



Week 24  
15<sup>th</sup> – 21<sup>st</sup> June 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

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

- SQUARE
- SQUARE
- BULLISH on Euro zone contagion fears
- SQUARE

### UK Markets

+ SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE

- BULLISH
- BULLISH on government plans to reduce the deficit and public spending
- BULLISH of Sterling v the Euro
- SQUARE

### Euro Zone Markets

+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

- SQUARE
- BULLISH
- BEARISH v the Dollar Sterling and Yen
- SQUARE on uncertainty

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

- BULLISH
- BULLISH v the Euro
- SQUARE

### Commodities

+ GOLD  
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- SQUARE
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	Week of 14 <sup>th</sup> June
Monday	UK RICS Hse prces 15% EZ Ind production 0.5m, 8.7y JP Ind production n/f JP Capacity utilisation n/f
Tuesday	US Import prces -1.3m, 7.8y US Empire mfg 19.95 US Net lg trm TIC Flows n/f UK CPI 0.3m, 3.5y UK RPI 0.3m, 5.0y UK RPI-X 5.0y UK DCLG n/f UK Nat'nwide cons conf 72 IT Trade bal n/f IT Trade EU n/f DM ZEW 42.0 EZ Trade bal 1.5B EZ Q1 Employ'm't n/f JP BOJ Int rate decision 0.10% JP Tokyo condo sales n/f JP Tertiary Ind Indx 2.5%
Wednesday	US MBA Mrtge apps n/f US PPI -0.5m, 4.9y US PPI Ex-f&e 0.1m, 1.1y US Housing starts 650k US Building permits 625k US Ind production 0.8% US Capacity utilisation 74.5% UK Unempl'm't chge -20k UK Unempl'm't rate 4.7% UK ILO Rate 8.0% UK Avge earngs 4.5% UK AE Ex-bonus 2.0% IT CPI 0.1m, 1.4y EZ CPI 0.1m, 1.6y JP Machine tool orders n/f

	Week of 14 <sup>th</sup> June
Thursday	US CPI -0.2m, 2.0y US CPI Ex-f&e 0.1m, 0.9y US Q1 C/A -\$120.0B US Jobless claims 452k US Philly Fed 21.0 UK Retail sales 0.1m, 2.1y UK CBI Ind trends n/f EZ Construction output n/f JP BOJ Minutes
Friday	UK Banks Mrtge apps 49k UK PSNB 18.0B UK PSNCR 20.8B DM PPI 0.1m, 0.8y IT Ind orders n/f IT Ind sales n/f



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# Last week's releases – macro trader

	Week of 7 <sup>th</sup> June
Monday	UK BRC Retail sales 0.8% <b>STRONGER</b> DM Factory orders 2.8m, 29.6y <b>STRONGER</b> JP Trade bal 859.1B <b>LESS</b> JP C/A 1242.1B <b>LESS</b> JP BK Lndg icldng trsts -2.0% <b>WEAKER THAN EXPECTED</b>
Tuesday	UK BRC Shop prces 1.8% <b>LESS</b> DM Trade bal 13.4B <b>LESS</b> DM C/A 11.8B <b>LESS</b> FR Trade bal -4.2B <b>AS</b> DM Ind production 0.9m, 13.3y <b>STRONGER</b> JP Bankruptcies -15.1% <b>BETTER</b> JP Eco watchers survey 47.7 <b>WEAKER</b> JP Machine orders 4.0m, 9.4y <b>STRONGER THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps -12.2 <b>WEAKER</b> US Wholesale invntry 0.4% <b>WEAKER</b> US Bernanke @hse bdget commttee US Feds Beige Book <b>SMALL IMPROVEMENT</b> UK Trade bal -7.279B <b>WORSE</b> UK Trade non-EU -3.991B <b>WORSE</b> JP Machine tool orders 191.8 <b>LESS</b> JP Q1 GDP 1.2q, 5.0y <b>STRONGER</b> JP Dmstic corp gds prce indx 0.1m, 0.4y <b>AS THAN EXPECTED</b>

	Week of 7 <sup>th</sup> June
Thursday	US Trade bal -\$40.3B <b>BETTER</b> US Jobless claims 456k <b>WORSE</b> US Monthly budget stat -\$135.9B <b>BETTER</b> UK MPC Int rate decision 0.5% <b>AS</b> UK B of E QE decision £200B <b>AS</b> DM CPI 0.1m, 1.2y <b>AS</b> FR Ind production -0.3m, 7.9y <b>BETTER</b> FR Mfg output 0.4m, 8.5y <b>STRONGER</b> IT Ind production 1.0m, 8.7y <b>STRONGER</b> IT Q1 GDP 0.4q, 0.5y <b>LESS</b> EZ ECB Rate decision 1.0% <b>AS</b> JP Cons conf 42.7 <b>BETTER THAN EXPECTED</b>
Friday	US Retail sales -1.2% <b>WORSE</b> US RS Ex-Autos -1.1% <b>WORSE</b> US U. Of Michigan conf 75.5 <b>BETTER</b> US Bus invntry 0.4% <b>WEAKER</b> UK NIESR GDP Est 0.4% <b>LESS</b> UK PPI Input -0.6m, 11.2y <b>WORSE</b> UK PPI Output 0.3m, 5.7y <b>BETTER</b> UK PPI Core 0.1m, 4.4y <b>BETTER</b> UK Ind production -0.4m, 2.1y <b>WEAKER</b> UK Mfg Output -0.4m, 3.4y <b>WEAKER</b> DM WPI 0.3m, 6.2y <b>MORE</b> FR CPI 0.1m, 1.6y <b>LESS</b> FR C/A -3.5B <b>BETTER THAN EXPECTED</b>

More



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## US MARKETS: economic background

Last week we flagged the retail sales report due on Friday as the main event of the week. After a slightly weaker than expected ISM non-manufacturing survey and disappointing non-farm payroll report the previous week, traders were looking for retail sales to show consumer demand is supporting the recovery.

The reporting week began on Wednesday as **Bernanke testified before the house budget committee, telling them there was some improvement but conditions remained fragile**. The **Feds Beige book** released later in the day **echoed that message**.

Thursday saw a **disappointing jobless claims** report, but **the trade and budget deficits were better** than expected.

The highlight of the week, **retail sales, was a major surprise** as it came in **worse than expected**, raising fresh questions about the depth of the recovery, and even though the **University of Michigan confidence**

report was **better** than expected, it couldn't make up for the disappointment of retail sales.

