



Week 30  
27<sup>th</sup> July - 2<sup>nd</sup> August 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

- **BULLISH** on stumbling recovery
- **BULLISH** on recovery fears
- **BEARISH** v Sterling
- **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 Dollar & Euro
- **SQUARE**

### Euro Zone Markets

+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

- **SQUARE**
- **SQUARE**
- **BEARISH** v the Yen & Sterling
- **SQUARE**

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

- **SQUARE**
- **BULLISH** v the Euro
- **SQUARE**

### Commodities

+ GOLD  
+ OIL

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

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	Week of 26 <sup>th</sup> July
Monday	US New Home Sales 320k JP Corprte service price -0.9y
Tuesday	US Case-shiller comp20 0.0m, 3.75y US Cons conf 51.8 UK CBI Distrib trades srvy 3 DM GFK Cons conf 3.6 EZ M3 -0.2 3m, EZ M3 -0.1 yr
Wednesday	US MBA Mrtge apps n/f US Durable goods 0.8% US DG Ex-Transport 0.5% US Feds Beige bk DM CPI n/f EZ ECB Bk Indg survey JP Small bus conf n/f JP Retail trade 0.4m, 3.2y JP Lrge retailers sales -4.0%

	Week of 26 <sup>th</sup> July
Thursday	US Jobless claims n/f UK Mrtge apps 48.0k UK Net cons cr 0.2B UK Net Indg on dwellgs 1.0B UK GFK Cons conf FR PPI 0.3m, 3.8y IT Bus conf 96.5 DM Unemploy'm't chge -15k DM Rate 7.6% EZ Bus conf 0.39 EZ Cons conf -14 EZ Industrial conf -5 EZ Services conf 4 JP Jobless rate 5.2% JP Househld spndg -0.8% JP Tokyo CPI -0.8y JP National CPI -0.7y JP Ind production 0.2m, 18.9y JP Loans & discount corp n/f
Friday	US Q2 GDP 2.5% US Q2 Persnl consumptn 2.3% US Q2 Core PCE 1.0% US Q2 GDP Price indx 1.1% US Q2 Employ'm't cost indx 0.5% US Chicago PMI 56.0 US U.of Michigan conf 67.5 IT PPI n/f IT CPI 0.3m, 1.5y EZ CPI 1.8y EZ Unemploy'm't rate 10.0% JP Vehicle product'n n/f JP Construction orders n/f



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Week of 19 <sup>th</sup> July	
Monday	EZ C/A -5.8B <b>WORSE</b> EZ Construction output -1.0m, -6.3y <b>WORSE THAN EXPECTED</b>
Tuesday	US Housing strts 549k <b>WEAKER</b> US Building permits 586k <b>BETTER</b> UK Mrtge apps 48k <b>WEAKER</b> UK PSNCR 20.9B <b>WORSE</b> UK PSNB 14.5B <b>WORSE</b> UK CBI Bis optmsm 10 <b>BETTER</b> UK CBI Trnds srvy -16 <b>BETTER</b> DM PPI 0.6m, 1.7y <b>STRONGER</b> IT Ind orders 3.2m, 26.6y <b>STRONGER</b> IT Ind sales 0.8m, 8.9y <b>BETTER</b> JP Conv store sales -1.5% <b>BETTER THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps 7.6% <b>BETTER</b> US Fed's Bernanke @Senate Bkg panel UK MPC minutes 7/1 <b>AS THAN EXPECTED</b>

Week of 19 <sup>th</sup> July	
Thursday	US Jobless claims 464k <b>WORSE</b> US Fed's Bernanke @ House finance panel US Existing home sales 5.37M <b>BETTER</b> US House price indx 0.5% <b>STRONGER</b> UK Retail sales 0.7m, 1.3y <b>STRONGER</b> FR Bus conf 98 <b>BETTER</b> FR Prod outlk indx -2 <b>BETTER</b> FR Cons conf -39 <b>BETTER</b> EZ PMI Composite 56.7 <b>STRONGER</b> EZ Ind new orders 3.8m, 22.7y <b>STRONGER</b> JP All Ind actvty indx 0.2 <b>STRONGER THAN EXPECTED</b>
Friday	UK BBA House purch loans 34.813k <b>WEAKER</b> UK Indx of services 0.8 3m/3m <b>STRONGER</b> UK Q2 GDP 1.1q, 1.6y <b>STRONGER</b> EZ Bank stress test results due FR Cons spndg -1.4m, -1.9y <b>WEAKER</b> IT Retail sales -0.3m, -1.9y <b>WEAKER</b> IT Cons conf 105.6 <b>STRONGER</b> DM IFO 106.2 <b>STRONGER THAN EXPECTED</b>



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## US MARKETS: economic background

Last week we flagged several key data releases but judged the Existing home sales report was likely to prove to be the main event.

The reporting week began on Tuesday with a **weaker than expected Housing** starts report, but **better than expected building permits** data.

On Wednesday **Bernanke testified on the economy and broadly speaking it echoed** the previous week's minutes with the Labour market mentioned as a key element in the economic recovery.

Thursday's **Jobless claims report was worse** than expected, and **Bernanke's message to the House finance committee was broadly the same**, with a pledge the Fed could ease further if the recovery weakened further from here. The final report of the week, **Existing Home sales, was a little better** than expected.

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; **New Home sales**,
- On Tuesday; **Consumer confidence**,
- On Wednesday; **Durable goods and the Feds Beige book**,
- On Thursday; **Jobless claims**, and
- On Friday; **Q2 GDP, Q2 Personal consumption, Q2 Core PCE, Q2 Employment cost index, Chicago PMI and University of Michigan confidence**.

The markets face another week with several important releases and traders will be eagerly watching Monday's New Home sales report, but we judge the main event this week is Friday's Q2 GDP data.

After several months of disappointing data releases, the GDP report will clarify the extent of the economy's recent sluggishness.



