



Week 18  
3<sup>rd</sup> – 9<sup>th</sup> May 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

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### Global Calendar

### US Markets

+ EUROS DOLLARS  
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+ US DOLLAR  
+ S&P 500

● SQUARE  
● SQUARE  
● SQUARE  
● BULLISH

### UK Markets

+ SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE

● BULLISH  
● SQUARE  
● SQUARE  
● SQUARE

### Euro Zone Markets

+ EURIBOR  
+ BUND  
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+ DJ EURO STOXX 50

● BEARISH  
● SQUARE  
● SQUARE  
● SQUARE

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

● SQUARE  
● SQUARE  
● SQUARE

### Commodities

+ GOLD  
+ OIL

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

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	Week of 2 <sup>nd</sup> May
Monday	US Construction spndg 0.3m US ISM Mfg 59.6 US ISM Prces paid 83.0 FR PMI Mfg 56.9 IT PMI Mfg n/f DM PMI Mfg n/f EZ PMI Mfg 57.7 JP Vehicle sales n/f
Tuesday	US Factory orders 1.9% UK PMI Mfg 57.0 UK CBI Retail Sales 15 UK BRC Shop prices n/f EZ PPI 0.7m, 6.6y
Wednesday	US MBA Mrtge apps n/f US ADP Emplm't chge 193k US ISM Non-mfg survey 57.4 UK Nat'nwide hse prces 0.1m, -0.7y UK Net Indg on dwlgs 1.3B UK Net cons CR 0.6B UK Mrtge apps 48.0k UK PMI Construct'n 55.9 FR Trade bal n/f FR PMI Services 63.4 IT PMI Services 53.0 DM PMI Services 57.7 EZ PMI Services 56.9 EZ Retail sales -0.1m, 0.0y

	Week of 2 <sup>nd</sup> May
Thursday	US Non-farm productivity 1.0% US Unit labour costs 0.8% US Jobless claims 410k UK PMI Services survey 56.0 UK MPC Rate decision 0.50% UK B of E AP Target 200.0B DM Factory orders 0.4m, 15.4y EZ ECB Rate decision 1.25%
Friday	US Non-farm payrolls 190k US Unemplm't rate 8.8% US Avrge hrly earngs 0.2m, 1.8y US Averige wrk wk 34.3 UK PPI Input 1.6m, 16.4y UK PPI Output 0.7m, 5.1y UK PPI Core 0.3m, 3.0y DM Ind production 0.5m, 10.3y



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	Week of 25 <sup>th</sup> April
Monday	US New Home sales 300k <b>STRONGER THAN EXPECTED</b>
Tuesday	US Case/Schiller comp20 -3.33% <b>WEAKER</b> US Cons conf 65.4 <b>BETTER</b> UK CBI Bus optimism 9 <b>LESS</b> UK CBI Trnds tot orders -11 <b>WEAKER</b> JP Tokyo Dept store sales -21.5% <b>WEAKER</b> JP Nat'nwide Dept store sales -14.7 <b>WEAKER</b> JP Retail trade -7.8m, -8.5y <b>WEAKER</b> JP Lrge retail sales -7.7% <b>WEAKER THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps -5.6% <b>WEAKER</b> US Durable gds 2.5% <b>STRONGER</b> US GD Ex-Transport 1.3% <b>WEAKER</b> US FOMC Rate decision 0.25% <b>AS</b> US Fed's Bernanke press conf UK Q1 GDP 0.5q, 1.8y <b>AS</b> UK Indx of services 0.6m, -0.3(3m/3m) <b>BETTER</b> UK BBA Home buyer Ins 31.660k <b>STRONGER</b> UK GFK Cons conf -31 <b>WEAKER</b> DM CPI 0.2m, 2.4y <b>AS</b> DM GFK Cons conf 5.7 <b>LESS</b> EZ Ind New orders 0.9m, 21.3y <b>LESS</b> JP Sml Bus Conf 36.1 <b>LESS</b> JP Househld spndg -8.5%y <b>WEAKER</b> JP National CPI 0.0y <b>AS</b> JP Tokyo CPI -0.1y <b>WEAKER</b> JP Jobless rate 4.6% <b>BETTER</b> JP Ind production -15.3m, -12.9y <b>WEAKER</b> JP BOJ interest rate 0.10% <b>AS THAN EXPECTED</b>

