Key Trade Bulletin 24th November 2010

New Position

1. Gilt

Sell Gilts (Dec 10) today (1/2 position) at 121.33. Stop 122.53

The Technical Trader's View:

Daily Bar chart

The medium-term succession of failures has been weighing on the market for some time.

The market rallied to the Neckline of the ruling Head and Shoulders pattern.

And failed.

The failure is all the more compelling because of the rising diagonal resistance which has held as well, and the Fibonacci resistance.

A weekly close beneath the 120.96 support would set up a very poor situation for the Gilts going into next week.

The Macro Trader's view:

The rally in bonds already looks over and although traders are still unclear about the evolution of the Euro zone Sovereign debt crisis, it seems they are prepared to accept that Ireland will agree the rescue deal on offer.

The focus has therefore shifted towards the data and stocks, which are now staging something of a recovery.

The initial shock of the Korean hostilities has already faded and traders are eager to cut short equity positions over the US Thanks giving holiday.

On balance though we judge bonds do remain vulnerable to the downside since successive Euro zone rescues are simply shifting the burden from one place to another and the more rescues launched the bigger the burden on the rescuer; Spain has been forced to pay double what it did last time to get some short dated government debt away.

And although the Gilt isn't part of the Euro zone, sentiment is currently negative towards government bonds and we advise a short position.

Mark Sturdy

John Lewis

Seven Days Ahead