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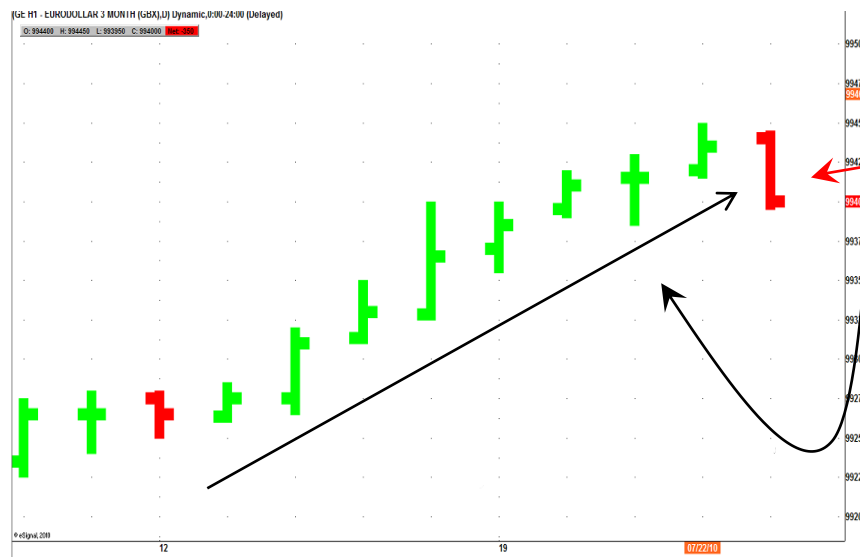
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## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: BULLISH of March 11.

Last week we were Bullish of Eurodollars.



See how Eurodollars enjoyed a steady rally until Friday, when the release of very strong UK GDP and better than expected Euro zone data made traders think the future may not be so negative after all.

**The Macro Trader's view of Eurodollars is;** the Eurodollar market suffered a pull back on Friday which was driven by foreign data and sentiment.

During the week US data continued to disappoint, with the exception of a slightly better than expected existing home sales report.

But with Bernanke sounding at best cautious about the immediate future for the US recovery and promising the Fed could ease further if need be, this market looks supported.

Friday's price action was largely conceived in a vacuum of US data with foreign sentiment taking the

lead; Strong UK GDP and improving Euro zone data capped by a better than expected outcome for the Euro zone Bank stress tests released on Friday, although EU officials are now accusing Germany of holding back some key information about sovereign debt holdings.

Unless this week's Q2 US GDP report springs a strong positive surprise, we judge this market will recover, and advise traders to remain long of this market.

We repeat; head room is tight, but unless the data picks up, 100.00 continues to look like a good target and we advise staying long with the stop remaining at 99.20 for protection.



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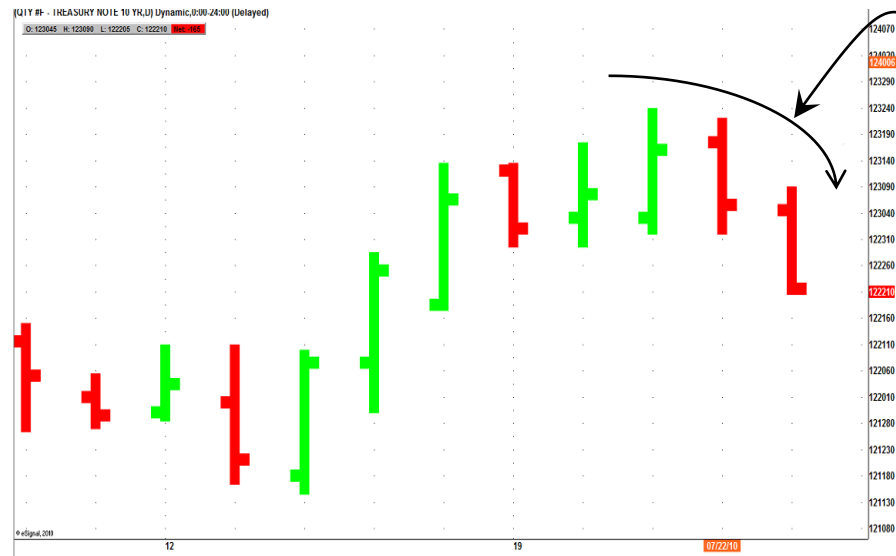
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## Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: BULLISH.

Last week we were Bullish of the 10 year note.



See how the 10 year note corrected as equity markets staged an attempted recovery.

**The Macro Trader's view of the 10 year note is;** the 10 Year note suffered a correction last week, but it wasn't US event driven as data remained soft and Bernanke clearly articulated his concerns about the health of the US economic recovery.

The main dynamic behind last week's weakness was the recovery in equity markets driven late in the week by stronger data from Europe. The UK published very strong Q2 GDP data which if converted to the US method was up 4.4% on an annualised basis.

In the Euro zone German IFO was very strong and

Bank stress tests were on the surface better than expected.

Looking ahead this week's release of US Q2 GDP ids likely to prove crucial. A weaker than expected report will likely see bonds recover.

Traders should remain long of this market.

Last week's target of 123.28 was only just missed. Our target this week remains 123.28 and our stop continues at 122.15 for closer protection.



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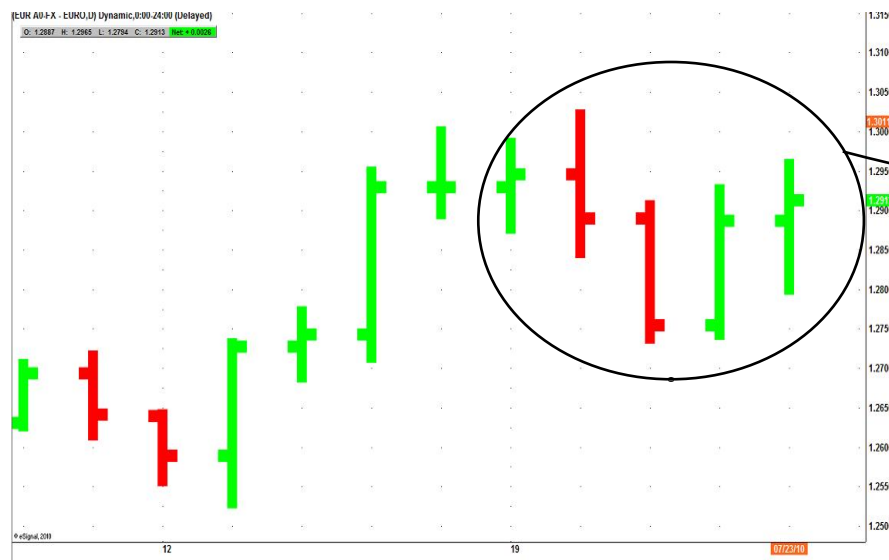
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## Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: BEARISH v STERLING.

Last week we were Bearish of Dollar/Sterling.



See how the Dollar remains under pressure against the Euro, but is still a sell against Sterling.

**The Macro Trader's view of the Dollar is:** the Dollar remained on the back foot for much of last week against all the other major currencies.

Bernanke's testimony together with yet more disappointing data weighed heavily on the Dollar at the same time as data from the UK and Euro zone helped the Pound and Euro.

The Euro drew support from Friday's release of a strong German IFO report and Euro zone Bank stress tests, although questions are now arising about their integrity.

