



Week 03  
18<sup>th</sup> – 24<sup>th</sup> January 2011

#### 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

### Summary

### Global Calendar

### US Markets

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- **BULLISH** on economic weakness
- **BEARISH**
- **BULLISH** v The Euro
- **BULLISH** on recovery hopes

### UK Markets

+ SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE

- **BEARISH** short/medium term on inflation
- **SQUARE**
- **SQUARE**
- **BULLISH**

### Euro Zone Markets

+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

- **SQUARE**
- **BEARISH**
- **BEARISH** v The Dollar
- **SQUARE**

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

- **SQUARE**
- **SQUARE**
- **BULLISH**

### Commodities

+ GOLD  
+ OIL

- **BULLISH** on growing uncertainties
- **BULLISH**

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	Week of 17 <sup>th</sup> January
Monday	UK Nationw'de cons conf 44 UK RICS Survey -44 JP Cons conf Hsehd 41.6 JP Cons conf n/f JP Ind production n/f JP Capacity utilisation n/f
Tuesday	US Empire mfg 13.0 US Net lg term TIC flows n/f US NAHB Hse mrkt indx 17 UK DCLG Hse prces n/f UK CPI 0.7m, 3.4y UK RPI 0.7m, 4.8y UK RPI-X 4.8y IT C/A N/F DM ZEW 83.7 JP Machine tool orders n/f JP Tokyo Condo sales n/f JP Tertiary industry inx 0.5%
Wednesday	US MBA Mrtge apps n/f US Building permits 555k US Housing starts 550k UK Unemploy'm't chge 0.0k UK Unemploy'm't rate 4.5% UK Averige earngs n/f UK AE Ex-Bonus n/f UK ILO Unemploy'm't rate 7.9% EZ C/A n/f EZ Construction output n/f

	Week of 17 <sup>th</sup> January
Thursday	US Jobless claims 425k US Philly Fed 21.0 US Existing home sales 4.89M UK CBI Trends Total orders -1 UK CBI Bus optimism 3 DM PPI 0.5m, 4.9y IT Ind sales n/f IT Ind orders 1.4m, 14.8y JP Convenience store sales n/f JP All Ind activity indx 0.2%
Friday	UK Retail sales -0.2m, 1.3y FR Bus conf n/f FR Production outlk indx n/f

[More](#)



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	Week of 10 <sup>th</sup> January
Monday	UK Halifax Hse prces -1.3m, -1.6 3m/y <b>WORSE</b> FR Ind production 2.3m, 6.0y <b>STRONGER</b> FR Mfg output 2.2m, 5.1y <b>STRONGER</b> EZ ECB Trichet <b>EMERGING ECONOMY INFLATION A CONCERN THAN EXPECTED</b>
Tuesday	US Wholesale inventories -0.2% <b>WORSE</b> UK BRC Retail sales -0.3 <b>WEAKER</b> JP Trade bal 259.7B <b>WEAKER</b> JP Bank & Tst Indg -1.9% <b>WEAKER</b> JP C/A 926.2B <b>WEAKER THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps 2.2% <b>AS</b> US import prces 1.1m, 4.8y <b>AS</b> US Mnthly bdget statm't -\$80.0B <b>BETTER</b> US Fed beige bk <b>STEADY IMPROVEMENT</b> UK BRC Shop prces 2.1% <b>MORE</b> UK Trade bal -8.736B <b>WORSE</b> UK Trade non-EU -5.028B <b>WORSE</b> FR C/A Bal -4.2B <b>WORSE</b> IT Ind production 1.1m, 4.1y <b>BETTER</b> EZ Ind production 1.2m, 7.4y <b>STRONGER</b> JP Eco watchers 45.1 <b>BETTER</b> JP Machine orders -3.0m, 11.6y <b>WEAKER THAN EXPECTED</b>

	Week of 10 <sup>th</sup> January
Thursday	US Jobless claims 445k <b>WORSE</b> US PPI 1.1m, 4.0y <b>WORSE</b> US PPI Ex-F&E 0.2m, 1.3y <b>BETTER</b> US Trade bal -\$38.3B <b>BETTER</b> UK NIESR GDP Estimate 0.5% <b>LESS</b> UK Ind production 0.4m, 3.3y <b>LESS</b> UK Mfg output 0.6m, 5.6y <b>STRONGER</b> UK BOE QE Decision £200B <b>AS</b> UK MPC Rate decision 0.50% <b>AS</b> DM WPI 1.8m, 9.5y <b>WORSE</b> FR CPI 0.5m, 1.8y <b>STRONGER</b> ECB Rate decision 1.0% <b>AS</b> JP Machine tool orders 63.5 <b>LESS THAN EXPECTED</b>
Friday	US CPI 0.5m, 1.5y <b>STRONGER</b> US CPI Ex F&E 0.1m, 0.8y <b>AS</b> US Retail sales 0.6% <b>WEAKER</b> US RS Ex-Autos 0.5% <b>WEAKER</b> US Ind production 0.8% <b>STRONGER</b> US Capacity utilisation 76.0% <b>STRONGER</b> US U. of Michigan conf 72.6 <b>WEAKER</b> US Bus inventries 0.7% UK PPI Input 3.4m, 12.5y <b>WORSE</b> UK PPI Output 0.5m, 4.2y <b>WORSE</b> UK PPI Core 0.2m, 2.9y <b>BETTER</b> DM CPI 1.0m, 1.7y <b>AS</b> IT Trade bal -1.438B <b>WORSE</b> EZ CPI 0.6m, 2.2y <b>AS</b> EZ Trade bal -0.4B <b>WORSE THAN EXPECTED</b>



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## US MARKETS: economic background

Although the US economy continues to show steady signs of improvement, data remains somewhat patchy. The inflation outlook remains mainly benign despite stronger headline PPI and CPI reports, but crucially the core measures of both show inflation remains contained.

The unemployment situation continues to be a trouble spot with jobless claims back above 400k after the recent dip below that mark which caused such optimism.

