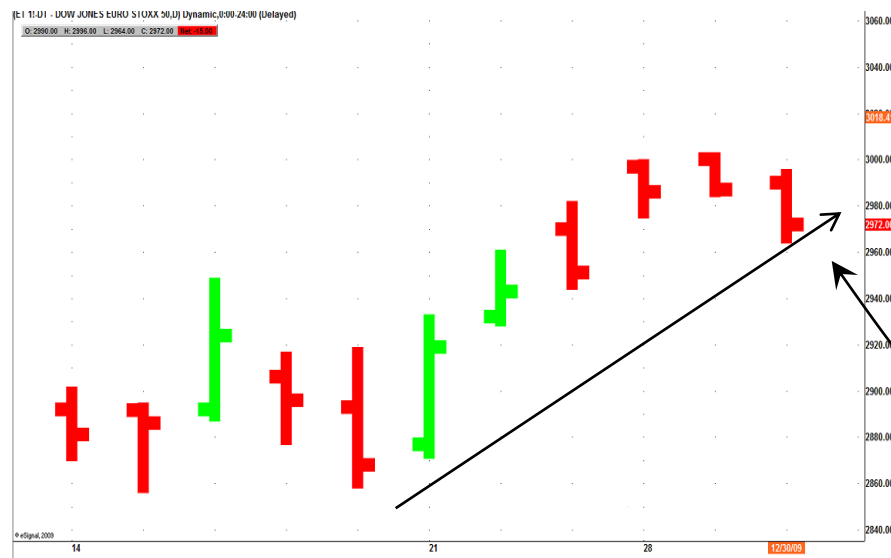
+ GOLD  
+ OIL

## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

Last week we were square of DJ EUROSTOXX50.



### The Macro Trader's view of DJ Euro Stoxx 50 is:

the Greek debt drama which has seen two credit ratings agencies slash Greece's Sovereign debt rating to below –A recently continued to reverberate around Euro zone markets, together with concerns major Euro zone Banks still haven't disclosed all of their potential bad debt losses.

But as traders focused on the outlook for the Global and Euro zone economies in 2010, equity markets began to rally.

And although the interest rate cycle is set to turn later this year, and politicians will come under increasing pressure to correct the debt build up, we judge stocks

will rally further throughout 2010 as growth will drive this market higher.

Both China and India continue to expand strongly and as an economy that relies heavily on exported manufactured goods, especially German machinery and machine tools, the Euro zone looks set to be dragged better by the strength of economic activity in the east.

For now we prefer to remain square of this market a little longer, as we observe this week's heavy weight data releases before going long.



## Summary

## Global Calendar

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+ US DOLLAR  
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+ DJ EURO STOXX 50

## Japanese Markets

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+ YEN  
+ NIKKEI

## Commodities

+ GOLD  
+ OIL

## Disclaimer

## JAPANESE MARKETS: economic background

Our focus over the holiday period was the two CPI reports. With deflation once again the main focus of attention for policy makers, the evolution of the CPI report has regained prominence.

But other key data releases due offered an important insight into the strength of growth. On Monday **the all industry activity index came in better than expected**, this was followed on Tuesday by **super market sales which were worse than expected**, later in the week the **jobless rate came in as expected** with **household spending stronger**.

The **CPI reports came in mixed; Tokyo CPI was weaker than expected, but the National CPI report**

**was stronger**, offering an unclear picture.

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

- On Monday; **Monetary base report, and**
- On Tuesday; **Vehicle sales data.**

In reality we judge these numbers will have limited impact on Japan's markets this week and expect international developments to dominate as the dominant domestic theme remains deflation.



## Summary

## Global Calendar

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+ 10 YEAR NOTE  
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## Euro Zone Markets

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## Japanese Markets

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## Commodities

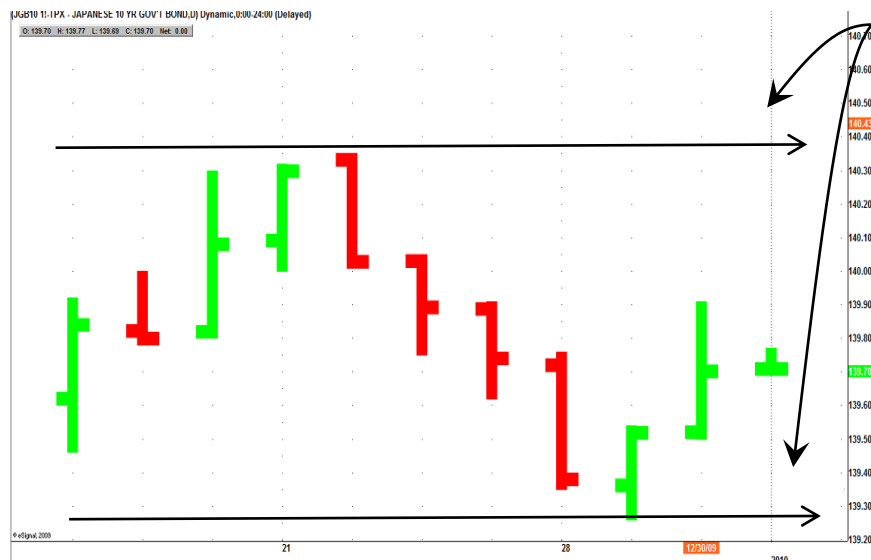
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## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were **Bullish** of Japanese Bonds.