But the Pound rallied on the back of strong Q2 GDP data which surprised everyone, so although the UK austerity budget is yet to bite and is expected to cool the recovery, it will be from a strong position.

Looking ahead this week's Q2 GDP report is the main event, but after months of disappointing data any surprises are likely to be negative.

Traders should be short the Dollar/Long the Pound.

Our target this week is 1.5650 and our stop is raised to 1.5110 for closer protection





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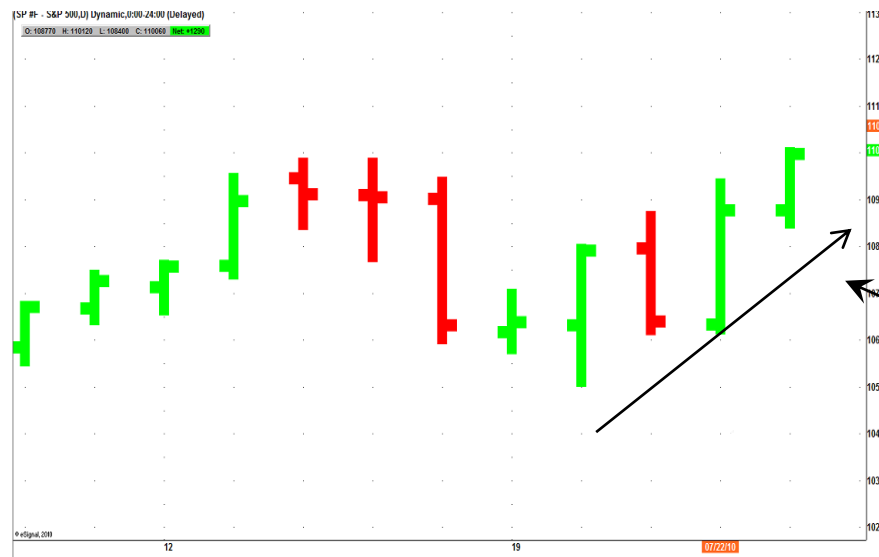
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+ OIL

## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: SQUARE.

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



See how the S&P rallied last week on Bernanke's pledge to ease policy further if the recovery weakens from here.

**The Macro Trader's view of the S&P 500 is:** despite being stopped out the previous week, we advised traders to go short again last time, only for the stop to be hit yet again.

While we are still bearish of this market short/medium term we judge it prudent to stand back and observe.

The recovery last week was helped by Bernanke's comments about further easing if needed, but the reasons for making the pledge; slowing growth, isn't exactly bullish news.

However the UK and Euro zone produced strong data late last week helping sentiment in equity markets support a recovery in the S&P.

While the UK data was strong, this could be a medium term high water mark, for the UK economy, and the stress test results from Europe while positive seem to be less than genuine as Germany is accused by EU officials of not fully disclosing all of its toxic sovereign debt holdings.

For now we advise a square position..



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## Commodities

+ GOLD  
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## Disclaimer

## UK MARKETS: economic background

Last week we flagged several key data releases but judged Friday's Q2 GDP report as the main event.

The reporting week began on Tuesday with three **worse than expected reports; Mortgage applications, PSNCR and PSNB.**

Wednesday's **MPC minutes sent out some mixed signals as policy tightening** was discussed, but so too was **policy easing with the focus on re-opening QE**, as policy makers were concerned the economy likely weakened during the last month or so.

Thursday's **retail sales** were a pleasant surprise and were **stronger** than expected, but the big surprise was Friday's **Q2 GDP report**. This **was much stronger**

than expected, with all areas of the economy making strong contributions to growth.

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

- On Tuesday: **CBI Distributive trades survey, and**
- On Thursday; **Mortgage applications, net consumer credit and net lending on dwellings.**

The main event this week is Tuesday's CBI report, but we judge in a week devoid of heavy UK data, foreign events will be the key.



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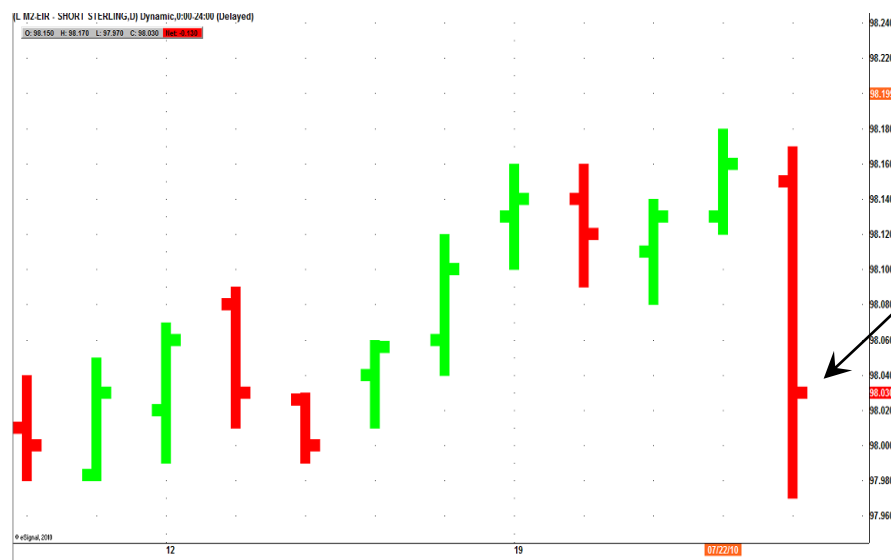
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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: BULLISH.

Last week we were Bullish of June 12 Short Sterling.



See how Short Sterling sold off after Friday's strong Q2 GDP report.

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

traders received an unexpected, yet pleasant surprise last week as Q2 GDP showed the economy roared ahead in the 2<sup>nd</sup> quarter.

But could this prove the high tide mark for the economy for several quarters?

The government's austerity measures are yet to bite and the magnitude of cuts pencilled in will surely have an impact. While it is encouraging to see most sectors of the economy perform so well during the 2<sup>nd</sup> quarter, as the cuts bite activity will likely cool, albeit from a strong base.

This week's UK data is very light weight and markets are likely to be led by US data, culminating with US Q2 GDP on Friday which is likely to be worse than expected.

Although the stop was hit today, we judge traders should remain long of this market (June 12) since a period of economic weakness in the UK looks more likely than fresh strength.

Our target for this week is 98.10 and our stop is set close by at 97.89 for protection.



