



Week 15
12th – 18th April 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

Authorised and regulated
by the FSA



SUMMARY

Summary

Global Calendar

US Markets

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

- SQUARE
- BEARISH on the budget deficit
- BEARISH v the Euro
- BULLISH

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

- SQUARE
- SQUARE
- SQUARE
- SQUARE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

- BEARISH
- BEARISH
- BULLISH v the Dollar & Yen
- SQUARE

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

- BEARISH
- BEARISH v the Euro
- SQUARE

Commodities

+ GOLD
+ OIL

- BULLISH on Arab world unrest and inflation
- BULLISH on geopolitical uncertainty

Disclaimer



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

| | Week of 11 th April |
|-----------|--|
| Monday | UK BRC Retail sales n/f UK RICS House prices n/f UK Nat'nwide cons conf n/f FR Ind production 0.5m, 5.2y FR Mfg output 0.7m, 6.4y IT Ind production 1.4m, 3.2y JP Bk Indg inc Trusts n/f JP Machine orders -0.9m, 9.0y |
| Tuesday | US Import prices 2.2m, 8.9y US Trade bal -\$44.0B US Mnthly budget strtmt -\$189.0B UK DCLG Hse prces 0.1% UK Trade bal -£8.0B UK Non-EU Trade -£4.9B UK CPI 0.6m, 4.4y UK RPI 0.6m, 5.5y UK RPI-X 5.5% DM CPI 0.5m, 2.1y FR C/A n/f DM ZEW Survey 85.2 JP Machine tool orders n/f JP Corp gds prces 0.4m, 9.0y |
| Wednesday | US MBA Mrtge apps n/f US Retail sales 0.5% US RS Ex-Autos 0.7% US Bus inventory 0.8% US Feds Beige Bk UK Unemploy'm't rate 4.5% UK Unemploy'm't chge -3.0K UK Avge earngs 2.6% UK Avge earngs Ex-bonus 2.2% UK ILO unemploy'm't rate 8.0% FR CPI 0.6m, 1.8y EZ Ind production 0.8m, 8.0y |

| | Week of 11 th April |
|----------|--|
| Thursday | US Jobless claims 380K US PPI 1.1m, 6.4y US PPI Ex-F&E 0.2m, 1.9y JP Tokyo Condo sales n/f |
| Friday | US CPI 0.5m, 2.6y US CPI Ex-F&E 0.2m, 1.2y US Empire Mfg 18.0 US Net lg trm TIC flows n/f US Ind production 0.6% US Capacity utilisation 77.4% US U. of Michigan conf 69.0 IT Trade bal n/f IT Trade bal EU n/f EZ CPI 1.3% EZ CPI 1.3m, 2.6% IT CPI 0.4m, 2.5y EZ Trade Bal -4.0B JP Ind production n/f JP Capacity utilisation n/f |



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

| Week of 4 th April | |
|-------------------------------|--|
| Monday | UK PMI Construction 56.4 STRONGER UK Hsing mkt Equity withdl -7.0B WEAKER UK Halifax hse prces 0.1m, -2.9 3m/y WEAKER EZ PPI 0.8m, 6.6y LESS THAN EXPECTED |
| Tuesday | ISM Non-mfg survey 57.3 WEAKER US FOMC minutes Mar 15 UK PMI Services 57.1 STRONGER UK BRC Shop prces 2.4 LESS UK NIESR GDP Est 0.7% STRONGER IT PMI Services 53.5 STRONGER FR PMI Services 60.4 LESS DM PMI Services 60.1 AS EZ PMI Services 57.2 STRONGER EZ Retail sales -0.1m, 0.1y STRONGER THAN EXPECTED |
| Wednesday | US MBA Mrtge apps -2.0% AS UK Mfg output 0.0m, 4.9y WEAKER UK Ind production -1.2m, 2.4y WEAKER EZ Q4 GDP 0.3q, 2.0y AS DM Factory orders 2.4m, 20.1y STRONGER JP BOJ Rate decision 0.10% AS THAN EXPECTED |

| Week of 4 th April | |
|-------------------------------|--|
| Thursday | US Jobless claims 382K BETTER UK MPC Rate decision 0.50% AS UK BOE QE Target £200.0B AS FR Trade bal -6.553B WORSE DM Ind production 1.6m, 14.8y STRONGER EZ ECB Rate decision 1.25% AS JP C/A 1641.0B LESS JP Trade Bal 723.3B LESS JP Eco watchers survey 27.7 LESS THAN EXPECTED |
| Friday | US Wholesale inventory 1.0% WEAKER UK PPI Input 3.7m, 14.6y WORSE UK PPI Output 0.9m, 5.4y WORSE UK PPI Core 0.4m, 3.0y WORSE DM C/A 8.9B WEAKER DM Trade Bal 12.1B WEAKER THAN EXPECTED |



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

US MARKETS: economic background

The FOMC minutes lived up to our expectation as a broad based discussion appears under way at the Fed on how best to exit the current QE2 strategy which ends soon.

Policy makers currently seem against tailing off the policy as in the first round of QE. The rationale behind tailing off is that it weans the market off of the Fed's support rather than traders dealing with an abrupt end.

However given the parameters of the QE2 policy were clearly laid out as having a life of just 6 months, policy makers are of the view the market will accept the policy has expired, with no undue reaction.

Clearly what drives the Fed's thinking is the economic recovery which is holding up well and a creep up in headline inflation.

With the ECB already hiking interest rates the markets are likely to become ever more focussed on an

eventual policy shift from the Fed.

