Week 14

5th – 11th April 2011

the macro trader's guide to major markets

John Lewis

SEVEN DAYS AHEAD

SUMMARY

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Global Calendar

US Markets

+ EURODOLLARS	SQUARE
+ 10 YEAR NOTE	BEARISH
+ US DOLLAR	SQUARE
+ S&P 500	BULLISH

UK Markets

+ SHORT STERLING	SQUARE
+ GILT	SQUARE
+ STERLING	SQUARE
+ FTSE	SQUARE

Euro Zone Markets

+ EURIBOR	SQUARE
+ BUND	BEARISH
+ EURO	SQUARE
+ DJ EURO STOXX 50	SQUARE

Japanese Markets

+ JAPANESE BONDS	SQUARE
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+ GOLD	BULLISH on Arab world unrest
+ OIL	BULLISH on geopolitical uncertainty

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This week's global calendar – macro trader

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	Week of 4th April
Monday	UK PMI Construction 54.8 UK Hsing mrkt Equty withdwl n/f UK Halifax hse prces 0.2m, -2.83m/y EZ PPI 0.9m, 6.7y JP Machine tool orders n/f
Tuesday	ISM Non-mfg survey 59.5 US FOMC minutes Mar 15 UK PMI Services 52.9 UK BRC Shop prces n/f UK NIESR GDP Est n/f IT PMI Services 52.2 FR PMI Services 60.7 DM PMI Services 60.1 EZ PMI Services 56.9 EZ Retail sales 0.1m, 0.6y
Wednesday	US MBA Mrtge apps n/f UK Mfg output 0.5m, 5.8y UK Ind production 0.4m, 4.3y EZ Q4 GDP 0.3q, 2.0y DM Factory orders 0.5m, JP BOJ Rate decision 0.10%

	Week of 4th April
Thursday	US Jobless claims n/f UK MPC Rate decision 0.50% UK BOE QE Target £200.0B FR Trade bal n/f DM Ind production 0.5m, EZ ECB Rate decision 1.25% JP C/A 1743.0B JP Trade Bal 744.1B JP Eco watchers survey n/f
Friday	US Wholesale inventry 1.2% UK PPI Input 2.7m, 13.2y UK PPI Output 0.6m, 5.1y UK PPI Core 0.3m, 2.9y DM C/A n/f DM Trade Bal n/f JP Bankruptcies n/f

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	Week of 28th March
Monday	US Core PCE 0.2m, 0.9y **AS** US Prsnl spndg 0.7% **MORE** US Prsnl income 0.3% **LESS** US Pndg home sales 2.1m, -9.3y **WEAKER** JP Hsehld spndg -0.2y **WEAKER** JP Jobless rate 4.6% **BETTER** JP Retail trade 0.8m, 0.1y **BETTER** JP Lrge retail 0.5% **STRONGER** **THAN EXPECTED**
Tuesday	US Case/shiller comp-20 -3.06% **BETTER** US Cons conf 63.4 **WEAKER** UK Tot bus invstmt 0.0q, 12.2y **BETTER** UK C/A -10.5B **AS** UK Q4 GDP -0.5q, 1.5y **BETTER** UK Net cons cr 0.8B **BETTER** UK Net lndg on dwllgs 1.2B **LESS** UK Mrtge apps 47.0k **MORE** DM CPI 0.5m, 2.1y **MORE** FR Consumer spndg 0.9m, 5.5y **STRONGER** IT Bus conf 103.8 **BETTER** JP Ind production 0.4m, 2.8y **BETTER** **THAN EXPECTED**
Wednesday	US MBA Mrtge apps -7.5% **WEAKER** US ADP Emplym't chge 201k **LESS** UK Indx of services -0.5(3m/3m), 1.3y **BETTER** UK CBI Sales 15 **STRONGER** UK GFK Cons conf -28 **BETTER** EZ Cons conf -10.6 **AS** EZ Economic conf 107.3 **LESS** EZ Ind conf 6.6 **BETTER** EZ Services conf 10.8 **LESS** JP Labour cash earngs 0.3%y **AS** **THAN EXPECTED**

	Week of 28th March
Thursday	US Jobless claims 388k **MORE** US Chicago PMI 70.6 **STRONGER** UK Nat'nwide hse prces 0.1m, 0.5y **STRONGER** FR PPI 0.8m, 6.3y **MORE** DM Unemploym't chge -55k **BETTER** DDM Unemploym't rate 7.1% **BETTER** IT PPI 0.6m, 5.7y **BETTER** EZ CPI Est 2.6y **WORSE** IT CPI 0.4m, 2.5y **MORE** JP Vehicle production -5.5% **BETTER** JP Construction orders 19.5% **STRONGER** JP Tankan lrge mfg 6 **AS** JP Tankan non-mfg 3 **BETTER** JP Tankan lrge all ind capex -0.4% **WEAKER** **THAN EXPECTED**
Friday	US non-farm payroll 216k **STRONGER** US Unemploym't rate 8.8% **LESS** US Avge hrly earngs 0.0m, 1.7y **WEAKER** US Avge wrk wk 34.3 **AS** US Construction spndg -1.4% **WEAKER** US ISM Mfg 61.2 **BETTER** US ISM Prces paid 85.0 **WORSE** UK PMI Mfg 57.1 **WEAKER** DM Retail sales -0.3m, 1.1y **WEAKER** FR PMI Mfg 55.4 **WEAKER** IT PMI Mfg 56.2 **WEAKER** DM PMI Mfg 60.9 **AS** EZ PMI Mfg 57.5 **LESS** EZ Unemploym't rate 9.9% **AS** JP Vehicle sales -37% **WEAKER** **THAN EXPECTED**

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US MARKETS: economic background

The US Labour market maintained the recent momentum with a better than expect non-farm payroll report.

Both the headline number and the unemployment rate beat expectations and with upward revisions to previous months data, the economy finally looks able to begin reabsorbing the unemployed as well as creating jobs for new labour force entrants.

The good news was underlined by a better than expected ISM manufacturing report, but with prices paid continuing to push higher, the Fed does need to keep an eye on inflation.

Earlier in the week the housing market disappointed with the release of weaker than expected pending home sales, but on balance the economic outlook is clearly improving.

Now Congress and the administration need to strike a deal on the budget.

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; **ISM Non-manufacturing survey and FOMC minutes,**
- On Thursday; **Jobless claims, and**
- On Friday: **Wholesale inventories.**

We judge the main event this week is Tuesday's FOMC minutes as traders are now on watch for any clues that the Fed may be starting to shift its stance, no matter how subtle.

The ISM non-manufacturing survey should closely monitored too for evidence of continuing recovery.

