Week 36

6th – 12th September 2011

the macro trader's guide to major markets

John Lewis

SEVEN DAYS AHEAD

SUMMARY

Summary

Global Calendar

US Markets

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

UK Markets

- SHORT STERLING — BULLISH
- GILT — BULLISH
- STERLING — SQUARE
- FTSE — BEARISH on growing fears of recession

Euro Zone Markets

- EURIBOR — SQUARE
- BUND — BULLISH
- EURO — SQUARE
- DJ EURO STOXX 50 — BEARISH

Japanese Markets

- JAPANESE BONDS — SQUARE
- YEN — SQUARE
- NIKKEI — SQUARE

Commodities

- GOLD — BULLISH on US economic weakness and the deepening Euro zone debt crisis
- OIL — SQUARE

Disclaimer

More

This week's global calendar – macro trader

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 5th September
Monday	UK PMI Services survey 54.3 UK BRC Retail sales -1.0% IT PMI Services survey 48.4 FR PMI Services survey 56.1 DM PMI Services survey 50.4 EZ PMI Services survey 51.5 EZ Retail sales 0.0m, -1.0y
Tuesday	US ISM Non-mfg survey 51.3 UK BRC Shop pces n/f EZ Q2 GDP 0.2q, 1.7y DM Factory orders -1.5m, 9.8y JP BOJ Rate decision 0.10%
Wednesday	US MBA Mrtge apps n/f US Fed Beige book UK Ind production 0.0m, -0.6y UK Mfg output 0.0m, 1.9y UK NIESR GDP Est n/f DM Ind production 0.5m, 6.7y JP C/A Bal 1175.8B JP Trade bal 149.1B JP Machine orders -4.2m, 8.3y JP Eco watchers survey n/f

	Week of 5th September
Thursday	US Trade bal -$51.0B US Jobless claims 410k UK MPC Rate decision 0.5% Uk QE Decision £200B DM C/A 9.5B DM Trade bal 11.5B FR Trade bal -5.900B EZ ECB Rate decision 1.5% JP Bankruptcies n/f JP Q2 GDP -0.5%q, 2.0%(A)
Friday	US Wholesale inventry 0.8% UK PPI Input -1.5m, 16.8y UK PPI Output 0.1m, 5.9y UK PPI Core 0.1m, 3.4y UK Trade bal n/f UK Trade bal non-EU n/f DM CPI -0.1m, 2.3y FR Ind production 0.0m, 0.4y FR Mfg output 0.6m, 2.4y IT Q2 GDP 0.3q, 0.8y JP Cons conf n/f

More

Last week's releases – macro trader

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 29th August
Monday	US Personal spndg 0.8% **STRONGER** US Personal income 0.3% **AS** US Core PCE 0.2m, 1.6y **MORE** US Pndg home sales -1.3%m, 10.1y **WEAKER** IT Cons conf 100.3 **WEAKER** DM CPI -0.1m, 2.3y **AS** JP Househld spndg -2.1y **STRONGER** JP Jobless rate 4.7% **HIGHER** JP Retail trade -0.3m, 0.7y **WEAKER** **THAN EXPECTED**
Tuesday	US Case/schiller comp20 -4.52y **BETTER** US Cons conf 44.5 **WEAKER** US Fed minutes Aug 9th **DOVISH** UK Net cons CR 0.2B **WEAKER** UK Net lndg on dwllings 0.7B **WEAKER** UK Mrtge apps 49.2K **BETTER** UK GFK Cons conf -31 **BETTER** IT Retail sales -0.2m, -1.2y **WEAKER** EZ Cons conf -16.5 **BETTER** EZ Economic conf 98.3 **WORSE** IT Bus conf 99.9 **STRONGER** JP Loans discount -1.6 **BETTER** JP Ind production 0.6m, -2.8y **WEAKER** **THAN EXPECTED**
Wednesday	US MBA Mrtge apps -9.6% **WEAKER** US ADP Employmn't chge 91k **WEAKER** US Chicago PMI 56.5 **STRONGER** US Factory orders 2.4% **STRONGER** DM Retail sales 0.0m, -1.6y **WEAKER** DM Unemploym't chge -8k **LESS** DM Unemploym't rate 7.0% **AS** EZ CPI 2.5% **AS** EZ Unemploym't rate 10.0% **WORSE** IT CPI 0.3m, 2.8y **WORSE** IT PPI 0.3m, 4.9y **WORSE** JP Vehicle product'n -8.9y **BETTER** **THAN EXPECTED**