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; **Import prices, trade balance and monthly budget statement,**
- On Wednesday; **retail sales and the Fed's Beige book,**
- On Thursday; **Jobless claims and PPI, and**
- On Friday: **CPI, Industrial production, capacity utilisation and University of Michigan confidence.**

We judge the main event this week is the retail sales report, but with a live debate going on between Congress and the administration about the Budget deficit, Tuesday's release of the Federal Budget statement should be monitored too.



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

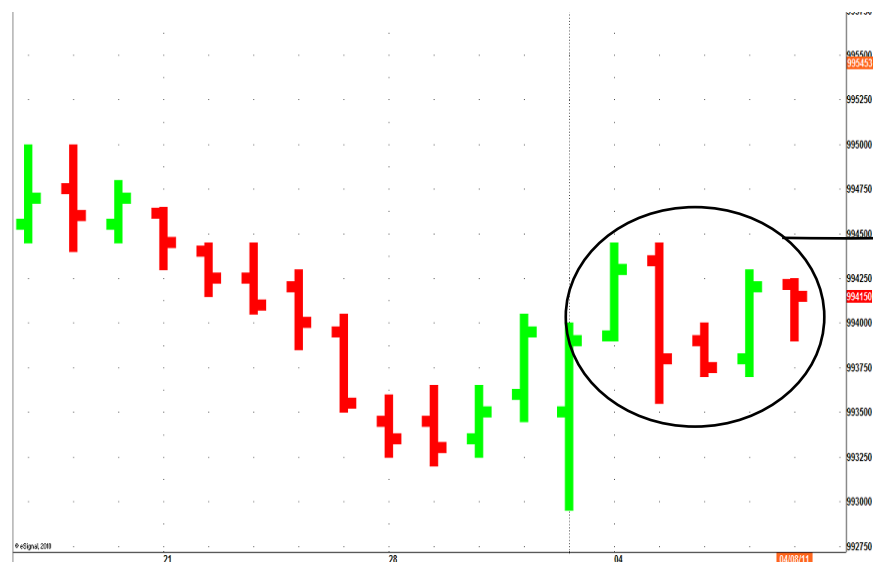
+ GOLD
+ OIL

Disclaimer

US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of December 11 Eurodollars.



See how Eurodollars reacted negatively to the FOMC minutes, but gradually recovered on a lack of fresh data throughout the week.

The Macro Trader's view of Eurodollars is; the market added to the previous week's gains even after a brief sell off following the Feds FOMC minutes, which show policy makers are in the early stages of crafting an exit strategy.

But after a weaker than expected ISM non-manufacturing survey, the market shook off the gloom and recovered.

Looking ahead retail sales stand out as a key release as consumer demand remains central to a durable economic recovery, but given the US much like the UK

laments the erosion of its manufacturing base, industrial production should be monitored too.

Additionally PPI and CPI look set to make a come back as a must watch release as the Fed mentioned headline inflation was moving up.

On balance our stance in this market hasn't altered from last week as we judge the Bull run over, but it is too soon for a Bear market to kick in.

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



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

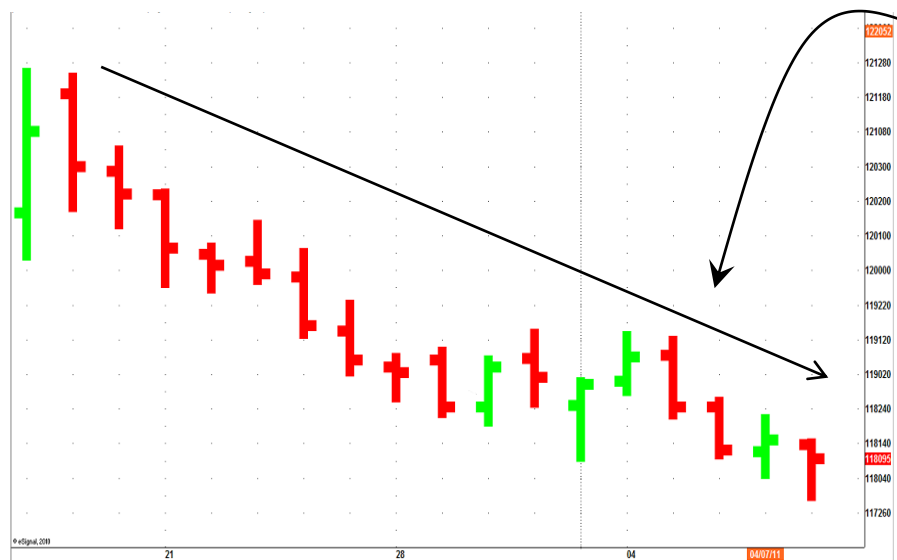
- + GOLD
- + OIL

Disclaimer

US MARKETS: 10 Year Note

OUR TRADING STANCE: **BEARISH.**

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



See how the 10 year note extended the recent negative trend as a battle over the budget deficit looks set to dominate the 2012 Presidential election campaign.

The Macro Trader's view of the 10 year note is; the FOMC minutes contained a reference to firming inflation and this isn't what Bond traders want to here, when the market is already rattled by the budget deficit debate that came close to shutting down the Federal government.

But with the Republican led house seeking deep cuts and Obama taking a different view the nation's public finances could be shaping up as a key election battle field for the 2012 Presidential election.

Looking ahead this week sees the release of the budget statement; watch it closely, also PPI and CPI are released and since the Fed is becoming aware of the upward creep of inflation, this number looks set to

resume its role as a major market mover.

We judge this market looks vulnerable to further selling pressure. The Government shut down may have been averted, but it is only a stop gap deal that saved the day.

Traders should remain short of this market, the Fed's QE2 program is close to expiry and there are no plans for an extension, as the economic recovery strengthens.