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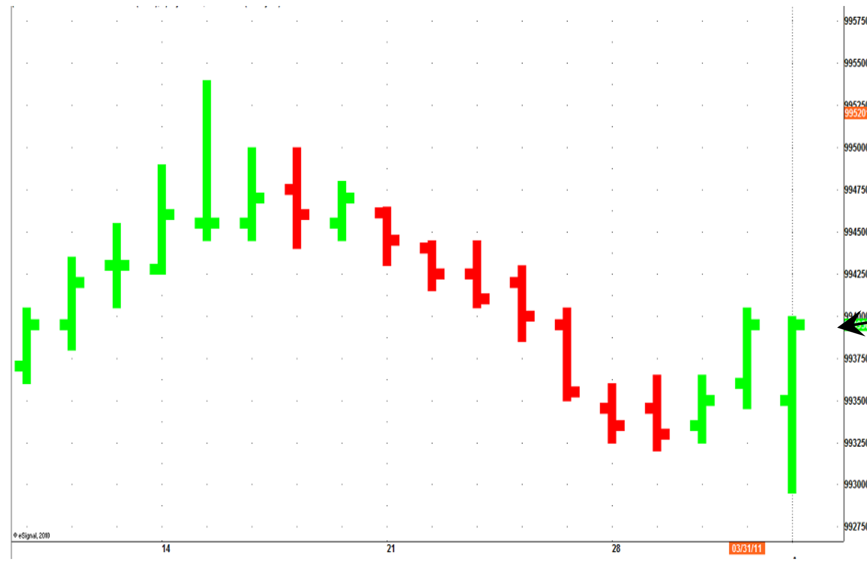
US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of December 11 Eurodollars.



See how Eurodollars rejected the lows on Friday, despite a better than expected non-farm payroll report.

The Macro Trader's view of Eurodollars is; the market actually closed higher on the week, despite some better than expected data from the Labour market and ISM manufacturing survey.

And although the unemployment rate fell to 8.8%, Fed officials will regard this as still too high, 6% and falling would be a level that suggested to them Labour market tightening.

Moreover with inflation still apparently contained, the Fed has time to allow the recovery to deepen, so while the QE2 program is close to expiry and there are no plans to extend it, policy makers will be in no rush to change tack and we expect this week's FOMC minutes to confirm our analysis.

Looking ahead Tuesday's ISM non-manufacturing survey should confirm the recovery remains on track, but given the duration of this slowdown and the lengths policy makers have had to go to in order to achieve a self sustaining recovery, we judge this market isn't yet ready to surrender to the Bears, even if the days of the Bulls are over.

For now we advise remaining square as we seen no clear trading opportunity.

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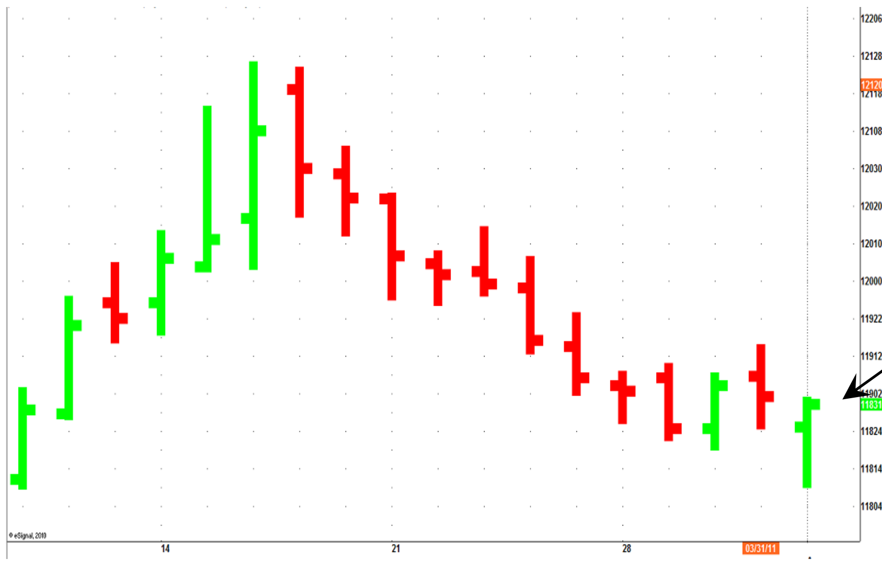
US MARKETS: 10 Year Note

OUR TRADING STANCE: BEARISH.

Last week we were Square of the 10 year note.



See how the 10 year note recovered from the lows on Friday, but the downside still beckons.

The Macro Trader's view of the 10 year note is; the market suffered a bearish week, despite Friday's weak attempt at a rally.

The run of data throughout the week was mainly positive, apart from pending home sales, and with the labour market extending the recent run of positive news, and equity markets regaining their poise, Bonds once again look fragile.

The US budget deficit remain a hot issue for the house Republicans as they seek to find a way of reigning back the soaring budget deficit, but Obama seems less than enthusiastic.

The threat of a government shut down remains real, but unlikely. However the struggle in DC keeps the US public finances firmly in the spotlight and we judge undermines this market on a longer term assessment.

Traders should be short of this market, will it be able to resist gravity once the Fed's QE2 program ends?

Our target this week is 117.31 and our stop is set at 120.12 for protection.

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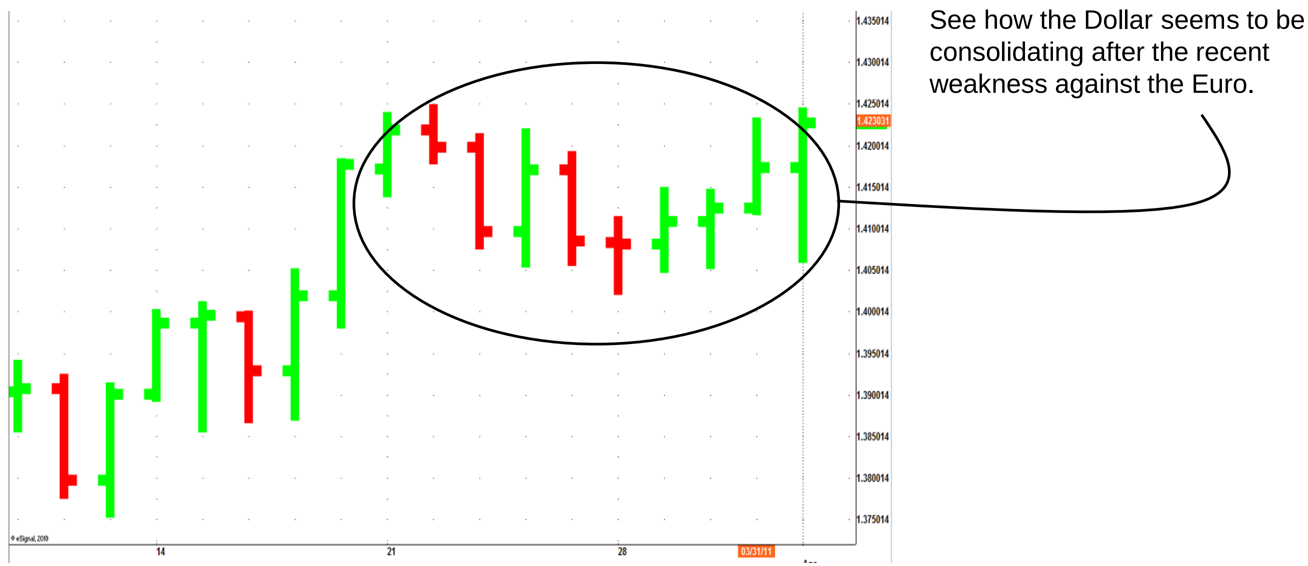
US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE.

