



Week 26
28th June – 4th July 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

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

- BULLISH
- BULLISH on growing economic weakness
- BULLISH v Sterling
- SQUARE

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

- BULLISH
- BULLISH
- BEARISH v the Dollar
- SQUARE

Euro Zone Markets

+ EURIBOR
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- SQUARE
- BULLISH
- SQUARE
- BEARISH

Japanese Markets

+ JAPANESE BONDS
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- SQUARE
- SQUARE
- SQUARE

Commodities

+ GOLD
+ OIL

- BULLISH
- SQUARE

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	Week of 27 th June
Monday	US PCE 0.2m, 1.1y US Prsnl spndg 0.1% US Prsnl income 0.4% UK Nat'nwide hse prces 0.0m, -1.3y DM Import prices -0.3m, 8.6y JP Retail trade 1.0m, -2.2y JP Lrge retail sales -1.9%
Tuesday	US Case/schiller comp20 -4.0% US Cons conf 61.0 UK Tot bus invstmnt -7.1q, -3.2y UK C/A -4.7B UK Q1 GDP 0.5q, 1.8y DM GFK Cons conf 5.3 IT PPI 0.1m, 4.8y IT Bus conf 100.7 DM CPI 0.1m, 2.3y JP Ind production 5.5% _m , -6.3y
Wednesday	US MBA Mrtge aps n/f US Pndg home sales 0.8m UK Mrtge apps 46.3k UK Indx of services 1.3% 3m/3m UK Net cons CR 0.4B UK Net Indg on dwellgs 0.7B UK GFK Cons conf -24 FR Q1 GDP 1.0q, 2.2y EZ Cons conf -10 EZ Ind conf 3.5 EZ Services conf 9.0 JP Loans & discount corp n/f

	Week of 27 th June
Thursday	US Jobless claims 420k US Chicago PMI 54.0 FR Cons spndg 1.0m, 0.9y FR PPI 0.2m, 6.4y DM Unemplym't chge -17k DM Unemploy'm't rate 7.0% EZ M3 (3M) 2.1% EZ M3 (Y/Y) 2.1% EZ CPI Est 2.8y IT CPI 0.1m, 2.7y JP Vehicle production n/f JP Househld spndg -1.7y JP Jobless rate 4.8% JP Tokyo CPI -0.1y National CPI 0.2y JP Tankan mfg -7
Friday	US U. of Michigan conf 72.0 US Construction spndg 0.0m, US ISM Mfg 51.5 US ISM prces paid 72.0 UK PMI 52,3 IT PMI mfg 50.1 FR PMI mfg 52.8 DM PMI Mfg 54.9 EZ PMI Mfg 52.0 IT Unemploy'm't rate 8.4% EZ Unemploy'm't rate 9.9% JP Vehicle sales n/f



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	Week of 20 th June
Monday	DM PPI 0.0m, 6.1y BETTER EZ C/A -6.5B WORSE IT Ind orders -6.4%m, 5.8%y WORSE IT Ind sales 1.4%m, 14.2y BETTER JP Trade bal -853.7B WORSE JP Convnce stre sales 5.7y BETTER THAN EXPECTED
Tuesday	US Existing home sales 4.81M AS UK PSNCR 11.1B WORSE UK PSNB 15.2B WORSE DM ZEW 87.6 WEAKER JP All ind actvty indx 1.5%m WEAKER THAN EXPECTED
Wednesday	US MBA Mrtge apps -5.9% WEAKER US Hse price indx 0.8% STRONGER US FOMC Rate decision 0.25% AS US Bernanke press conf UK MPC Minutes 7/2 MORE DOVISH FR Bus conf indx 109 BETTER EZ Ind new orders 0.7m, 8.6y WEAKER EZ Cons conf -10 BETTER JP Supermarket sales -1.4 LESS THAN EXPECTED

	Week of 20 th June
Thursday	US Jobless claims 429k WORSE US New home sales 319k BETTER UK BBA Home buyer loans 30.509k BETTER UK CBI Sales -2 WORSE EZ PMI Composite 53.6 WEAKER JP Corp service prces -0.9y WEAKER THAN EXPECTED
Friday	US Durable goods 1.9% BETTER US DG Ex-Transport 0.6% WEAKER US Q1 GDP A 1.9% AS US Q1 GDP Price indx 2.0% MORE US Q1 Core PCE 1.6%q STRONGER US Q1 Persnl consumpt'n 2.2% AS FR Cons conf 83 LESS DM IFO 114.5 STRONGER IT Retail sales 0.4m, 2.5y STRONGER THAN EXPECTED



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US MARKETS: economic background

The spot light was firmly on the Fed last week as traders awaited the FOMC rate decision, policy statement and Bernanke's press conference.

In a nut shell, the Fed acknowledged the economy had cooled since their last meeting, the outlook for growth was down graded, but the view remained that growth should pick up.

The result being no mention of any new measures to support the economy, but a recognition that inflation is creeping higher.