The key reports of last week; retail sales and industrial production, offered a mixed message. The retail sales report was disappointingly weaker than expected, raising questions about the staying power of consumer demand, but industrial production and capacity utilisation were both stronger than expected showing the goods producing part of the economy continues to

improve.

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 and NAHB Housing market index,**
- On Wednesday; **Building permits and housing starts, and**
- On Thursday; **Jobless claims, Philly Fed and Existing home sales.**

We judge the main event this week is existing home sales. The health of the housing market is important for the over all health of the US economy.



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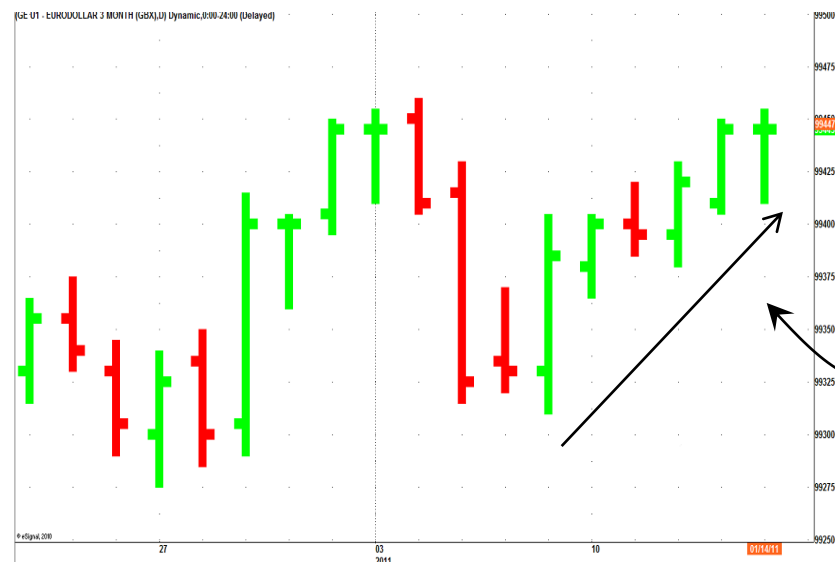
+ GOLD  
+ OIL

## Disclaimer

## US MARKETS: Eurodollars

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

Last week we were Bullish of June 11 Eurodollars.



See how Eurodollars recovered last week as data remained mixed.

**The Macro Trader's view of Eurodollars is;** the US economy may be showing signs of emerging from its extended malaise, but recent data releases show its more a walk rather than a sprint.

We judge the Fed will remain committed to its QE2 policy over the next few months as retail sales proved a disappointment last week and jobless claims are once again solidly above the 400k mark.

Our view of this market remains largely unchanged from last week; the upside looks a better bet than going short.

The Fed's beige book noted an improving economy with signs of an improving labour market, but they didn't sound as if the job was yet done.

Looking ahead watch existing home sales, the housing market needs to stage a sustained recovery and currently it isn't.

Traders should remain long of this market as we judge data is likely to stay mixed.

Our target this week remains 99.50 and our stop continues at 99.25 for protection.



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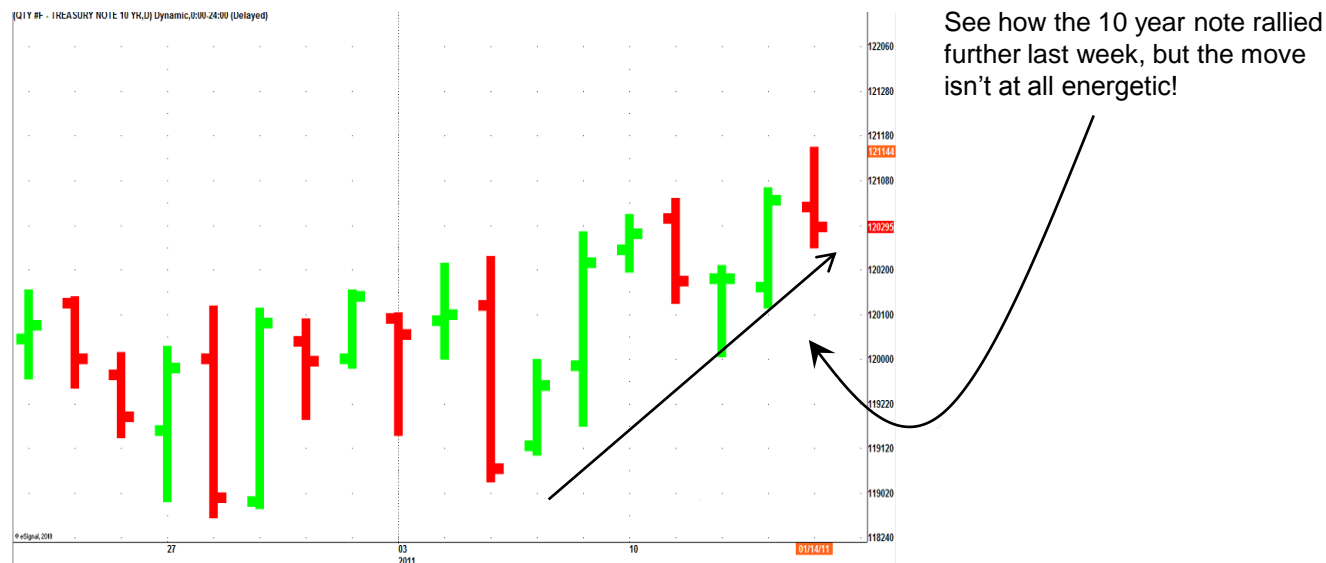
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: **BEARISH.**

Last week we were **Bearish** of the 10 year note.



**The Macro Trader's view of the 10 year note is;** the market extended the rally last week, but the move lacks dynamism.

A weak retail sales report offered support, but industrial production was sufficiently strong to restrain the move higher.

Looking ahead we judge this market is in a correction phase, with the underlying trend remaining bearish.

If the economy does eventually post data that can unambiguously convince of a strong recovery, this

market will be vulnerable to the down side, since the Fed will need to quickly change focus and work to contain inflation. The administration should use a recovery to sort out public finances, but more likely Obama will use such an opportunity to further push his "liberal" agenda.