Last week we were Square.



The Macro Trader's view of the Dollar is: the US Dollar has come under intense selling pressure over recent weeks as traders have turned positive towards the Euro.

The comparison between the two currencies hinges on the outlook for interest rates and Public finances.

US interest rates are on hold for a further period, while the ECB is widely expected to raise interest rates this week to bear down on inflationary pressures.

On the fiscal side the US administration remains in denial and is resisting Republican lead attempts to reduce the deficit, where as in the Euro zone a process of debt reduction is under way, albeit in an unsatisfactory manner.

We judge these factors combine to undermine the Dollar, but after a recent period of weakness, the Dollar seems to be entering a period of consolidation, so for now we advise remaining square, while seeking a good selling opportunity.

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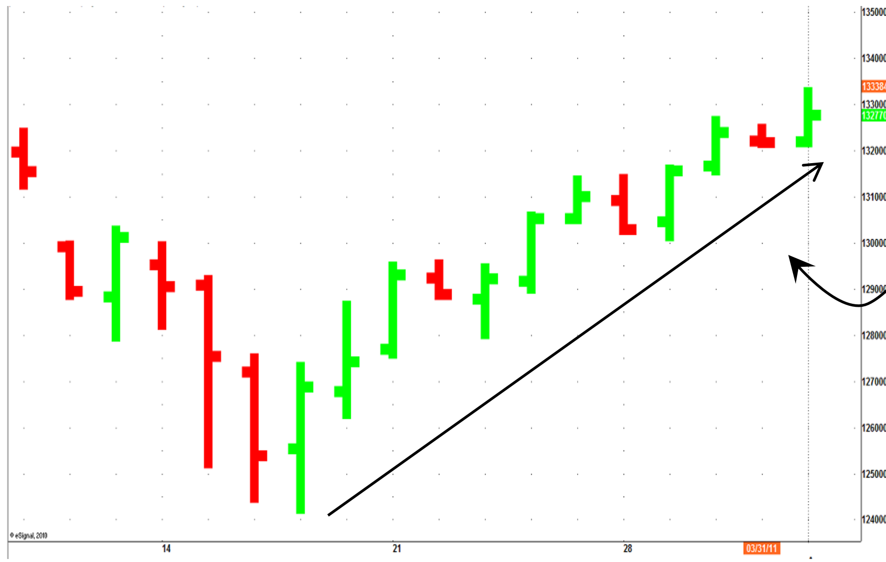
US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



See how the S&P has staged a more than respectable recovery from the sell off that followed the earthquake/ nuclear crisis in Japan.

The Macro Trader's view of the S&P 500 is: the market continued its recovery last week, despite further bad news from Japan concerning the nuclear crisis.

However traders appear to be increasingly taking the view that the event is old news. While the crisis is causing some difficulty for manufacturers globally to source components, it offers others a chance to gain market share.

And as the US economy continues to publish solid data, traders are increasingly refocusing onto economic data.

Even the rolling Arab revolt appears to have lost its ability to unhinge equity markets as traders judge the more important oil exporting countries seem unaffected; at least for now.

We judge this market can extend the rally further, even though the risk of another bout of risk aversion remains.

Traders should be long of this market, our target is 1343.0 and our stop is placed at 1300.0 for protection.

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UK MARKETS: economic background

The UK economy through out some mixed signals last week. The final release of Q4 GDP was revised slightly higher, in fact back to the level of the first release.

Increasingly economists are taking the view that much of the poor performance in Q4 was caused by the bad weather that last over a period of several weeks and caused significant disruption.

Additionally the housing market has shown greater resilience than expected, as several of the recently released house market surveys have proved better than expected and last week's net lending on dwellings report was better than expected.

On a less positive note the PMI Manufacturing survey was unexpectedly weaker than forecast and traders will be watching this week's PMI Service survey for evidence the economy isn't starting to cool as many fear it will under the weight of the governments fiscal retrenchment.

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; **PMI Construction survey and Halifax house price survey,**
- On Tuesday; **PMI Services survey,**
- On Wednesday; **Manufacturing output and industrial production,**
- On Thursday; **MPC monetary policy decisions, and**
- On Friday; **PPI input, output and core.**

The main event this week is the PMI Service survey as traders will be looking for evidence of how the economy is coping with the fiscal retrenchment.

The MPC interest rate decision is expected to result in rates left on hold.

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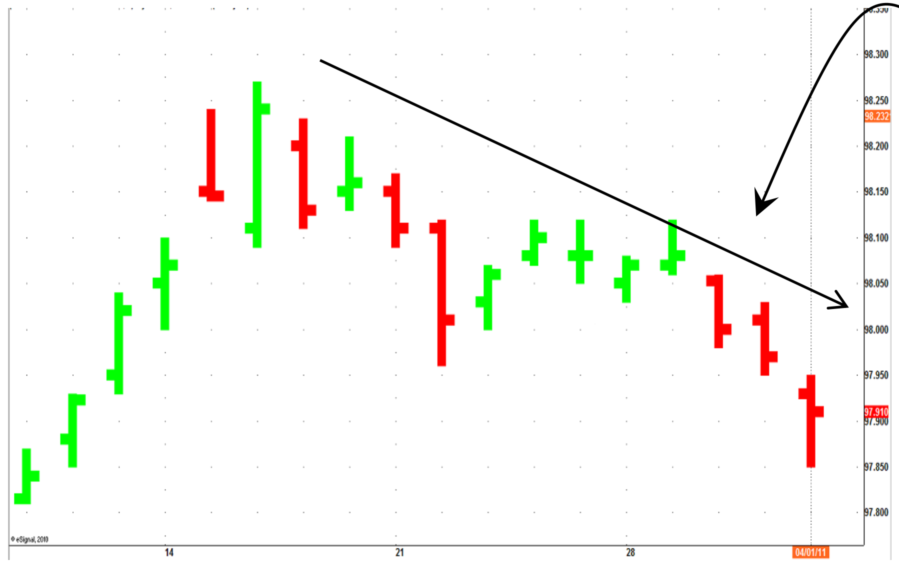
UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of June 12 Short Sterling.