	Week of 25 <sup>th</sup> April
Thursday	US Q1 GDP 1.8%(A) <b>AS</b> US Q1 GDP Price indx 1.9% <b>WEAKER</b> US Q1 Core PCE 1.5% <b>WORSE</b> US Persnl consumpt'n 2.7% <b>STRONGER</b> US Jobless claims 429k <b>WORSE</b> US Pndg home sales 5.1m, -11.5y <b>STRONGER</b> FR Cons spndg -0.7m, 2.6y <b>WEAKER</b> DM Import prices 1.1m, 11.3y <b>AS</b> DM Unemploy'm't chge -37k <b>AS</b> DM Unemploy'm't rate 7.1% <b>MORE</b> IT Bus conf 103.0 <b>AS</b> JP Vehicle product'n -57.3% <b>WEAKER</b> JP Construction orders -11.0% <b>WEAKER THAN EXPECTED</b>
Friday	US Core PCE 0.1m, 0.9y <b>AS</b> US Persnl income 0.5% <b>MORE</b> US Persnl spndg 0.6% <b>MORE</b> US Q1 Employ'm't cost indx 0.6% <b>MORE</b> US Chicago PMI 67.6 <b>LESS</b> US U. of Michigan conf 69.8 <b>LESS</b> DM Retail sales -2.1m, -3.5y <b>WEAKER</b> FR PPI 0.9m, 6.6y <b>STRONGER</b> IT Unemploy'm't rate 8.3% <b>LESS</b> EZ M3 (3m) 2.0% <b>MORE</b> EZ M3 (y/y) 2.3y <b>MORE</b> EZ CPI Est 2.8y <b>WORSE</b> EZ Cons conf -11.6 <b>LESS</b> EZ Ind conf 5.8 <b>WEAKER</b> EZ Unemploy'm't rate 9.9% <b>AS</b> IT CPI 0.5m, 2.6y <b>WORSE</b> IT PPI 0.7m, 6.1y <b>MORE THAN EXPECTED</b>



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## US MARKETS: economic background

The US economy has continued to pump out data that from time to time confuses. Over recent weeks housing market data has largely strengthened, as evidenced by recent releases of housing starts, existing and New home sales.

But other data; Jobless claims, durable goods and Q1 GDP have raised small question marks about the depth of the recovery.

But in essence that profile largely fits the Feds recent statement on the economy when they raised the forecast for inflation, while lowering the forecast for growth.

However the Fed is increasingly confident about the sustainability of the recovery. They have confirmed the QE2 policy will expire at the end of June as originally planned, with no tail off or market smoothing operations.

But policy makers aren't yet ready to change their wording about interest rates, as the recent FOMC policy statement repeated the phrase about rates

staying low for an extended period etc.

On balance the economy is recovering and we expect data to re-enforce that message.

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 Monday; **ISM Manufacturing survey**,
- On Tuesday; **Factory orders**,
- On Wednesday; **ADP Employment report and ISM Non-manufacturing survey**,
- On Thursday; **Jobless claims and non-farm productivity**, and
- On Friday; **Non-farm payroll, unemployment rate and average hourly earnings**.

We judge the main event this week is the non-farm payroll report.

As ever traders will be seeking evidence the economy is producing adequate new jobs to re-absorb the unemployed and new entrants to the labour market.



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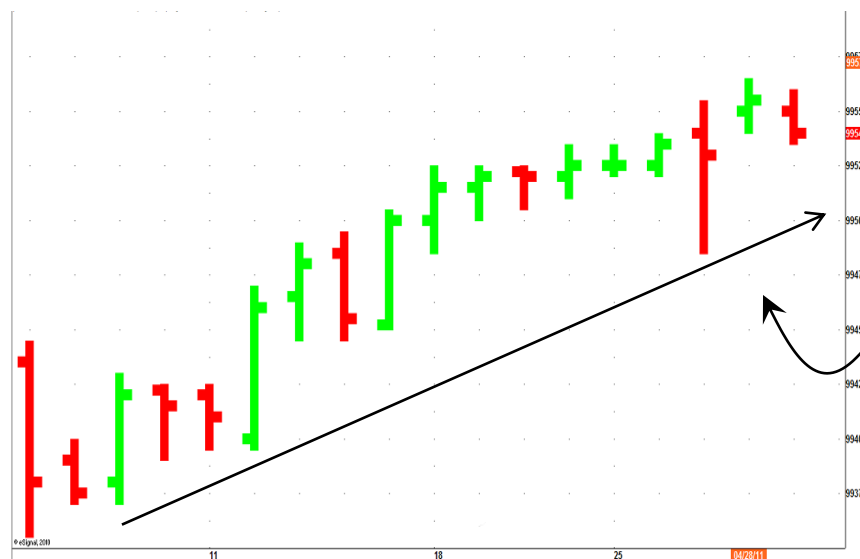
+ GOLD  
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## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of December 11 Eurodollars.



See how Eurodollars extended the recent rally as the Fed isn't yet close to changing policy direction.

**The Macro Trader's view of Eurodollars is;** last time we said...

...“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”...

And after reviewing the last two weeks data releases and the FOMC policy statement, together with market price action, our view remains unchanged.

The market is currently trading 99.55, with Fed funds set at 0.25%, there really isn't very much left on the upside in this market, given the next big policy move is

expected to be a tightening cycle.

However since that policy turn remains somewhat distant, we judge this market is likely to continue trading sideways, albeit in a large range.

This week's release of non-farm payroll clearly has the potential to break the mould, assuming a strong number, but after a couple of weeks of disappointing jobless claims reports, we suggest not holding your breath.

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



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## Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



See how the 10 year note continues to rally despite a lack of agreement on how to shrink the budget deficit.

**The Macro Trader's view of the 10 year note is;** the market has held up well over recent weeks despite a recovery in equity markets.

However this is not just a US phenomenon, other Bond markets have found good support too.

In the US we judge this is mainly due to the run of slightly mixed data, the Feds commitment to holding to previously announced policy and the largely contained nature of US inflation.