We judge the Fed is hoping that with the still considerable amounts of liquidity in the economy provided by the QE programs will eventually lead to faster growth, especially as they are committed to reinvest principle as bond holdings mature.

But if the weakness drags on through the summer with job creation remaining weak, policy makers may have to rethink..

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; **Core PCE, personal spending and income,**
- On Tuesday; **Consumer confidence,**
- On Wednesday; **Pending home sales,**
- On Thursday; **Jobless claims and Chicago PMI, and**
- On Friday; **University of Michigan confidence, Construction spending and ISM Manufacturing survey.**

We judge the main event this week is the ISM manufacturing survey.

Ultimately what the Fed does next will be dictated by the strength of economic activity across the economy and manufacturing, though a small part of GDP compared to the service sector, in absolute terms it is still a significant employer and creator of wealth, which this administration is seeking to grow in importance.



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Commodities

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Disclaimer

US MARKETS: Eurodollars

OUR TRADING STANCE: BULLISH of March 12.

Last week we were Bullish of March 12 Eurodollars.



See how Eurodollars sold off on Friday after stronger than expected Durable goods data.

The Macro Trader's view of Eurodollars is; the Fed's comments last week put something of a brake on this market as traders digested comments made by Bernanke.

By Friday the stronger Durable goods data and mainly unrevised Q1 GDP, combined with existing and new home sales data released earlier in the week, and led to a round of profit taking.

Looking ahead there are several important data releases due this week, but the main event is Friday's

ISM Manufacturing report, which we think could continue to disappoint.

Over all we remain bullish of this market, the FOMC statement revised down its growth outlook and policy makers may be forced to rethink their strategy over the next few months.

Traders should be long of this market our target remains 99.60 and our stop continues at 99.41 for protection.



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Japanese Markets

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Commodities

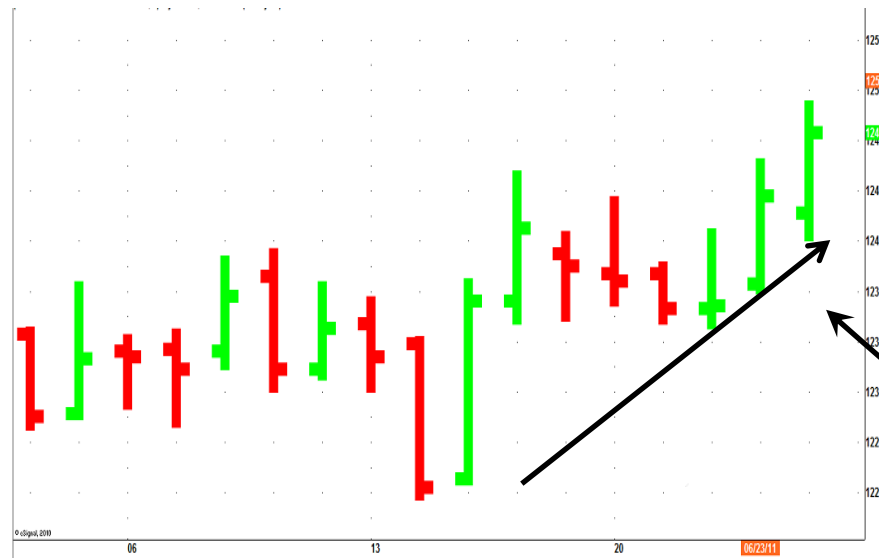
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Disclaimer

US MARKETS: 10 Year Note

OUR TRADING STANCE: BULLISH.

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



See how the 10 year note rallied on Euro zone sovereign debt anxiety and the Fed's hands off approach to the current US economic slowdown.

The Macro Trader's view of the 10 year note is; the 10 Year Note came close to our target last week as traders continued to seek safe haven assets.

The Euro zone Sovereign debt crisis continues with Greece at its epicentre despite an apparent new deal to bail Athens out.

Additionally, the Fed's current hands off approach to the economy during the current soft spot has also benefitted bonds, as traders judge the period of

weakness is likely to persist without additional support.

So although last week's Durable goods report was better than expected, it is known to be a fairly volatile data series, therefore don't place too much emphasis on that one report.

Traders should be long of this market.

Our target this week remains 125.00 and our stop continues at 122.10 for protection.