Note how Short Sterling sold off last week as traders judged the economy might be doing better than feared after the upwardly revised Q4 GDP data.

The Macro Trader's view of Short Sterling is; Short Sterling remains unclear to us.

The Q4 GDP data was upwardly revised last week and economists judged the bad weather was likely a very big factor in the number being so negative.

But last week's PMI manufacturing survey unexpectedly weakened, and all eyes will be on this week's PMI Services survey.

The MPC is unlikely to hike at this week's meeting, but policy makers remain split with three members likely voting for tighter policy once more.

We judge the outlook for the economy really is not clear. While it is possible the economy will ride out the fiscal retrenchment, it is also possible the cuts may prove too deep and if the MPC resorts to tighter policy by Q3 Short Sterling may once again look a good buy.

For now given the complete lack of clarity, we advise a square position.

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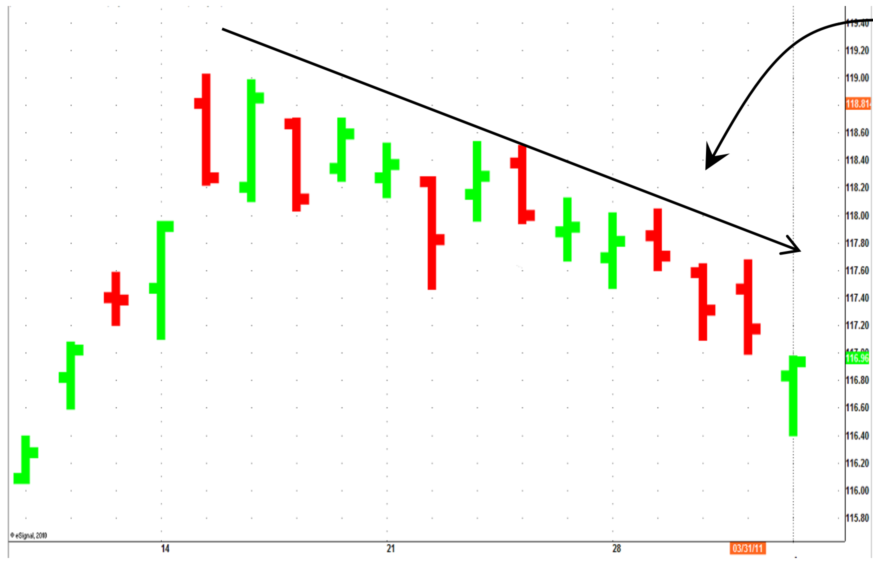
UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the gilt takes its lead from sentiment in other Bond markets and the direction of equity markets.

The Macro Trader's view of the Gilt is; the Gilt is led by two major factors, sentiment in international Bond markets and the outlook for UK inflation.

In the UK the fiscal position can not be a major negative for the gilt given the spending cuts planned, but the outlook for inflation is since the MPC continue to avoid hiking rates over fears those same spending cuts will cool the economy.

At the same time foreign bond markets continue to react to a debt crisis in the Euro zone that refuses to go away and a soaring national debt in the US driven by record budget deficits that the administration are unwilling to tackle.

Add in the return of positive sentiment in equity markets and government bond markets generally are under pressure.

However since we judge the lead bear markets in bonds are US Treasuries and the Bund we are remaining square of the gilt and advise others to do likewise.

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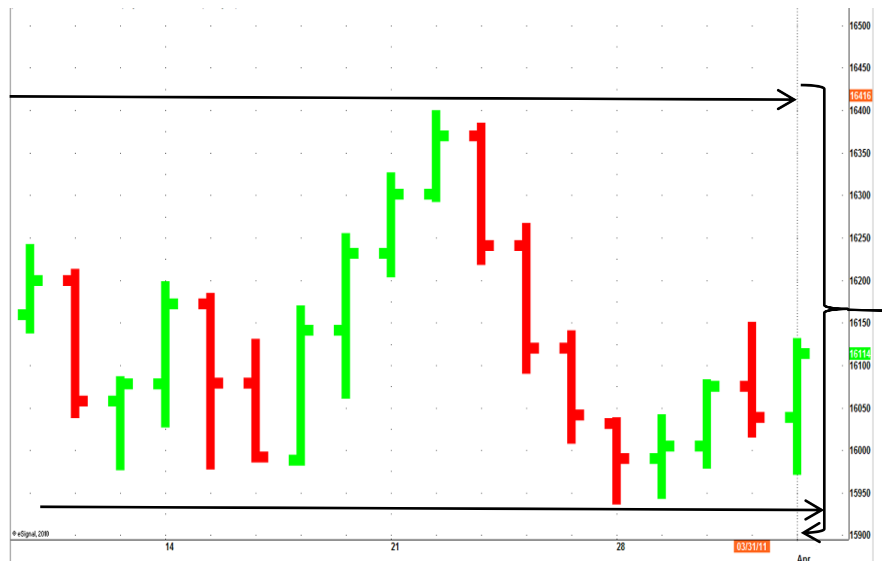
UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE

Last week we were square



See how Sterling seems trapped in a trading range against the Dollar while looking weak against the Euro.

The Macro Trader's view of the Pound is; the Pound increasingly looks stuck in a range against the Dollar as the two currencies look burdened by either fiscally loose policy as in the US or worryingly high inflation, with little hope of tighter policy, as in the UK.

Meanwhile the Pound does look weak against the Euro as the ECB appears on the brink of tightening policy.

However, given the difficulties faced by several Euro zone economies, will such a move prove unhelpfully premature?

Our view of the Pound until recently had been bullish as we judged the Bank would likely find it impossible to ignore the build up of inflation for vey much longer, but that view has been undermined as key members of the MPC genuinely believe inflation is driven by one off shocks and is set to correct sharply lower.

The market appears not to share that view.

However the UK economy has confounded its critics before and sustained a solid recovery amid fiscal belt tightening, all hinges on whether it can do again; a big uncertainty and we advise remaining square.