Looking ahead, the ISM manufacturing survey continues to report strength. Will the ISM non-

manufacturing survey do the same.

However the focus of our attention is Friday's non-farm payroll report. Recent releases have been encouraging but the jobless claims report over recent weeks has disappointed.

If that weakness feeds into payrolls, this market will have reason to extend the rally. But longer term our view remains bearish of this market based on the yet to be resolved budget deficit issue.

For now we advise standing back a little longer.

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## US MARKETS: US Dollar

### OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Dollar weakened against the Euro over recent weeks.

**The Macro Trader's view of the Dollar is:** the US Dollar came under renewed selling pressure over recent weeks in line with our long term view.

However since we were stopped out prior to our break, we were unwilling to re-establish an unmonitored position.

Looking ahead we judge the Dollar remains a long term sell. The economy is recovering, but patches of weakness and uncertainty remain, but our main source of bearishness is US fiscal health.

While yesterday's ISM manufacturing survey was bullish for the Dollar and news of Bin Laden's death fuelled a victory rally, our focus is Friday's payroll report which might just disappoint.

However once profit taking sets in, it creates a micro trend of its own and we judge Dollar bears not currently involved should wait for the correction to exhaust.

If Friday's data is indeed a little weaker the Dollar should resume its sell off, and allow traders to refocus on the economy's negatives; the main one being the budget deficit.

Regarding news of Bin Laden's death; we judge the market will very quickly move on, 9/11 is 10 years ago, so from an economic stand point a non-event, from a physiological stand point for the American people it is naturally a huge relief.

For now we advise staying square but look for a selling opportunity later in the week.

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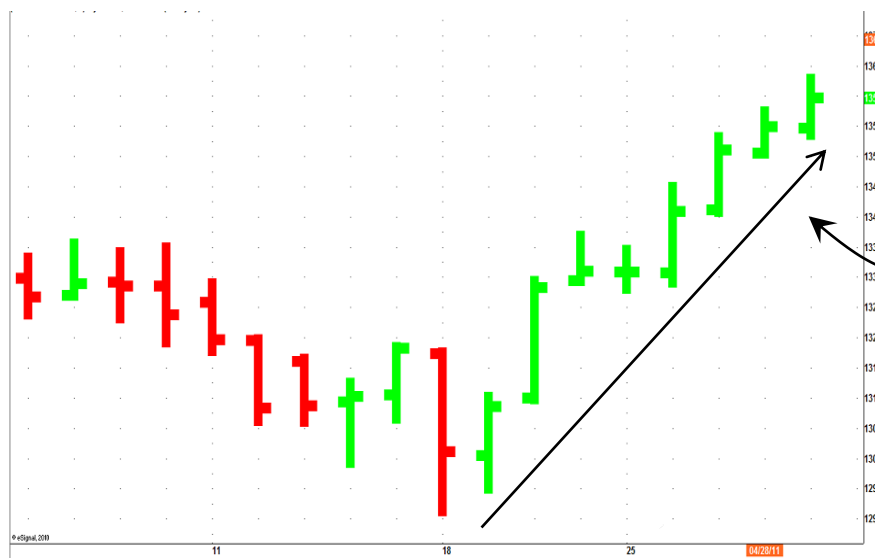
+ GOLD  
+ OIL

## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: BULLISH.

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



See how the S&P shook off recent negativity and staged a solid recovery.

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

...“For now while the current wave of risk aversion grips equities **we advise remaining square**, but in our opinion the underlying trend in stocks is Bullish and we advise patiently seeking a buying opportunity”...

Well that buying opportunity came and the market rallied as traders looked beyond the negatives of the crisis in Japan and fighting in the Arab world to focus on the US economy.

Although data has been a little mixed we are bullish.

The housing market has released some good news and yesterday's ISM manufacturing survey was strong, as have been Q1 profit reports.

News of Bin Laden's death has brought the market off its highs so for anyone not yet long, we regard this as a good buying opportunity as we judge key data releases will be largely in line with market consensus.

Traders should be long of this market.

Our target this week is 1380.0 and our stop is set at 1320.0 for protection.



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## Commodities

+ GOLD  
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## Disclaimer

## UK MARKETS: economic background

The UK economy over recent weeks has released data that supports the view that interest rates are on hold.

The recent MPC minutes showed policy makers stepping back from a decision to hike and last week's Q1 GDP re-enforced that view.

Although the Q1 GDP report met consensus, analysts and traders alike saw it as merely cancelling out the Q4 GDP contraction, meaning two flat quarters.

Of course the true reading is two quarters of slight negativity since the Q4 loss wasn't made up by the Q1 data.

And as the economy continues to feel the full impact of the fiscal tightening, several more quarters of sluggish GDP looks to be on the cards.

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 Tuesday; **PMI Manufacturing survey and CBI Reported retail sales,**
- On Wednesday; **Net consumer credit, net lending on dwellings and PMI Construction survey,**
- On Thursday; **PMI Services survey and MPC Rate decision, and**
- On Friday; **PPI.**

The main event this week is the PMI Services survey. But traders will also have one eye fixed on Thursday's MPC interest rate decision.