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Japanese Markets

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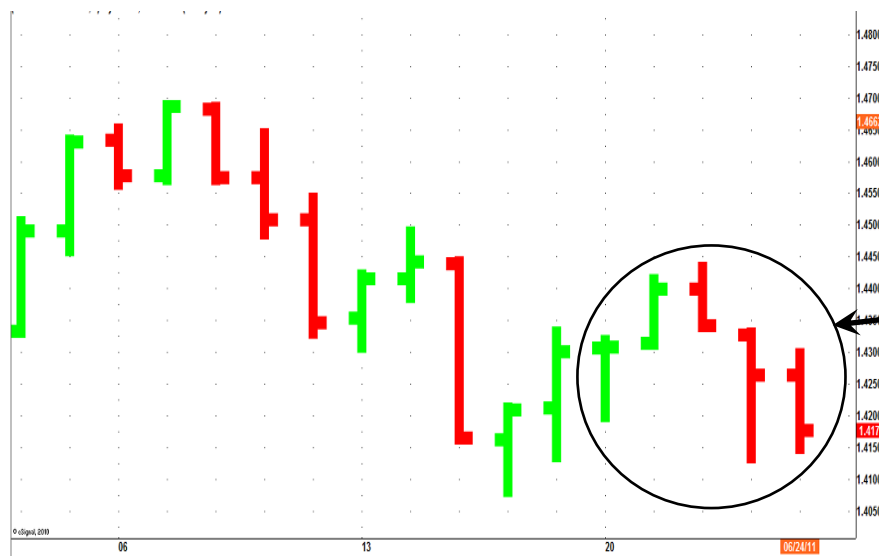
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US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v STERLING.

Last week we were Square of the Dollar.



See how the Dollar once again attempted to rally against the Euro as the Sovereign debt crisis rolls on.

The Macro Trader's view of the Dollar is: last week we said...

...“the US Dollar's price action continues to be driven by events in the Euro zone where the hapless Greeks remain the centre of attention”...

And we judge that remains true. As the Euro zone authorities drag out this whole debt crisis rescue procedure, confidence in a rescue that works is fast ebbing away.

Add in the Feds current reluctance to ease any further, at least for now, and the Dollar looks a more attractive proposition than the Euro.

However we are not convinced by the Dollars rally against the Euro. The economy remains trapped in a week phase. The thought of fiscal help is frightening given the current state of US public finances, so if the Fed truly intends to sit on its thumbs, the economy looks set for a prolonged spell of weakness, leading us to remain neutral and advise a square position.

But against Sterling, that's different since the Pound has its own issues that are dragging it lower.

Traders should be long Dollar/Short Pound, our target is 1.5500 and our stop is set at 1.6300 for protection.



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Japanese Markets

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Commodities

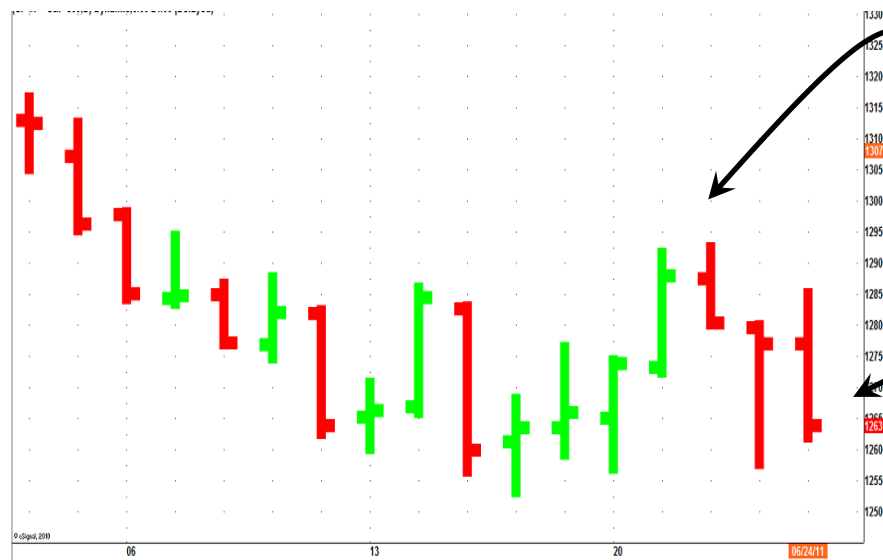
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Disclaimer

US MARKETS: S&P500

OUR TRADING STANCE: SQUARE.

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



See how the S&P tried to rally on news of a new rescue package for Greece, but with the aid with held until hash conditions are met risk assets took another look at the downside.

The Macro Trader's view of the S&P 500 is: the market attempted a rally on as expected existing home sales and news of a new aid package for Greece.

The FOMC decision to refrain from helping the economy further and the Euro zones decision not to release the new rescue funds until Greece formally commits to new hash austerity measures sent equity markets back towards the lows.

We judge the environment for stocks currently is negative. The Euro zone is still unable to end the debt crisis, the US economy remains trapped in a weak

patch and the Fed isn't willing to offer fresh help due to concerns about inflation.

Conclusion, unless data due this week and next show the economy is emerging from its spell of weakness and Europe can get its house in order, we judge this market looks very vulnerable to the downside.

However since one of the factors driving stocks is mainly political, it could conceivably be resolved at any time, sparking a sharp relief rally.

That fear leaves us square of this market.



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Euro Zone Markets

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Japanese Markets

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+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

UK MARKETS: economic background

Last week we said the main event was the MPC minutes and we judge they lived up to that billing.

The markets were surprised by the change of tone that clearly came through the minutes with one member moving from the hikers to unchanged camp.

Moreover, of those seeking to keep policy on hold there was a growing sense that a resumption of QE might prove necessary to protect the economy from what policy makers now see as a growing downside threat to growth, driven in part by the debt crisis still running in the Euro zone but mainly as a result of the contractionary impact of the UK's spending cuts.

