



# Key Trades for this week: 9th March 2010

## Open Positions

### 1. Cable

10/02/2010 Short Pound Sterling/ Long Dollars@1.5592. Stop1.5275. Half profit taken 1.4921so half short position outstanding. Current price 1.4998. Unrealised profit 594 bps.

### The Technical Trader's View:



#### Daily Bar chart

The dominant pattern is that of a Double Top set to drive the market on down to 1.45 or so.

Minimum.

But the support from Prior Highs and the Fibonacci retracement support have held up the sell-off for the moment....



### Daily Bar chart

The small rally from the support so evident from the wider context failed today.

We expect a retest, at the very least, of the recent lows.

And fresh selling will arise on a break of those.

Stay short.

### The Macro Trader's view:

The Pound recovered for much of last week, from the dramatic sell off last Monday. But it proved a false rally. Today's trade data was very much worse than expected, led by a sharp drop in Exports, leaving the Pound under strong selling pressure. After such a long period of currency weakness the UK trade deficit should be shrinking not growing.

The Pound remains vulnerable against the Dollar. Today's trade data will be a negative for Q1 GDP when released next month and will likely insure the Bank of England keeps interest rates at current levels for a long time.

Other data out today; the RICS house price survey was weak too and with only Industrial production and manufacturing output data due tomorrow, we judge the Pound will struggle to shake off the sense of gloom.

In summary we recommend holding this trade.



## 2. Gold

18/02/2010 April10 Gold Long@ 1118.9. Stop 1049. Currently 1116.6 Unrealised Loss 2.3bps.



### Daily Bar chart

The market has taken a swift dive.

The diagonal support is being tested.

But the only support of real note is the Fibonacci at 1088 whence the market bounced at the end of February.

We remain bulls.

### The Macro Trader's view:

Last week's rally has fizzled out for now as traders' book profits. But we judge this market remains bullish. The US recovery is no longer in doubt and we look to this Friday's US retail sales report for further evidence.

Our view of Gold is simply, when risk aversion increases traders flock to the Yen and the Dollar. When it subsides and traders feel more positive about recovery prospects traders flock to riskier assets and especially gold; why?

Because recovery is good news for equities etc, but it raises concerns about inflation. The leading economies are awash with fiscal and monetary stimulus that the authorities remain wary of removing; timing is everything here, if the delay too long inflation will result and Gold offers a hedge.

In summary hold the trade.



### 3. Short Sterling

24/02/2010 Short Sterling Sep10/Sep11 Spread. Short @1.29. Stop@1.55. Currently 1.33. Unrealised loss of 4bps.

#### The Technical Trader's View:



#### Daily Bar chart

The break of the long run diagonal trend line support and the drop down through the Low at 1.52 suggests moves to 1.06 minimum....



#### Daily Bar chart

The spread widened aggressively but we still believe in the widening as the market adjusts to a less steep curve.



### *The Macro Trader's view:*

The spread gave us a torrid ride last week, but it has come back dramatically this week. After today's disastrous trade data we expect it to move further in our direction. The trade data was worrying for two reasons:

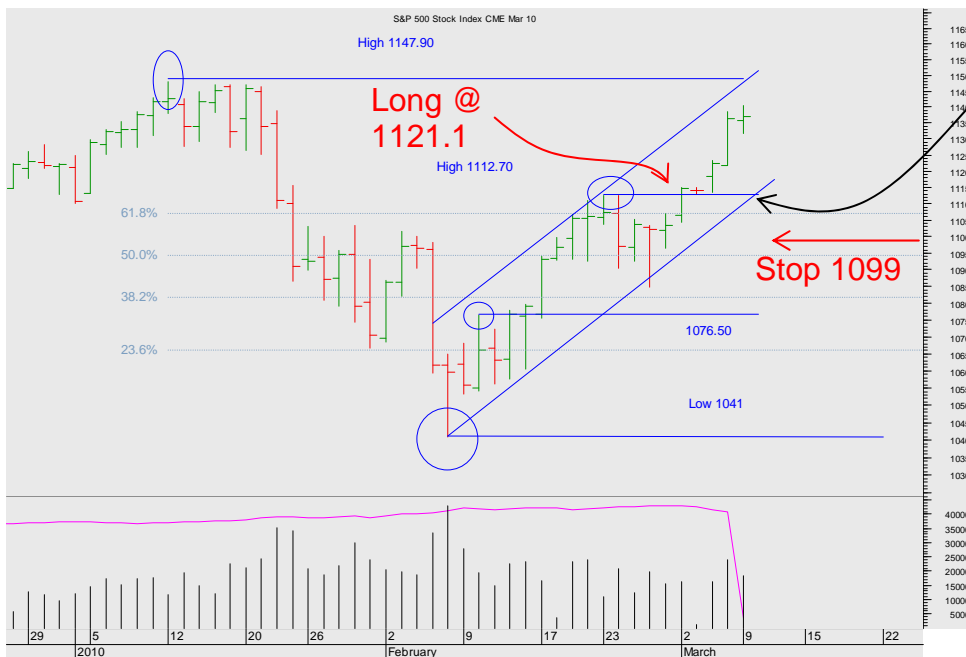
1. After months of currency weakness the deficit should be narrowing as imports tail off, but instead exports have shrunk alarmingly, growing the deficit,
2. The Q1 GDP will be weakened by the impact negative net trade has made.

Conclusion; rates will remain low for all of this year and probably beyond, meaning the far dated Short Sterling contracts will rally harder than the near dated contracts hence the reason for the trade which we advise holding.

## *4. S&P*

02/03/2010 March 10 S&P Long@1121.1. Stop @1099. Currently@1138.50. Unrealised profit 17.4bps

### *The Technical Trader's View:*



#### **Daily Bar chart**

The surge up through the 1112.70 High was the catalyst for the bull position.

We anticipate a move to the 1147 high and expect fresh buying on a push up through that level.

### *The Macro Trader's view:*

The S&P found some solid support last week in the shape of a stronger ISM non-manufacturing survey and better than expected non-farm payroll report.

If this Friday's Retail sales report comes in close to consensus, bearing in mind the severe winter weather that hit the US last month, stocks should extend the current rally further.



We encourage you to hold the trade.

*Mark Sturdy*

*John Lewis*

***Seven Days Ahead***