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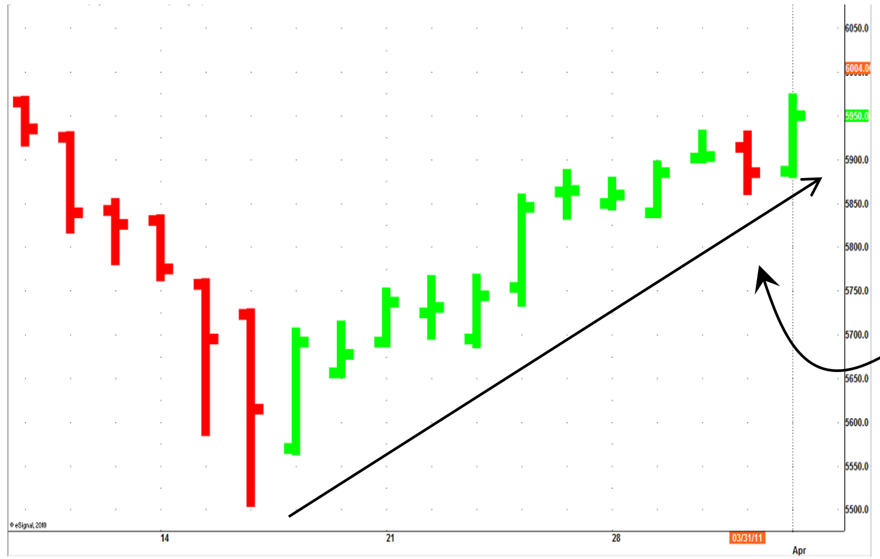
UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square of the FTSE.



See how the FTSE like the S&P has largely shrugged off the negatives that forced the sharp sell off early in March.

The Macro Trader's view of the FTSE is: the FTSE has clearly moved on from the negatives that forced it lower earlier in March, namely:

1. The Arab revolt and violence in Libya, and
2. The natural disaster and Nuclear crisis in Japan.

While the crisis in Japan isn't yet controlled, traders have concluded, others in Asia will take the opportunity to grab market share from struggling Japanese companies.

Add in the improving situation in the US economy and still strong Euro zone economic recovery, powered mainly by Germany and France and stocks look set to rally further.

Although there are serious question marks hanging over the UK economic recovery, we have said many times the FTSE is an international market and reflects realities in many places not just the UK, for this reason we are bullish of this market, but given the risks that still remain, prefer to delay taking a long position a little longer as we judge it unwise to be over exposed to equity markets.

So for now remain square.

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EURO ZONE MARKETS: economic background

The main theme dominating Euro zone markets last week, was the expectation that Euro zone interest rates are set to rise as the ECB maintained its hawkish rhetoric and with policy makers meeting this Thursday, the markets are on alert for an early move.

While there is no doubt about the strength of the German economy and to a lesser extent the French, many others in the Euro zone are struggling under the burden of the debt consolidation underway since the Sovereign debt crisis first hit.

Hiking interest rates seems a recipe for ensuring those economies remain mired in recession, which will make it even harder to meet debt/deficit reduction obligations; that is clearly the downside of a one size fits all monetary union without proper political and fiscal union; good luck.

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 PPI,**
- On Tuesday; **French, Italian, German and Euro zone PMI Services surveys and Euro zone retail sales,**
- On Wednesday; **Euro Zone Q4 GDP and German factory orders,**
- On Thursday; **German Industrial production and ECB interest rate decision, and**
- On Friday; **German C/A and Trade account data.**

The main event this week is Thursday's ECB interest rate decision and Trichet press conference.

A rate hike is widely expected after a period of choreographed cacophony. But what Trichet has to say will be just as important as traders will be eager to learn whether a slow measured approach to higher rates is to be the rout higher or something a little more aggressive.

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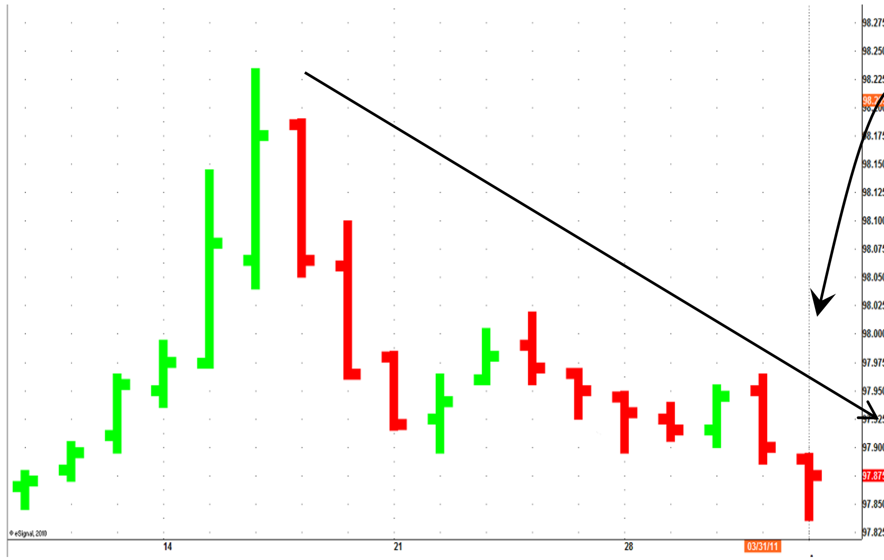
EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were square of Euribor.



See how Euribor continues to give back the gains made in the wake of Japan's natural/nuclear crisis.

The Macro Trader's view of Euribor is; the Euribor market continues to respond to a likely rate hike this week.

ECB policy makers have been dropping ever larger hints that policy needs to be tightened to defend against inflation which is now established above the Central Banks 2.0% target.

This week's release of the Euro zone CPI estimate is forecast to hit 2.6%, that is an overshoot the hawks at the ECB are not prepared to tolerate, even though many Euro zone countries are still mired in recession as a result of implementing debt consolidation measures put in place at the start of the Euro zone Sovereign debt crisis.

Just how aggressive policy makers intend to be is yet clear and Trichet's press conference should offer guidance, but a gradual approach seems the best way forward.

If the ECB raise rates by 4 times this year by 25bp, policy will stand at 2.0%, we struggle to see them being more aggressive than that, for now we see a move of that dimension fully priced in.

For now we remain square.

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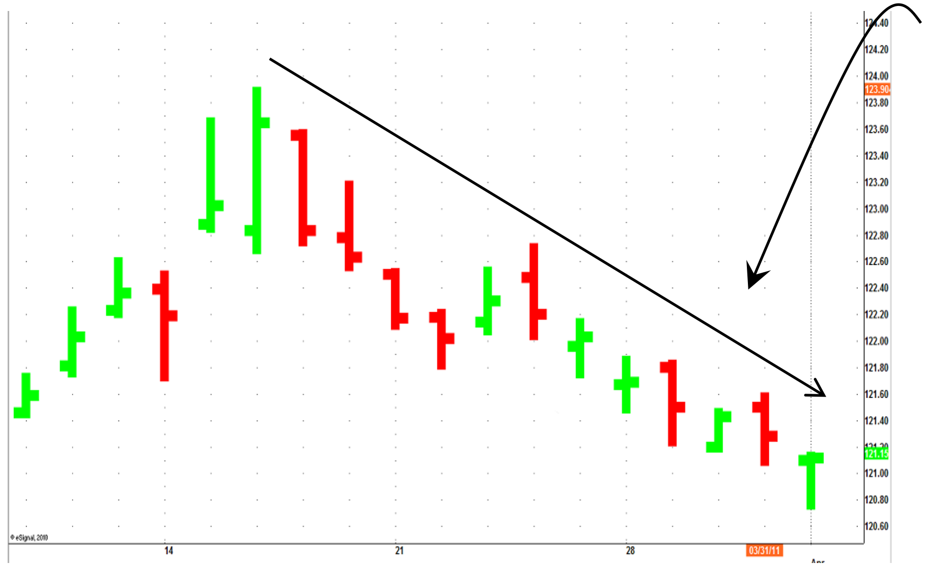
EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BEARISH.

