



# Key Trades for this week: 30th March 2010

## Open Positions

### 1. Gold

23/03/2010 JUN 10 Long@ 1101.10. Stop 1049. Currently 1106.90. Realised profit 5.80.



#### Weekly Bar chart

The market has pulled back to the neckline of the massive Head and Shoulders Reversal that is driving the market better – and bounced.

As a result the bull falling wedge has completed.

**We remain bulls.**



#### Daily JUN 10 Bar chart

The completion of the falling wedge hasn't had a powerfully bullish effect, but the wedge's upper diagonal (as well as a Fib) was good support.

Yet there is clearly very little bear impetus.

Watch to add to longs on a break up through the falling diagonal currently at 1120 or so.



## The Macro Trader's view:

Gold held up well last week even though the Bulls may well have been frustrated.

The Greek debt drama appears over and traders can refocus back to economic fundamentals, especially in the US where the recovery looks set to broaden with stocks picking up and the Public finances coming back into view.

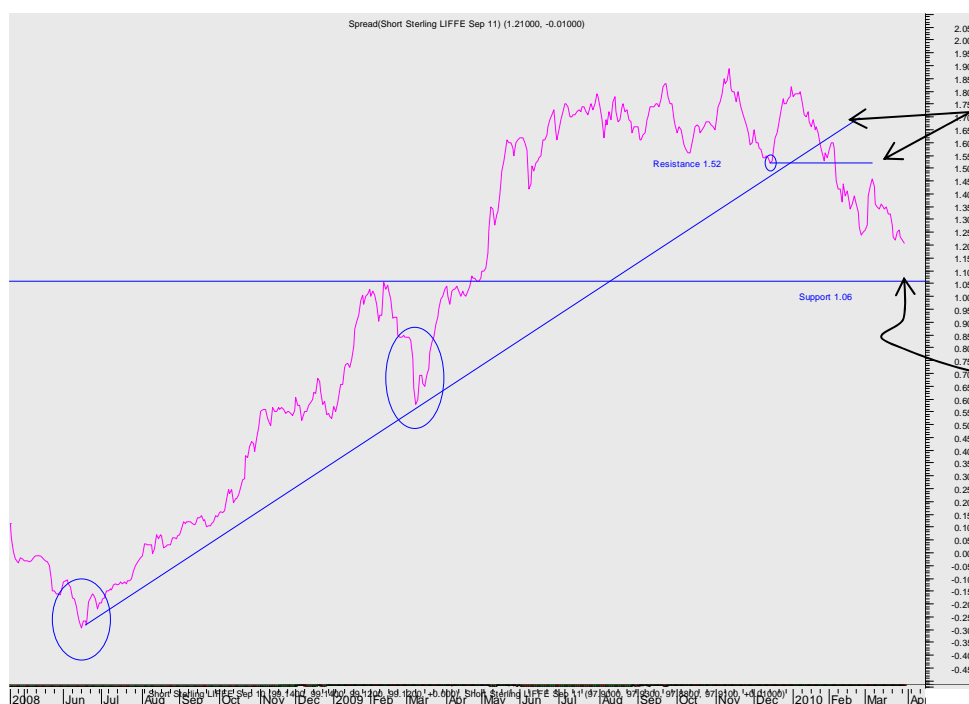
We judge as the recovery deepens further, traders will become impatient for action from the US authorities especially, to trim the growing debt burden and start shrinking the budget deficit.

But we judge Obama isn't on that wave length and that is why we remain long of Gold.

## 2. Short Sterling

24/02/2010 Short Sterling Sep10/Sep11 Spread. Short @1.29. Stop@1.55. Currently 1.23 Unrealised profit 6bps.

### The Technical Trader's View:



#### Daily line 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 line chart

The spread has moved into profitable territory and looks set to continue.

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

Today's better than expected Q4 GDP report is another piece of evidence that the recovery is bedding in. Last week retail sales bounced back after the previous week's weakness and inflation pleased.