With the committee split 6/3 over recent months a surprise could occur. But we judge rates are on hold for much of, if not all of this year.



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## Commodities

- + GOLD
- + OIL

## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: BULLISH.

Last week we were Square of June 12 Short Sterling.



Note how Short Sterling continued to rally as expectations of higher interest rates sank.

**The Macro Trader's view of Short Sterling is;** the CPI fuelled rally has extended as traders have revised their expectations for higher interest rates.

And with recent data releases showing weak retail sales and GDP flat lining over two quarters the Bank will be in no hurry at all to act.

In deed later this month the Bank of England releases its latest quarterly inflation report. We think they will be a little more relaxed about inflation and slightly more anxious about growth.

Conclusion; no rate hike expected by us from them this year.

Looking ahead after this mornings unexpectedly weaker PMI Manufacturing survey, all eyes will be on - the PMI Services survey for re-assurance the expansion remains on track, but many had already indicated Q1 GDP was likely to be the economy's best effort this year.

While official policy isn't going any where any time soon, we judge this market has room to rally further and advise going long.

Our target this week is 98.60 and our stop is set at 98.25 for protection.

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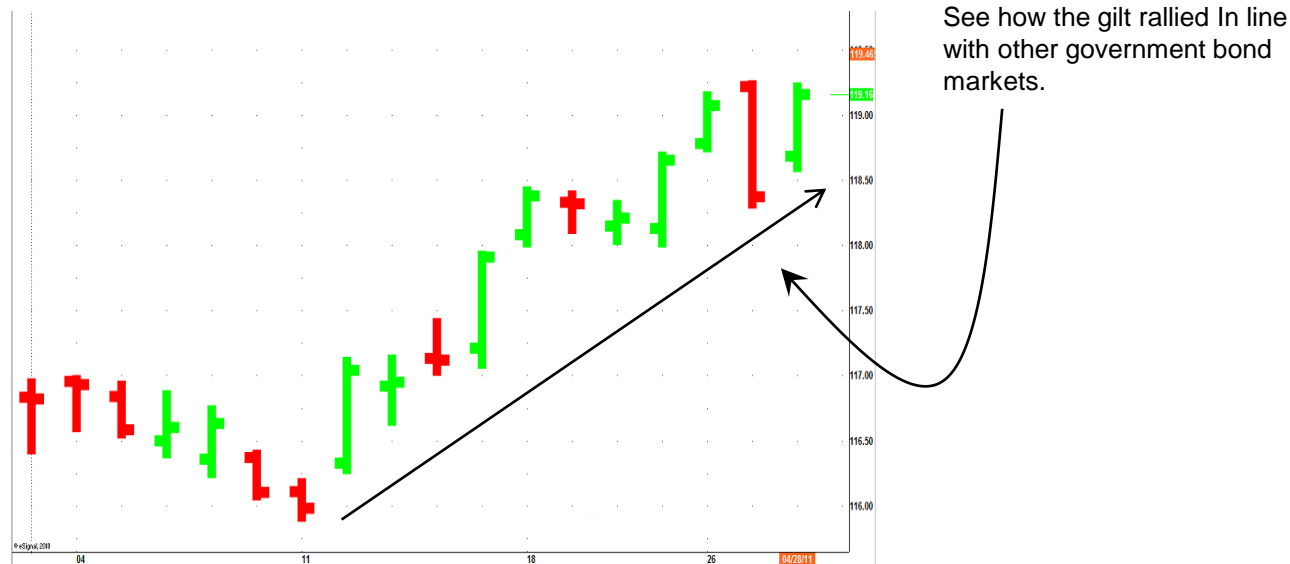
- + GOLD
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## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



**The Macro Trader's view of the Gilt is;** the Gilt has for now clearly rejected the downside. Other leading Bond markets have rallied too fuelled by geopolitical uncertainty.

But in the UK inflation has paused, and the government is implementing a draconian fiscal retrenchment; gilt supportive?

The only real concern about the gilts ability to sustain the rally is the UK economy's ability to sustain a recovery.

Clearly if recovery stalls, the Government will struggle to hit its self imposed targets. Moreover the deficit could

then start to grow as tax receipts would undershoot projected levels and automatically grow the deficit.

We are very suspicious of the current rally in bonds.

In the Euro zone the sovereign debt crisis continues and in the US there isn't any long term agreement on how to shrink the budget deficit, with the rating agency S&P voicing concern.

We judge the current rally in all bond markets is likely a correction.

For now stay square.