Last week's target was met. Our target this week is 117.18 and our stop is reduced to 119.26 for closer protection.

More



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

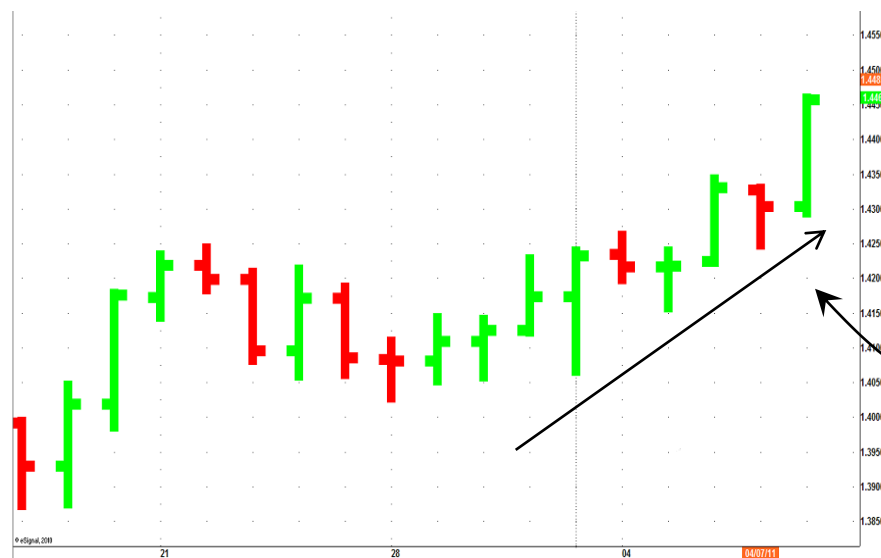
- + GOLD
- + OIL

Disclaimer

US MARKETS: US Dollar

OUR TRADING STANCE: BEARISH v the EURO.

Last week we were Square.



See how the Dollar's period of weakness resumed much sooner than we thought last week.

The Macro Trader's view of the Dollar is: the US Dollar remains under intense selling pressure, as traders have turned positive towards a Euro now supported by rising interest rates.

Although the FOMC minutes released last week discussed the end of QE2 and focussed attention onto inflation, a rate hike in the US still seems some way off.

Indeed the main event for Dollar traders continues to be the US budget deficit and the battle between the

Republican led House and the recalcitrant President over how best to reign in the soaring deficit and national debt.

Until a consensus is crafted between legislators and administrators which sets the US on a path of smaller deficits and reduces the national debt, we judge the Dollar will remain weak.

Traders should be short of Dollar/Euro. Our target is 1.4600 and our stop is placed at 1.4240 for close 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

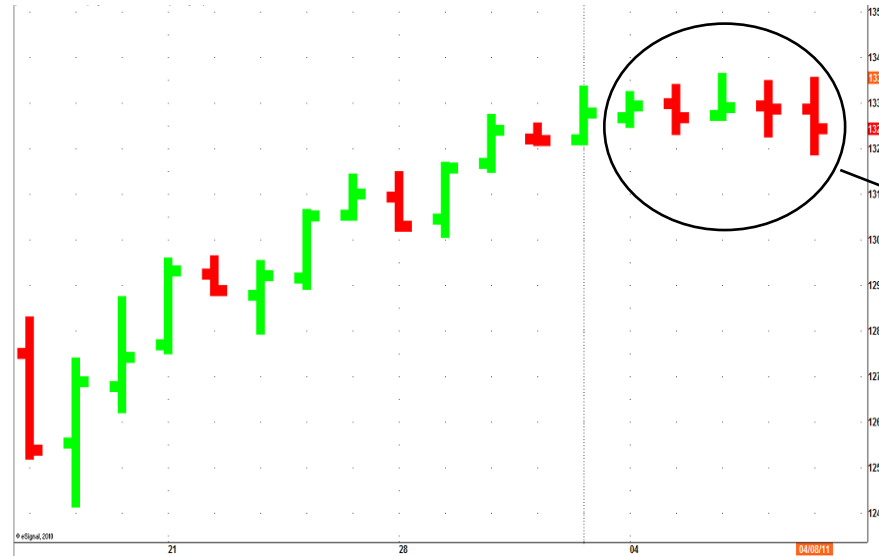
+ GOLD
+ OIL

Disclaimer

US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



See how the S&P traded mainly sideways last week as the FOMC minutes drew attention to inflationary risks and the Federal government faced a narrowly averted shut down.

The Macro Trader's view of the S&P 500 is: the market paused last week as inflation bust back onto the Feds agenda as policy makers noted in the FOMC minutes the upward creep of inflation.

Moreover, as the Arab revolt continues, especially in Libya, but elsewhere too, oil prices have continued to push relentlessly higher.

This is due to fears over continuity of supply but also due to a rethink among nations about their nuclear energy policy, which if scaled back will see oil push yet higher, with inflationary consequences globally.

While for now we judge the major economies can continue to accommodate higher oil prices without aborting the recovery, there will be a price level that starts to do real economic damage; the problem is, no one can agree what it is.

For now we remain bullish of this market, but aware risk aversion could suddenly return and send it lower.

Traders should be long of this market, our target continues at 1343.0 and our stop remains set at 1300.0 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

UK MARKETS: economic background

The main event for us last week was the PMI Services survey and we judge it lived up to its billing.

The survey came in much stronger than expected and suggests the recovery is bouncing back strongly from the unexpected Q4 collapse which now looks mainly due to bad weather.

The other key event last week; the MPC policy meeting left interest rates etc., on hold, but after the ECB hiked interest rates last week over concerns about Euro zone inflation which at 2.6% compares very favourably with UK CPI at +4.0% and rising, markets will be eagerly awaiting the UK Q1 GDP data due later this month to see if the pace of recovery is strong enough for the MPC to start moving UK interest rates up too.