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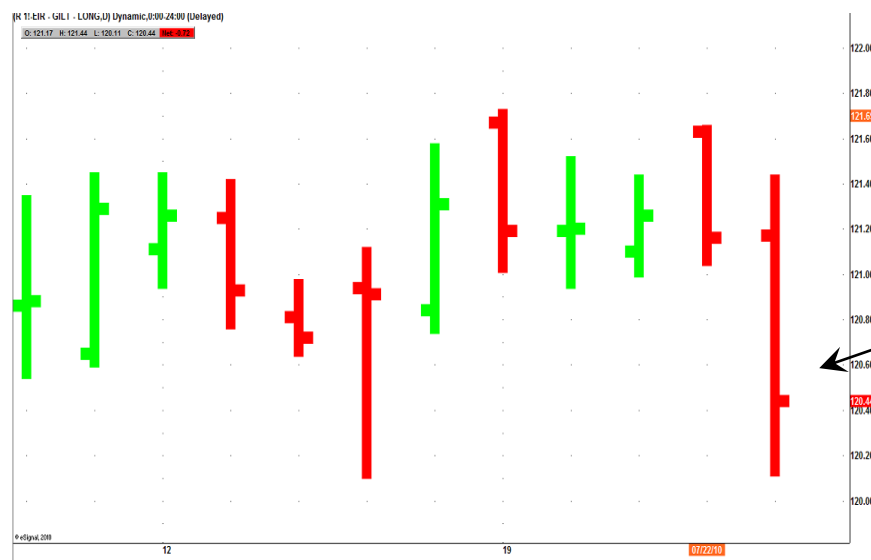
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## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: BULLISH.

Last week we were Bullish of the Gilt.



The gilt sold off after Friday's strong GDP as traders feared the Bank of England could alter its stance on monetary policy.

**The Macro Trader's view of the Gilt is;** the Gilt weathered the disappointing PSNCR and PSNB data released on Tuesday quite well, as there are measures in the pipeline to drastically reduce government spending and borrowing, but Friday's Q2 GDP led to a heavy sell off.

Traders were wrong footed by the strength of the report which led to fears the MPC might be forced to begin tightening policy sooner than previously thought.

A run of better than expected data from the Euro zone also weighed on sentiment. But we judge Friday's Q2 GDP report could prove a medium term high water mark for the UK economy and judge the Bank will not

want to act too hastily.

The government has announced deep spending cuts and tax hikes designed to collapse the budget deficit. These will hit growth, but by exactly how much isn't known, policy makers will not want to risk killing the economy with higher interest rates until the impact of fiscal austerity can be better judged..

We judge traders should stay long of the Gilt as US data is likely to prove supportive for Bonds generally this week.

This week's target is set at 121.15 but our stop remains at 120.05 for close protection.



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- + **STERLING**
- + FTSE

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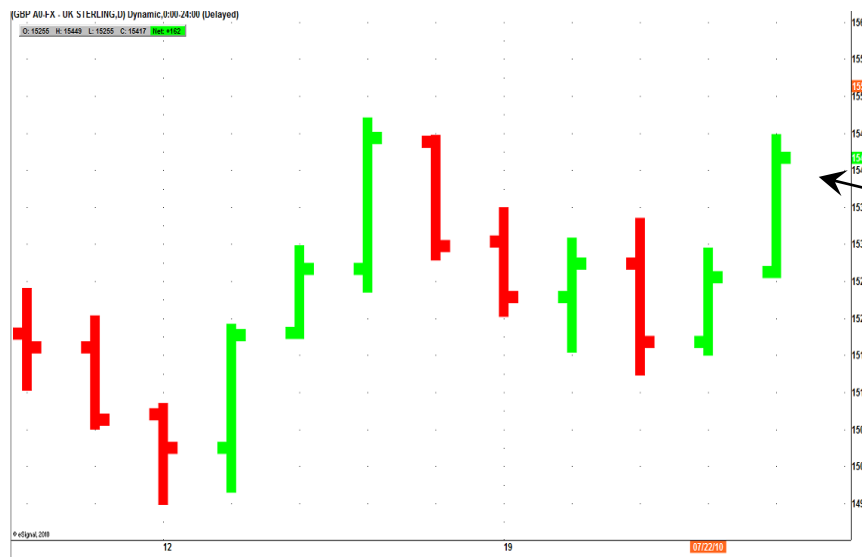
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## UK MARKETS: Sterling

### OUR TRADING STANCE: **BULLISH OF STERLING v the DOLLAR & EURO**

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



**The Macro Trader's view of the Pound is;** the Pound benefitted from Friday's strong Q2 GDP report which was almost double market consensus and when converted to the US method was 4.4% annualised; very strong.

Initial reactions from traders were that the MPC might tighten policy sooner than expected, we don't think so, due to the fiscal tightening.

But the economy will be going into that phase from a greater position of strength than previously thought.

This week UK data is minor, but US Q2 GDP is due

and it is likely to disappoint, allowing Sterling to rally further and even against the Euro the Pound seems to have overcome the recent correction as Germany is accused of not being open about its exposure to toxic sovereign debt.

Traders should be long of the Pound against both the Dollar and the Euro.

Against the Dollar our target this week is 1.5650 and our stop is raised to 1.5110 for closer protection.

Against the Euro our target this week is 0.8225 and our stop is set at 0.8540 for protection.



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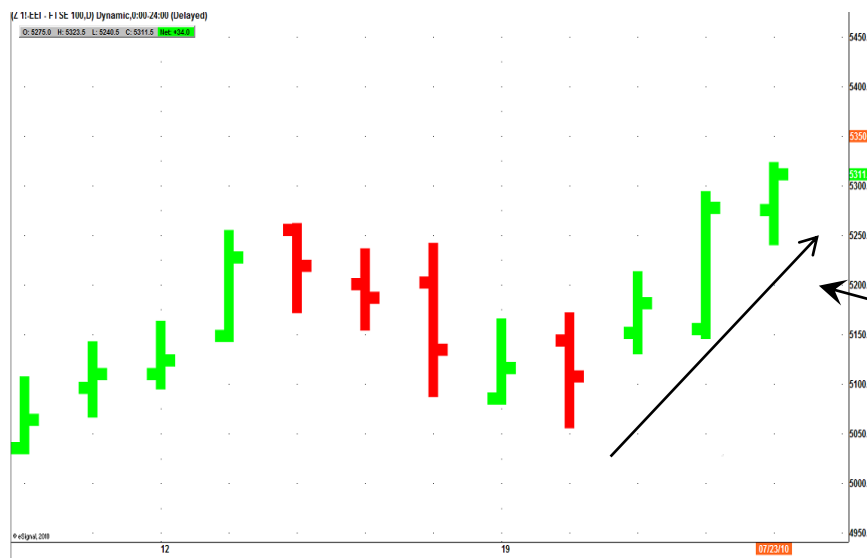
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## UK MARKETS: FTSE

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the FTSE.