See how the JGB continues within a sideways trading pattern as traders continue to assess the impact renewed deflation will have on the nations public finances.

**The Macro Trader's view of the JGB is;** the JGB finds itself caught between two major dynamics. On the one hand the economy is once again gripped by deflation. This argues for a policy of QE, which would typically mean buying government and or corporate debt. No problem here since the desire is to generate inflation.

On the other hand the economy is recovering and a new round of QE will grow an already bloated debt to GDP ratio.

We judge in the current domestic environment the JGB should be able to shake off the bears. Japan runs a

healthy current account surplus and has very substantial foreign currency reserves, so the current debt situation remains sustainable.

But the international Bond market environment is less friendly as other big developed economies; the US, UK and Euro zone, are experiencing significant debt to GDP deterioration, especially the US but also the UK.

This makes an international bear market in bonds look increasingly likely this year and the JGB will, to a greater or lesser extent be affected. Although our stop isn't yet hit we are now going square due to a lack of clarity.



## Summary

## Global Calendar

## US Markets

+ EURODOLLARS  
+ 10 YEAR NOTE  
+ US DOLLAR  
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## UK Markets

+ SHORT STERLING  
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## Commodities

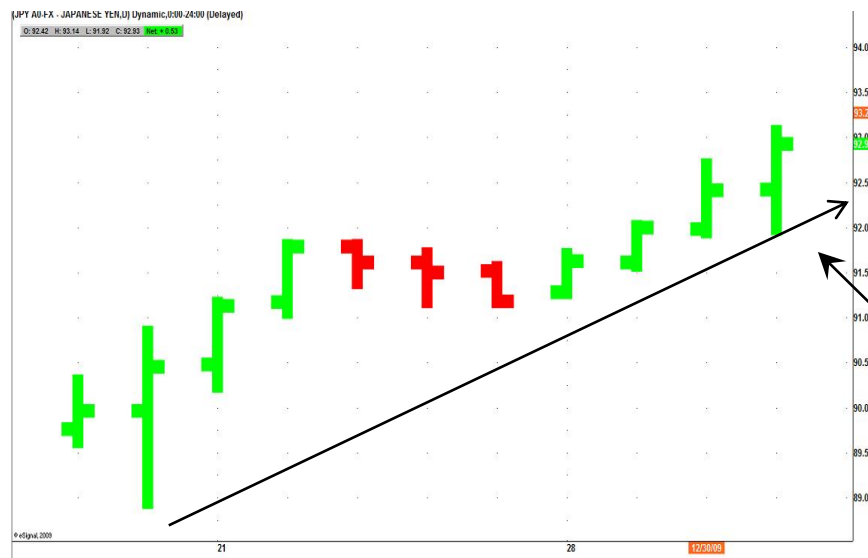
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+ OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE.

Last week we were square of the Yen.



See how Yen continues to weaken against the Dollar as Japan's economy once again faces a struggle against deflation.

**The Macro Trader's view of the Yen is;** the sell off in the Yen which ran throughout December shows little sign of reversing.

The move began on the back of stronger US data (non-farm payroll) which caught many traders by surprise and started a general Dollar correction.

But particularly in Dollar/Yen, domestic considerations have taken over. The Q3 GDP report was recently revised lower, turning what initially seemed a strong recovery into a more tepid affair and then the authorities formally recognised the return of deflation, pledging to do all they could to defeat it.

Since then the Yen has been in retreat. With very few data releases due this week in Japan and those that are scheduled being of minor importance, we see nothing short term capable of reversing the Yen's weakness.

This leaves traders to focus on the US economic calendar where unexpectedly strong data could prolong the Dollars recovery over the short term.

Longer term we expect concerns about the US budget deficit and growing debt to GDP ratio to eventually dominate, leading to a resumption of Dollar weakness.

But for now we advise remaining square.

More



## Summary

## Global Calendar

## US Markets

- + EURO DOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
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## UK Markets

- + SHORT STERLING
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- + EURO
- + DJ EURO STOXX 50

## Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were square of the Nikkei.



See how the Nikkei enjoyed a solid rally helped by tech stocks and the weak Yen.

**The Macro Trader's view of the Nikkei is:** the Bank of Japan's public statements regarding its intention to fight deflation has worked wonders for this market over recent weeks.