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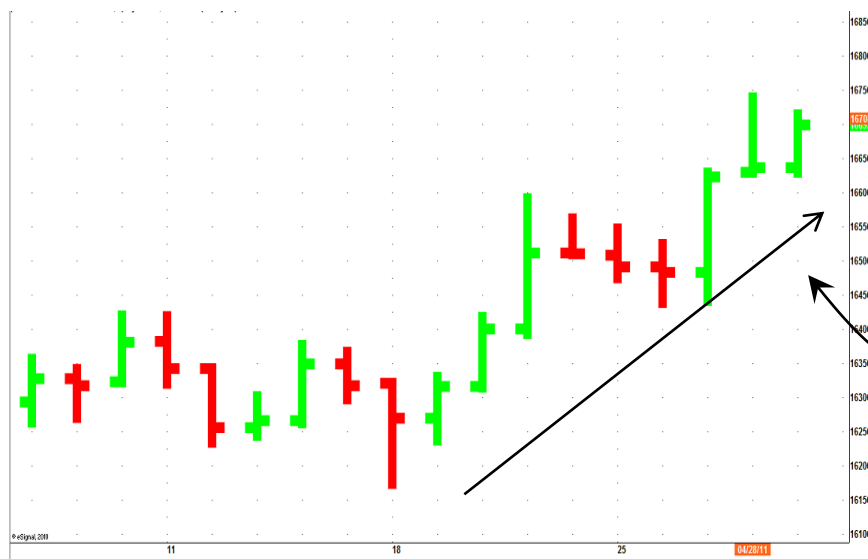
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## Disclaimer

## UK MARKETS: Sterling

### OUR TRADING STANCE: SQUARE

Last week we were square



See how Sterling extended the rally against the Dollar as the Fed pledge to keep rates low.

**The Macro Trader's view of the Pound is;** the Pound has had a positive couple of weeks but more recent price action, not shown here, has turned a little more volatile with the Pound correcting lower.

The reasons are disappointment about the pace of UK economic recovery as portrayed by today's PMI manufacturing survey compared to a strong ISM manufacturing survey released by the US yesterday.

And jubilation over the death of Bin Laden. We judge the Bin Laden effect on the Dollar will prove short lived, but the divergent performance of the UK/US economies may prove longer lasting.

It is this uncertainty that works against Sterling and causes frequent periods of volatility.

Since interest rate differentials are a side issue for this pair; US and UK rates are on hold for some time yet, the trend in the market will be driven by perceptions of relative strength.

For now we see the US having the upper hand **short term. Medium/long term the Dollar is hobbled by the Fiscal ill health of the US economy.**

So for now stay square but look for an opportunity to sell the Dollar against the Pound..



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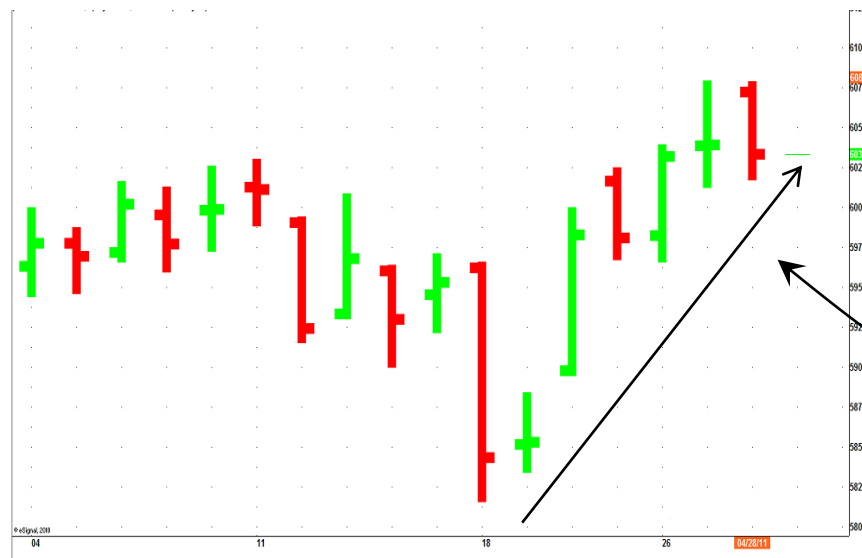
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## UK MARKETS: FTSE

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the FTSE.



See how the FTSE has recovered on corporate profit news and a waning of interest in the uprising in the Arab world.

**The Macro Trader's view of the FTSE is:** the FTSE has recovered well over recent weeks in line with other major equity markets.

Although some UK data releases have disappointed UK corporate profit reports have been supportive, but the market has benefitted from a waning of interest in the uprising in the Arab world.

However compared to the S&P, the FTSE hasn't fully recovered the losses made in the aftermath of the

Japanese, earthquake/tsunami/nuclear crisis.

After a weaker than expected UK PMI manufacturing survey this AM, we are remaining square ahead of the PMI Service sector survey on Wednesday, since any unexpected weakness there could force the market away from the highs and start a correction.

So for now we advise staying square here and focus on the US S&P instead.



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## EURO ZONE MARKETS: economic background

The talk in Euro zone markets has revolved around what the ECB will do next, or rather when it will push through its next rate hike.

Although the Sovereign debt crisis is likely to claim further victims, the ECB is now fully focussed on preventing an outbreak of higher inflation; a CPI report of 2.8% won't be long tolerated.

With core economic data, lead by Germany, but supported by France, holding up extremely well, the Euro zone economy looks strong enough to cope with higher interest rates, even if on an individual basis, the long peripheral tail isn't.

The talk from ECB policy makers has been mainly hawkish of late and the new President of the German Bundesbank has joined the chorus talking up expectations for higher rates.