	Week of 29th August
Thursday	US Unit labour costs 3.3% **STRONGER** US Jobless claims 409K **MORE** US Non-farm productivity -0.7% **WEAKER** US ISM Mfg survey 50.6 **BETTER** US ISM Prices paid 55.5 **MORE** UK Nat'nwide hse prces -0.6m, -0.4y **WEAKER** UK PMI Mfg 49.0 **WEAKER** DM Q4 GDP 0.1q, 2.8y **AS** IT PMI Mfg 47.0 **WEAKER** FR PMI Mfg 49.1 **WEAKER** DM PMI Mfg 50.9 **WEAKER** EZ PMI Mfg 49.0 **WEAKER** JP Vehicle sales -25.5% **BETTER** **THAN EXPECTED**
Friday	US Non-farm payroll 0k **WEAKER** US Unemploym't rate 9.1% **AS** US Averge hrly earngs -0.1m, 1.9y **WEAKER** US Averge wrk wk 34.2 **LESS** UK PMI Construct'n 52.6 **WEAKER** EZ PPI 0.5m, 6.1y **AS** **THAN EXPECTED**

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: economic background

The events we highlighted last week played out as we suspected.

The FOMC minutes did indeed reveal policy makers harbour growing concerns about the economy and seem closer to agreeing new measures than Bernanke's recent Jackson Hole speech alluded to.

The ISM Manufacturing survey was the one bright spot, coming in above consensus, but at 50.6 offered very little comfort to policy makers as the manufacturing economy is only just on the positive side of 50.

The main event of the week, Jobless claims fell well short of consensus, registering zero job growth.

In short the economy remains weak, needs extra help and policy options are limited.

Looking ahead there are several reports due this week, as detailed on the global calendar, but we judge these are the week's **key** releases:

- On Tuesday; **ISM Non-manufacturing survey,**
- On Wednesday; **Fed's Beige book,**
- On Thursday; **Jobless claims and trade balance, and**
- On Friday; **Wholesale inventories.**

The main event this week is the ISM non-manufacturing survey.

The Service sector of the economy is the main motor of US GDP, if this turns out weaker than expected fears of recession will increase.

More

US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of March 12 Eurodollars.

See how Eurodollars took nothing from the weaker data and talk of easing in the FOMC minutes.

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

…"We judge this market remains well supported but with limited upside potential"...

Last week's price action more or less fitted that analysis. On balance data was weaker than expected with a weak non-farm payroll on Friday confirming the weak state of the economy, but this market closed the week lower.

We judge traders take the view that any new measures will not be targeted at short term interest rates, but rather longer dated Treasury yields.

In truth the Fed can hardly ease the Funds rate any further.

However with a new recession looking increasingly likely, this market isn't a sell. We judge it is moribund.

Once again our advise is remain 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