Looking ahead our main focus is Existing home sales, but watch jobless claims too.

Traders should be short of this market, our target remains 118.16 and our stop remains at 122.15 to accommodate volatility.



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## Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: BULLISH v The EURO.

Last week we were Bullish v the Euro.



See how the Dollar weakened against the Euro last week on Hawkish comments from ECB President Trichet.

**The Macro Trader's view of the Dollar is:** the US trade and Budget deficits both came in better than expected last week, but the Dollar drew no support from those reports at all.

In fact the direction of Dollar/Euro was led more by comments from ECB President Trichet who sounded more hawkish about Euro zone inflation than anticipated, although a near term rate hike from the ECB isn't expected.

Another reason the Dollar seemed to lose traction last week, was due to a weaker retail sales report

which together with Jobless claims being solidly back above 400k, placed a question mark over the strength of the US recovery once again.

However, unless the Euro zone can resolve its debt crisis, the Dollar should re-assert and over all we remain bullish.

Our stop was hit last week, but we advise re-establishing a long Dollar/Short Euro trade.

Our target this week is 1.3000 and our stop is set at 1.3500 for protection.





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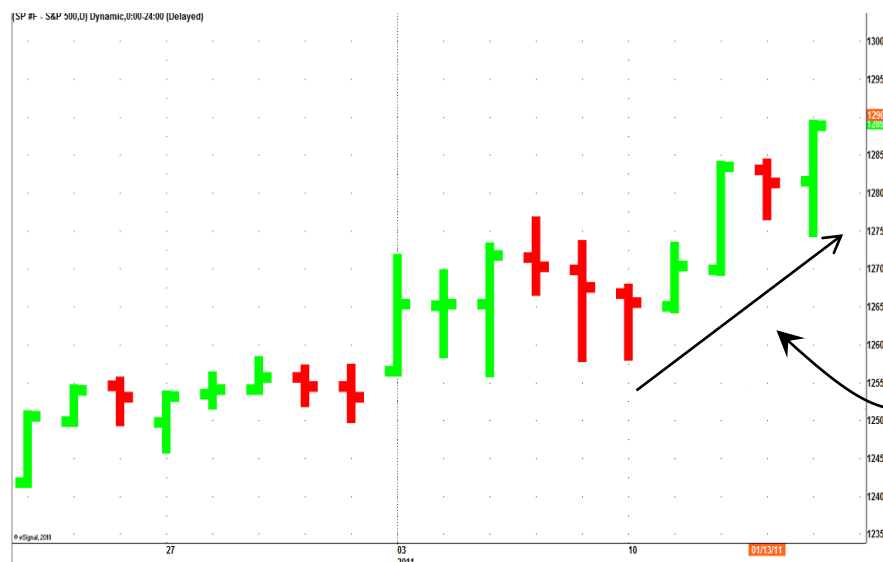
+ GOLD  
+ OIL

## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: BULLISH.

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



See how the S&P extended its rally as the corporate profit reporting season continued to please.

**The Macro Trader's view of the S&P 500 is:** Last week we said...

...“the S&P remains well supported as traders increasingly judge the Feds monetary stimulus and Obama's fiscal profligacy will lead to a strengthening economic recovery in 2011”...

...“and we judge if retail sales and industrial production at least meet consensus, the rally can extend further”...

Well retail sales were a disappointment, but industrial production and capacity utilisation both beat

consensus. And with the corporate profit reporting season in full swing and continuing to please, equities performed well.

Looking ahead the main data release to watch this week is existing home sale, but we judge this market will remain driven by profit reports.

Traders should remain long. Our target of 1280.0 was passed.

Our target this week is set at 1300.0 and our stop is raised to 1255.0 for closer protection.

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## Commodities

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## Disclaimer

## UK MARKETS: economic background

The debate about the UK economy remained polarised between worries of economic slowdown due to public spending retrenchment and higher inflation, caused in part by higher taxes such as VAT and soaring energy costs.

The inflation camp received a boost for their cause last week when PPI showed input and output inflation running at higher rates than expected, with the core rate soothing nerves a little as it was just under consensus.

The slow growth camp pointed to the BRC retail sales report which was weaker than expected. Industrial production also fell short of forecasts, but the manufacturing output report was better than expected, leaving the debate in the balance.

However with CPI now expected to hit 4.0% over the next few months, the Bank of England will remain in the spot light since policy makers continue to forecast

a sharp correction lower.

Looking ahead there are several key 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**,
- On Wednesday; **The unemployment report and average earnings**,
- On Thursday; **CBI Industrial trends total orders, and**
- On Friday; **Retail sales**.

The main events this week are:

1. Retail sales; shows how consumer demand is holding up,
2. The unemployment report; expected to rise due to public spending cuts, and
3. CPI; expected to get worse before the Bank forecast of a big improvement and is crucial for the path of monetary policy.



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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: **BEARISH.**

Last week we were Square of June 12 Short Sterling.



See how Short Sterling came under renewed selling pressure last week as inflation fears began to dominate.

**The Macro Trader's view of Short Sterling is;** whether or not the economy cools in the coming months, traders are increasingly focussed on stubbornly high inflation, which has consistently outpaced the Bank's inflation forecasts and the rate experienced by the Euro zone and US by an uncomfortably high margin.

With imported energy costs still rising and a VAT increase pushing up prices, the argument that weaker growth and resultant higher unemployment will eventually force inflation lower, doesn't currently look as convincing as it did until quite recently.

The economy will likely need to cool significantly to force down inflation and that probably isn't what the government intends. They have cut spending because it was too high but also to allow the private sector room to breathe; hopefully it has strong lungs.

Looking ahead, we judge retail sales is likely to prove weak and unemployment push higher, leaving the focus on Tuesday's CPI report. Recently CPI has been worse than expected and we judge that trend will repeat tomorrow.

Traders should be short of this market, our target is 97.70 and our stop is set at 98.12 for protection.