**The Macro Trader's view of the FTSE is:** the FTSE received a whole raft of support last week from several different sources.

In the UK retail sales and especially Q2 GDP came in better than expected offering the economy a solid platform to enter a period of upcoming uncertainty generated by the planned government fiscal retrenchment.

In the US Bernanke, while cautioning about the strength of the US recovery, held out the possibility the Fed could and if necessary, would ease policy further.

And even in the Euro zone data came in better than

expected prompting Trichet to call for fiscal retrenchment as the long awaited Euro zone Bank stress tests showed on 7/91 banks failed the test.

However, all isn't plain sailing; the US Q2 GDP report due on Friday could prove difficult for markets and questions are being asked by EU officials concerning the degree of frankness from German Banks about their holdings of Toxic sovereign debt.

So the recovery in equities could yet prove short lived, but certainly looks questionable and we advise remaining square of this market.



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## EURO ZONE MARKETS: economic background

Last week we flagged several key data releases but advised the main event the week was the Euro zone Bank stress test results due on Friday.

The week began with Monday's release of **Euro zone C/A data** which was **worse** than expected. The **German PPI report**, released the next day was **stronger** than expected.

Thursday's release of **Euro zone PMI composite survey** was **better** than expected and **so too** was the **Euro zone New Industrial orders report**.

On Friday the **German IFO survey** was **much better** than expected and later in the day the results of the **EU Bank stress tests were released with only 7/91 failing** to meet the grade and those were mainly Spanish savings Banks.

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 Tuesday; **Euro zone M3 reports**,
- On Wednesday; **German CPI and ECB Bank lending survey**,
- On Thursday; **German unemployment change and rate**, and
- On Friday; **Euro zone CPI and unemployment rate**.

The main event this week is the German unemployment report.

As the largest economy in the Euro zone it is important that the German recovery remains on track and that sufficient new jobs are created.



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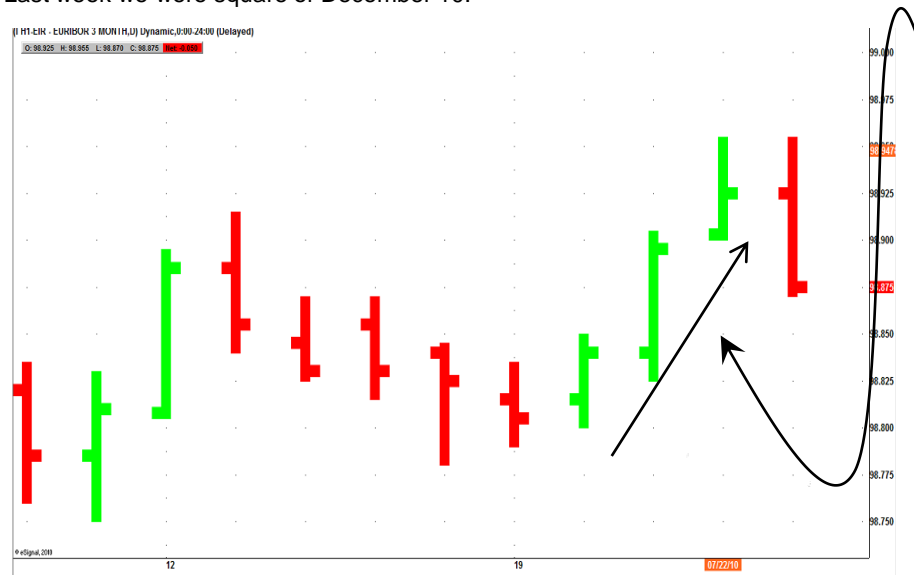
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## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were square of December 10.



See how Euribor bounced on talk from both the US and UK Central banks of possible new easing measures if the recovery was found to be floundering.

**The Macro Trader's view of Euribor is;** Euribor remains a market lacking direction.

Last week's rally was largely driven by fears concerning the current strength of the US economy and to a lesser degree worries about the strength of the UK economy as the fiscal austerity measures bite latter this year.

Friday's sell off was basically a reality check. The Euro zone economy, despite the sovereign debt crisis is doing OK. Industrial production and orders are reasonably strong. On Friday the German IFO report was much stronger than expected, adding to

confidence about the health of the German economy.

Additionally UK Q2 GDP was much stronger than expected and as a major Euro zone trading partner that was good news.

Add in the relatively good news from the EU Bank stress tests and Euribor joined other key short term interest rate markets and sold off, but still finished up on the week.

For now we advise remaining square of this market, it really does look range bound.





## 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

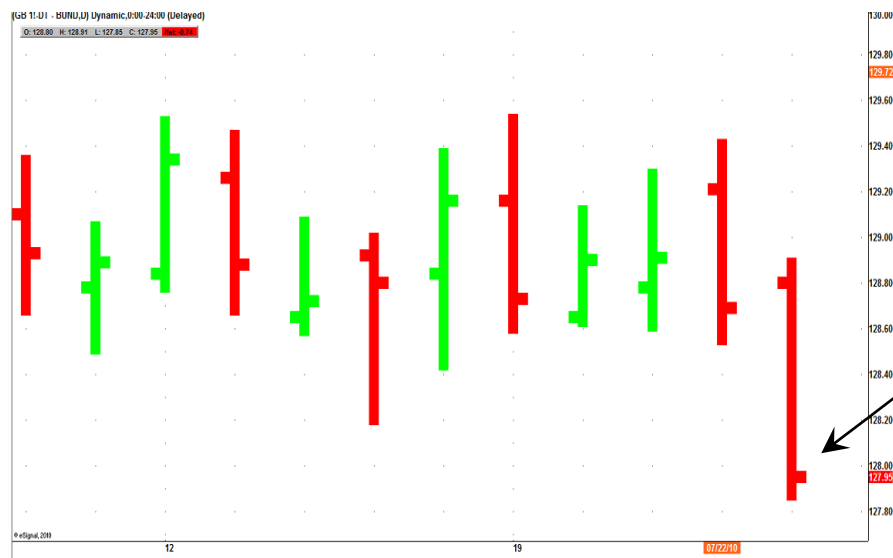
+ GOLD  
+ OIL

## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund sold off on Friday as Trichet called for greater fiscal consolidation, the stress tests came in better than expected and the UK released very strong Q2 GDP data.

**The Macro Trader's view of the Bund is:** the price action in the Bund last week was again choppy.

With all eyes on the results of the Bank stress tests, the Bund endured a week of volatility ending in weakness.