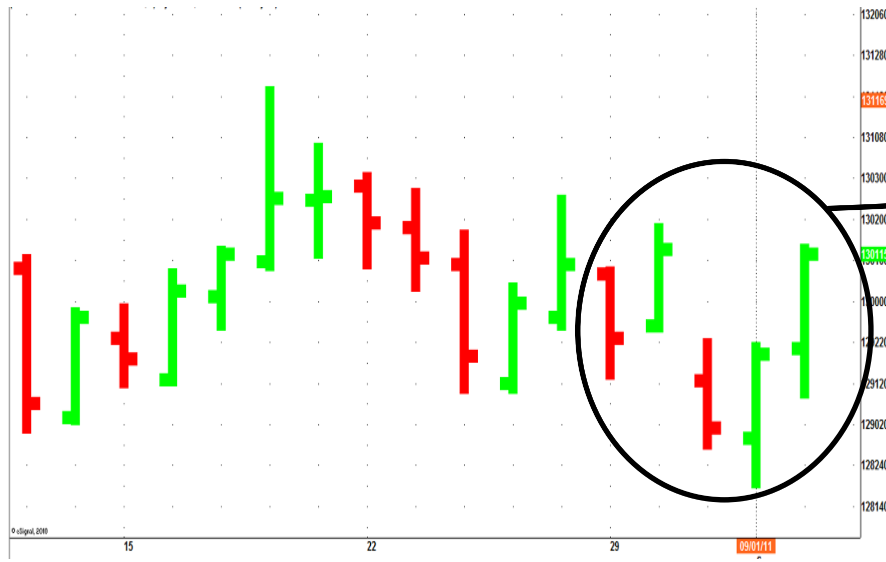
Commodities
+ GOLD
+ OIL

Disclaimer

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 mirrored the price action in equities.

The Macro Trader's view of the 10 year note is; last week's data was mainly bond market friendly, but equity traders attempted a brief short covering rally on hopes of more Fed easing and a slightly less worse than expected ISM manufacturing survey, which forced this market lower.

However by the end of the week sentiment had evolved to factor in the gloomy outlook for the US and global economy, with the Euro zone sovereign debt mess again dominating the news.

Looking ahead we judge Tuesday's ISM non-manufacturing survey as very important. If this proves weaker than expected, fears of recession will mount and bonds should rally further.

Although our stop was hit last week, we again advise traders should be long of this market.

Our target is 132.01 and our stop is 128.10 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

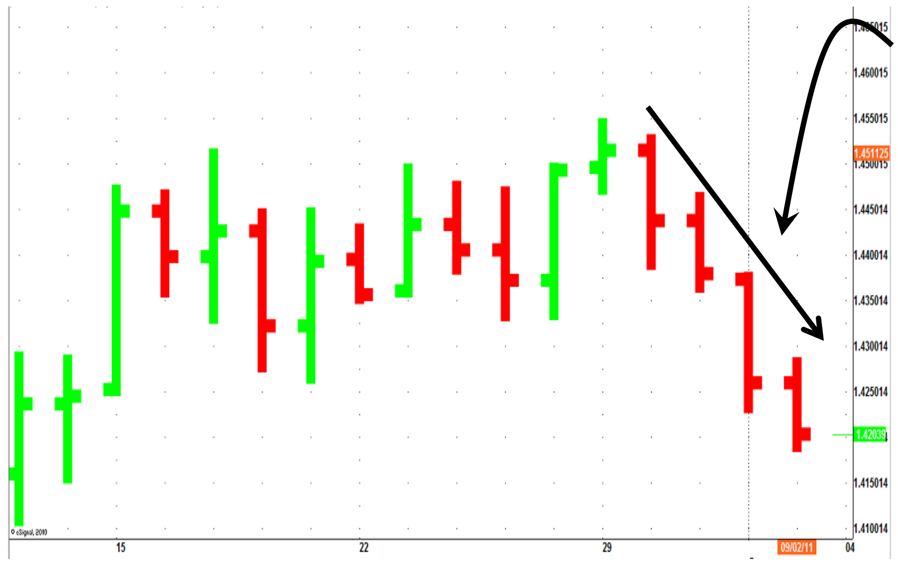
Commodities
+ GOLD
+ OIL

Disclaimer

US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Dollar rallied last week as the ECB effectively turned neutral on monetary policy.

The Macro Trader's view of the Dollar is: last week we judge a shift occurred in currency markets.

The ECB President, Trichet, declared the Central Bank was reviewing the outlook for Euro zone inflation, in other words the Euro zone economy was weakening and inflationary pressures were likely to ease, so no more rate hikes.

Result; an important support for the Euro was removed and the Dollar rallied.

However, for now we remain cautious. The non-farm payroll report on Friday was weaker than expected, if the ISM non-manufacturing survey due Tuesday is also weak, the Dollar could give back those gains.

The deciding influence is likely to be events in Europe.

In short currencies are still largely range bound, so for now we continue to advise a square position.

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: S&P500

OUR TRADING STANCE: BEARISH.

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

The S&P rallied mid week on hopes of more Fed easing.

The Macro Trader’s view of the S&P 500 is: the market found support last week from the FOMC minutes and rallied, hitting our stop.

But data on Friday was weak, as there was zero job creation reported by non-farm payroll.