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## Commodities

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## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the gilt remains under pressure despite the fiscal retrenchment starting to bite.

**The Macro Trader's view of the Gilt is;** this market remains under pressure despite a credible debt reduction plan being in place, why, when the US Treasury market holds up better with no debt reduction plan even on the agenda.

We judge there are two reasons. The first is the inflation outlook in the UK; it is depressingly negative, where as inflation in the US has remained well contained, indeed the Fed would likely welcome a modest push higher. The second reason is likely residual safe haven buying of US Treasuries, as a result of the Euro zone sovereign debt crisis which although currently becalmed, isn't resolved.

Looking ahead the report likely to dominate trading this week is Tuesday's CPI as traders now expect inflation to hit 4.0% near term, well above the MPC's 2% target.

The only report likely to alter the outlook is retail sales, but a collapse there would be needed to convince traders a weakening economy will indeed bear down significantly on inflation.

However we are not fundamentally bearish of this market and for now we continue to advise a square position.



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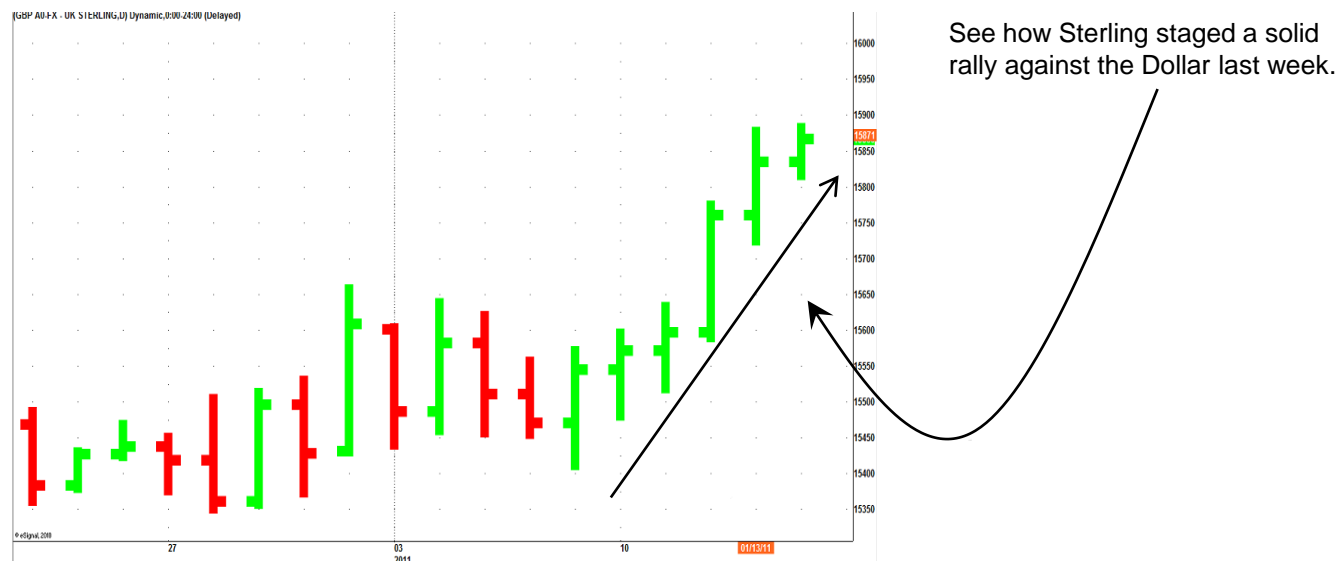
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## UK MARKETS: Sterling

### OUR TRADING STANCE: SQUARE

Last week we were Square of Sterling



**The Macro Trader's view of the Pound is;** the Pound rallied against the Dollar last week as inflation strengthened its hold on the markets psyche.

Traders currently fear UK inflation will hit 4.0% before any hope of improvement, this they judge will force the Bank of England to hike rates by mid-year.

Maybe that will happen, we are not so sure. The ranks of the unemployed are expected to swell this year as the public sector sheds labour and although the private sector is expected to mop them up, no private sector business is going to start hiring labour if it isn't convinced about the durability of the recovery and

currently the question mark is growing.

While we are longer term bulls of this market, we are not seduced by last week's move since we judge the Dollar can snap back from what was likely a correction.

We advise traders to watch this week's key data releases closely; a worse than expected CPI report will help Sterling higher, but what of Friday's retail sales report? If it is significantly weaker than expected heavy profit taking will result pushing Sterling lower, so for now we advise remaining square.



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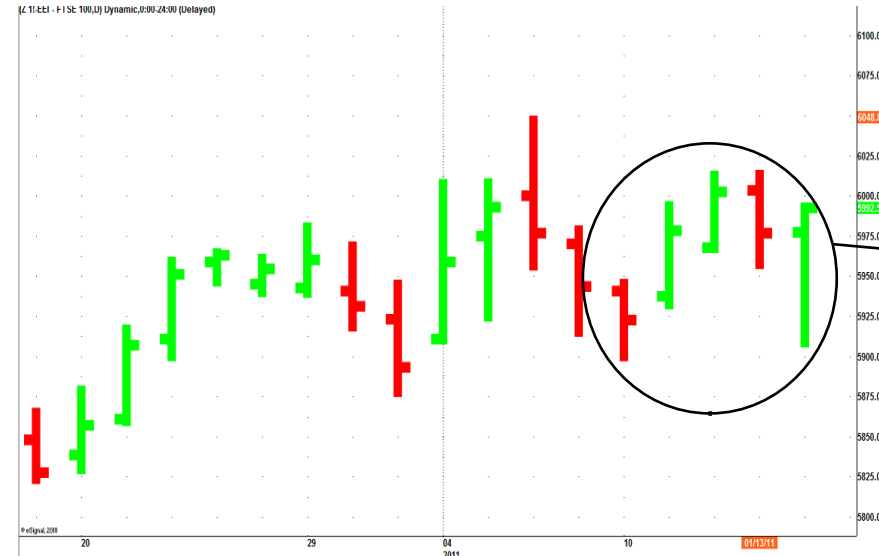
## Disclaimer

## UK MARKETS: FTSE

### OUR TRADING STANCE: BULLISH.

Last week we were Bullish of the FTSE.