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; **BRC Retail sales and RICS House price survey,**
- On Tuesday; **Trade data, CPI and RPI, and**
- On Wednesday; **Unemployment report and average earnings.**

The main event this week is the CPI report on Tuesday.

Inflation in the UK has consistently out paced every Bank of England forecast since the financial crisis/recession hit, and although Governor King seems set against hiking rates, if rising inflation is joined by a stronger than expected recovery, the pressure to begin hiking rates will build and King could become beleaguered in his stance.



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

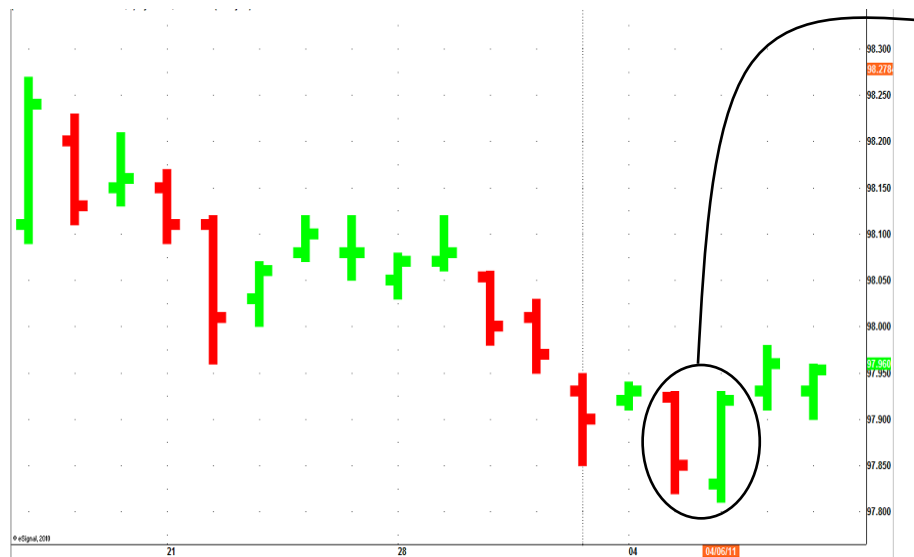
- + GOLD
- + OIL

Disclaimer

UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of June 12 Short Sterling.



Note how Short Sterling sold off after the stronger PMI Services report but rallied after weak industrial data.

The Macro Trader's view of Short Sterling is; Last week we said...

...“Short Sterling remains unclear to us”...

And after last week's data clarity hasn't returned. The PMI Services report was unexpectedly very much stronger than expected.

But the next day the Industrial production and manufacturing output data was unexpectedly weaker.

With the Service sector the engine of growth in the UK economy we are bemused since recent retail sales reports, which account for 65-70% of the service sector, have been weak.

This week all eyes will be on CPI, but the Bank has already pre-warned CPI could go to 55 and the majority are apparently prepared to accommodate this.

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

UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the gilt draws no benefit from the governments austerity program as traders are increasingly wary of government bonds generally and UK inflation especially.

The Macro Trader's view of the Gilt is; the Gilt is an interesting market. The UK Government has taken a sharp knife to public spending, but the gilt doesn't benefit.

Government bond markets overseas are weighed down by a yawning deficit in the US and a sovereign debt crisis in the Euro zone, the Gilt should compare favourably but doesn't?

The reason is due to fears the economy could weaken at the same time as inflation is rising strongly making it

difficult for the government to meet its spending cut targets.

But what if the economy performs better than feared; last week's PMI Services survey certainly delivered plenty of optimism,

If the recovery holds and the spending cuts are implemented and the Bank finally wakes up and hikes rates then the Gilt will look a buy; a lot of ifs!

For now stay 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

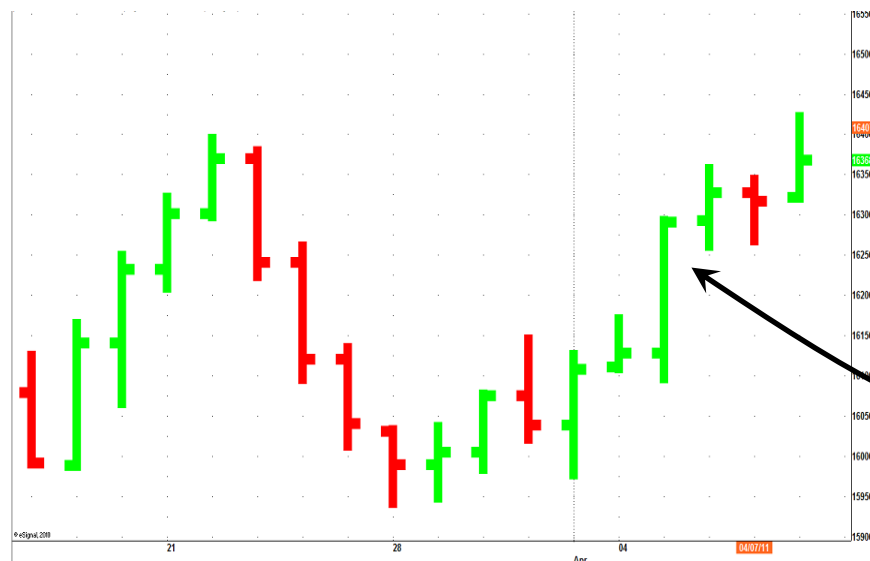
- + GOLD
- + OIL

Disclaimer

UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE

Last week we were square



See how Sterling bounced back last week after the better than expected PMI Services survey.