The equity markets rallied as optimism built on hopes the Fed would ease policy further if the US recovery continued to stall, and on hopes the stress tests would prove positive.

In the event only 7 out of 91 banks were deemed to fail the test, and with Euro zone data continuing to show

strength, the Bund sold off.

Looking ahead we judge bonds generally could remain volatile. The Germans are accused of being less than open about their toxic sovereign debt holdings and with US Q2 GDP due at the end of the week there is a lot of uncertainty still in the market.

If the Germans have tried to hide the truth the test results are meaningless, because most concerns centred around the health of several German Banks.

For now we advise staying square of this market..



## Summary

## Global Calendar

## US Markets

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

## Euro Zone Markets

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

## Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

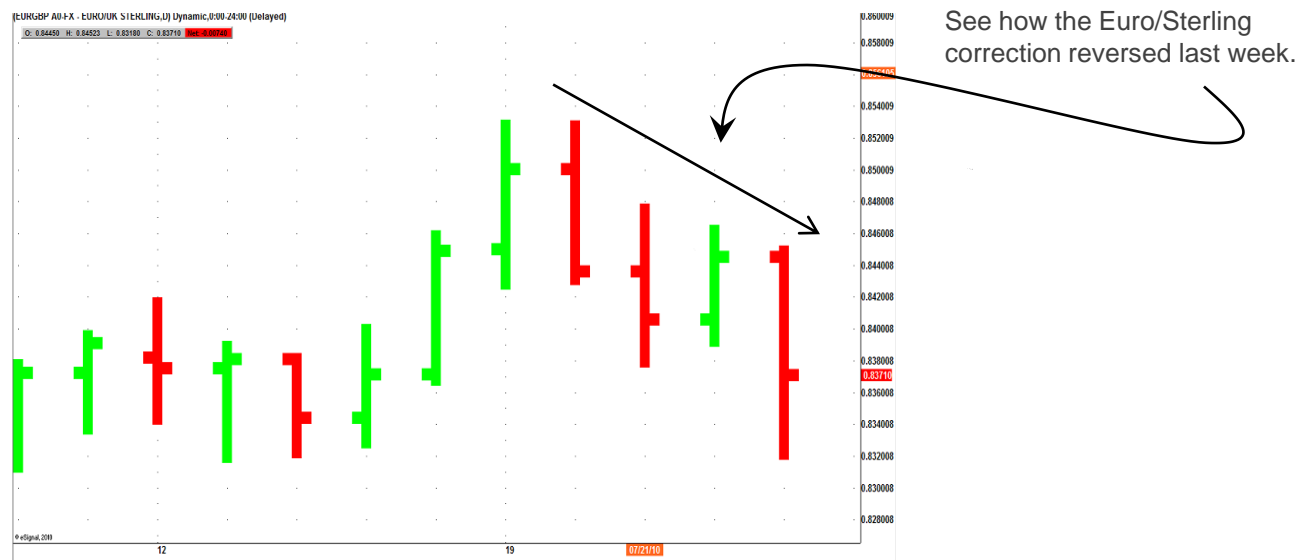
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: **BEARISH v the YEN & STERLING.**

Last week we were **Bearish v the Yen.**



**The Macro Trader's view of the Euro;** the Euro remains fairly well supported against the Dollar as serious questions remain about the US economic recovery, echoed last week by Bernanke.

Against the Yen too the Euro seems to be holding its own, despite denials from Japanese officials that FX intervention is being considered.

But against Sterling the Euro gave back all of the previous week's gains even though Euro zone data was mainly bullish for the economy.

The reason for the Pounds better performance is likely due to the renewed strength of the UK economy as UK

Q2 GDP data reported all sectors made a strong contribution to growth and the eye watering fiscal consolidation planned by the UK government.

We judge as a result, Sterling is a long term buy.

Traders should remain short of the Euro/Long of Sterling and the Yen.

Against the Pound our target this week is 0.8225 and our stop is suggested as 0.8540.

Against the Yen, our target this week continues at 108.50 and our stop is left at 114.50 for protection.



## Summary

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- + FTSE

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- + EURIBOR
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## Japanese Markets

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- + YEN
- + NIKKEI

## Commodities

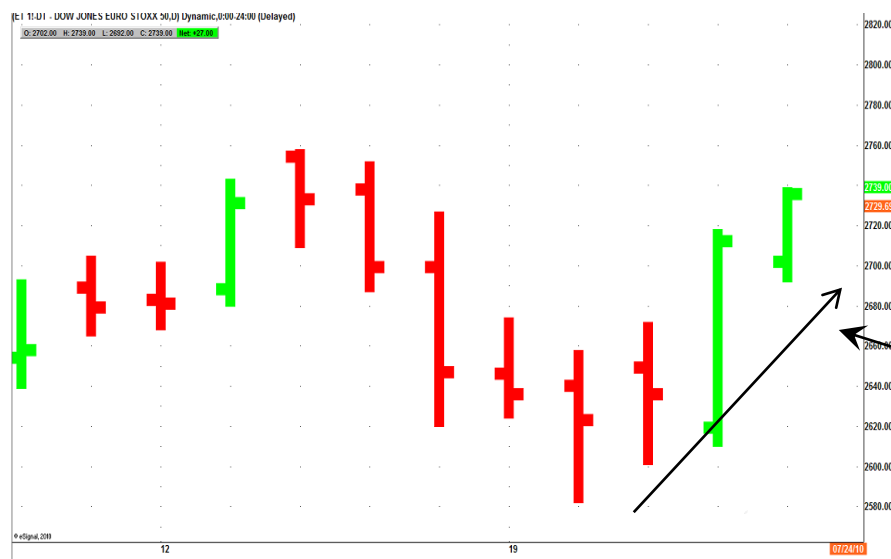
- + GOLD
- + OIL

## 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 last week as data came in stronger than expected.

**The Macro Trader's view of DJ Euro Stoxx 50 is:** the market in our opinion remains range bound and a longer term chart, not published here, shows that clearly.

While the earlier hysteria of the Euro zone financial crisis has clearly abated, traders are not confident enough to take this market into fresh bull territory.

The Bank stress test results may go some way towards clearing the feeling of negativity that has prevailed for several months, but there is strong suspicion the Germans didn't make a full and frank disclosure.

In the end the health of equity markets will rest on the strength of recovery. Last week's Euro zone data was clearly supportive and the UK, an important Euro zone trading partner, reported very strong Q2 GDP growth.

But as ever, the outlook hangs on the US and right now its economy is looking weaker than previously expected.

While the Fed has tools to help re-invigorate the recovery, a great deal of uncertainty remains.