(C 11:44 - F 15:100.0) Dynamic: 0:00-24:00 (Delayed)



See how the FTSE limped higher, but we were encouraged by its rejection of the downside.

**The Macro Trader's view of the FTSE is:** Last week we said...

...“after reviewing our assessment we have changed our mind. The FTSE has long since ceased to be a purely domestic market and with many foreign companies seeking primary or secondary listings there the market reacts to international sentiment as much if not slightly more than domestic news”...

...“As optimism over the US recovery builds, and something does appear to be stirring there, demand for commodities, raw materials and energy will increase. Many companies supplying these are FTSE listed so this market can rally further and we advise a long position”...

Nothing much occurred last week to change our mind.

The FTSE under-performed the S&P which was boosted by sold corporate profit reports, but the market did reject an attempt to push it lower.

Despite all the debate about growth and inflation, we judge the Bank of England will keep policy on hold longer than many traders currently think.

Policy makers will want to be sure the economy can take higher rates, since to move prematurely would be dangerous with a massive fiscal retrenchment now under way.

We judge the Global recovery will fuel the rally and advise staying long.

Our target this week remains 6100.0 and our stop is still 5850.0 for protection.

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## EURO ZONE MARKETS: economic background

The Euro zone held its breath last week ahead of an important Bond auction by Portugal. In the event it went well and market tensions in the Euro zone and abroad eased, helping the Euro rally against the Dollar.

However ECB President Trichet speaking at the beginning of the week sounded a little more hawkish than expected about inflation. He moderated his tone a little at Thursday's monetary policy press conference when he said the rise in inflation was likely temporary.

However with all the sovereign debt uncertainty in the markets currently, his tone was a little bit unexpected even if Euro zone CPI has crept up to 2.2%.

But with industrial production data from France, Italy and the Euro zone all coming in stronger than

expected last week, the economic recovery continues to progress despite the debt crisis.

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; **German ZEW survey**,
- On Wednesday; **Euro zone construction output**,
- On Thursday; **German PPI, Italian industrial orders and sales**, and
- On Friday; **French business confidence**.

The main event this week is the German ZEW survey which is a reasonably reliable gauge of German economic strength.



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## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were square of Euribor.



See how Euribor sold off last week after Trichet's inflation comments.

**The Macro Trader's view of Euribor is;** we have often said we judge this market is in a topping out process and last week's price action fits our longer term view.

The move was largely fuelled by surprise comments from Trichet about inflation. While the Euro zone CPI rate has moved above target, we had expected the ECB to be more relaxed than appears the case.

Euro zone inflation was very weak for a prolonged period and although policy makers take controlling inflation seriously we would have expected a bigger

picture view to prevail given the severity of the debt crisis.

Never the less we do not expect the ECB to move policy anytime soon. Remove French and German economic growth from the equation and how strong does the Euro zone economy look then.

However the writing is on the wall and the ECB are apparently ready to act if inflation rises too much more, but not just yet.

For now we advise remaining square.





## 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

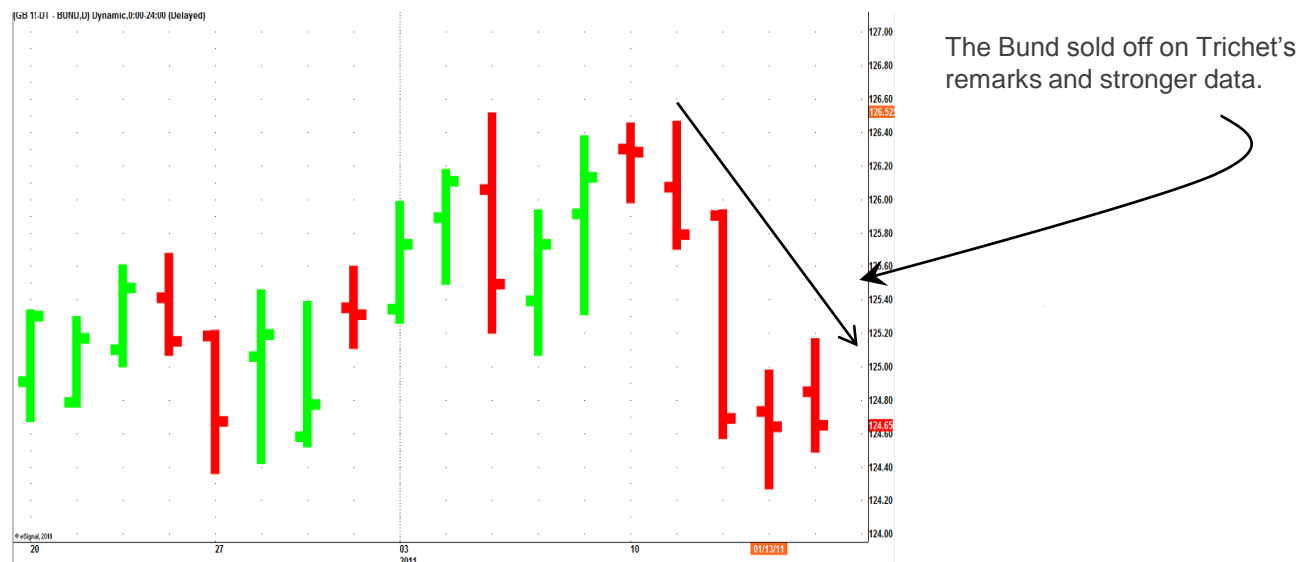
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: **BEARISH.**

Last week we were **Bearish** of The Bund.



**The Macro Trader's view of the Bund is:** our target was virtually hit last week as the Bund sold off on a combination of hawkish comments from Trichet on Monday and Thursday and stronger than expected industrial production data from France, Italy and the Euro zone.

And despite a successful Portuguese Bond auction mid-week, the sell off only eased on Friday after the release of an as expected Euro zone CPI report.