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: **French, German, Italian and Euro zone PMI manufacturing surveys,,**
- On Tuesday; **Euro zone PPI,**
- On Wednesday; **French, German, Italian, and Euro zone PMI Services surveys and Euro zone retail sales,**
- On Thursday; **German factory orders and ECB rate decision, and**
- On Friday; **German industrial production.**

The main event this week is the ECB rate decision. Market consensus expects unchanged rates, but with CPI now at 2.8% we think a rate hike could be possible.



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- + NIKKEI

## Commodities

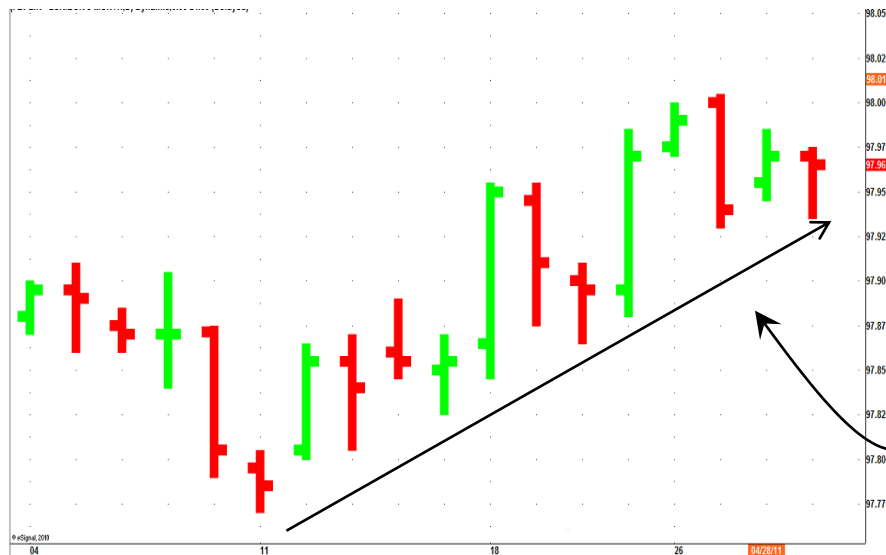
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: Euribor

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

Last week we were **Bearish** of Euribor.



See how Euribor corrected from the lows following the ECB rate hike.

**The Macro Trader's view of Euribor is;** our timing was again found wanting last time as the market continued to correct higher, stopping us out.

But with CPI inflation standing at 2.8% and ECB officials continuing to sound hawkish, we judge the current rally is a correction in a Bear market.

Apart from CPI the main run of data has remained strong, led by Germany. And although the EU/EZ authorities continue to struggle with the sovereign debt crisis, the ECB has moved on.

Looking ahead we judge this week's data should continue to show the recovery moving ahead, and our expectation is the ECB will want to nudge policy higher while the feel they are winning the debate.

Market consensus expects policy makers to leave policy on hold. We are not so sure and judge there is a real risk of a rate hike at this week's ECB meeting.

Traders should be short of this market. Our target this week is 97.80 and our stop continues at 98.05 for protection.





## Summary

## Global Calendar

## US Markets

+ EUROS DOLLARS  
+ 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: SQUARE.

Last week we were Square of The Bund.



The Bund continued to push higher even as equity markets recovered.

**The Macro Trader's view of the Bund is:** last time we said the current price action is likely no more than an inconvenient correction for the Bears. Well the market continued to rally despite a recovery in equity markets.

Moreover as CPI inflation rose to 2.8% and the authorities continued their efforts to put together a rescue package for Portugal, the Bund seemed oblivious.

Clearly the Bunds rally was less about domestic concerns and more focused on international developments.

Although Equity traders had moved on from the risks

associated with the Arab uprising and a disaster in Japan, bond traders hadn't.

But we continue to hold the view that the current price action in Bonds is a correction.

Global inflation is a concern; the ECB is hiking rates as is the Bank of China and Indian central Bank.

The oil price is a major concern and with the Euro zone and US still trying to tame their own debt problems we judge bonds are long term Bear markets.

We remain bearish and will seek a fresh selling opportunity, but for now we advise staying square.

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

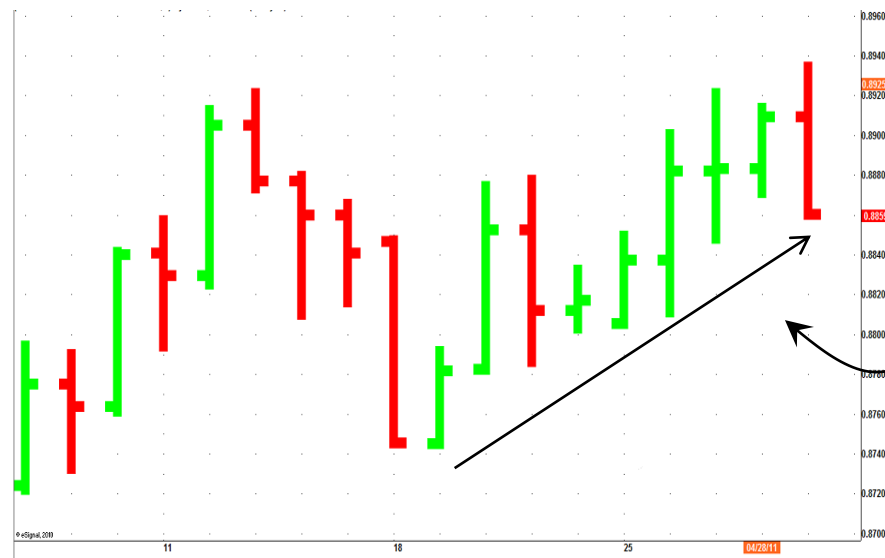
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Euro re-established its Bull trend against Sterling and the Dollar.