We advise remaining square of this market, as we judge its reaction to the stress test results is far from convincing.

More



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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 event of the week was the all industry activity index, but said in a week with few releases, domestic markets were more vulnerable to international events..

The reporting week began on Tuesday with a **stronger than expected convenience store sales report**, and concluded with Thursday's **All industry activity index which was also stronger than expected**.

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

- On Wednesday; **Small business**

**confidence, retail trade and large retailers sales,**

- On Thursday; **the Jobless rate, household spending, CPI, Industrial production and capacity utilisation, and**
- On Friday; **Vehicle production and construction orders.**

The main event this week is the Industrial production and capacity utilisation report. The mainstay of the Japanese economy is as ever manufactured exports so strength here is essential, but watch the CPI data; deflation remains a problem still to be resolved.



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## Commodities

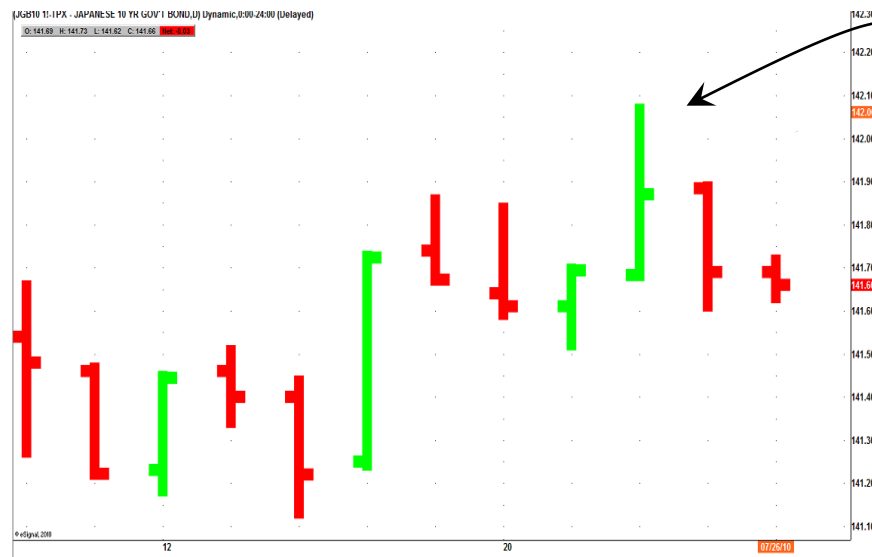
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

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



See how the JGB hit our target on Thursday.

**The Macro Trader's view of the JGB is:** the JGB hit our target last week and after the previous week's volatility that was a clear profit taking opportunity.

Now square we are watching with interest as Bond markets generally seem to labour under the weight of equity markets trying to recover.

How far those recoveries can go is debatable since the Germans appear to have held back from being completely open in providing information for the stress test, the US economy has a very big question mark

over it and although the UK economy looked very strong in Q2, that was before the announced budget cuts start to bite.

In all an unclear picture. On balance we remain largely bullish of this market as the Japanese authorities continue to battle deflation, but again this week we judge traders will take their lead from events abroad and the US Q2 GDP report is this week's dominant release.

For now stay square..



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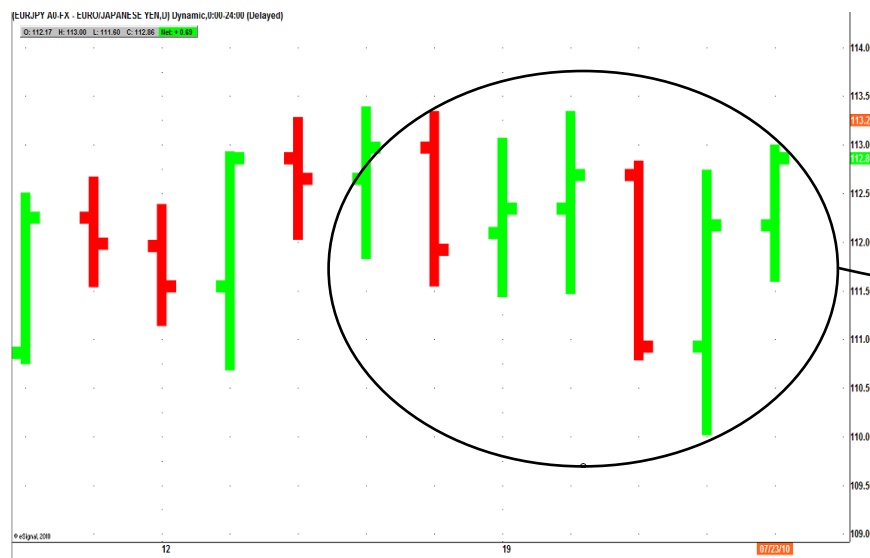
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: BULLISH v the EURO

Last week we were Bullish v the Euro.



See how the Yen remains trapped against the Euro, but compared to the Euro's efforts against the Dollar it is holding up OK.

**The Macro Trader's view of the Yen is;** the Yen has become range bound against the Euro as both currencies have made progress against the Dollar.

The common feature between the two, seems to be the US economy's faltering recovery which has removed the spot light from the Euro zones own recent woes, although in truth Euro zone economic data has improved recently with industry data, especially from Germany again looking strong, and supported by last week's strong IFO survey.

However the problem with the Euro zone was never about Germany, it was the "soft underbelly" or

periphery; Greece, Spain, Portugal etc. And we are less than convinced that last week's EU Bank stress test results will fully allay Euro zone concerns.

Looking ahead there are several key Japanese data releases due this week, which if sufficiently strong could help the Yen rally anew.

In summary we judge traders should stay long the Yen/Short the Euro.

Our target this week is again 108.50 and our stop is again 114.50 for protection



## Summary

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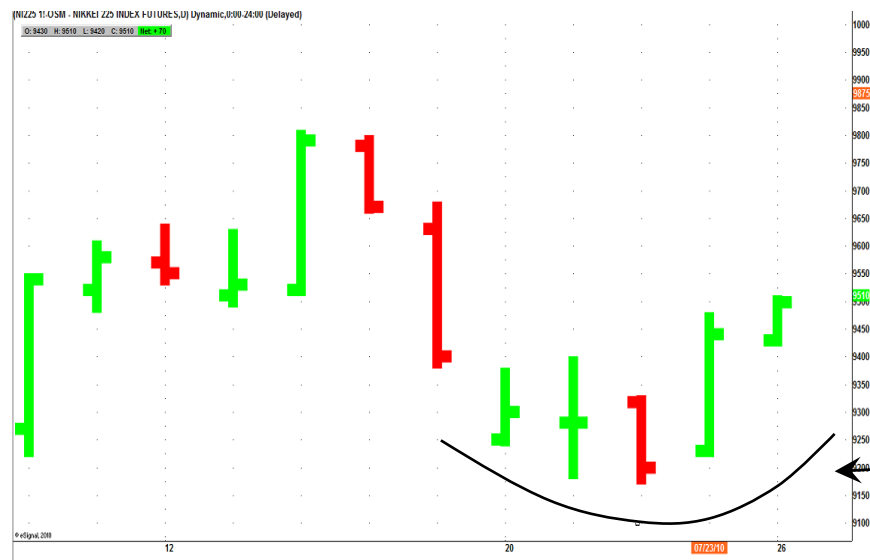
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



See how the Nikkei rejected the lows but failed to recover the previous week's losses.