Looking ahead we judge this market remains

vulnerable to further selling. The Sovereign debt crisis is far from resolved and now the ECB appears to be getting edgy about inflation, albeit prematurely.

The main data release to watch this week is the German ZEW survey, but we judge the debt crisis will remain a major dynamic in this market.

Traders should remain short of the Bund.

Our target this week is 123.90 and our stop is reduced to 126.50 for closer protection.



## 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

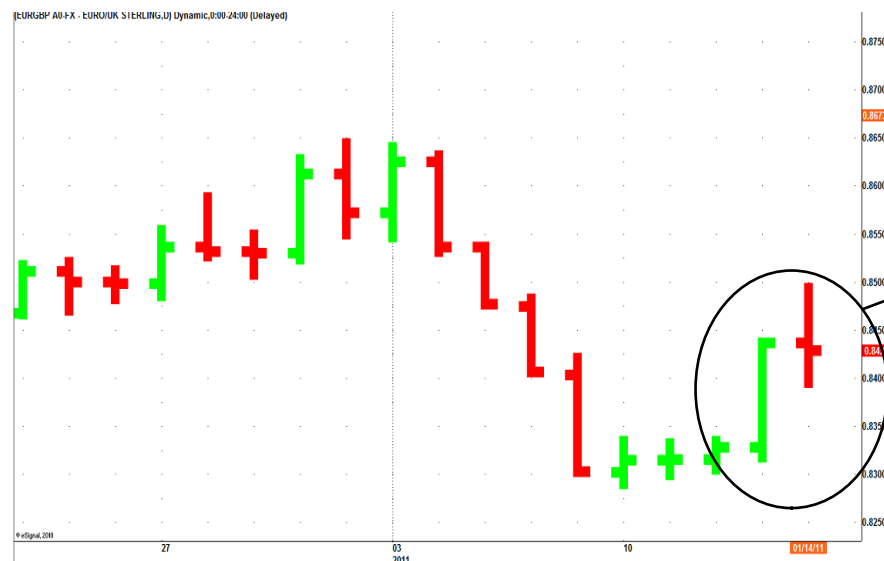
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: BEARISH v The DOLLAR.

Last week we were Bearish of the Euro v the Dollar.



See how the Euro improved against Sterling and also the Dollar.

**The Macro Trader's view of the Euro;** the Euro won a reprieve last week after Portugal staged a successful bond auction that eased Euro zone funding fears.

Another unexpected source of support came from ECB President Trichet. His comments about inflation and the ECB standing ready to act if inflation pushed higher were a surprise, and although he also said current pressures were likely temporary, the market was put on notice that policy makers in the Euro zone, unlike in the UK, were not going to tolerate higher inflation.

Looking ahead data this week is thin and we judge currencies will trade in line with current trends, which for us means the Euro should resume its slide against the Dollar since the Sovereign debt crisis remains unresolved.

Although stopped out last week traders should remain Long the Dollar/Short the Euro.

Our target this week is 1.3000 and our stop is set at 1.3500 for protection



## 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

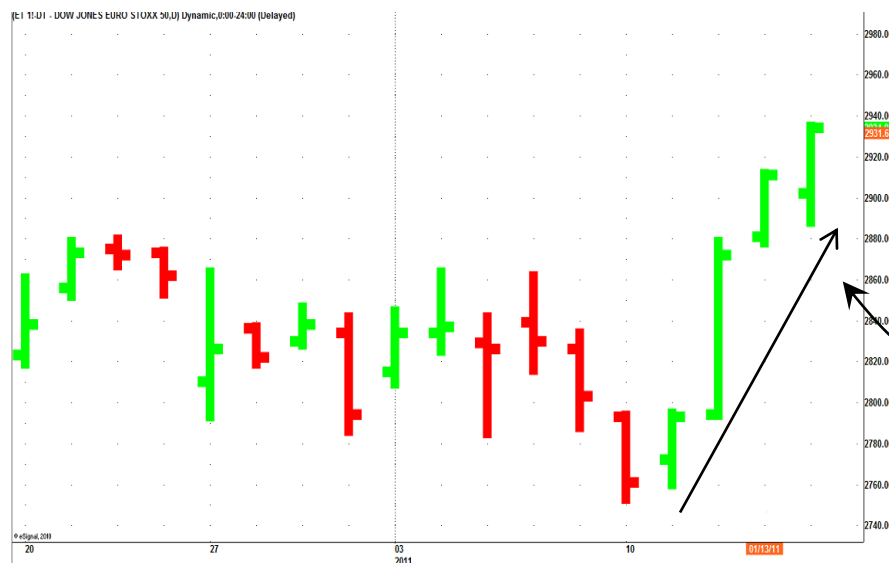
+ GOLD  
+ OIL

## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market rallied last week helped by positive global sentiment and stronger data releases.

### The Macro Trader's view of DJ Euro Stoxx 50 is:

the market enjoyed an improved performance last week helped by several factors:

1. Portugal eased Euro zone funding fears by holding a successful Bond auction,
2. Euro zone industrial production data came in better than expected with France showing unexpected strength, and
3. The US corporate profit reporting season continued to go well buoying up international equity market sentiment.

Looking ahead Euro zone leaders meet this week to try and agree an improved rescue formulae, as the

Sovereign debt crisis refuses to go away.

Data wise the German ZEW survey is the main domestic event and Existing home sales are due in the US, but we judge equity markets will continue to be led by corporate profit results.

However we are staying square of this market since we are advising long positions elsewhere and do not seek over exposure.



## Summary

## Global Calendar

## US Markets

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

## UK Markets

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+ FTSE

## Euro Zone Markets

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+ BUND  
+ EURO  
+ DJ EURO STOXX 50

## Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

## Commodities

+ GOLD  
+ OIL

## Disclaimer

## JAPANESE MARKETS: economic background

The economy continued to frustrate last week as several key data releases disappointed. Among these our major concerns hinged on the weaker than expected Machine orders and Machine tool orders reports.