Additionally the situation in the Euro zone seems to be worsening with German Chancellor Merkel loosing political support within her own party for the measures she has agreed in support of the bailouts for weaker Euro zone members.

The mood in equities is again bearish and unless Tuesday’s ISM non-manufacturing survey comes in stronger than consensus, we judge this market will trade much lower.

Traders should be short the S&P, despite our stop having been hit.

Our target is 1050.0 and our stop is set at 1235 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

UK MARKETS: economic background

The outlook for the UK economy continues to darken and we judge the Bank of England will ultimately restart QE, as the government remains committed to deficit reduction.

The PMI manufacturing survey released on Thursday was weaker than expected with a reading of 49.0 which indicates that part of the economy is in recession.

With the global economic outlook deteriorating as fears grow about a Euro zone Banking crisis, the UK economy seems set for a very rough ride over the coming months.

Looking ahead there are several key data releases due which are detailed on the global calendar, but we judge these are the week's **key** releases:

- On Monday; **PMI Services survey and BRC Retail sales,**
- On Tuesday: **BRC Shop prices,**
- On Wednesday; **Industrial production, manufacturing output and NIESR GDP estimate**
- On Thursday; **MPC rate decision and QE decision, and**
- On Friday; **PPI and trade data.**

The market has two important events to focus on this week:

1. The PMI Services survey, and
2. The Bank of England QE decision.

It may yet be too soon for the Bank to consider restarting QE, but if the PMI Services report is very weak, they may decide there is little time to loose.

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

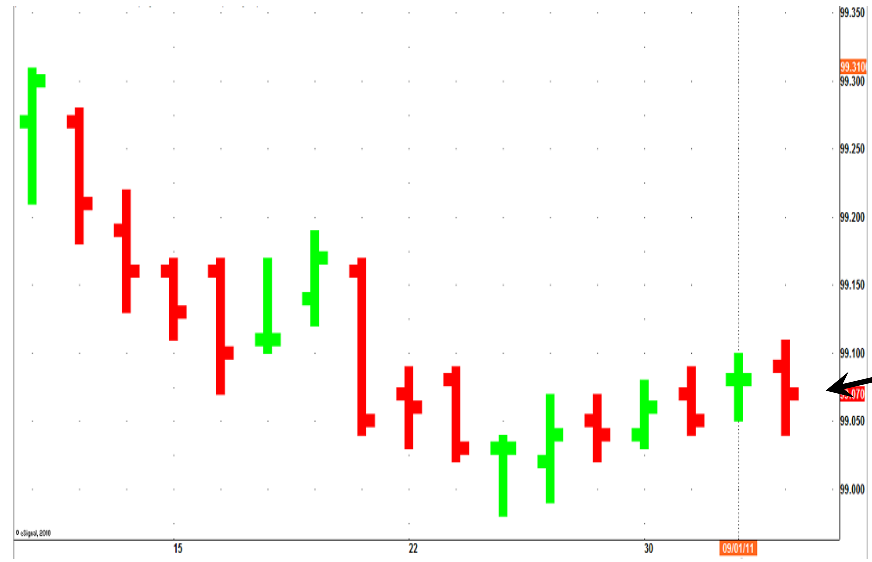
Commodities
+ GOLD
+ OIL

Disclaimer

UK MARKETS: Short Sterling

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of June 12 Short Sterling.



Note how Short Sterling rallied throughout the week, but failed to close on the highs?

The Macro Trader's view of Short Sterling is; the run of data last week was again weaker than expected.

Additionally the crisis in the Euro zone seems to be deepening as a constitutional crisis looks like erupting in Germany.

Add in the weak jobs report in the US and the UK economy looks set to endure months of weakening data.

Looking ahead the PMI Services report is important, a weak report will only add to the gloom and may even force the Bank's hand at this Thursday's meeting.

We judge traders should remain long of this market.