Last week we were Bearish of The Bund.



The Bund remained under pressure last week as the ratting agencies continued to hover around the weaker members of the Euro zone.

The Macro Trader's view of the Bund is: our decision to remain short of the Bund paid off again last week as the market continued to probe the downside.

We judge the dominant theme in this market remains the debt crisis and the authorities response to it.

The debt crisis has been running for approximately a year and the authorities continue to shuffle the pack.

Portugal continues to struggle with rising yields while trying to resist a rescue and others are feeling the pain too.

The ECB is set to begin tightening policy, for those countries enacting punishing debt reduction policies, higher short term rates will make it even harder to climb out of recession and meet commitments making further calls for assistance likely.

Traders should remain short of the Bund, last week's target was hit.

Our target this week is still 120.25, and our stop is now set lower at 122.85 for closer protection.

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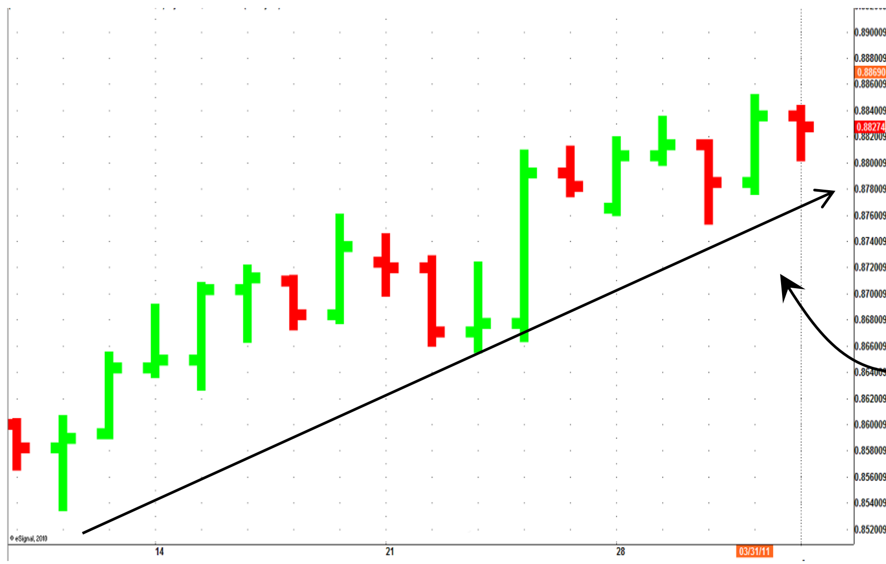
EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the continues to rally against the Pound as the outlook for interest rate differential seems set to widen in the Euros favour.

The Macro Trader's view of the Euro; the Euro's march against the Dollar seems to have moved a little sideways over recent days after a solid performance from the Euro.

Against the Pound the Euro still looks strong, based on interest rate differentials that look set to widen in the Euros favour as the ECB are widely expected to hike policy at this Thursday's meeting.

But are they about to score an own goal?

Inflation in the Euro zone is forecast to hit 2.6% this week, driven by oil imports etc. But unlike the Bank of England policy makers are prepared to act; the Euro zone economy, on paper at least, looks stronger than the UK'S. But take out Germany and to a lesser extent France and the comparison isn't so good.

The debt burdened economies of the Euro zone, so reliant on Public spending largess in the past, are seeing weaker GDP as a result of swinging Public spending cuts, higher rates will make matters worse and may require another bail out for some as slower economic activity would make it even harder to meet commitments.

So Euro strength now may not last if policy makers become to aggressive.

For now we advise remaining square.

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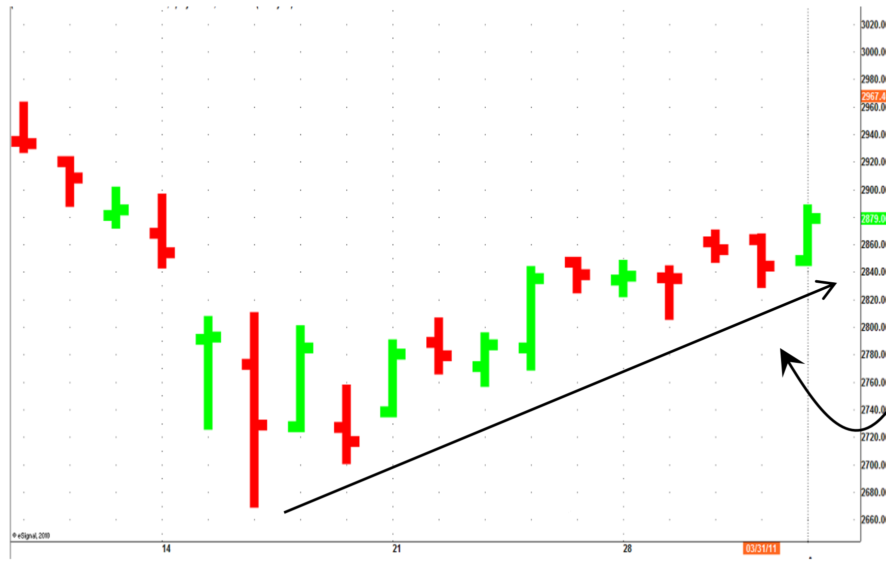
EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.
Last week we were Square of DJ EUROSTOXX50.



See how the market has recovered, but less impressively than the S&P and even the FTSE.

The Macro Trader's view of DJ Euro Stoxx 50 is:
Last week we said…

…"equity markets were initially driven lower by violence in Libya followed by the natural disaster and nuclear crisis in Japan"...

…"They corrected as the UN sanctioned military action in Libya to protect civilians and the Japanese authorities seemed to be making progress with the nuclear crisis"...

But events continue to suggest Japan is no where near controlling this crisis and a catastrophe still seems possible.

What then for equity markets?

Equities have recovered, but this market looks less secure than its peers as concerns remain about the credit rating of Portugal and other struggling Euro zone peripheral members.