**The Macro Trader's view of the Euro;** the Dollars brief attempt at a rally two weeks ago failed and the Euro re-established the trend higher against both the Dollar and Sterling, and although the Dollar is today enjoying an attempted correction after the killing of Bin Laden, we judge the move will prove short lived.

The Euro zone is at the start of a monetary policy tightening cycle and the growing interest rate differential will drive the Euro higher.

The US is yet to deal with its budget deficit, where as the Euro zone has, albeit half baked.

And the German economy, the locomotive of the Euro

zone recovery, has found an energy missing since German Unification that looks set to power a Euro zone recovery, even as interest rates rise.

Looking ahead this week's key data releases are likely to further support the Euro, but we are not yet ready to recommend a long Euro trade.

The Dollar correction could persist a little longer on the Bin Laden story even though the news has little economic significance.

For now we advise remaining square but seeking an opportunity to Buy the Euro against the Dollar.



## 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 recovered in line with other leading equity markets.

### 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”...

And although these concerns continue to haunt the market the rally extended over recent weeks.

However, we judge the market to go long of remains the US S&P.

The policy environment in the US remains lax as the Fed intends to leave policy on hold for the foreseeable future and Obama isn't yet close to reigning back the huge budget deficit he created. While bad news longer term, short term the fiscal spending binge is helping to fuel the recovery.

For now we advise remaining square of this market and focus instead on the US S&P..



## 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 crisis in Japan has finally begun to impact the data. Over recent weeks data releases have weakened:

1. The trade surplus has shrunk as production has been hit,
2. Retail sales have collapsed,
3. Industrial production has contracted, and
4. Vehicle production has slumped.

These are just a few of the recent data releases that show the Japanese economy in crisis.

The authorities say it will take months to get the nuclear crisis under control and years to rebuild the damage from the earthquake/Tsunami.

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

- On Monday; **Vehicle sales**,

We judge the main event this week is the vehicle sales report.

But this is a minor report, the underlying distress the economy currently finds it self in isn't going to change over night and will need some strong leadership and brave decisions to turn this tragedy around.



## Summary

## Global Calendar

## US Markets

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

## UK Markets

+ SHORT STERLING  
+ GILT  
+ STERLING  
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## Euro Zone Markets

+ EURIBOR  
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## Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

## Commodities

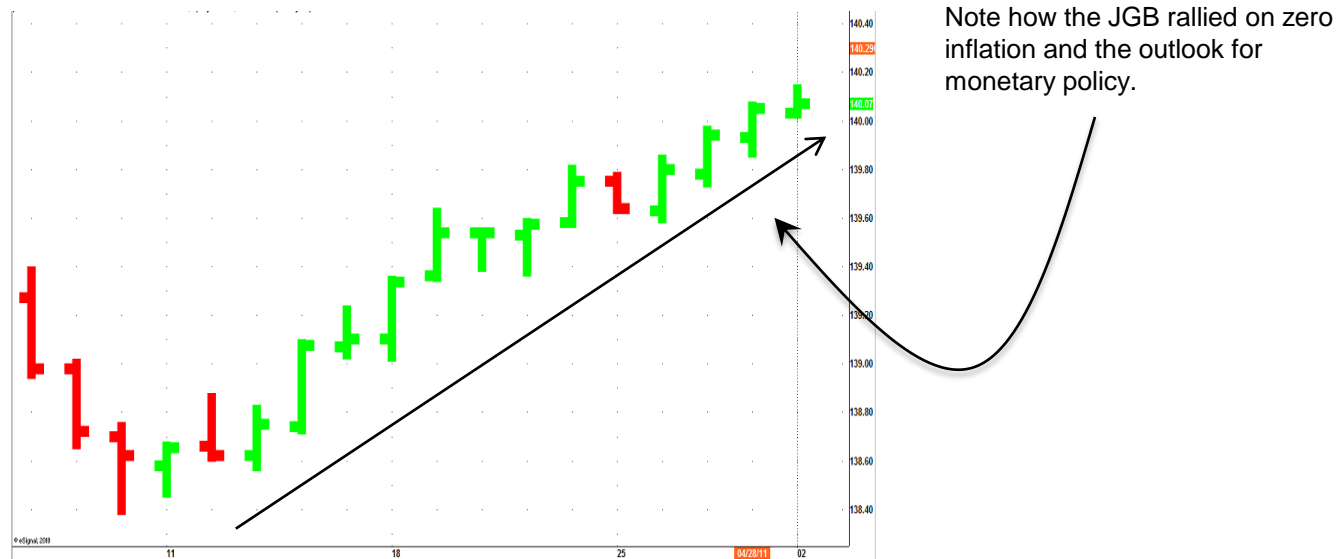
+ GOLD  
+ OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were **Bearish** of Japanese Bonds.