The other key data releases last week were the governments borrowing figures and they were worse than expected.

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; **Nationwide house price survey,**
- On Tuesday; **C/A data and Q1 GDP,**
- On Wednesday; **Mortgage applications, net consumer credit and net lending on dwellings, and**
- On Friday; **PMI Manufacturing survey.**

The main event this week is the PMI manufacturing survey. Last month both PMI surveys disappointed traders will be hoping the data comes in a little stronger, but don't hold your breath!

The Q1 GDP report also due is now quite historic, in a couple of weeks Q2 data will be released so unless very different to consensus its impact should be strictly limited.



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- + FTSE

Euro Zone Markets

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Japanese Markets

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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

UK MARKETS: Short Sterling

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of June 12 Short Sterling.



Note how Short Sterling rallied further last week fuelled by the MPC minutes on Wednesday.

The Macro Trader's view of Short Sterling is; the market hit our target last week as the MPC changed its tone at the June meeting.

No longer are policy makers hung up on inflation even though it is yet to correct, instead they see real threats to growth coming from the governments spending cuts and the still unresolved Euro zone debt crisis which could see Greece ultimately default.

Over recent weeks it has become increasingly clear that the price to pay for public finances being forced

back onto a sustainable path is a long spell of economic weakness.

This week sees the release of the PMI manufacturing survey, recently it has developed a weakening trend, if that trend continues as we suspect it will, this market will rally further.

Traders should remain long of this market.

Our target this week is raised 98.98 but our stop remains at 98.65 for protection.



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Euro Zone Markets

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Commodities

- + GOLD
- + OIL

Disclaimer

UK MARKETS: Gilt

OUR TRADING STANCE: BULLISH.

Last week we were Square of the Gilt.



See how the gilt see how the Gilt remains supported by the slowing economic recovery.

The Macro Trader's view of the Gilt is; last week we said...

...“the Gilt continues to draw support from growing concerns about domestic and global growth”...

And now the MPC has endorsed those worries. Last week's release of the June MPC minutes revealed policy makers currently voting for unchanged policy are increasingly worried that growth may slow to a level where they need to restart QE.

Add in the still unresolved Euro zone sovereign debt

crisis which fuels a flight to quality and the Gilt looks set to rally further.

If growth does indeed cool as feared, inflationary pressures should ease and with it the CPI fall back towards target, in fact the MPC minutes seemed to paint a scenario where deflation could become a risk!

We are now bullish of this market and advise being long.

Our target is 124.20 and our stop is placed at 122.50 for protection.



Summary

Global Calendar

US Markets

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UK Markets

+ SHORT STERLING
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+ **STERLING**
+ FTSE

Euro Zone Markets

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Japanese Markets

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Commodities

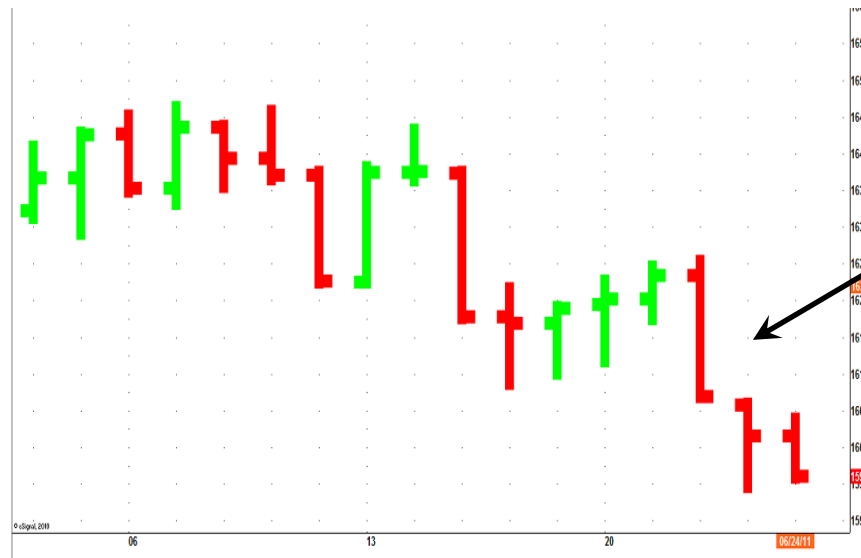
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UK MARKETS: Sterling

OUR TRADING STANCE: **BEARISH of CABLE**

Last week we were square of Sterling



See how Sterling sold off last week against the Dollar as the MPC moved further away from hiking rates.

The Macro Trader's view of the Pound is; although our long term view of the Dollar remains bearish, Sterling is undermined by weakening UK data.

The MPC minutes last week moved the Bank of England further away from a rate hike as policy makers fear growing economic weakness and judge inflation will settle lower.

The Fed sees a softer US economy but isn't intent on offering any new help, at least not yet, but the Dollar

crucially draws support from safe haven buying as traders continue to fret about the Sovereign debt crisis in the Euro zone and the risk of a Greek default; Sterling takes no benefit from being outside of this as domestic growth issues in the UK dominate.