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 Tuesday; **Empire manufacturing survey and Net Long Term TIC flows**,
- On Wednesday; **PPI, Industrial production and Capacity utilisation**, and
- On Thursday; **CPI, Q1 C/A data and Jobless claims**.

The main event this week is the Industrial production and Capacity utilisation reports.

After the recent run of disappointing data all eyes will be fixed on these reports to see if the recovery in manufacturing remains on track.



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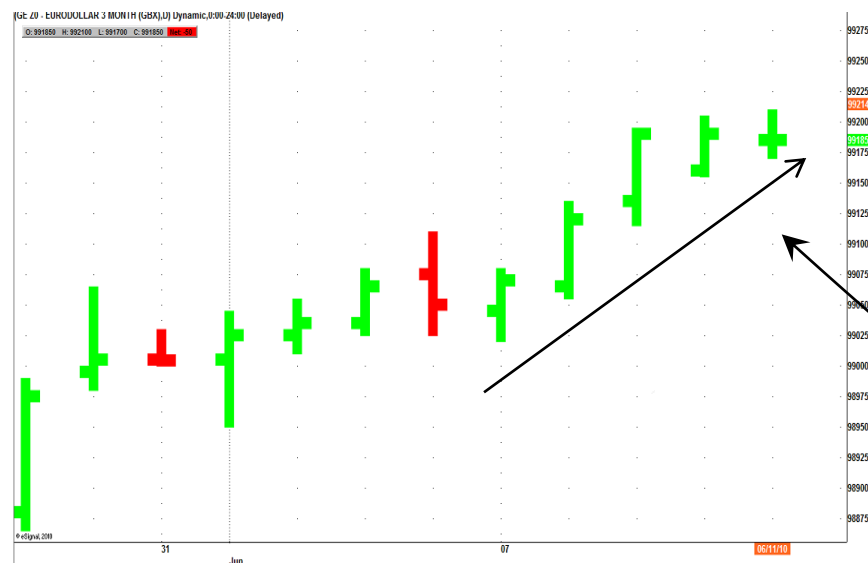
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were square of December Eurodollars.



See how Eurodollars rallied last week as the recent run of weaker data continued.

**The Macro Trader's view of Eurodollars is;** the market extended its rally last week as data continued to disappoint. Retail sales failed to deliver the re-assurance traders were seeking about the recovery, and although the Fed's Beige book noted further small improvement in economic conditions, the tone was subdued.

Bernanke also warned the recovery remained fragile while trying to re-assure that with the Fed's continued support it should remain on track.

But with several FOMC members talking up the

spectre of tighter monetary policy, upcoming Fed meetings should start to offer more interesting minutes as the debate on the committee evolves.

Looking ahead we judge this market remains supported for now. Bernanke is clearly against tightening policy, but with dissent building markets could become un-nerved, but in any event the upside looks limited unless data begins to flag a double dip recession which no one currently anticipates.

For now though we advise remaining square.



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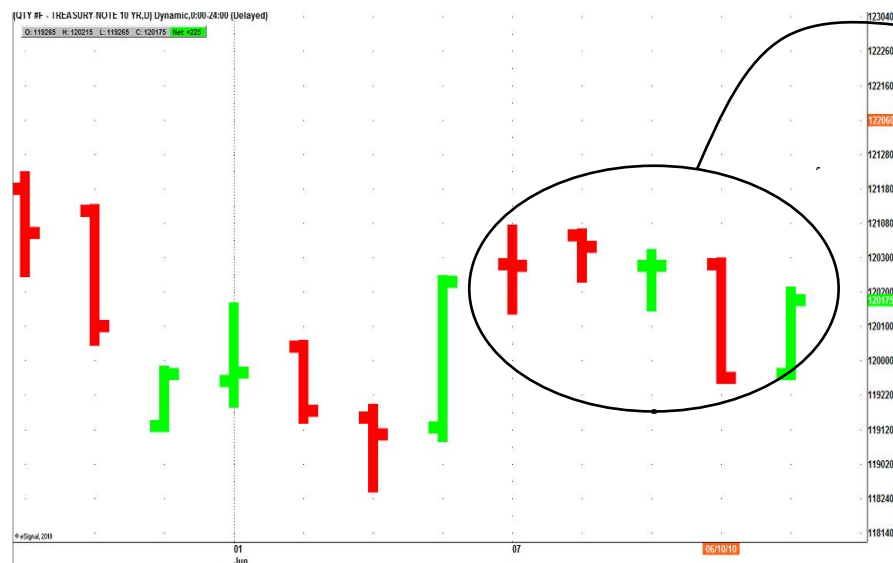
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## Disclaimer

## 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 traded mainly side ways last week despite weak data which should have offered support.

**The Macro Trader's view of the 10 year note is;** the 10 Year note lost some of its safe haven appeal last week as equity markets staged what currently looks like a short covering rally.

But with another key data release under performing consensus in a major way, the market should have enjoyed better support.

The fact that it didn't is likely due to traders taking a harder look at US public finances and not liking what they see. Indeed Bernanke commented last week that the US needs to produce a credible deficit reduction plan or else risk a similar fate to that of Greece.

We judge this market remains volatile.

If equities resume their slide, this market will find some support from safe haven buying, even though we think traders are starting to prefer Gold to the US Treasury market.

If data turns firmer and traders regain their confidence in the recovery, then it should test the downside.

In short there are too many if's for us to consider trading this market right now and we advise remaining square.



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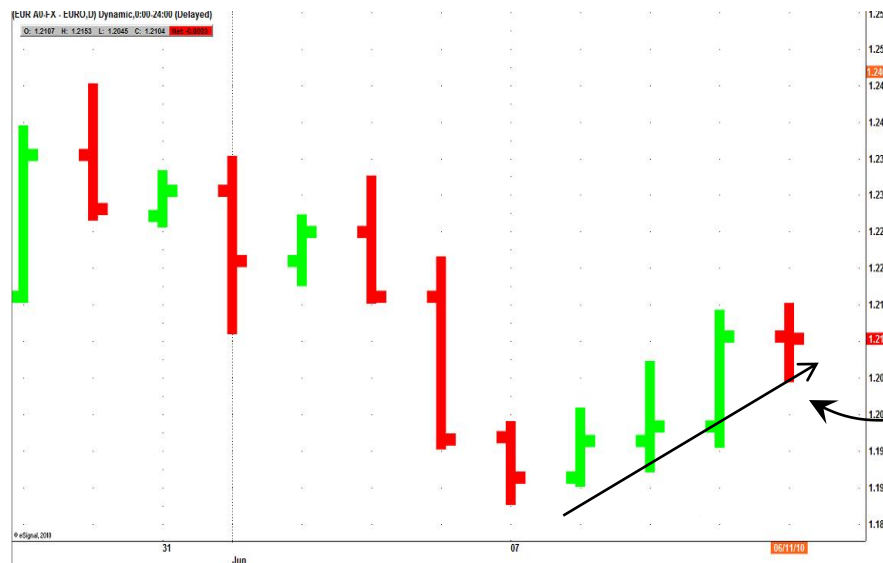
- + GOLD
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## Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: BULLISH.