The Macro Trader's view of the Pound is; the Pound responded well to last week's better than expected PMI Services survey.

If this translates into stronger GDP as suggested, then the Bank may conclude it has room to begin hiking rates in an effort to contain inflation that could hit 5.0% this year.

However the Pound has proved a very fickle contract to trade as sentiment has swung frequently between fears of inflation forcing up rates and a growth slowdown keeping the Bank sitting on its thumbs.

Our long term view is the Pound was over sold during the financial crisis/recession and is due a recovery, what we struggle with is the timing.

For now we advice remaining side lined. If the economy does perform better than expected and Q1 GDP is due later this month, the Pound will perform strongly until then we suspect Sterling could remain frustratingly volatile.

So stay square a little longer.



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

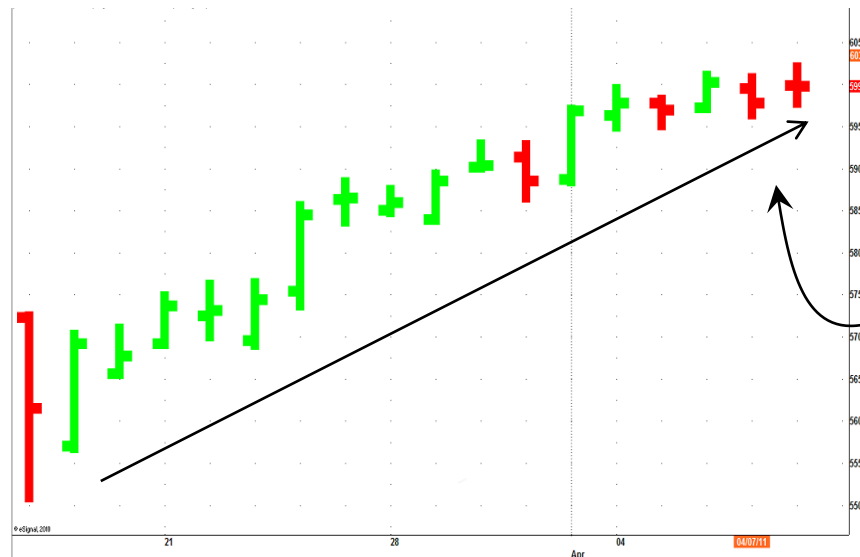
- + GOLD
- + OIL

Disclaimer

UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square of the FTSE.



See how the FTSE extended the recent rally, but the earlier vigour was missing last week.

The Macro Trader's view of the FTSE is: the FTSE seems vulnerable to us. As an international market it reacts quickly to foreign developments and sentiment swings, but as the UK stock market it is still reactive to domestic news.

The UK economy is in the middle of a period of great uncertainty. If the much discussed spending cuts stick and the economy weathers them, then the future looks bright as a rebalancing away from the public sector towards private sector growth would have been achieved, but it isn't yet at all clear whether that can happen.

Recent history suggests it can; in the 1980's an earlier Conservative government faced with a train wreck of an economy took a similar gamble and hiked tax in the middle of a recession to control public deficits and the economy responded. That is clearly this governments blue print for the big gamble.

For now we judge this market is likely to remain very volatile.

So for now stay 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: economic background

The ECB's rate setting meeting on Thursday continued to be the dominant theme throughout last week. Traders were expecting a 25bp rate hike and they were not disappointed.

Moreover, the ECB seems set on a path to return rates to something resembling neutrality. We do not expect an aggressive tightening cycle, rather a steady determined move higher.

Other data out last week saw something of a mixed bag from the Euro zones leading PMI Services surveys, but a strong showing from German Factory Orders and Industrial production, but with Portugal finally applying for a bailout, the question on the lips of many was; will Spain be next?

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: **Italian industrial production, French industrial production and manufacturing output,**
- On Tuesday; **German CPI and ZEW survey,**
- On Wednesday; **Euro Zone industrial production and French CPI, and**
- On Friday; **Italian and Euro zone CPI.**

The main events this week are the various CPI reports due. With the ECB clearly now focussed on inflation, believing the recovery is self sustaining, despite on going problems caused by the Sovereign debt crisis and fiscal belt tightening. Traders need to monitor inflation closely.

If the pace of inflation quickens, so too will the ECB's response to it.



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

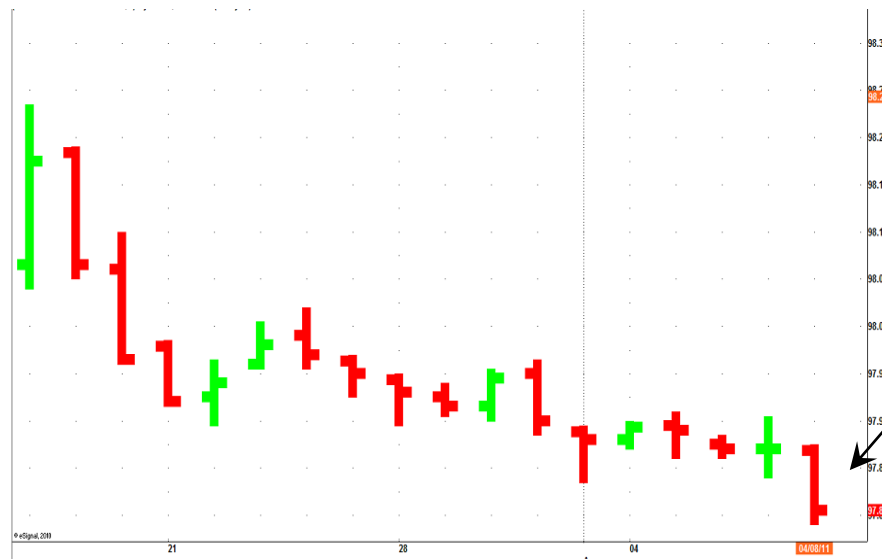
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: **BEARISH.**

Last week we were square of Euribor.