Traders should be Short the Pound/Long the Dollar.

Our target is 1.5500 and our stop is set at 1.6300 for protection.



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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square of the FTSE.



See how the FTSE remained under pressure last week as UK economic outlook worsened and the Euro zone debt crisis continued to weigh on traders risk appetite.

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

...“the market along with other leading equity markets is vulnerable to further selling”....

...“The driving force behind current price action is a mix of:

1. UK economic weakness,
2. US/Global economic weakness, and
3. The Euro zone sovereign debt crisis.

Traders/investors are concerned that Greece may yet default”...

And that risk/fear remains very real. Although a new aid package is in place, the funds will not be released until Greece passes legislation confirming the austerity measures required will be applied; the Greek opposition isn't willing to support that.

Add in the MPC's new found fear of growing UK economic weakness and this market looks anything but a buy.

However we are not willing to trade equities in the current climate, preferring instead to trade Bonds, so stay square.



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EURO ZONE MARKETS: economic background

The German IFO report was our main focus data wise last week and it came in stronger than expected showing the German economic expansion remains firmly on track.

However a word of caution, the other German survey the ZEW came in weaker than expected, so maybe a plateau is being reached, the Euro zone PMI Composite and Euro zone industrial new orders were both weaker than expected too, so maybe a soft patch is on the horizon?

However the dominant theme in Europe as in other global markets was the Euro zone sovereign debt crisis centred around Greece. A resolution looks no nearer and Greece may yet either choose to default or judge the austerity measures now being demanded by Germany et al leaves it no other alternative as public opinion is not in support of more belt tightening and the opposition leader joined that camp last week, refusing to support any new austerity measures.

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; **German import prices,**
- On Tuesday; **German CPI and Italian PPI,**
- On Wednesday; **French Q1 GDP,**
- On Thursday; **French consumer spending, PPI, German unemployment and Euro zone M3 and CPI, and**
- On Friday; **Italian, French, German and Euro zone PMI Manufacturing surveys and Euro zone unemployment rate.**

The main event this week is Friday's release of the various Euro zone PMI manufacturing surveys.

As trading remains dominated by the debt crisis, traders seek clues about whether or not the real economy is being weakened by the authorities inability to solve the crisis.



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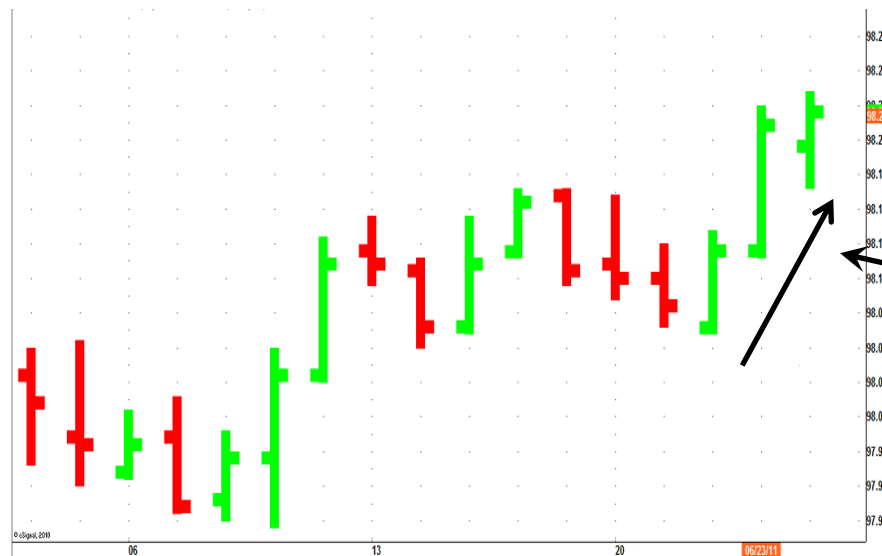
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



See how Euribor rallied last week as traders begin to question just how far the ECB will hike in the current debt crisis.

The Macro Trader's view of Euribor is; the run of data remained a little mixed although the Euro zone as the IFO and ZEW surveys sent out conflicting signals.

Also industrial new orders came in below expectations and traders are beginning to question just how much higher the ECB will nudge interest rates.

We sense the ECB some how sees its self as separate from the politics of the Euro zone and they also see the Sovereign debt crisis as a very political

problem requiring a political not monetary solution.

If anything they may judge that adhering to their path of hiking rates will keep the pressure on politicians and help force a solution.

Who knows.

But we are not seduced by the current rally and advise remaining square.



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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of The Bund.



The Macro Trader's view of the Bund is: we continue to hold the view that the Bund remains supported by safe haven buying fuelled by the Euro zone Sovereign debt crisis.

The Euro zone authorities are playing hard ball with Greece, and there is a growing sense of opposition in Greece to the tough measures demanded in exchange for aid and the leader of the Greek opposition said he couldn't support the new austerity measures demanded in exchange for more aid.