But the trade balance was narrower than expected and with the Yen rallying against a faltering Dollar, the Nikkei weakened later in the week.

In all the Japanese economy remains in expansion mode, but its progress is full of stops and starts and easily frustrates the Macro oriented trader.

Looking ahead there are several economic releases due this week detailed on the global calendar, but we judge these are the week's key releases;

- On Monday; **Industrial production and capacity utilisation,**
- On Tuesday; **Machine tool orders, Tokyo condo sales and Tertiary industry index, and**
- On Thursday; **All industry activity index.**

We judge the main events this week are industrial production and capacity utilisation.



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## Commodities

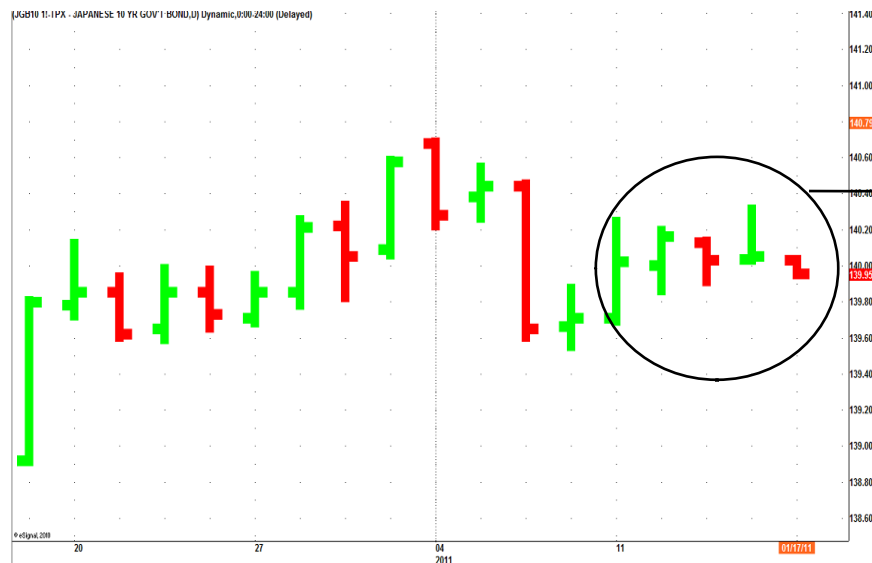
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



See how the JGB traded mainly sideways, as the Yen recovered against the Dollar.

**The Macro Trader's view of the JGB is:** the market traded mainly sideways last week despite some disappointing data releases which included Machine orders and Machine tool orders.

The main reason for the inertia appeared to be the Yen's recovery against the Dollar, which in turn weighed on the Nikkei later in the week.

After a period of Yen weakness helped by fears of intervention, the Dollar suffered a correction against most major currencies.

The principle reason was an easing of tension about the Euro zone sovereign debt crisis after Portugal held a successful Bond auction. This deprived the Dollar of some of its recent safe haven appeal.

Looking ahead traders should watch industrial production this week, but we sense the market won't move purely on data releases as sentiment from abroad linked to the Euro zone debt crisis remains a powerful factor in most markets.

For now stay square..



## Summary

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## Japanese Markets

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- + YEN
- + NIKKEI

## Commodities

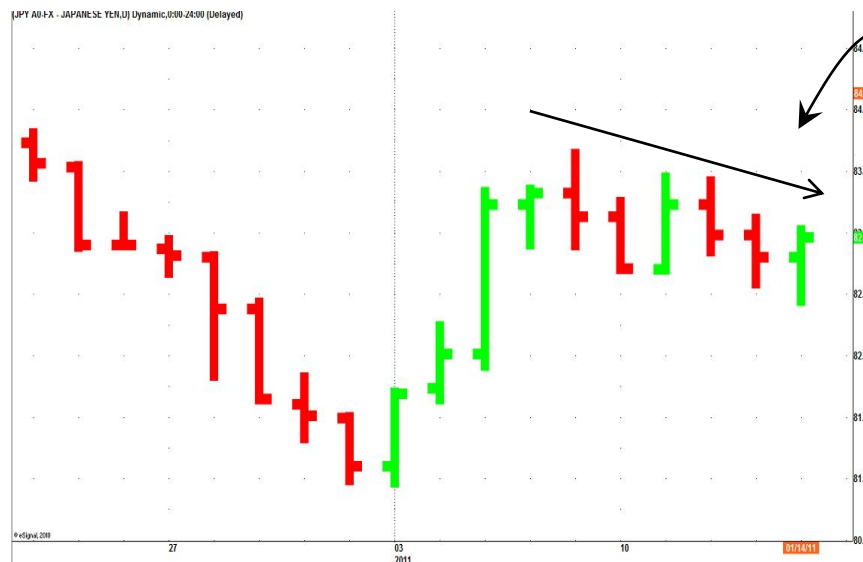
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Yen.



See how the Yen correction appeared to have run its course last week.

**The Macro Trader's view of the Yen is;** we remained square of the Yen last week as we sensed the Dollar/Yen correction looked all but over and last week's price action has confirmed that for us.

And although the Yen tried to go better against the Dollar, the move so far seems limited and lacks energy.

The main reason for the Dollars recent weakness has been relief in the Euro zone after the Portuguese held a successful Bond auction, but that isn't going to solve

the debt crisis, meaning the Dollar should strengthen once more.

So what of the Yen?

If traders judge intervention by Japan isn't imminent then the Yen can stage a stronger rally. Traders may prefer the Dollar to the Euro, but the Yen is preferred over both.

For now though the situation isn't sufficiently clear and we advise remaining square a little longer.