See how Euribor traded lower on Friday as traders adjusted expectations towards further rate hikes this year.

The Macro Trader's view of Euribor is; the Euribor market now knows the ECB's intent, rates went up last week as expected and further hikes look more than likely as the ECB decides to turn its attention fully towards fighting inflation.

Although the PMI data was mixed last week, German data remained strong; strong enough to convince policy makers that Germany, with help from France can keep the pan Euro zone recovery moving forward.

Looking ahead CPI is clearly the indicator to watch now. With oil prices pushing ever higher, inflation will

rise, and it is no use arguing with ECB policy makers that inflation is externally generated; they see inflation as inflation where ever it derives from and wont tolerate it.

Traders should be short of this market. The pace of tightening is expected to be steady, but that depends on inflation, but clearly policy is heading back to at least neutrality.

Our target this week is 97.70 and our stop is set at 97.98 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

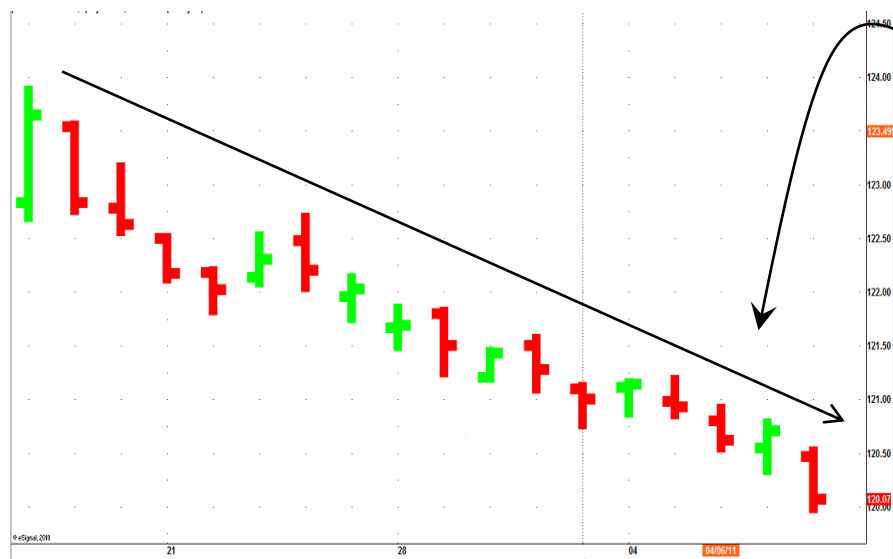
+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: **BEARISH.**

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



The Bund remained under pressure last week as Portugal sought financial help.

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

...“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”...

And once again the Bund made new lows, driven on by Portugal's cry for financial aid. But will the crisis end here?

Already speculation is mounting about whether Spain will be next. There was a sizeable property boom in Spain before the crisis hit, can Spain ride it out or will prices begin to correct lower as foreign buyers/owners find themselves squeezed by fiscal retrenchment at home.

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

Our target this week is 119.11, and our stop is now set lower at 121.20 for closer protection.

More



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

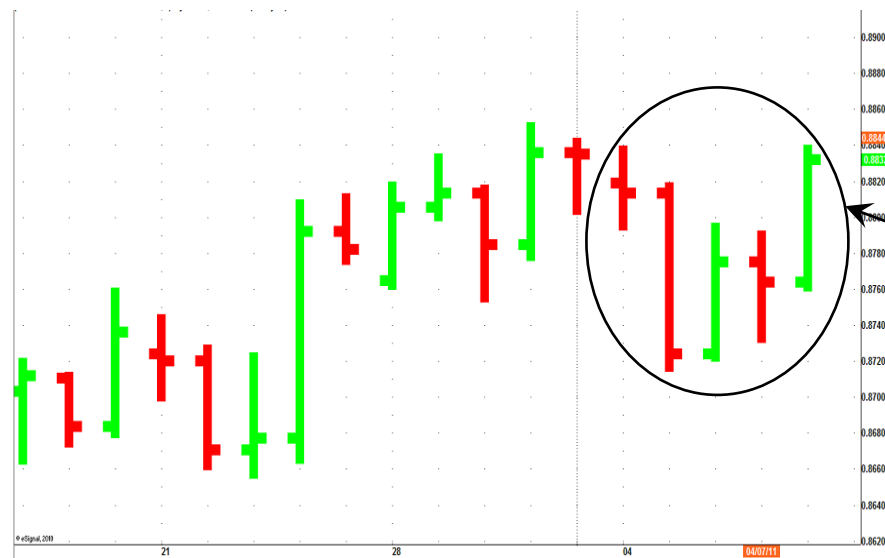
+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BULLISH v the DOLLAR & YEN.

Last week we were Square.



See how the Euro shook off the Pounds attempted recovery last week that was driven by surprisingly stronger UK PMI Services data..

The Macro Trader's view of the Euro; the Euro resumed its rally against the Pound last week, but more importantly against the Dollar and Yen.

The ECB's decision to hike interest rates, even as the Sovereign debt crisis rolls on, shows there will be no compromising on inflation in the Euro zone.

Additionally German data was again very strong last week and as the Euro zones largest economy, tighter policy couldn't be delayed for too much longer, but that's just from Germany's point of view.