**The Macro Trader's view of the JGB is:** the JGB rallied further than we expected and the stop was hit.

The market is driven higher by several factors;

1. Bullish international sentiment driven by geopolitical events,
2. Low Japanese interest rates that will remain at current levels for a very prolonged period,
3. Zero inflation, and
4. The crisis state of the economy which requires support from central government.

While our long term view of other major bond markets is fundamentally bearish, we are neutral on this market.

The natural/nuclear crisis has caused much physical damage and seriously damaged the economy. A period of rebuilding is required and Central government must fund it despite already over extended debt to GDP ratios.

In short we are square of this market.



## Summary

## Global Calendar

## US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
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- + 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: SQUARE.

Last week we were Square of the Yen.



See how the Yen has recovered to pre crisis levels against the Dollar.

**The Macro Trader's view of the Yen is;** the Yen has recovered to its pre crisis level against the Dollar, sitting roughly in the middle of the extreme range that developed after the earthquake drove the Yen to post WW11 highs, before concerted intervention pushed it lower.

However is the current rally sustainable?

The authorities will likely take a dim view. The last thing Japan needs is a strong currency at a time of crisis when it needs to export to help fund a major

rebuilding program.

The chances of further intervention must surely increase as the Yen strengthens and we judge concerted intervention cannot be ruled out.

We judge the Yen is a currency to avoid since the authorities are likely to make repeated attempts to prevent currency appreciation, 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
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- + EURO
- + DJ EURO STOXX 50

## Japanese Markets

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- + YEN
- + NIKKEI

## Commodities

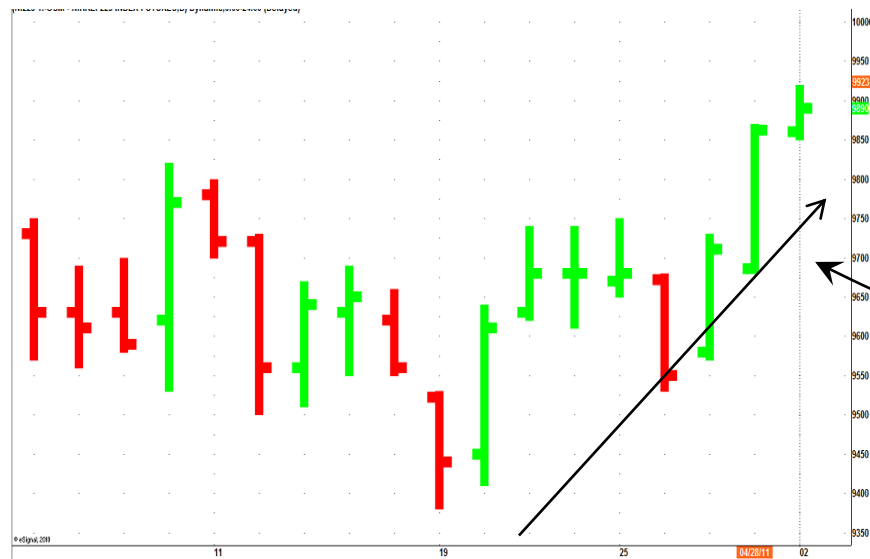
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



See how the Nikkei has tried to rally on optimism rather than current data.

**The Macro Trader's view of the Nikkei is;** the Nikkei's recovery has continued over recent weeks, partly fuelled by foreign sentiment that has seen other major equity markets recover, and partly as a result of optimism about future opportunities created by the need to rebuild.

However with data releases clearly starting to reveal the true impact the disaster has had on the economy and the Government saying it could take years to rebuild the disaster hit areas, is the market being overly

optimistic.

The Yen is strengthening, the trade surplus has shrunk, industrial production collapsed.

We judge this market is overly optimistic and 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

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+ 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.



See how gold rallied hard, as it powered through our suggested target creating a clear take profit opportunity.

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

...“Among the reasons for our continued bullishness are:

1. The Dollar looks set to weaken further, despite the current correction,
2. The violence in Libya looks like dragging on, with no resolution in sight,
3. Other Arab states including Syria are still struggling to contain their own popular uprisings, and
4. Inflation has emerged as a major global concern”...

Those issues drove gold to new highs, much higher

than our suggested target and a take profit opportunity occurred.

However, the news of Bin Laden's death has caused a round of profit taking. We judge this offers an excellent opportunity to get straight back into the market as we judge Bin Laden's death has changed nothing.

Traders should remain long of this market. Our previous target of 1510.0 was met; profit booked.

Our target this week is 1580.0 and our stop is raised to 1490.0 for protection.





## Summary

## Global Calendar

## US Markets

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## Euro Zone Markets

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+ DJ EURO STOXX 50

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+ 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 time 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. 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 could take months to resolve, and the price could go even higher.

And although news of Bin Laden's death has led to some profit taking, we judge the forces driving this market remain unchanged. In fact his death might lead to further unrest in the Arab world.

Traders should remain long of this market.

Our target this week is set at 115.00, and our stop is now 109.0 for protection in a potentially volatile market.



## Summary

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## US Markets

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## Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

### SEVEN DAYS AHEAD

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MAIN MENU