Last week we were Bullish of Dollar/Euro.



See how the Dollar retraced last week on the combination of weaker US data and a short covering Euro rally fuelled by some remarks out of China.

**The Macro Trader's view of the Dollar is:** the Dollar suffered what we judge to be a minor set back last week as traders digested another disappointing report, this time retail sales.

Additionally the Euro zone crisis enjoyed a week of relative calm which allowed the Euro to stage a limited recovery.

But we don't expect this situation to last. The Euro zone still has much to do to convince the markets the crisis is not just contained, but that the causes are being eradicated.

The domestic scene in the US is unlikely to remain so negative either. We have noted that the US recovery

has thrown out one or two negative patches of data previously in this recovery, only to see a sudden pick up after traders have suffered an attack of nerves.

This week is unlikely to offer too much clarity. PPI and CPI are expected to be benign and Industrial production and capacity utilisation shouldn't offer any negative surprises, but traders won't feel re-assured until the next round of heavy weight data releases, hopefully confirms the recovery remains on track.

But due to the woes still afflicting the Euro we advise remaining long of the Dollar against the Euro.

Our target for this week is 1.1880, and our stop continues at 1.2380 for close protection.

More





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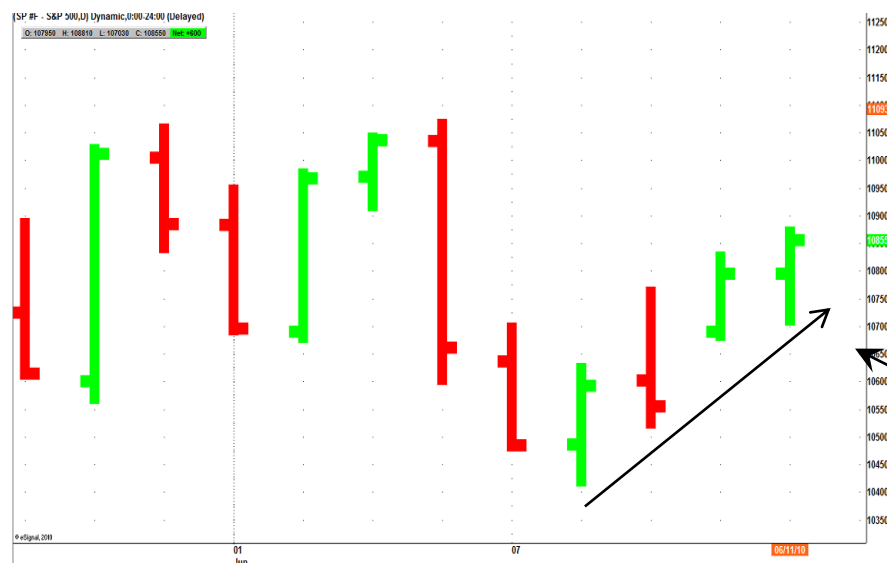
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the S&P 500.



See how the S&P staged a recovery last week, but given the run of data, it must be taken as a short covering rally.

**The Macro Trader's view of the S&P 500 is:** well last week we thought there were more positives than negatives in the US economy and used that as justification for not going short in what looked a vulnerable market.

In the event the market rallied, even though last week's data seemed to undermine our view about the economy's underlying strength.

In short equity markets rallied last week because the stream of bad news coming from the Euro zone eased up.

Indeed the Chairman of a Chinese pension fund made

some supportive comments about the Euro zone and Spain sold some IOU's. No mean feat in the current environment.

But the underlying problems remain in the Euro zone and it isn't yet clear whether Europe's economic recovery will falter as a result, let alone the fear that Euro zone Banks could still be sitting on a pile of as yet undeclared bad loans.

We judge the current environment isn't bullish for stocks and advise **remaining square** short/medium term. Longer term we are still fundamentally bullish.



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## Disclaimer

## UK MARKETS: economic background

Last week we flagged several key data releases but judged the main event of the week was the MPC policy decisions.

Since the last meeting fell around election time and an unchanged decision was a foregone conclusion, traders were seeking re-assurance this time round.

The **trade report** was the first release of the week and it was **worse** than expected. Thursday's **MPC policy decision** went **as expected** with no changes to either interest rates or the QE policy.

On Friday **PPI** offered some **mixed signals**, but **industrial production and manufacturing output** **we unexpectedly weak**, with the **NIESR GDP estimate** also a **little softer** 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; **RICS House price survey**
- On Tuesday: **CPI and RPI etc,**
- On Wednesday; **The unemployment report,**
- On Thursday; **Retail sales, and**
- On Friday; **PSNB and PSNCR.**

The main events this week are CPI and Retail sales.

Some on the MPC are getting nervous about inflation despite the governments intention to hack into public spending and the budget deficit so good news from CPI will be welcome.

After the recent worries that the Euro zone crisis could derail the global recovery a solid Retail sales report would be welcome.