The other side of the equation; the US fiscal stance, works against the Dollar as the debate over the US budget deficit goes on and looks set to become a key

2012 Presidential election issue. In Japan the cost of rebuilding will keep policy there at Zero.

Looking ahead we see little to change the momentum in this market. The ECB is now focussed on inflation and the US can not agree on how best to address the debt build up in the US; last week's deal to avert a government shut down was just a side show and the BOJ will need to continue offering large scale support.

Traders should be long the Euro/Short the Dollar and the Yen. Our target in Euro/Dollar is 1.4600 and our stop is placed at 1.4240 for close protection. Against the Yen our target is 124.00 and our stop is set at 119.35 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 extended the rally last week, but it looks increasingly tired.

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

...“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”...

Well a week on and Portugal has formally applied for a rescue, speculation is increasing that Spain will be next.

Spain is a much bigger economy than any of the three that have so far sought help.

Meanwhile the ECB has turned its attention to fighting inflation. While that seems right for Germany, it doesn't for the rest of the Euro zone and the rally in this market looks to be tiring.

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 and advise others to do likewise.



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

JAPANESE MARKETS: economic background

The key indicator for us last week was the trade data. And although it failed to meet consensus, we judge the surplus is holding up well.

However, one high ranking Japanese official last week described the economy as in a severe condition, meaning recovery will be difficult to achieve and we wouldn't disagree with that.

The nuclear crisis continues and in the last week there have been two after shocks measuring 7.1, which would have been considered strong earthquakes in there own right were they not following on from the 9.0 magnitude quake that did all the damage.

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; **Bank lending including trusts and Machine orders,**
- on Tuesday; **Machine tool orders,**
- On Thursday; **Tokyo condo sales, and**
- On Friday: **Industrial production and capacity utilisation.**

We judge the main event this week is the industrial production and Capacity utilisation report.

Globally many companies are having difficulty sourcing parts since the disaster hit Japan, it will be very interesting to see how production has been hit by the disaster.



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

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: **BEARISH.**

Last week we were Square of Japanese Bonds.



Note how the JGB turned negative last week as the scale of the rebuilding effort and fiscal support needed began to sink in.

The Macro Trader's view of the JGB is: the economy was described as in a severe condition last week by a government official and as the nuclear crisis continues with the exclusion zone around the stricken plant set to increase a recovery seems far off.

Additionally the affected area has been hit by two strong after shocks in the last few days further hampering clean up efforts.

But more importantly the scale and cost of the recovery operation and the fiscal implications are only just starting to dawn on the markets.

Japan is a rich country but its public finances are already stretched; they will need to stretch further and the rating agencies will likely take a negative view.

We judge this market is a sell.

In an environment where government bond markets globally are under pressure, this market is the least likely to escape selling pressure and we advise going short.

Our target this week is 138.00 and our stop is set at 139.50 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

JAPANESE MARKETS: Yen

OUR TRADING STANCE: **BEARISH v the Euro.**

Last week we were Square of the Yen.



See how the Yen continues to weaken as traders judge interest rates in Japan will remain at zero while policy tightens elsewhere.

The Macro Trader's view of the Yen is; the Yen initially began to weaken against the other major currencies after concerted Central Bank intervention and the threat of more if traders tried to re-test the highs.

But as the cost and scale of rebuilding sinks in and the outlook for Japanese monetary policy looks static, where as interest rates are now increasing in the Euro zone and the Fed is slowly shifting the focus of debate in the US. The Yen looks set to weaken further as traders use cheap Yen to buy assets abroad; the carry trade.

Looking ahead we still judge data is likely still unreliable as it straddles the period both before and after the disaster.

Traders should be Short of the Yen and we judge the Euro is the best currency to buy against it as the prospect of further Euro zone rate hikes offers the Euro support.

Our target is 124.00 and our stop is set at 119.35 for protection.

More



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

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



See how the Nikkei continues to remain range bound.

The Macro Trader's view of the Nikkei is; the Nikkei's recovery from the massive sell off caused by the earthquake/tsunami/nuclear crisis, seems exhausted.

As the nuclear crisis continues, and the exclusion zone around the complex looks set to be further extended, we continue to 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 a high ranking Japanese official last week said the economy is in a

severe condition; the authorities aren't expecting a quick recovery.

The longer the recovery takes, Japan risks permanently losing market share to its neighbours as they gear up to meet demand left unsatisfied since the disaster struck.

However given the mood in US equity markets remains positive, the Nikkei can probably defy the downside a little longer and 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

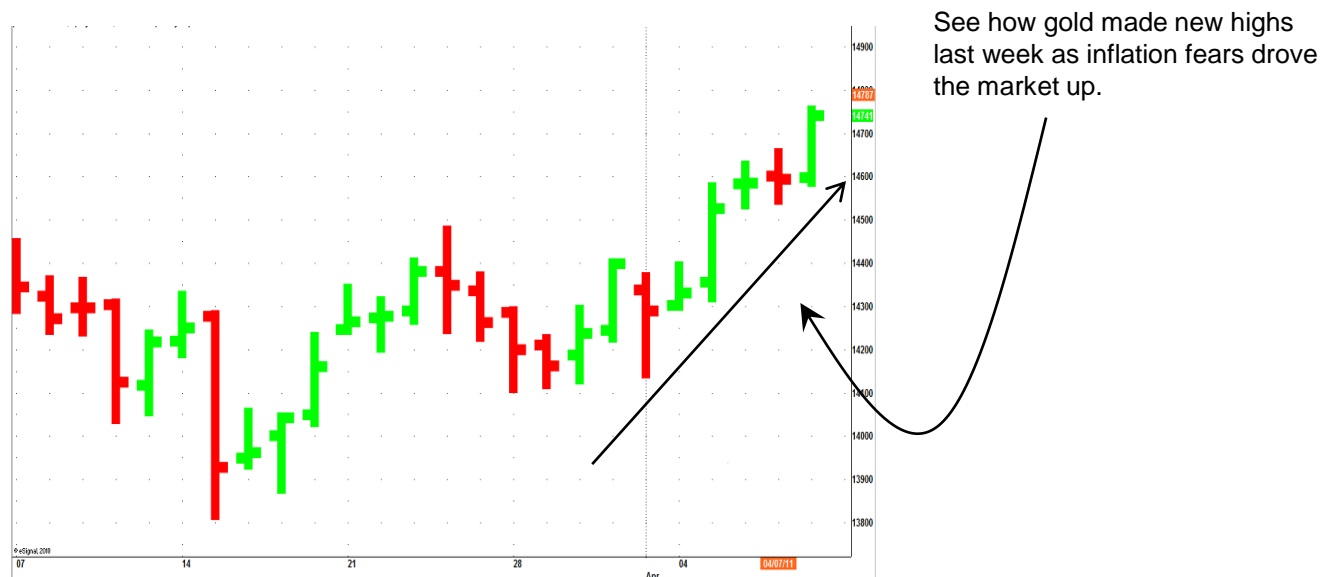
+ GOLD
+ OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: BULLISH.