While we are bullish of the S&P, and seek a buying opportunity in the FTSE, in this market we are happy to remain square.

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JAPANESE MARKETS: economic background

The Japanese economy reported some stronger data again last week, but these numbers are likely pre-crisis.

The death toll from the Earthquake/Tsunami is still rising, but more importantly the nuclear crisis is still very much a live issue as radiation levels remain high with calls for an expansion of the exclusion zone around the damaged reactor complex.

The Bank of Japan continues to respond by growing its balance sheet in an effort to pump liquidity into the system, but the unsatisfactory conduct of the nuclear crisis is likely to sap confidence in the economy, at least short/medium term.

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; **Machine tool orders,**
- On Wednesday; **BOJ rate decision,**
- On Thursday; **C/A, Trade balance and Eco watchers survey, and**
- On Friday: **Bankruptcies.**

We judge the main event this week is the trade data as it might give some early indication of just how badly disrupted the economy is.

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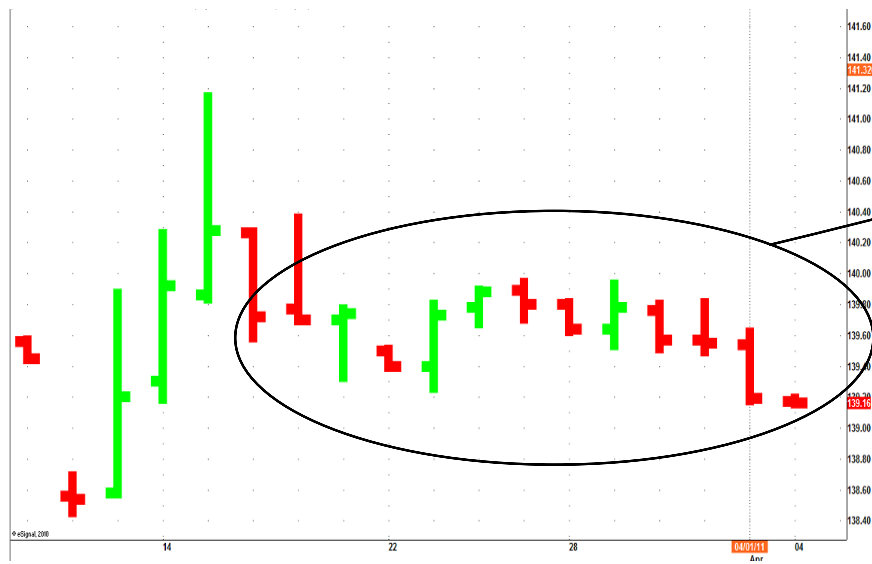
JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



Note how the JGB remains trapped In a narrow sideways trading pattern.

The Macro Trader's view of the JGB is: last week we said and repeat…

…"our view of this market last week was that there was really very little to go for in terms of a trade and judging by last week's price action, our assessment looks right"...

…"The authorities are still looking for the missing as the death toll continues to rise and the nuclear crisis looks to be spiralling out of control"...

…"At some point a rebuild will begin, but until that nuclear plant is under control, so not yet"...

…"Looking ahead the threat of further currency intervention still exists if the Yen renews its advance and we judge bonds are likely to continue there sideways move"...

…"No one can deny the need Japan has to use fiscal policy to repair the country and economy, in fact to not do so would be bearish for bonds as the economy would be permanently damaged"...

So once again we judge there is little to suggest a profitable trade in this market and advise remaining square.

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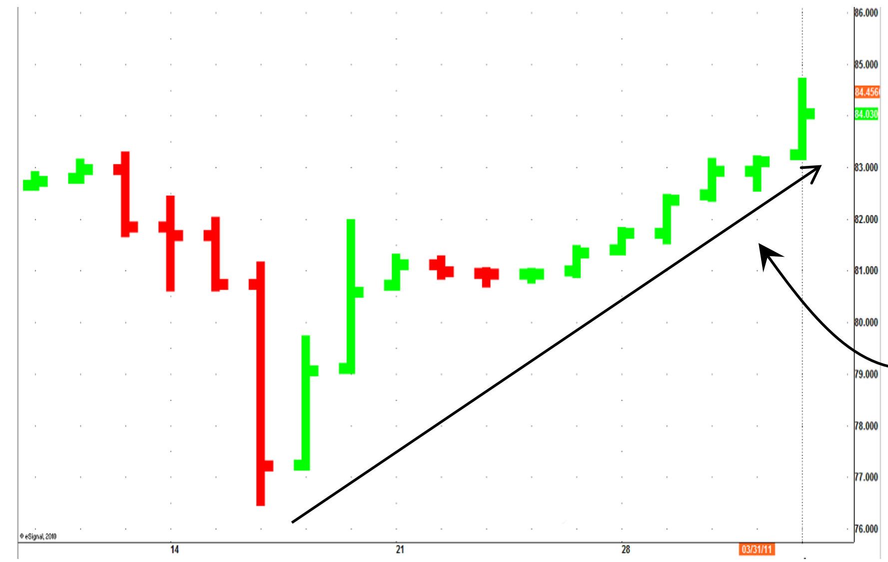
JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Yen.



See how the Yen continues to weaken under the threat of intervention if the rally resumed.

The Macro Trader's view of the Yen is; the Yen continues to weaken under the threat of renewed currency intervention should the rally resume.

And although data over recent weeks has been generally better than expected, this is likely pre-crisis and of limited value.

We judge the authorities seek a weaker Yen. It will help export industries and aide recovery.

Moreover a weaker Yen will encourage savers in Japan to place their funs in domestic assets and JGB's would be the governments preferred destination as it would help fund the rebuilding effort and keep funding largely domestic.

We see little to excite in this market. The Yen is unlikely to enter an aggressive bear market and the authorities have scared off the Bulls.

For now stay square.

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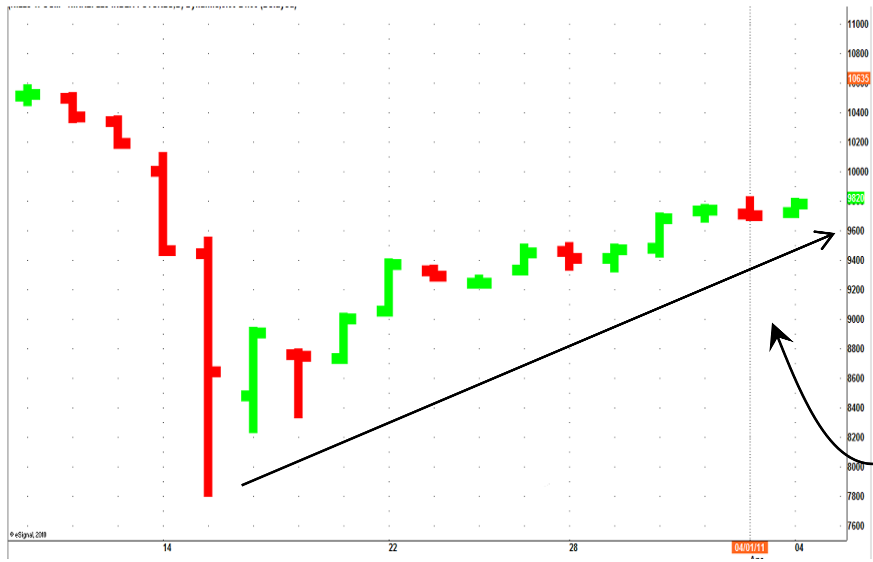
SEVEN DAYS AHEAD

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



See how the Nikkei lacks real direction as recent price action is merely a correction from a very over sold reaction to a natural/nuclear disaster.