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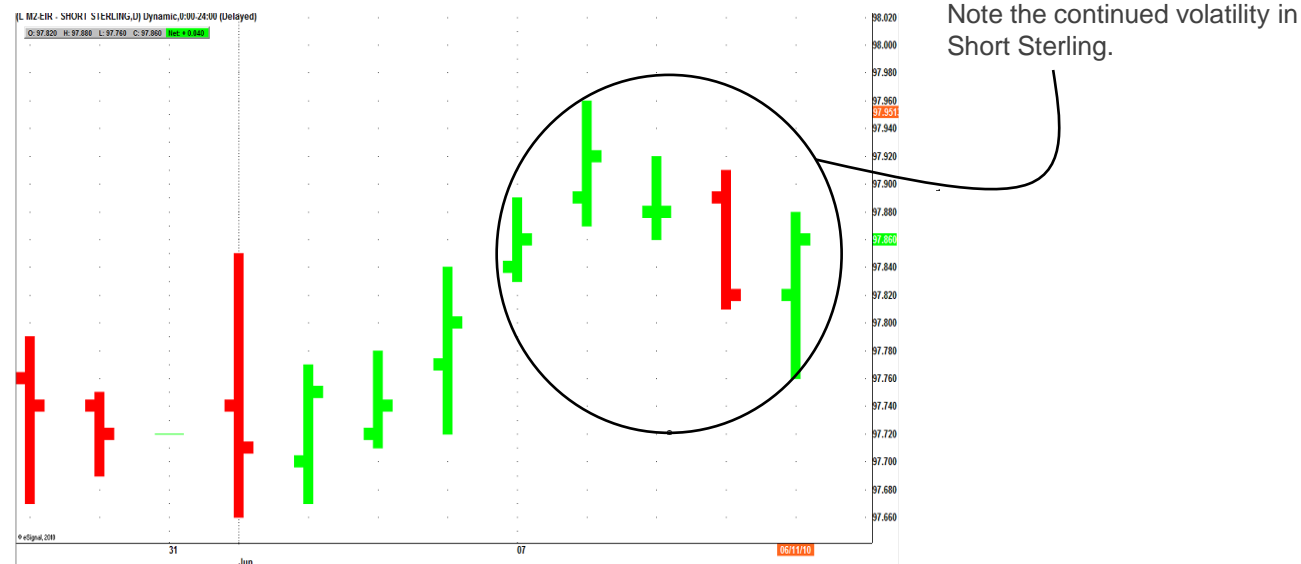
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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: BULLISH.

Last week we were Bullish of June 12 Short Sterling.



### The Macro Trader's view of Short Sterling is;

despite our well reasoned decision to go long of Short Sterling last week, the market retraced sharply as one or two MPC members seemed to voice concern about inflation and the accuracy of the Bank's own forecast given its persistently high readings.

The main point of debate has emerged as the output gap, but with the Government set on a path of apparently aggressive fiscal consolidation that will see money taken out of the economy and a possible spike in unemployment, is this the time to start hiking interest rates?

We don't think so and we judge neither do the majority on the MPC. Add in the complete unknowable impact

that the Euro zone crisis may yet have on the global economy and it makes sense to leave policy where it is.

Indeed if the economy is as fragile as Mervin King has often said, then the Bank may need to resort to another round of QE, but if so perhaps their resources would be better aimed at buying corporate new issues rather than 2<sup>nd</sup> hand government debt.

We judge a long position in this market still makes sense.

Our target for this week remains 98.00 and our stop is continues at 98.63 for near by protection.



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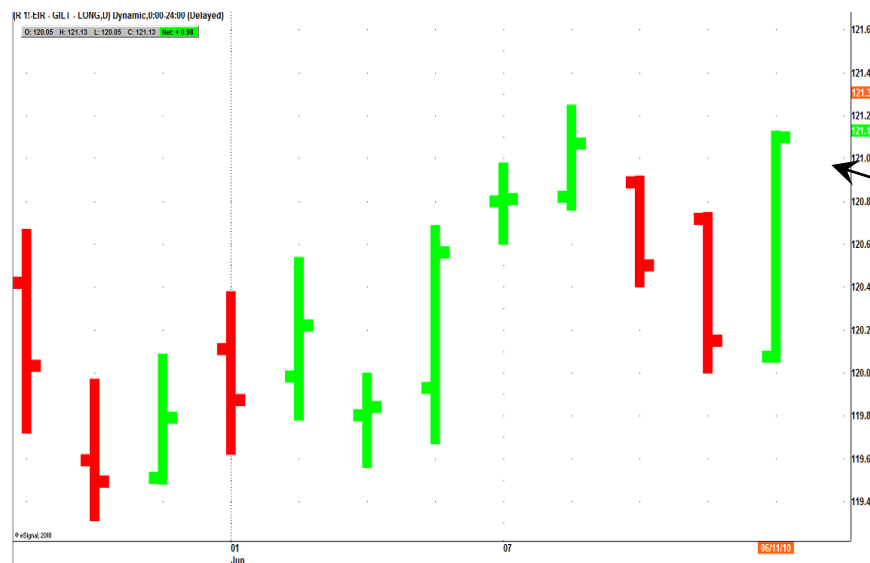
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## UK MARKETS: Gilt

### OUR TRADING STANCE: BULLISH.

Last week we were [Bullish](#) of the Gilt.



The gilt suffered a volatile week as equities staged a recovery, but note how it recovered on Friday.

**The Macro Trader's view of the Gilt is;** the Gilt recovered from a week of choppy price action on Friday after the release of some disappointing industrial production and manufacturing output data.

The manufacturing side of the economy has been a surprise bright spot during this recovery and Friday's data took traders by surprise.

If this week's retail sales report goes the same way as the US version last week then we judge the Gilt will rally hard as the only route possible for long term yields

will be down.

Add in the countdown to the June 22 emergency budget and we judge traders should remain long of this market, especially as we doubt the Euro zone crisis is any where near over.

Our target of 121.0 was hit last week. This week's target is set at 121.50 and our stop is raised to 119.50 for closer protection.



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- + **STERLING**
- + FTSE

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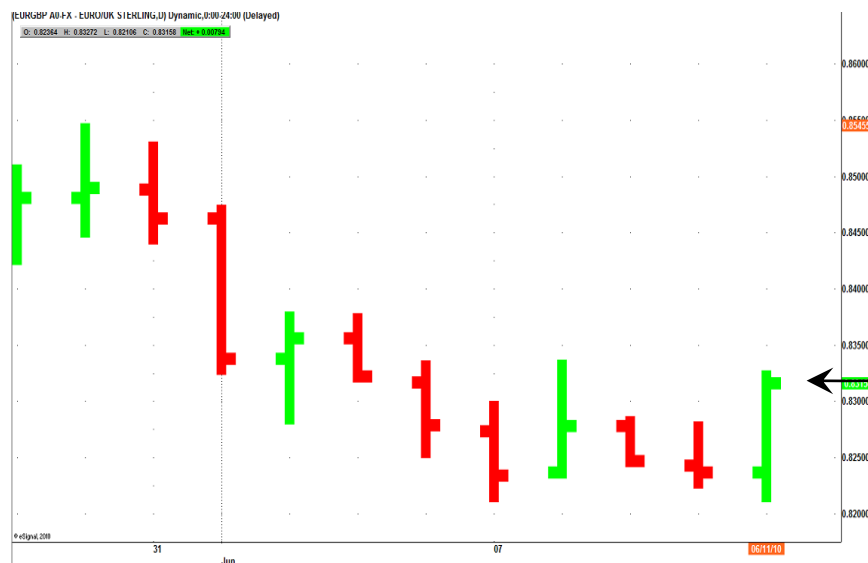
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## UK MARKETS: Sterling

### OUR TRADING STANCE: **BULLISH** OF STERLING EURO

Last week we were **Bullish** of Sterling v the Euro.