Last week we were [Bullish](#) of Gold.



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

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 despite an apparent cease fire agreement, and
3. Other Arab states including Syria are struggling to contain their own popular uprisings.

Additionally the threat of inflation has returned. The FOMC minutes released last week mentioned an upward creep in prices and the ECB hiked rates because of higher inflation, which is being driven by rising energy costs.

In the UK the Bank of England may be forced to act as CPI looks set to rise further and the PMI Services survey suggests the economy has bounced back from the surprise Q4 slowdown.

Traders should remain long of this market. Last week's target was met. Our target this week is 1490.0 and our stop is raised to 1435.0 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

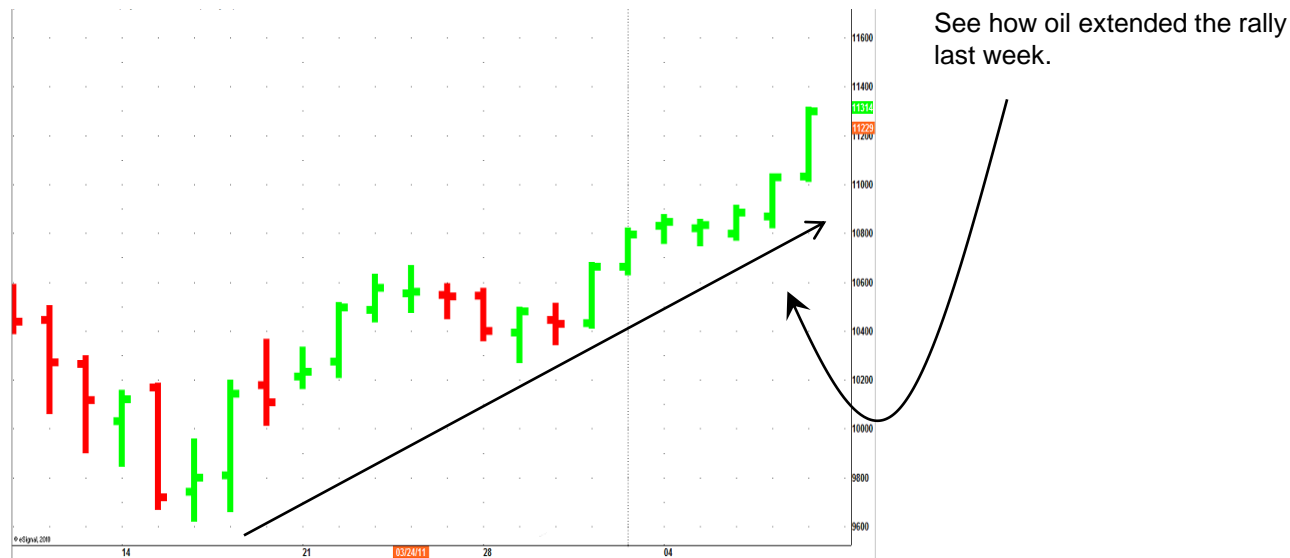
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of Oil.



The Macro Trader's view of oil is: Last week we said...

...“we continue to hold the view that oil is a long term bull market”...

And we judge that analysis still holds.

The fighting in Libya goes on despite an AU sponsored cease fire agreement.

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. Last week's target was met.

Our target this week is set at 115.00, and our stop is raised to 105.50 for closer protection in a potentially volatile market.

More



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

SEVEN DAYS AHEAD

Authorised and Regulated by the FSA

124 REGENTS PARK ROAD LONDON NW18XL

TEL +44 (0) 7849 922573 E-MAIL jlewis@sevendaysahead.com,

pallwright@sevendaysahead.com

WEB SITE SEVENDAYS Ahead.COM

The material and information set out in this research is not intended to be a quote of an offer to buy or sell any financial products. Any expression of opinion is based on sources believed to be reasonably reliable but is not guaranteed as to accuracy or completeness.

The material and information herein is general and for informational purposes only. Although Seven Days Ahead endeavours to provide useful information they make no guarantee as to the accuracy or reliability of the research.

The derivative market comprises volatility and considerable risks. To the maximum extent permitted by law no responsibility or liability can be accepted by Seven Days Ahead, any company or employee within its group for any action taken as a result of the information contained in this presentation. You are requested not to rely on any representation in this research and to seek specific advice from your accountant, legal adviser or financial services adviser when dealing with specific circumstances.

Seven Days Ahead is regulated by the UK Financial Services Authority.

MAIN MENU