The Macro Trader's view of the Nikkei is; the Nikkei has continued to recover from the massive sell off caused by the earthquake/tsunami/nuclear crisis, but with reducing energy.

As the nuclear crisis continues, with one of the reactors leaking radioactive water causing radiation levels to remain sky high, amid calls for the exclusion zone around the complex to be further extended, we judge this market is at risk of retesting the downside.

There is much talk about how recovery building can kick start the Japanese economy, but the area around the reactor complex is likely off limit for years, so no rebuilding in what could be a 50km exclusion zone for many years and in the areas devastated by the tsunami; the authorities are still searching for bodies.

In short recovery could take years and the market is likely to be hit with data showing just how much the economy has been negatively affected before any positives can send it higher.

Given the remaining degree of uncertainty, we advise remaining square.

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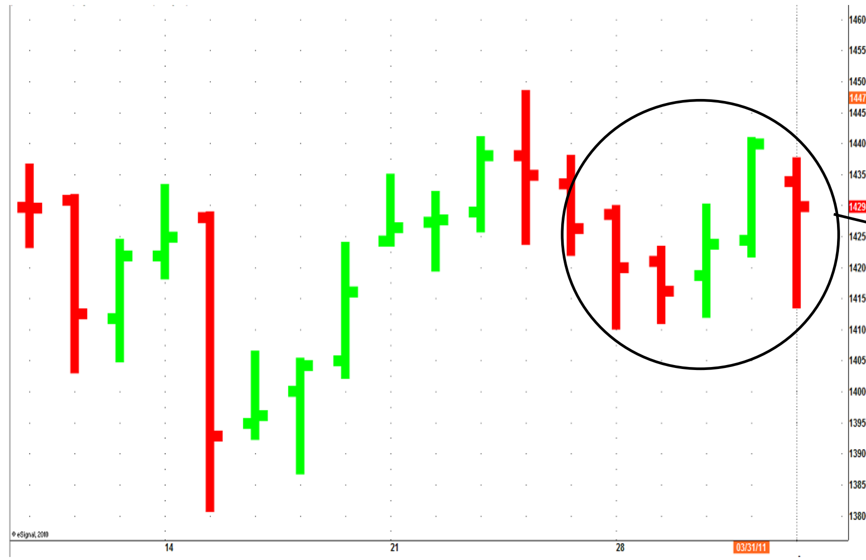
COMMODITIES: Gold

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of Gold.



See how gold remains well supported by geopolitical events and the weak Dollar.

The Macro Trader's view of the Gold is: our decision to remain long looked right again last week as the market remained well supported, helped by the weakness of the Dollar and the crisis in Japan, and various geopolitical events.

Our fear that the market was ripe for a deeper correction proved unfounded and while it is possible the market might consolidate further before making new highs, we judge it right to remain long of a market that we judge can go on to me new highs.

Among the reasons for our continued bullishness are:

1. The Dollar looks set to weaken further,
2. The violence in Libya looks like dragging on, with no quick resolution, and
3. Other Arab states including Syria are struggling to contain their own popular uprisings.

As large emerging economies such as China, India and Brazil begin to look in earnest for a replacement to the Dollar as the world's reserve currency, a period of volatility is likely as there isn't a ready made candidate to fill that role, meaning gold will remain in a strong bull phase.

Traders should remain long of this market. Our target remains 1460.0 and our stop continues at 1380.0 for protection, but allow for volatility.

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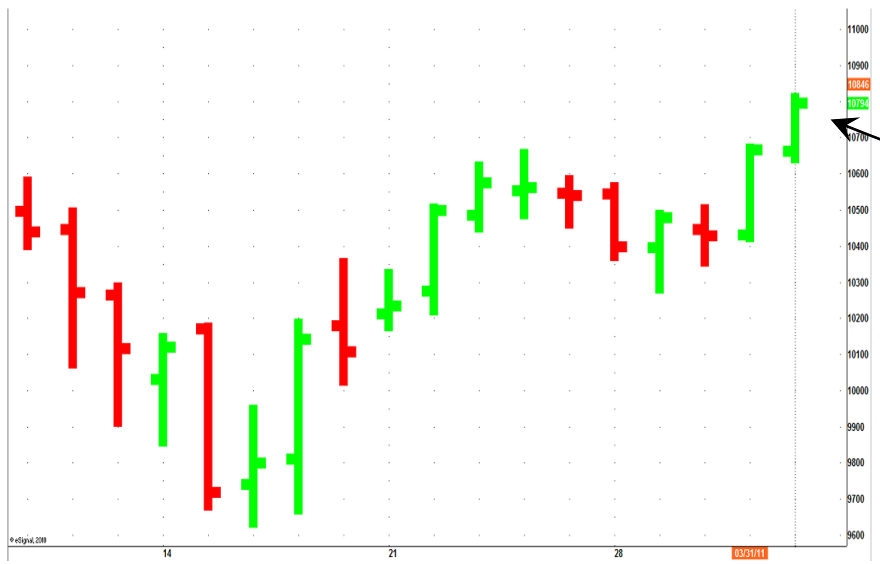
COMMODITIES: Oil

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of Oil.



See how oil made new highs last week as unrest in the Arab world continued.

The Macro Trader's view of oil is: we continue to hold the view that oil is a long term bull market.

The unrest in Libya goes on as the rebels trade blows and territory with the Gadhafi regime, with neither side seeming able to deliver a knockout blow.

The unrest in the wider Arab world continues to spread and represents a threat to oil market stability and can drive the price higher yet.

Add in the review of nuclear energy currently being undertaken by many governments as a result of Japan's on-going nuclear crisis which is no nearer to being brought under control, and the price could go even higher.

Traders should remain long of this market. The retracement we warned of last week didn't occur and our target was met.

Our target is raised to 111.50, and our stop is raised to 102.75 for closer protection in a potentially volatile market.

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