See how Sterling suffered a correction last week as the Euro zone stream of bad news eased off.

**The Macro Trader's view of the Pound is;** the Pound corrected a little against the Euro last week after Friday's release of weaker than expected Industrial production and manufacturing output data.

Add in Euro supportive Chinese comments and the Euro received a well needed breather from the constant run of bad news.

But with Germany announcing deep spending cuts instead of promoting domestic demand how will the Euro zone escape from its debt crisis.

Without growth budget and spending cuts will only weigh on the economy causing it to shrink further, requiring yet more spending cuts.

We judge the Euro zone economy could be in for a rough ride and leave the Euro vulnerable to the benefit of Sterling.

Traders should remain long the Pound, short the Euro.

Our target this week is 0.8180 and our stop continues at 0.8427 for protection.



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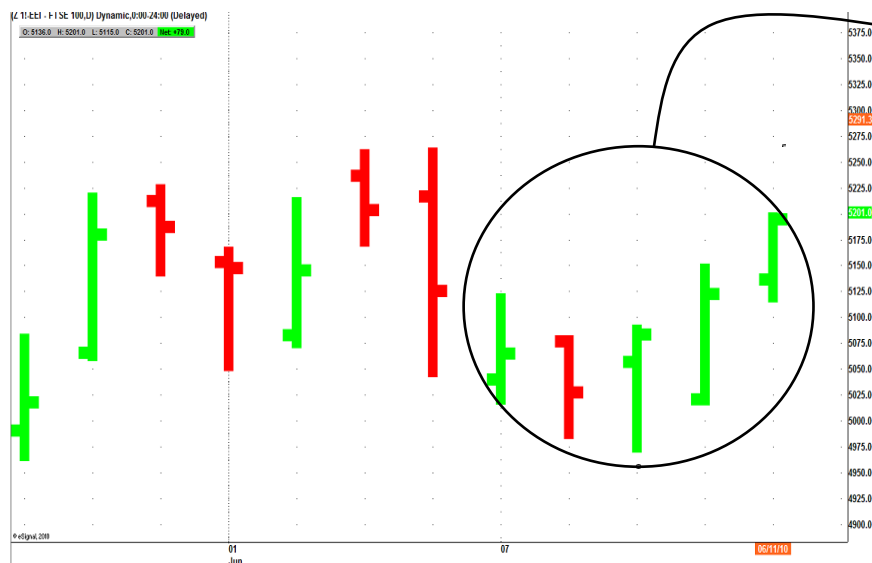
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## UK MARKETS: FTSE

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the FTSE.



See how the FTSE reacted as much to BP's fortunes as to macro economic data.

**The Macro Trader's view of the FTSE is:** the price action in the FTSE last week, was driven more by overseas events than anything happening in the UK economy.

The continued struggle BP is having with a blown well in the Gulf of Mexico has seen its stock nose dive as Obama has lambasted the company's efforts to stop the worst environmental disaster in the US ever.

David Cameron's intervention in support of BP drove its stock higher, which helped the FTSE and a lull in the bad news coming from the Euro zone helped global equities generally.

Indeed Asia had a measurable impact on stocks

generally last week due to better growth data and comments from the Chairman of a Chinese pension fund.

However we remain very cautious about equity markets. Our long term recovery view stops us from selling into the current weakness, but the current Euro zone crisis and run of disappointing data from the US stops us from viewing the current dip as a good buying opportunity.

For now we are still content to sit this market out as we see more right than wrong with the UK economy, but we are not yet convinced the current correction is over so for now stay square..



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## EURO ZONE MARKETS: economic background

Last week we flagged the various key reports but judged German factory orders and industrial production the main events.

The reporting week began on Monday with **German factory orders** which were **stronger** than expected, the next day **German trade and current account data** were **weaker** than expected, but a **strong German industrial production** report made up for any brief disappointment.

Thursday saw **German CPI meet** consensus, followed by **stronger** than forecast **French industrial production and manufacturing output**. The **ECB** left interest rates **unchanged** and nothing significant emerged from Trichet's press conference.

The reporting week concluded on Friday with **an as expected French CPI** report.

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; **Euro zone industrial production,**
- On Tuesday; **German ZEW survey and Euro zone trade data,**
- On Wednesday; **Euro zone CPI,**
- On Thursday; **Euro zone construction output data, and**
- On Friday; **Italian industrial orders and sales.**

The main event this week is today's release of Euro zone industrial production; a key number from an economy that relies heavily on manufactured exports, driven by Germany.



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- + 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 December 10.



See how Euribor rallied last week as Euro zone members continued to announce fiscal consolidation measures.

**The Macro Trader's view of Euribor is;** the market rallied last week despite several encouraging data releases, not least from Germany.

But we judge the rally was driven by traders digesting the likely economic impact of the combined austerity measures announced by various Euro zone Countries.

Germany has become the latest and most high profile as the Merkel government has announced a cut of EUR80.0B, with projected job losses in the public sector of 15k.

While this is good news from a fiscal stand point, more

generally it is less welcome.

With the weak Euro zone periphery forced to turn off the public spending life support, countries like Germany with very large external surpluses could have been expected to stimulate domestic demand to help grow the Euro zone out of its current difficulties, cutting German spending will likely make any economic retrenchment worse.

With no prospect of a change to monetary policy any time soon, we see this market offering little to excite and advise remaining square.





## Summary

## Global Calendar

## US Markets

- + EURODOLLARS
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- + NIKKEI

## Commodities

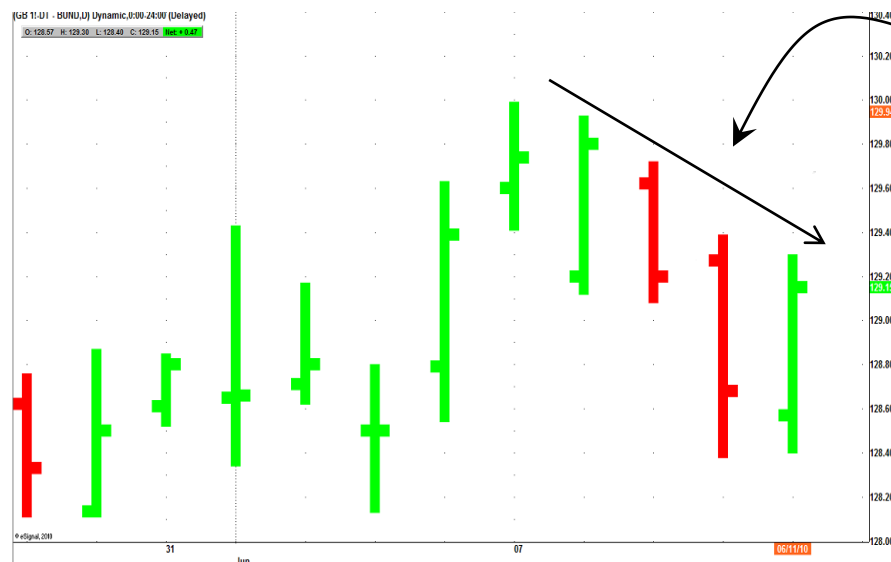
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: BULLISH.

