Key Trades Round Up: 10th May 2011

Open Positions

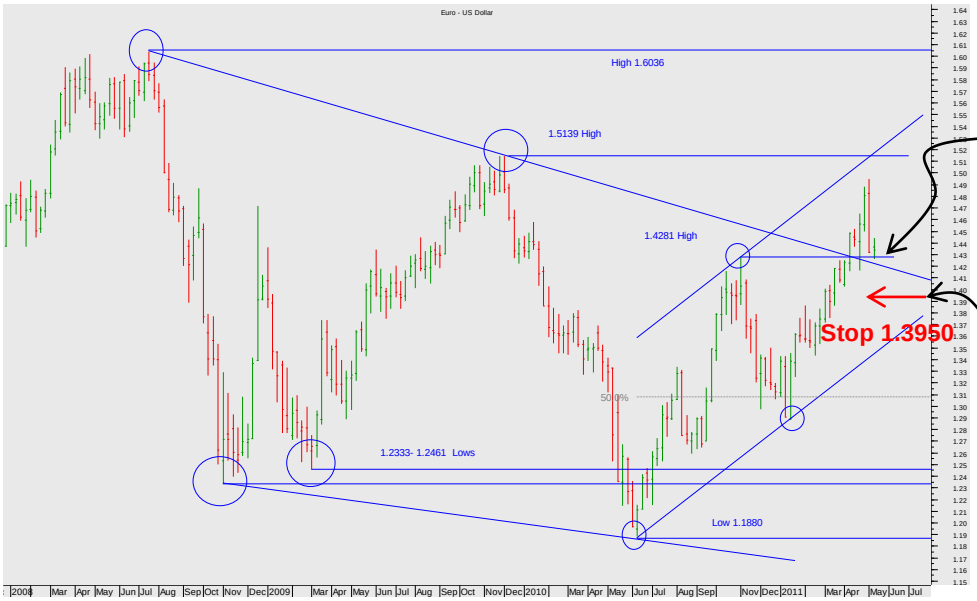
None

New Positions

1. Dollar Euro

10th May Buy today Spot Dollar Euro (Long Euro) @1.4347. Stop1.3950.

The Technical Trader's View:



Weekly Bar chart

The pull-back to the breakout support at the combined horizontal and diagonal at 1.4281 looks like an opportunity

Bit for just half a position and the stop is moved down to 1.3950

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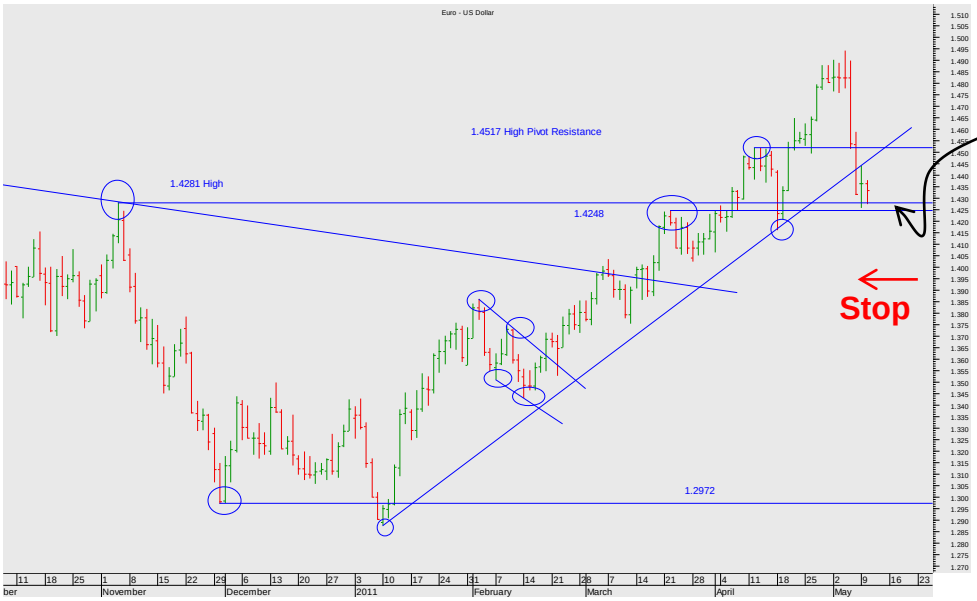

Weekly Bar chart

Sure enough the market has found a bit of support at Prior highs 1.4248 and 1.4281….