Our target is 99.20 and our stop is 98.95 for close 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

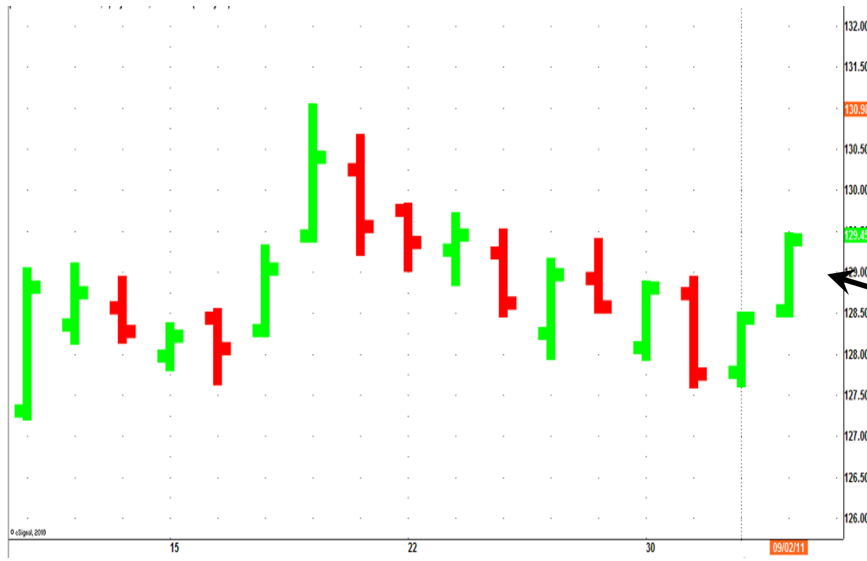
Commodities
+ GOLD
+ OIL

Disclaimer

UK MARKETS: Gilt

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of the Gilt.



See how the gilt snapped out of the recent downward correction as the run of data worsened at home and abroad.

The Macro Trader's view of the Gilt is; the Gilt stands out as a strong bull market driven by:

1. The UK governments determination to cut the UK budget deficit,
2. The weakening economy, which is partially a consequence,
3. The weakening US and Euro zone economies,
4. The implication the above has for inflation,
5. The possibility the Bank will restart QE, and
6. The significant risk of a Banking crisis in the Euro zone leading to a new financial crisis/recession.

This week's data is unlikely to offer any relief from the growing economic gloom and as the crisis in the Euro zone deepens we judge government bonds and especially the Gilt will rally much further.

Traders should be long of this market.

Our target this week is now 131.50, but our stop is still set at 127.50 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

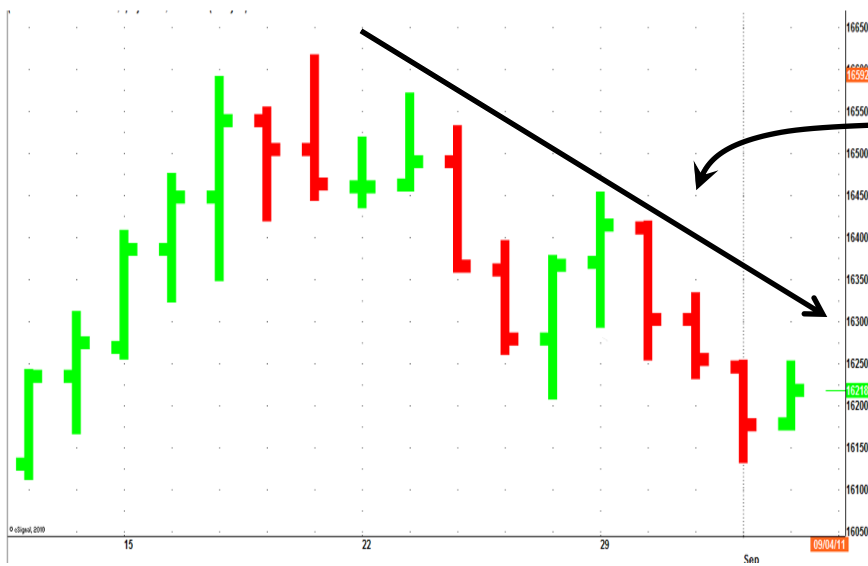
Commodities
+ GOLD
+ OIL

Disclaimer

UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE

Last week we were Square of Cable



See how Sterling weakened against the Dollar.

The Macro Trader's view of the Pound is; the Pound retreated further last week, as Sterling's performance continues to resemble the fall out of price action in Dollar/Euro.

With sentiment swinging in favour of the Dollar last week as the ECB all but announced an end to its tightening cycle, the Pound lost ground.