Last week we were Bullish of The Bund.



The Bund corrected lower last week as equity markets recovered as a result of a break from the recent run of bad news.

**The Macro Trader's view of the Bund is:** the Bund corrected lower last week as traders rediscovered a degree of risk appetite.

With the recent never ending stream of bad news drying up a little last week, equity markets staged a recovery.

Additionally Euro zone data was generally bullish for the economy and with German factory orders and Industrial production beating market consensus, traders began to doubt whether the debt crisis will significantly retard growth.

We judge the crisis isn't yet over.

The initial headlines may be fading, but much work is yet to be done. We do not see Germany cutting its own spending at this time as particularly helpful. In the current environment, it would have been reasonable for Germany to stimulate domestic demand to act as a growth engine for the wider Euro zone, their failure to do this highlights the deficiencies of the current single currency arrangement where no central fiscal or political decision making body exists.

We advise remaining long of the Bund, our target for this week is 130.0, and our stop continues at 128.00 for close protection.



## Summary

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- + STERLING
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## Japanese Markets

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- + YEN
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## Commodities

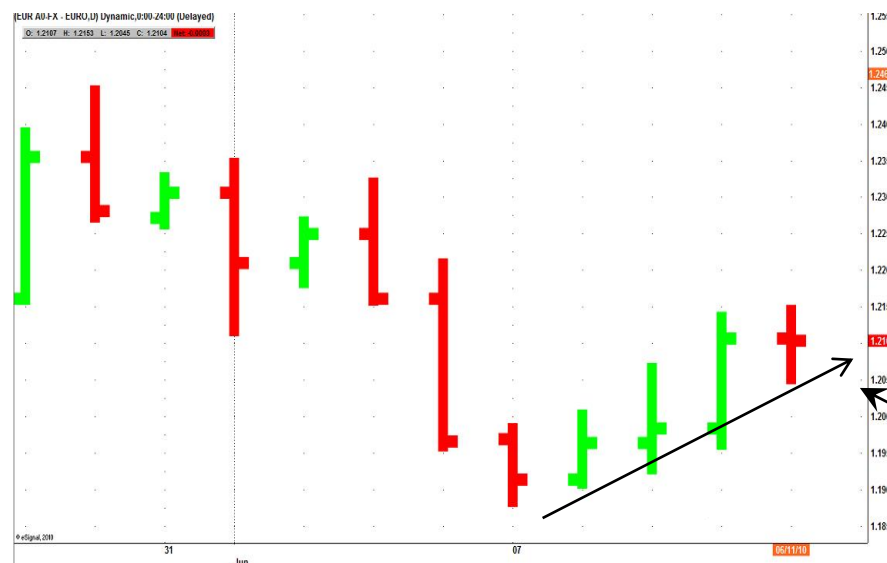
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: **BEARISH v The DOLLAR, STERLING and YEN.**

Last week we were **Bearish v the Dollar, Sterling and Yen.**



See how the Euro staged a recovery last week helped by improving data and supportive comments from China.

**The Macro Trader's view of the Euro;** the Euro received some welcome relief from the almost relentless selling that has dogged it over recent months.

A run of improving data helped, but so too did an absence of any new bad news. The other main support came from China when the Chairman of a large pension fund spoke supportively of the Euro and Euro zone.

However underlying problems remain. Germany's decision to cut spending rather than stimulate domestic demand looks driven by narrow national interest, which only serves to highlight the

fundamental deficiencies of the Euro zone arrangement.

Traders should stay short of the Euro against the Dollar, Sterling and Yen.

Against the Dollar our target is now 1.1880 and our stop is reduced to 1.2380 for protection.

Against Sterling our target this week is 0.8180, Stop 0.8427, and

Against the Yen our target is 108.50 and our stop is left at 114.50 for protection.



## Summary

## Global Calendar

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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.



See how the market rallied on a week without seriously bad news.

**The Macro Trader's view of DJ Euro Stoxx 50 is:**  
the market enjoyed what we judge is a short covering rally, last week as the run of bad news dried up.

Still no news isn't in this case good news. The problems still remain and while cutting deficits addresses the markets short term concerns it doesn't get to the root of the problem, which is public spending has been to big a part of economic activity in several countries in the Euro zone for too long.

What is needed now is a plan to stimulate private sector growth, but we judge an opportunity has been missed by Germany deciding to focus on cutting its own deficit rather than using the opportunity offered by

its large trade surplus and stimulate domestic demand to help its Euro zone partners grow their way out of recession and debt.

Cutting spending in an economy that already relies heavily on export led growth will do nothing to help the wider Euro zone, not really the spirit of a monetary Union that aspires longer term to something akin to statehood.

We judge equity markets are likely to remain volatile as risk aversion ebbs and flows.

For now we advise remaining square.



## Summary

## Global Calendar

## US Markets

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## Japanese Markets

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+ YEN  
+ NIKKEI

## Commodities

+ GOLD  
+ OIL

## Disclaimer

## JAPANESE MARKETS: economic background

Last week we flagged several key releases, but judged the main events of the week were the Machine orders and Machine Tool orders reports.

The reporting week began on Monday with **weaker than expected trade and current account data**. The **Eco watchers** report released the next day was also **disappointing**, but at least the **Machine orders report came in above market consensus**.

Wednesday's data was a little mixed, **with machine tool orders coming in weaker** than expected, but a **surprise upward revision to Q1 GDP** helped offset any negative impact.

Thursday delivered more good news with **a better** than expected **consumer confidence** report.

Looking ahead there are several data releases due this week, but we judge these are the key releases;

- On Monday; **Industrial production and capacity utilisation**,
- On Tuesday; **BOJ interest rate decision, Tokyo Condo sales and Tertiary industry index**,
- On Wednesday; **Machine tool orders**, and
- On Thursday; **BOJ minutes**.

The main events this week are the Industrial production and capacity utilisation reports released earlier today; they were disappointingly weaker than expected.