We remain bulls for the Euro.

The Macro Trader's View:

The recent correction in Dollar/Euro which saw the Dollar rally hard was a reaction to several factors:

1. Disappointment the ECB failed to hike rates at last Thursday's meeting,
2. Disappointment that Trichet failed to give any guidance on future rate hikes, and
3. A reaction to the still unresolved Euro zone debt crisis.

We judge these issues are transitory and the Euro will recover. The ECB is likely to have raised rates several more times before the Fed even looks set to move and the Euro zone debt crisis, while still unresolved, really is old news.

We judge the big issue for the Dollar is the US budget deficit and lack of agreement on how best to reduce it, until a plan is agreed and signed into law we judge the Dollar is a long term sell.

In summary we advise selling the Dollar against buying the Euro.

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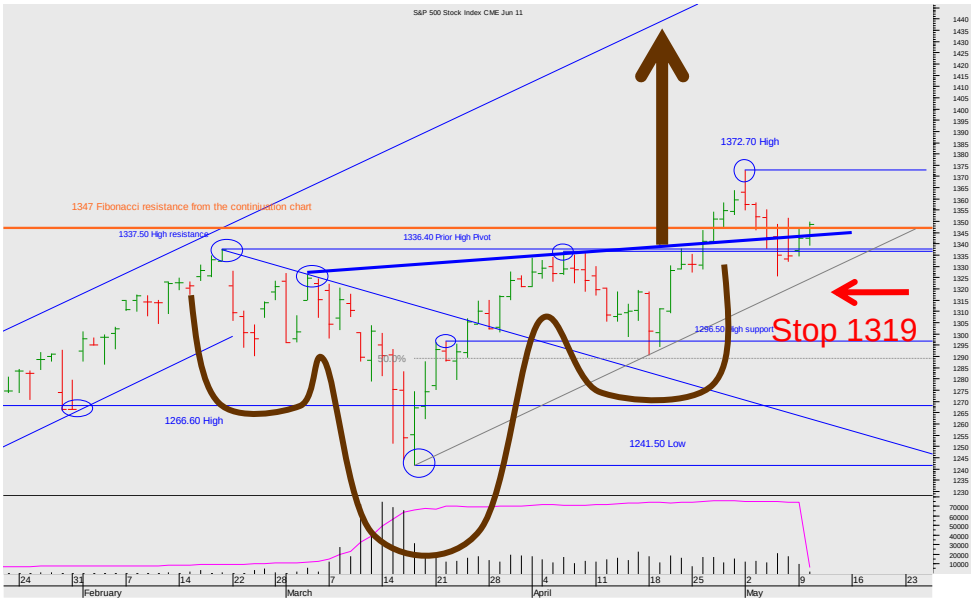
2. S&P

10th May April Long today S&P500 (1/2) @ 1349.00. Stop at 1319.



Daily Bar chart

The market has completed a Head and Shoulders Reversal and looks set to drive on up to 1430 or so.

Stop beneath the Neckline at 1319.

Stay long.

The Macro Trader's View:

The selloff in this market last week was a correction driven over fears about a possible slowdown in the global economy and a reaction to the death of Osama Bin Laden.

Although US data turned a little mixed last week with the two ISM surveys telling different stories about the health of the economy, this isn't the first time during this recovery that data has turned mixed. We judge the economy remains on track and despite the rise in the unemployment rate last week, which was likely driven by previously discouraged job seekers returning to the labour force, the non-farm payroll report was stronger than consensus showing a strong gain of new jobs.

We expect this market to recover. US manufacturing is beginning to compete with Chinese imports as productivity in the US improves and corporate profit results were largely as expected.

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In summary we advise going long of this market.

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