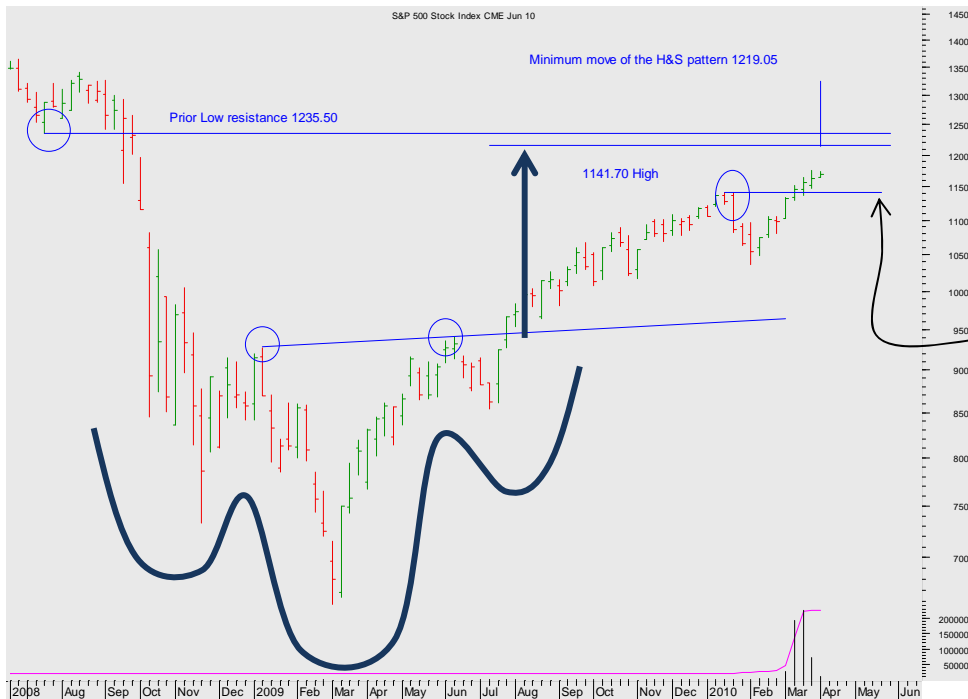
We judge the Bank of England will maintain its cautious approach, certainly this side of the election. If the Conservatives manage to win their promises of fiscal rectitude should keep interest rates on hold for some time so hold the trade.



### 3. S&P 500

17/03/2010 June 10 S&P Long at 1158 Stop 1145. Currently 1166.30. Unrealised profit 8.30 bps.

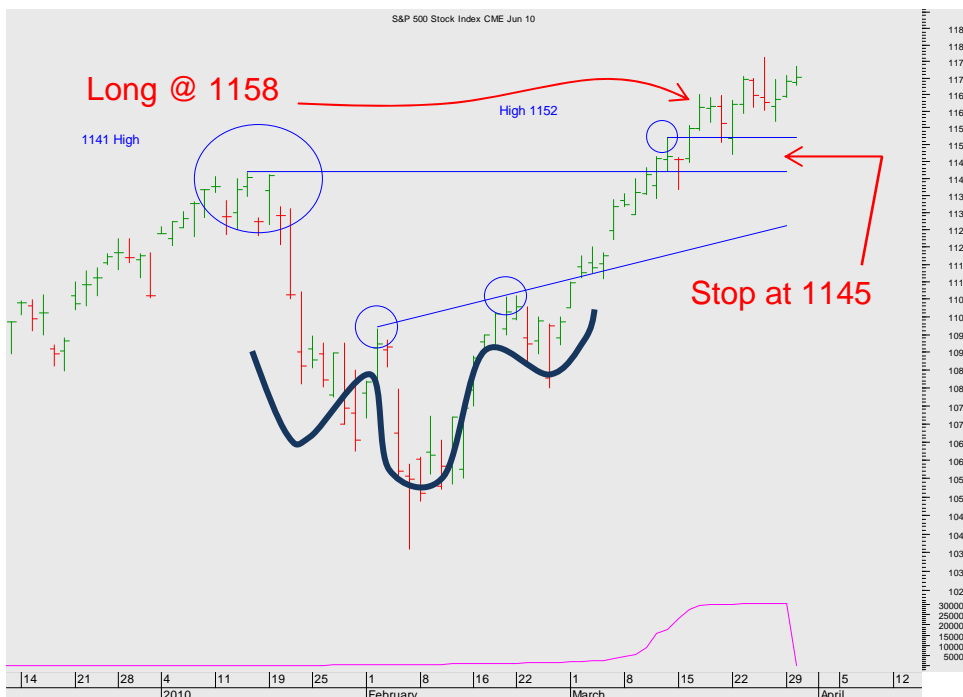
#### The Technical Trader's View:



#### Weekly continuation bar chart

The minimum move implied by the Head and Shoulders Reversal is up as far as 1219.