## Summary

## Global Calendar

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## Commodities

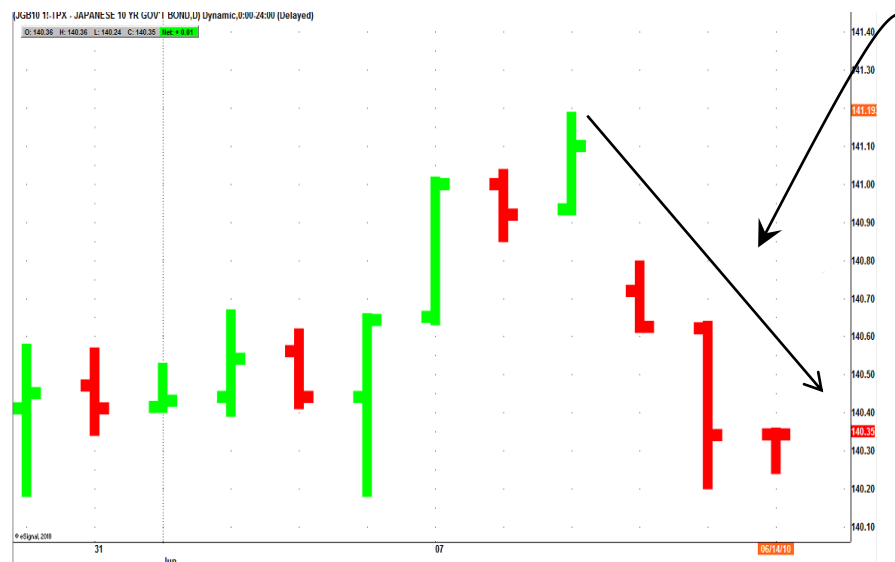
+ GOLD  
+ OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: BULLISH.

Last week we were Bullish of Japanese Bonds.



See how the JGB weakened last week as the new PM questioned the sustainability of Japan's deficit.

**The Macro Trader's view of the JGB is:** the JGB reversed sharply last week as sentiment in equity markets turned less negative and the new Prime minister openly questioned Japan's ability to sustain its current deficit and debt profile.

However what are the alternatives?

Japan remains in the grip of deflation. The main engine of economic growth is manufactured exports that generates a trade surplus, which together with high domestic savings rates supports the current fiscal environment.

Does the new Prime minister think cutting the deficit

and spending will end deflation? We judge it would be little short of a disaster with an economic implosion likely.

We judge the Japanese authorities are likely making noises that they think show solidarity with the debt problems of the Euro zone and other leading economies, but Japan's case is altogether different from Greece or any other indebted economy.

We judge traders should remain long.

Our target for this week is 140.80 but our stop continues at 140.0 for close protection.

More



## Summary

## Global Calendar

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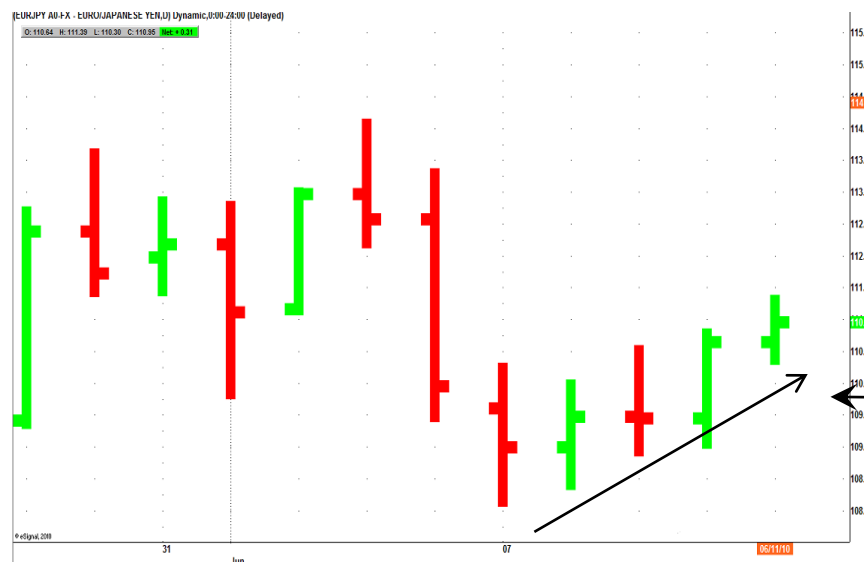
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: BULLISH v the EURO

Last week we were Bullish v the Euro.



See how the Yen along with other major currencies suffered a correction as the Euro enjoyed a short covering rally.

**The Macro Trader's view of the Yen is;** the Yen experience a correction last week against the Euro, but so too did the Dollar and Sterling.

We judge last week's price action was nothing remarkable. Currencies often correct, sometimes quite strongly, but that doesn't change the underlying trend.

We judge the Euro remains a sell.

The Euro zone authorities haven't yet addressed the core faults which led to the crisis and on past form we doubt they will.

With domestic Japanese data remaining largely supportive, especially the upward revision to Q1 GDP, we judge the Yen remains a long term buy against the Euro..

In summary we judge traders should stay long the Yen/Short the Euro, our target this is week is 108.50 and our stop is left at 114.50 for protection



## Summary

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## Commodities

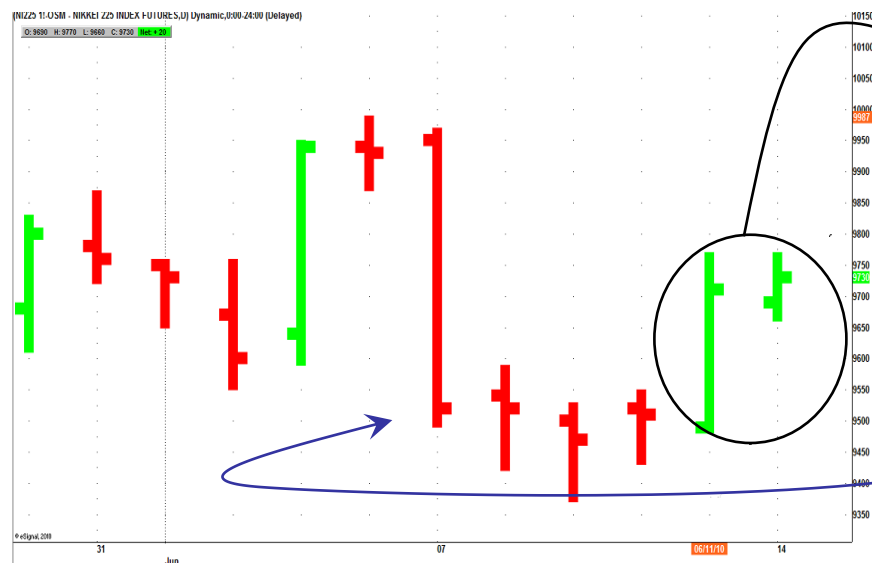
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



See how the Nikkei staged a rally late in the week, but not powerful enough to erase even the previous week's losses.