As a result the markets still fear a Greek default.

Additionally concerns remain about the strength of the Global economic recovery as US data remains soft and the Fed unwilling to act further.

Looking ahead we judge Bonds will remain driven by the sovereign debt crisis, still unresolved.

Add in the cooling economic data and we judge traders should stay long of this market.

Last week's target was met. Our target this week is 128.50 and our stop is raised to 125.55 for closer protection.



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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Euro bounced back against the Pound but remained under pressure against the Dollar.

The Macro Trader's view of the Euro; In the Euro zone data was a little mixed as the IFO and ZEW surveys sent out conflicting reports.

However traders are not reacting to the data. Their first point of reference remains the on going sovereign debt crisis and the Euro zone authorities inability to lance the boil.

The markets still fear a Greek default as the Euro zone authorities play hard ball demanding harsh austerity measures, but is it in the Greek interest to comply with medicine that shrinks the economy further, making it harder to service their debt even after receiving the

new help?

We judge Greece would be better served by telling her partners to pay up, stop demanding ever stricter conditions or deal with the aftermath of a default while still part of the Euro zone.

What would be the attitude of Germany et al then?

We are square of the Euro, trading is politically driven and politics unlike Macro economics can turn on a dime.



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: **BEARISH.**

Last week we were **Bearish** of DJ EUROSTOXX50.



See how the market tried to rally as the Greek government survived a no confidence vote.

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

last week the market attempted a rally and our stop was hit, after the Greek government survived a no confidence vote.

But the move soon ran into trouble as the leader of the Greek opposition refused to support the new austerity measures demanded by the Euro zone authorities in exchange for more aid.

Additionally, Trichet delivered a timely warning that the debt crisis risked destabilising the Euro zone as Euro zone leaders heaped more pressure on Greece to

adopt new austerity measures by refusing to release the agreed next tranche of aid until the Greek Parliament passed legislation committing the government to the deal.

In short the debt crisis looks no closer to a resolution than it did one year ago and the Euro zone as it stands today looks vulnerable, as does this market to further bearish price action.

Traders should be short of this market. Our target is 2660.0 and our stop is set at 2820.00 for protection.

More



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JAPANESE MARKETS: economic background

Last week's key releases was the all industry activity index, which came in worse than expected, signalling the recovery in Japan is still yet to start.

Other data released last week was at best mixed and confirmed the fact that Japan faces a long hard road back to recovery..

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; **Retail trade and large retailers**

sales,

- On Tuesday; **Industrial production,**
- On Wednesday; **Loans & discount corp,**
- On Thursday; **Tankan manufacturing, and**
- On Friday; **Vehicle sales**

We judge the main event this week is the all industrial production report.

Once again we remain focused on industrial activity as it is that sector which will lead Japan's recovery.



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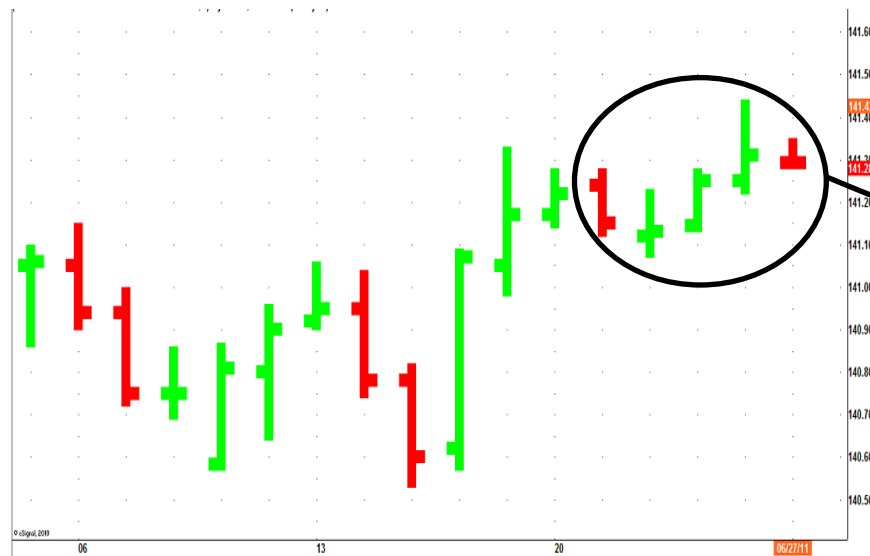
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



See how the JGB staged a tepid rally last week as the Nikkei continued to trade in a tight range unlike other leading equity markets.

The Macro Trader's view of the JGB is: last week's data was again mainly weaker than expected with the all industry activity index falling short of expectations.

In response the market staged a tepid rally, but against the price movements in other government bond markets, the effort was poor.

Looking ahead we are focussed on industrial production as we continue to seek evidence that Japan's economy is starting to mend, but we suspect patience will be a major asset in that wait..

Once again we are unenthusiastic about the JGB and for now advise remaining square of this market.