**The Macro Trader's view of the Nikkei is;** the Nikkei had another difficult week, and seemed to underperform its global peers.

Although last week's domestic data was better than expected, fears the US economy was faltering together with the Yen's strength against the Dollar weighed on the Nikkei. The Japanese authorities played down rumours that they were planning to intervene in the FX market and this helped the Yen against the Dollar, and to a degree the Euro, but export oriented stocks didn't like it as a strong Yen is bad news for exports.

Looking ahead we judge the Nikkei will be led mainly by foreign sentiment this week despite several key domestic releases falling due.

US Q2 GDP due on Friday is likely to set the tone in markets as traders are anxious for news on the health of the US economy.

For now we advise remaining square of this market.



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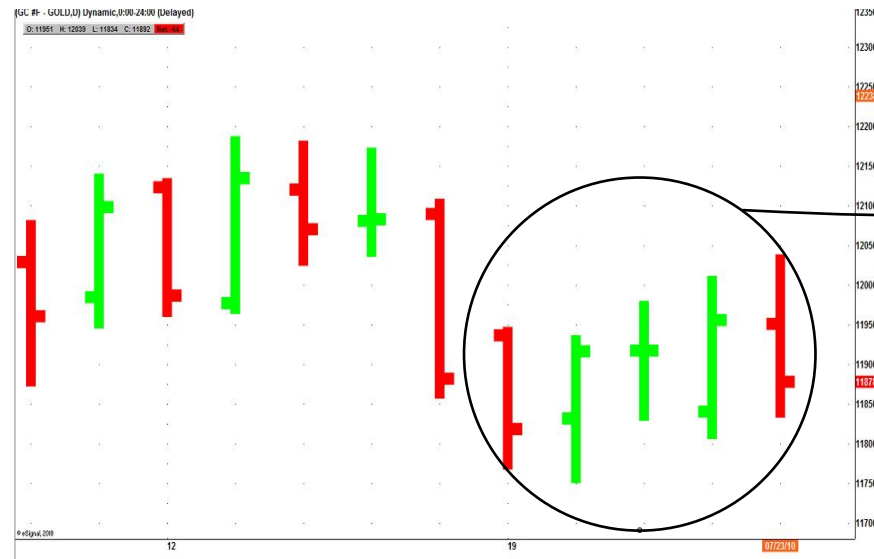
+ GOLD  
+ OIL

## Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Gold.



See how gold remains depressed despite the weakness of the Dollar.

**The Macro Trader's view of the Gold is;** our view of the gold market remains little changed; it remains under selling pressure despite the weakness of the Dollar which usually acts to support.

But with the US economic recovery looking weak, and the Fed sounding warning signals about the possible need for additional monetary stimulus, the risk of inflation falling further from already low levels continues to undermine Gold.

But as we said last week...

..."should the worst happen and the major economies experience a double dip recession, deflation won't be the only concern, as governments currently pledging to

cut deficits and spending would find it very difficult to maintain those policies, likely resulting in a new fiscal stimulus"...

..."With the US not even formulating a plan for consolidation, the outlook for sovereign debt ratings would obviously deteriorate"...

This week sees the release of Q2 US GDP, we don't expect it to offer gold much help since while the US economy seems in trouble, the Euro zone seems to be improving and last week the UK looked very strong.

For now we advise remaining square of this uncertain looking market.





## Summary

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## Commodities

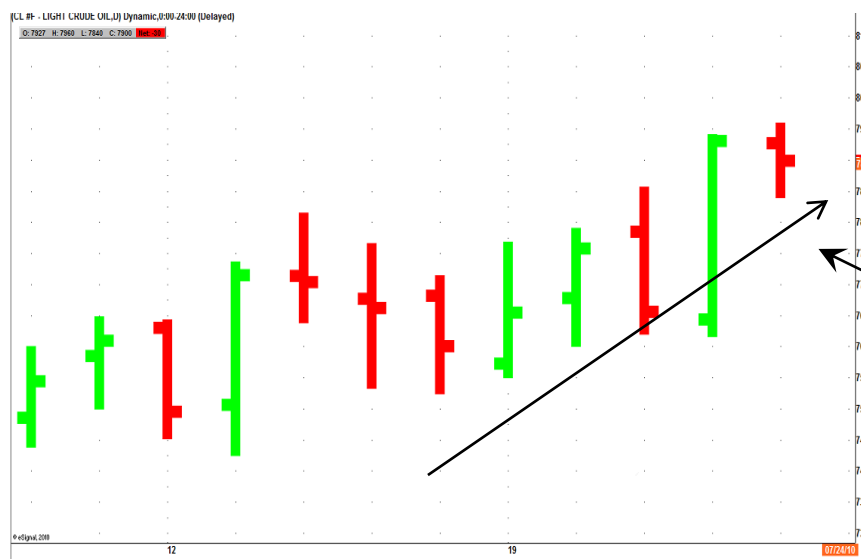
+ GOLD  
+ OIL

## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil rallied on improving equity markets and storm warnings in the Gulf of Mexico.

**The Macro Trader's view of oil is:** the oil market perked up last week, but its revival was yet again clearly linked to improvements in equity markets.

But can those improvements be maintained if the US economy is weakening again as data clearly indicates.

1. We judge last week's optimism was based on: Bernanke's pledge to ease policy anew if the recovery weakens from here, since yet loser US monetary policy would give stocks a short term boost,
2. Geopolitical tension with North Korea, and Iran, and

3. forecasts of storms in the Gulf of Mexico.

But surely for a sustainable rally in this market the economic outlook needs to improve. China may have over taken the US as the world's biggest oil consumer, but China still relies on the US consumer to buy its manufactured exports and if they aren't buying the knock on effect is global.

We judge Oil remains in a wide range and is currently testing the upper limit which is around 80.00, can it hold? We think it will this time so stay square.



## Summary

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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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