**The Macro Trader's view of the Nikkei is;** the Nikkei responded to the weaker Yen and a lessening of international risk aversion that helped equity markets enjoy a short covering rally.

But has the underlying mood or sentiment changed towards equities?

We are not convinced. While the fundamentals of most economies didn't support the sell off in equities that previously occurred, traders were reacting to the Euro zone crisis and the fear that through contagion the global economy could weaken.

Ok the Euro zone has tackled their budget deficits and

spending, but for economies that rely on public spending for growth, that's the same as kicking away a crucial support.

The result without private sector growth, will only see growth contract further and amplify the budget deficit and spending problem further, so has the problem been resolved; no.

We are un-willing to buy equities short/medium term until it is clear the fundamental reasons for the debt crisis are understood and a plan agreed to tackle them, Germany's decision last week to cut spending shows that point hasn't yet been reached so for now stay square.



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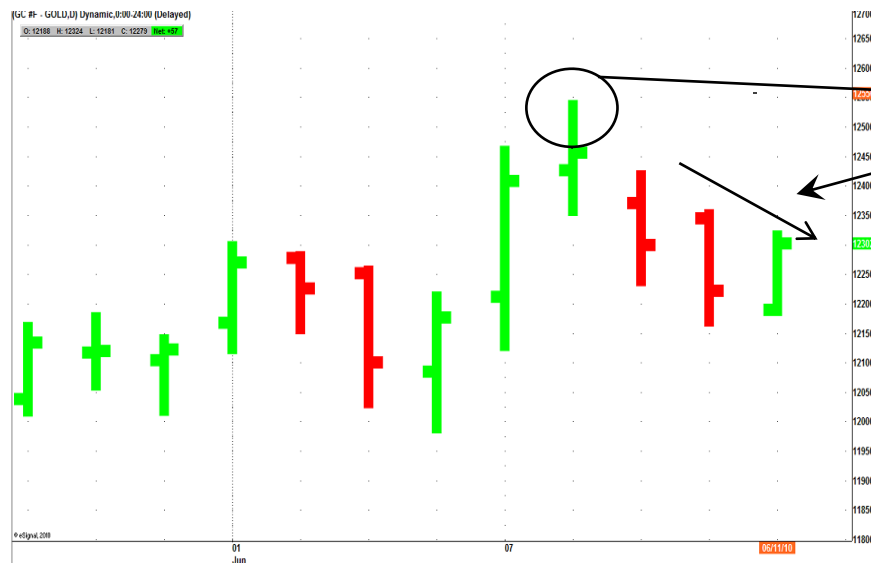
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Gold.



See how gold repeated the all too familiar pattern; a new all time high followed by immediate correction.

**The Macro Trader's view of the Gold is:** we judge Gold remains a long term Bull market as there are many questions that need to be answered concerning the Global and US economies.

Indeed we noted how the US Treasury market underperformed last week as Gold rallied. But although bullish of this market, it is a difficult buy.

Last week saw a new all time high followed by an immediate correction lower. While not that steep, recent history points to a period of at best lethargic price action.

For now we continue to watch, but if the market rapidly rallies past the new recent high we will join in and go long, as our concern with this market is that it may require another period of consolidation before a fresh move higher is possible.

This market is complicated as it reacts to several factors including periods of anxiety about inflation, earlier spells of Dollar weakness and increasingly, unease about the US fiscal stance.

But for now stay square.





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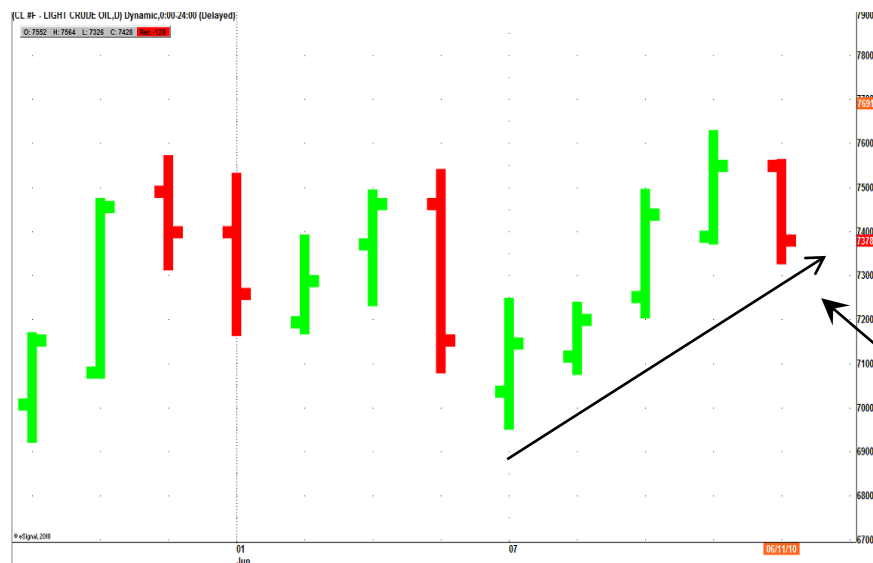
+ GOLD  
+ OIL

## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil rallied last week as equity markets staged a recovery.

**The Macro Trader's view of oil is:** the fortunes of this market are inextricably linked to the health of the Global economy and the outlook for energy demand.

It is no surprise then that oil traders use the equity markets as a barometer to gauge demand for oil.

When equity markets slumped recently oil corrected lower, but can this market break out and make new highs?

We don't think so. We judge the Euro zone crisis isn't yet resolved only the panic has eased. It is still far from clear whether the crisis will damage growth in the Euro zone and wider afield.

For now we think Oil remains in a broad range with geopolitical tensions rather than economic strength keeping it from testing the downside further.

The Middle East remains tense due to Israel's blockade of Gaza. The situation on the Korean peninsular is also a concern and Iran continues to ignore international concerns about the motives behind its nuclear program.

But in the absence of strong evidence to show how the Euro zone crisis will impact energy demand medium/long term, for now we advise remaining square.



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## Commodities

- + GOLD
- + OIL

## Disclaimer

### SEVEN DAYS AHEAD

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**MAIN MENU**