Additionally UK data pointed to further weakness as the PMI Manufacturing survey slipped below the crucial 50 level indicating a manufacturing recession.

Looking ahead if the PMI Services survey is also weak the Pound will likely weaken further.

The main dynamic though in markets is the growing fear of a Euro zone Banking crisis. A recession would be unavoidable and with few policy levers left to pull it could prove deep and damaging.

For now we advise remaining square of the Pound since we see its price action as a side show of Dollar/Euro rather than independently generated.

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

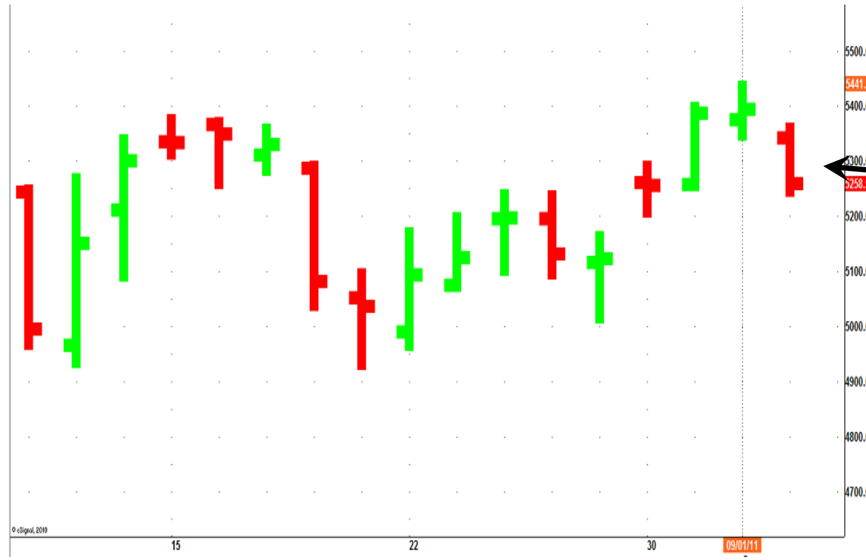
Commodities
+ GOLD
+ OIL

Disclaimer

UK MARKETS: FTSE

OUR TRADING STANCE: BEARISH.

Last week we were Square of the FTSE.



See how the FTSE sold off on Friday as data globally looked weak and the Euro zone crisis deepened.

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

…"Looking ahead we judge equity traders will eventually wake up to the truth about economic activity in the US, UK and Euro zone, which is, it is slowing with few policy leavers left for the authorities to pull"...

…"For equity markets that means an eventual retest of the lows and with several key data releases due this week in the UK, US and Euro zone, equity markets may end the coming week on a bearish note"...

That was exactly how the week closed and the downward price momentum is likely to quicken as traders fear a banking crisis in the Euro zone which would have global consequences.

Traders should be short of the FTSE.

Our target this week is 4940.0 and our stop is set at 5450 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

EURO ZONE MARKETS: economic background

The Euro zone Sovereign debt crisis remained the main headline last week, with Chancellor Merkel facing internal political dissent.

Additionally the prospect of a Euro zone banking crisis grows and markets are starting to understand the damage globally that could do.

Last week's key event was the various Euro zone PMI Manufacturing surveys and they were all weaker than expected.

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, French, German and Euro zone PMI Services surveys and Euro zone Retail sales,**
- On Tuesday; **German factory orders and Euro zone Q2 GDP,**
- On Wednesday; **German industrial production,**
- On Thursday; **German trade and C/A data, French trade data and ECB rate decision, and**
- On Friday; **German CPI and French industrial production and manufacturing output.**

The main event this week is German industrial production.

The German economy has been the express pulling the peripheral coal trucks, if it cools the Euro zone growth rate will cool off even quicker.