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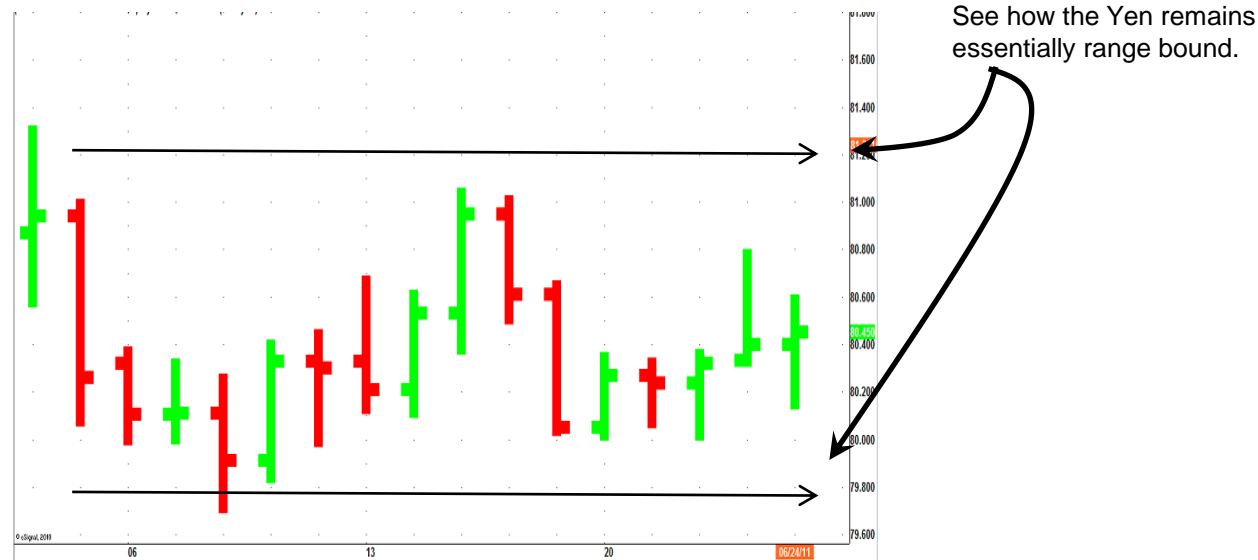
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Yen.



The Macro Trader's view of the Yen is; the Yen, weakened slightly last week as the Dollar attempted to renew its rally after the FOMC policy statement which failed to mention any new support for the US economy.

And although US data remains mixed so too is Japanese data, but the Dollar continues to benefit from safe haven buying.

Looking ahead the main event data wise is industrial production and traders will be watching for any sign of

recovery.

But we judge the Yen remains trapped in a range which has dominated since early May, and despite the challenges facing the economy caused by the earthquake, there seems little appetite to short the Yen, but neither are there enthusiastic bulls, since there is always the threat of intervention should the Yen strengthen.

So for now we advise staying square.



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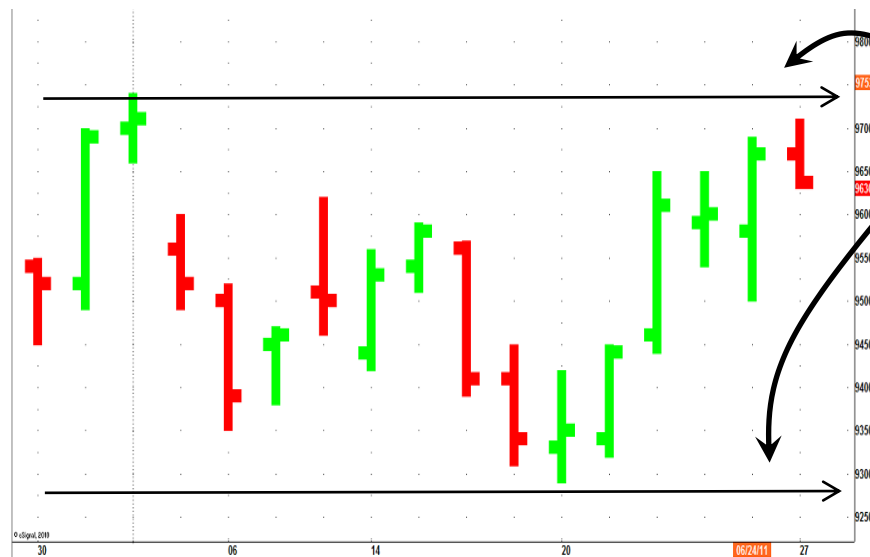
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Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



See how the Nikkei, like the JGB and Yen remains largely range bound.

The Macro Trader's view of the Nikkei is; the Nikkei is still within in a tight range which has dominated since late March.

The domestic crisis caused by the natural disaster continues to weigh on Japan's financial markets, along with anxieties about the Euro zone debt crisis and cooling US economy.

Of these the Euro zone debt crisis stands out. Greece remains centre stage as the Euro zone authorities

continue to apply pressure for Greece to adopt new harsh austerity measures.

However the Nikkei has avoided the sharp sell off that has hit other leading equity markets over recent weeks but that is probably because this market sold off so far after the earth quake earlier in the year.