The impetus from the market's surge through the Prior High at 1141.70 - has created good support at that level - the medium-term view supports the bulls.



#### Daily Bar JUN 10 chart

The market feels comfortable at these levels, above the 1141-1152 Highs.

The small H&S Reversal suggests moves to 1175 – again, in line with the bigger picture.

Stay long.



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

The market performed well for much of last week and we judge stocks have further to rally, especially now there seems to be a safety net for Greece.

Also the US economy continues to post solid data, with better than expected Existing home sales, not quite matched by New home sales.

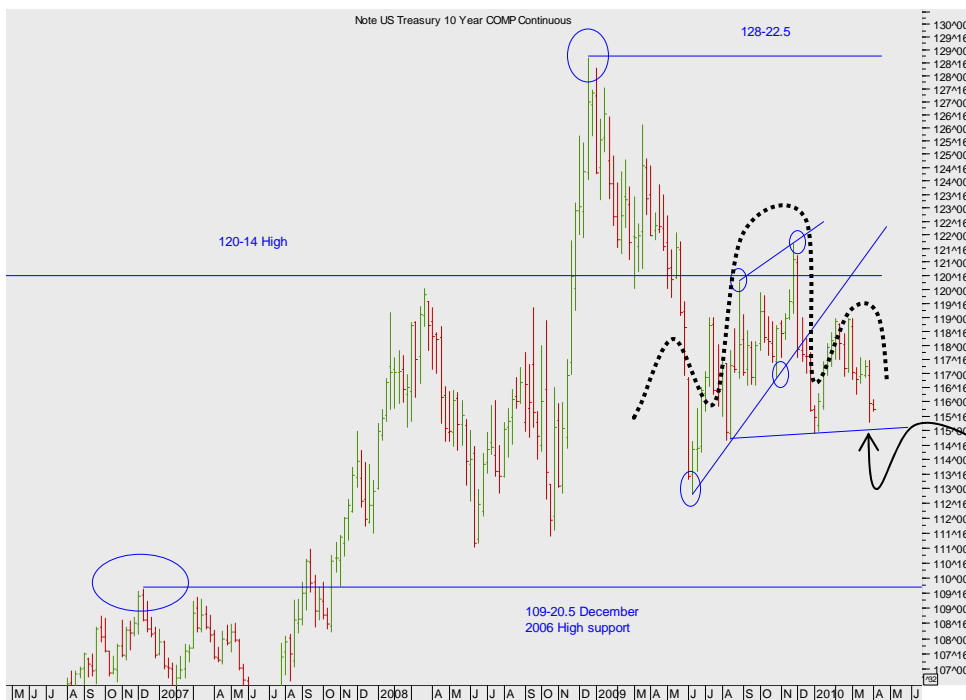
This week as we await the release of the ISM Manufacturing report and non-farm payroll report, equities should receive a further boost, especially if market consensus is met on the non-farm payroll report. And with Bernanke continuing to promise low rates for an extended period, stocks have reasons to rally.

Traders should remain long.

## *4. US TNotes*

26/03/2010 Short June 10 TNotes at 115-24. Stop 116-18. Currently 115-27. Unrealised Loss 3/32<sup>nd</sup>.

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



#### **Weekly line chart**

The medium-term continuation chart has great bear possibilities.

Driven by a completed Bear Rising wedge... the immediate prospect traders should concentrate on is a breakdown through the 115-00 level.

That would complete a clear Head and Shoulders Top....



### Daily Jun 10 bar chart

The pull-back through the 116-08.5 level completed a small Double Top which drove the market on down to the 115-14.5 prior Low.

There is more to come.

A break of 115-14.5 would complete a Top, and a break of the rising diagonal currently at 115-08 would be a smash of the bull trend from June 2009.

Stay short.

### The Macro Trader's view:

The market suffered a rude awakening last week, one we have long been expecting.

Two Treasury auctions, one of 4 years and another of 7 years proved difficult for the authorities to shift. The reason; indigestion.

The US Government is running a massive budget deficit, in both cash and percentage terms, bigger than anything before during peace time and the markets can only absorb so much.

Add in comments from an official at the Chinese Central Bank about western governments running deficits that are too large, and last week's events were long overdue.

We judge this market could be in for a rough ride going forward. There is no plan to shrink the deficit, in fact the President seems on a spending spree.

We advise staying short of this market.

Mark Sturdy

John Lewis

Seven Days Ahead