The Nikkei has benefitted directly from the weaker Yen over recent weeks which clearly helps struggling exporters.

Evidence of this can be seen in the recent strength of the Tech sector.

Looking ahead as the global economy continues to recover, led by China and India, local equity markets

should perform well and the Nikkei should share in that benefit, with additional help coming from the Japanese governments own recently announced stimulus.

Our one concern though is deflation, and it currently restrains us from going long.

Last time the Bank of Japan fought deflation it took them years to defeat, mainly because they didn't tackle the problem with enough determination, we are anxious they don't show any signs of making similar mistakes; deeds not words are what we want.

For now we advise remaining square.





## Summary

## Global Calendar

## US Markets

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+ FTSE

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+ DJ EURO STOXX 50

## Japanese Markets

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## Commodities

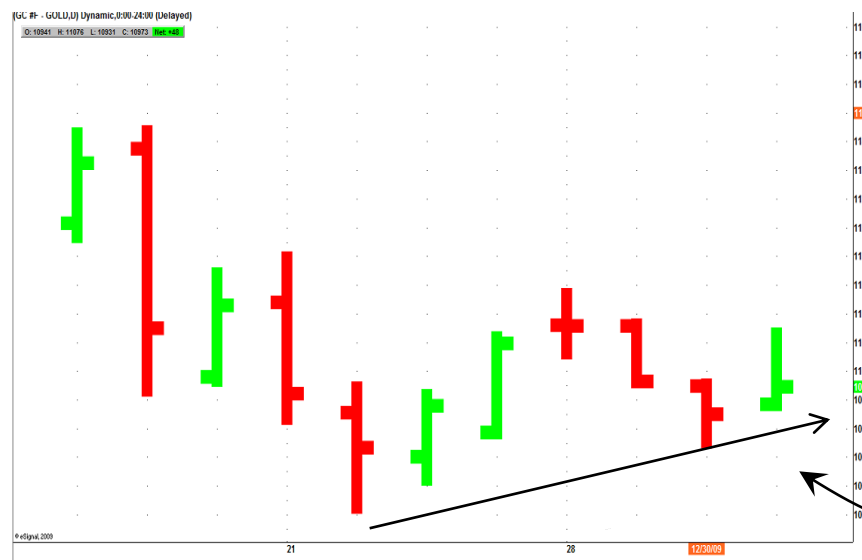
+ GOLD  
+ OIL

## Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: BULLISH.

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



See how Gold rejected the lows despite the continued Dollar recovery as traders began to focus on the growing debt burden weighing on the US and other leading western economies.

**The Macro Trader's view of the Gold is:** our stop in Gold was hit as traders squared up in reaction to the powerful Dollar correction that dominated FX trading for much of December.

After a surprisingly strong non-farm payroll report at the start of December, the Dollar recovery grew as old bears were stopped out and traders began positioning for year end.

But also during this time, traders become increasingly concerned with the relentless build up of debt in the US and other countries such as the UK and the lows in Gold were rejected.

While the US Sovereign credit rating isn't currently at

risk, debt continues to build as Obama uses repaid Bank rescue funds for new projects and contemplates a new stimulus at the same time as his health reform bill looks set to saddle the US with yet more debt.

It is already clear to most that the US can not continue like this indefinitely, all that is except the US President.

We judge Bond markets will turn increasingly bearish this year if corrective action isn't begun, especially as even the economic recovery isn't expected to roll back the red ink.

Traders should be long of this market. Our target this week is 1140.0 and our stop is set at 1098.0 for protection.

More



## 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

## COMMODITIES: Oil

### OUR TRADING STANCE: BULLISH.

Last week we were square of the Oil.



See how the Oil has staged a recovery driven by a combination of economic recovery, a bout of cold weather gripping the US and OPEC's decision to leave oil production unchanged.

**The Macro Trader's view of oil is:** we held our square stance over the holiday period, but the market recovered sooner than we thought as traders focussed onto what should prove to be a year of recovery.

With most of the western economies growing and India and China leading the Global recovery with very strong growth data, demand for oil looks set to increase this year.

OPEC recently held production steady, so there will be no relief from that quarter and as tensions with Iran continue to simmer, we judge the recent correction in this market is over.

While there will no doubt be additional corrections during what we see as a long and strong rally throughout the course of the current economic recovery, we judge this market will ultimately make new all time highs.

Traders should be long of this market, demand for energy in the large emerging economies of Brazil, China and India is substantial.

Our target for this week is 82.90 and our stop is set at 75.00 for protection, but as already stated we expect this market eventually to trade very much higher.



## Summary

## Global Calendar

## US Markets

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- + US DOLLAR
- + S&P 500

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- + SHORT STERLING
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- + STERLING
- + FTSE

## Euro Zone Markets

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

## Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

### SEVEN DAYS AHEAD

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**MAIN MENU**