For now we remain neutral of Japan's markets, the outlook is still unclear, so once again; stay square.



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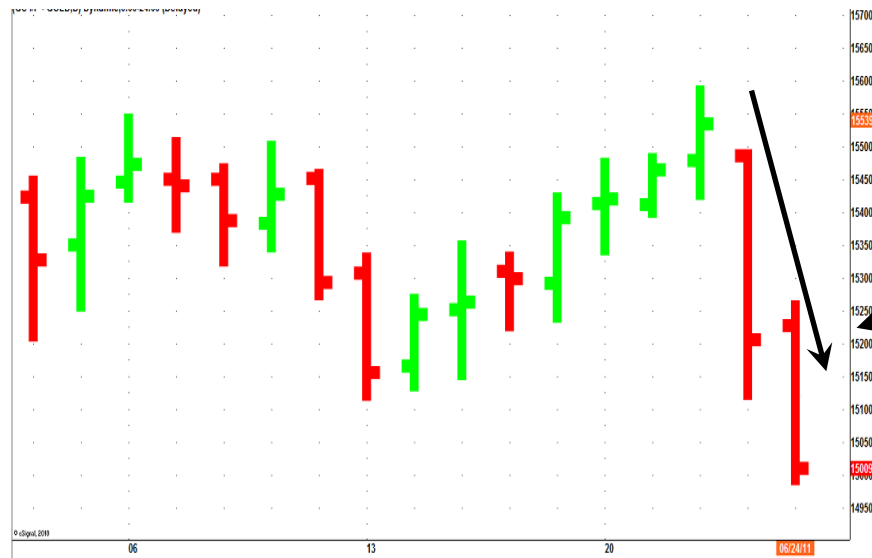
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: BULLISH.

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



See how gold sold off on Thursday/Friday in response to the release of substantial oil reserves by the IEA and US.

The Macro Trader's view of the Gold is: the market suffered a sharp sell off late last week as the US and others released crude from their strategic reserve in an effort to weaken the oil price.

The move came as a complete surprise and was likely prompted by OPEC's recent failure to agree a production increase originally called for by Saudi Arabia.

However we judge the sell off was likely caused by the nature of the surprise rather than a fundamental shift in

the Gold market, as gold has suffered several periods of correction over the years that have spanned the long bull run.

We judge traders should remain long of this market, our stop is close by and may be hit, but the conditions that have supported the rally in gold are still very much in play.

Our target remains 1560.0 and our stop continues at 1485.0 for close protection.



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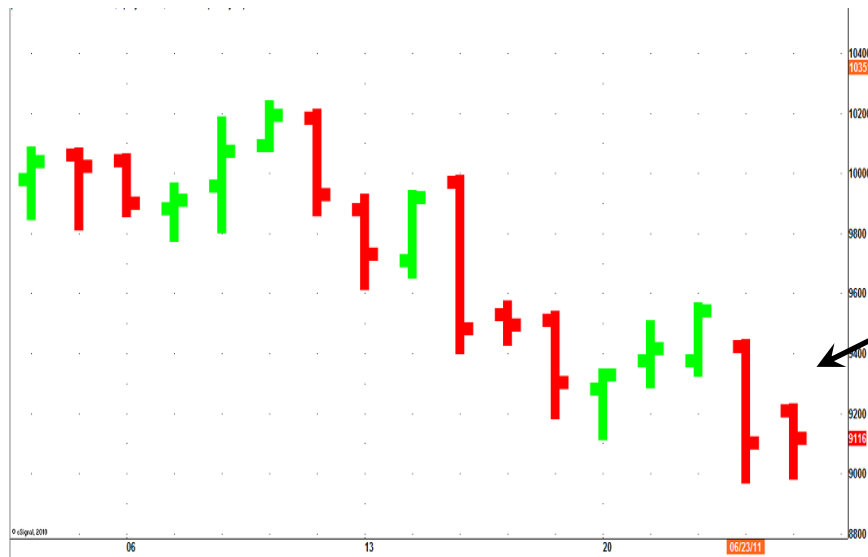
+ GOLD
+ OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil continued to move lower with the release late last week of strategic oil reserves playing an important part on Thursday/Friday.

The Macro Trader's view of oil is: the market sold off further last week as growth fears intensified prompting the US and others to release stocks from their strategic oil reserve.

Additionally traders remained concerned about the Euro zone sovereign debt crisis and the Euro zones inability to grasp what needs to be done to resolve it.

While the oil market longer term remains bullish on supply/demand, short medium term it is held back mainly by growth fears emanating from the debt crisis,

which could lead to a new financial crisis if one or more peripheral economies left the Euro zone, indeed ECB President Trichet warned of the risks posed to Euro zone stability by the long running crisis.

Looking ahead we judge the release of strategic reserves will likely force the market to trade sideways a little longer, but ultimately supply/demand dictated by global growth will decide this markets fate..

So although long term bullish, for now we advise staying square.



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Commodities

- + GOLD
- + OIL

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