



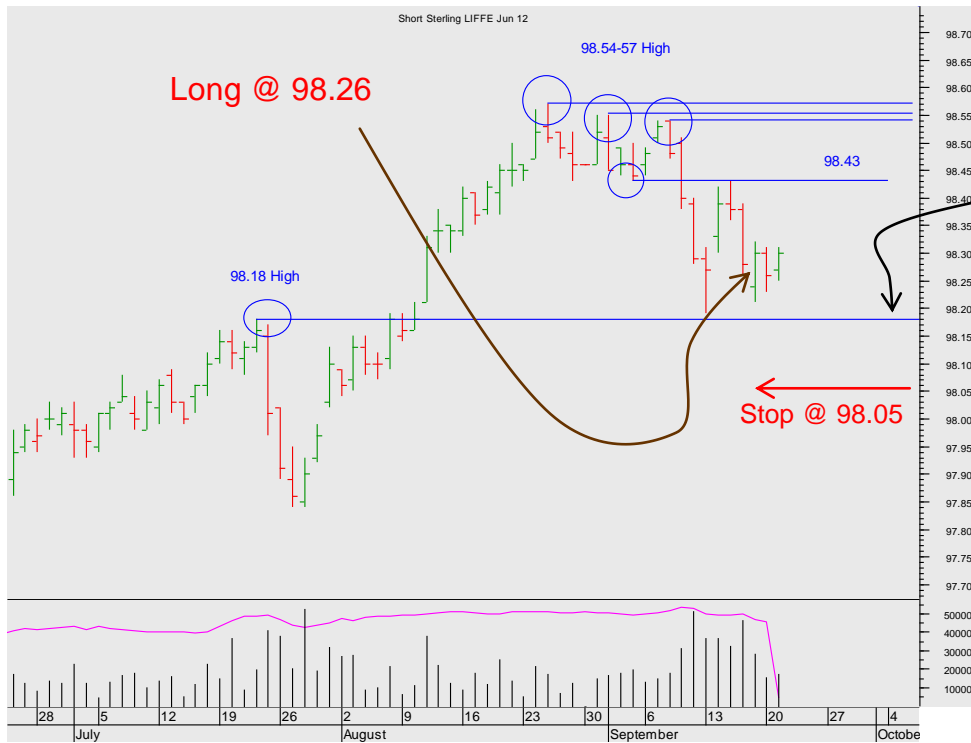
# Key Trades for this week: 21<sup>st</sup> September 2010

## Open Positions

### 1. Short Sterling

17<sup>th</sup> September 2010 Long (½ position.) Jun 12 Short Sterling @98.26. Stop @98.05. Currently 98.30.( +0.09% assuming a risk of 1/2 % of capital under management)

### The Technical Trader's View:



DAILY bar chart

The market has yet to make headway in the direction of the trade. But the support beneath the market is clear and intact.



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

The Short Sterling market is currently marking time, but we don't expect that price action to continue. Last week's UK retail sales report was very weak and given the scale of the spending cuts soon to hit the economy, together with next year's VAT increase, we judge the weakness of retail sales as more important for policy than the current stubborn CPI report.

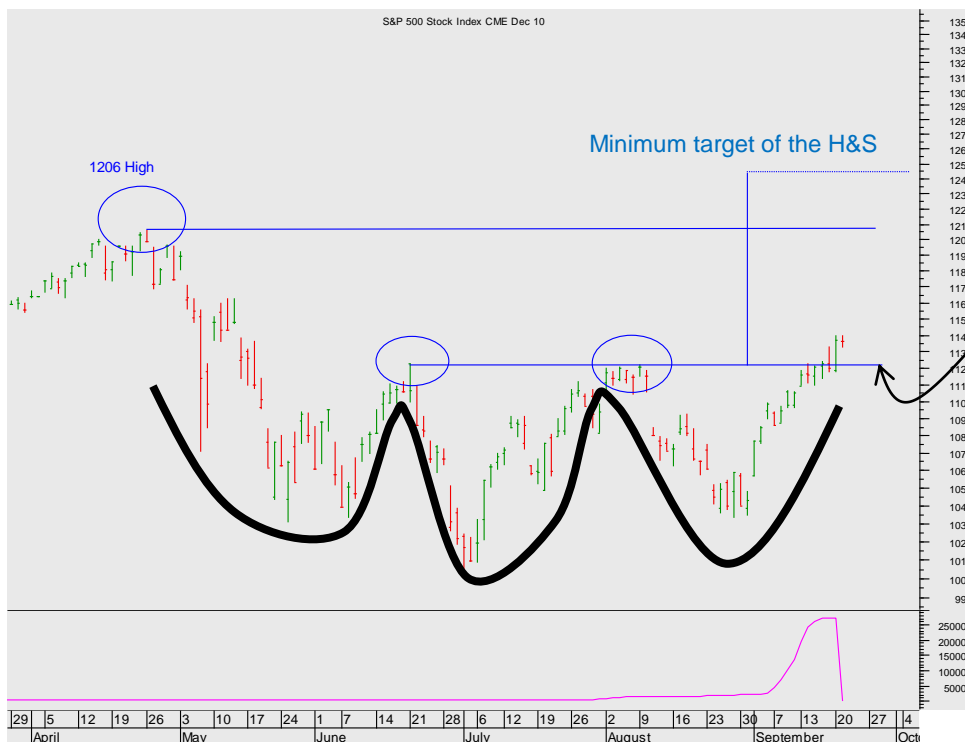
The Bank expects CPI to correct lower as the spending cuts bite and so do we. That will keep official interest rates at current levels well into next year and offers this contract, an opportunity to rally over the coming months.

In summary we advise holding this trade.

## 2. S&P

Buy Dec 10 S&P 17<sup>th</sup> September 2010 at 1132.10. Stop at 1105. Currently 1136.30. +4.30 bp. (Performance +0.16% assuming 1% capital risked)

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



#### **Daily Bar chart**

The Head and Shoulders Reversal is clear enough and the minimum move target is around 1240.

Good support lies beneath the market at the neckline 1122 or so.



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

The S&P500 has held up well after last Friday's scare, when traders became anxious once more about the Euro zone sovereign debt crisis centred on Ireland. But with an FOMC interest rate decision due later today, traders re-discovered their optimism and took equities including this market higher.

We expect the Fed's FOMC policy statement to repeat earlier concerns about the strength of the recovery, even though the most recent non-farm payroll report was slightly better than expected, as was last week's Retail sales report.

We judge the outlook for this market depends to a degree on how the Fed communicates its willingness to intervene through easier monetary policy if they judge the recovery looks at risk of decelerating further. For us, that means buying Treasury Bonds.

Hold the trade.

*Mark Sturdy*

*John Lewis*

*Seven Days Ahead*