## Summary

## Global Calendar

## US Markets

- + EURODOLLARS
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- + US DOLLAR
- + S&P 500

## UK Markets

- + SHORT STERLING
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- + FTSE

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- + EURO
- + DJ EURO STOXX 50

## Japanese Markets

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- + YEN
- + NIKKEI

## Commodities

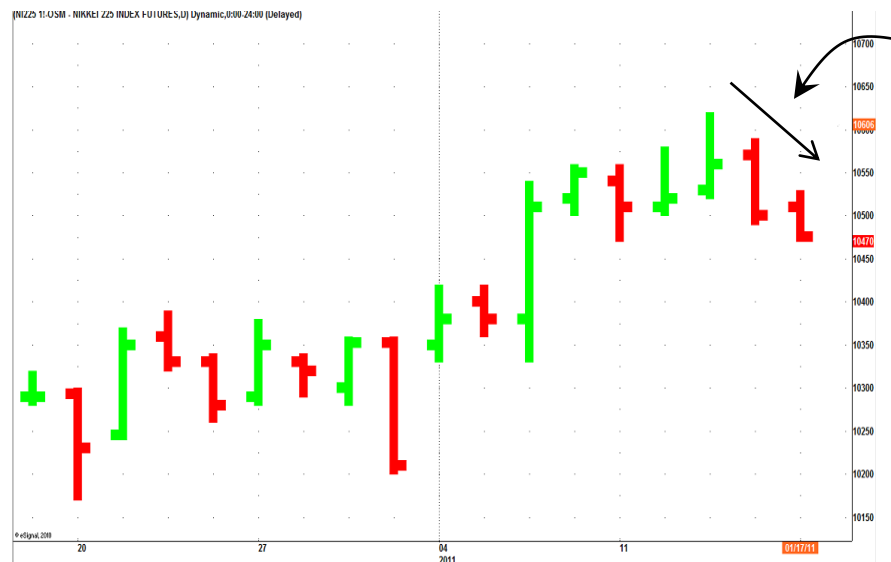
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of the Nikkei.



See how the Nikkei hit our target before profit taking took it away from the highs.

**The Macro Trader's view of the Nikkei is;** the Nikkei teased last week as it hit our target on Wednesday but failed to hold its gains.

The recent weakness of the Yen has been an important factor in this market's rally, but last week the Yen seemed to free itself from the period of weakness.

Although the price action was mainly sideways, it was with a strengthening Yen bias and we judge worries of a stronger rally weighed on this market.

The decision by China to tighten its RRR didn't help either, but we judge the Nikkei remains essentially

bullish.

Of the factors we advise watching for positive signals, Japanese industrial production is important, a report above consensus could see this market resume the rally.

Additionally positive international equity sentiment should help too.

Traders should hold this position. Our target is raised to 10650 and our stop is raised to 10350 for closer protection.

More



## Summary

## Global Calendar

## US Markets

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- + FTSE

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- + EURO
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## Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of Gold.



See how gold is clearly experiencing yet another period of correction, so common during the long bull run.

**The Macro Trader's view of the Gold is:** our decision to remain long brought little joy last week as the market continued to correct.

With our stop nearby we hope the correction is all but played out but with the Dollar's recent period of weakness seemingly over, the stop may yet be more fully tested.

Our view of this market remains unchanged despite the correction; it is a long term bull market fuelled by the mess the major developed economies find themselves in especially the US with its high budget deficit to GDP ratio and a debt to GDP ratio fast approaching 100%, and all for scant evidence of strong economic recovery.

In fact the US on current policies appears to have unilaterally set its self on a path of economic decline, just as China emerges as a strong challenger for the preeminent economic position for so long held by the US.

Despite last week's price action we judge traders still view Gold as the ultimate hedge against inflation and fiscal irresponsibility.

Traders should be long of this market. Our target is now 1410.0 but our stop remains at 1350 for protection.





## Summary

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- + FTSE

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

## Japanese Markets

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- + YEN
- + NIKKEI

## Commodities

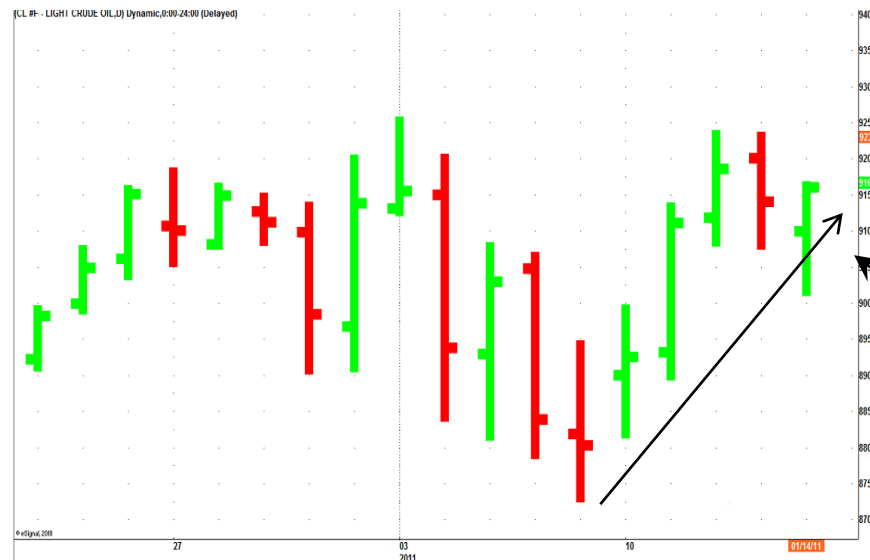
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of Oil.



See how oil the oil remains well supported and recovered well from the recent correction.

**The Macro Trader's view of oil is:** last time we said...

...“the oil market could be on the brink of a new bout of bullish activity”....

Last week's price action rewarded us for holding the trade. This market is driven quite simply by current and more important, expected future demand resulting from a sustained global economic recovery incorporating a re-invigorated US economy.

Last week US corporate profit reports supported recent optimism the economy is at last back on track even though data was a little mixed.

But with so much fiscal and monetary stimulus awash in the US economy it is difficult to believe the economy will not ultimately spring back into life.

This week the US release Existing home sales, we judge these are an important barometer of the housing market and wider economy, a solid report will add support to this market.

We advise traders to be long of this market, our target remains US\$100.0 and our stop continues at 85.00 for protection but to allow for volatility.

More



## Summary

## Global Calendar

## US Markets

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- + S&P 500

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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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