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

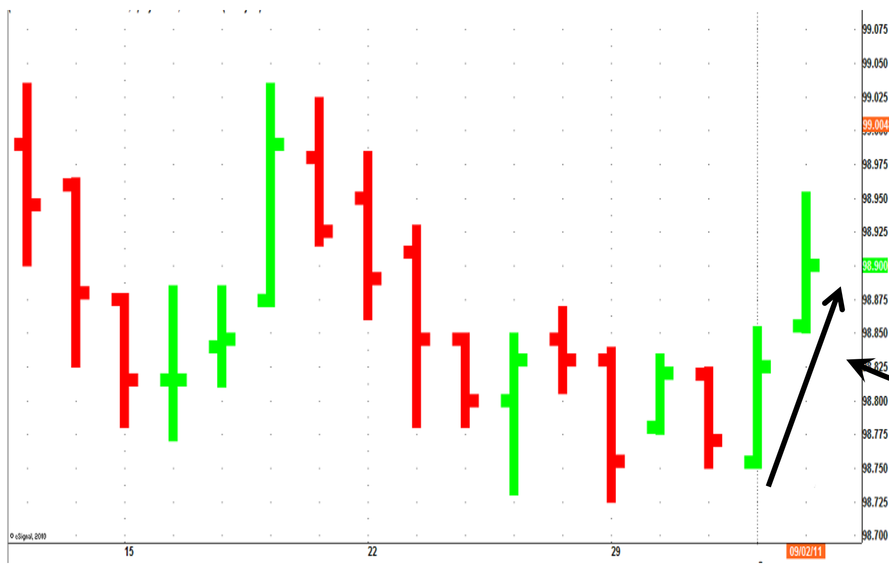
Commodities
+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor rallied late last week as the various Euro zone PMI manufacturing reports weakened.

The Macro Trader's view of Euribor is; the Euribor market rallied late last week as data came in weaker than expected underlining the slowdown now becoming evident in the Euro zone.

After Trichet recently announced a review of inflationary pressures, few now expect any more rate hikes.

Indeed traders seem set to speculate on whether or not the ECB will reverse the hikes made if data weakens further.

Looking ahead there are several reports due this week, but we judge the German industrial production report on Wednesday stands out as a key indicator of economic health.

Although this market has been steadily rallying over recent weeks we continue to adopt a square position, preferring instead to be long of bonds.

In summary we advise a square position.

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

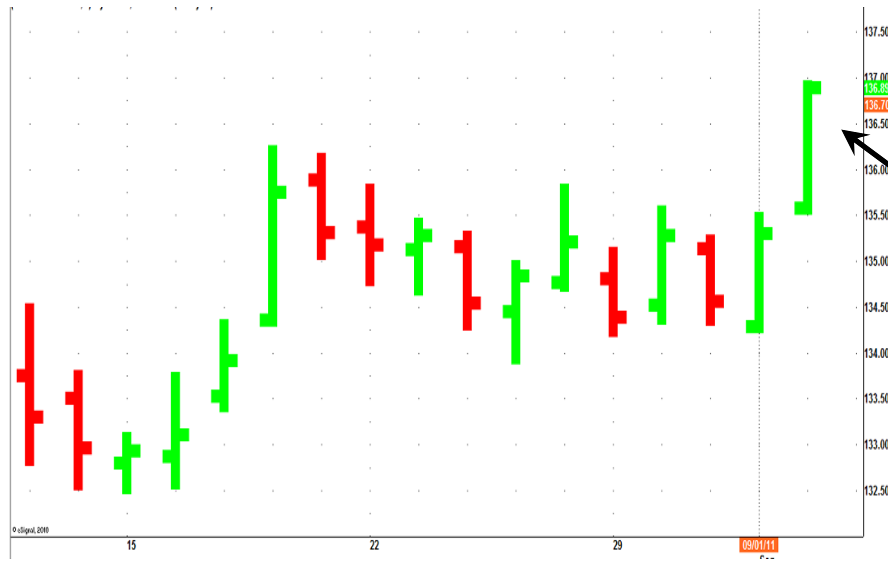
Commodities
+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were Square of The Bund.



The Bund over came the recent set back and closed the week on the highs.

The Macro Trader's view of the Bund is: our caution last week proved miss-placed as the Bund overcame the recent set back and closed the week on the highs driven by weaker domestic data and from abroad.

This week the Sovereign debt crisis continues to dominate, but in different ways as Merkel faces dissent within her own party over the commitments made in support of Greece, Ireland and Portugal.

If her position weakens further the whole support mechanism could unravel and the Euro with it.

Looking ahead there are several key reports due but we judge the Debt crisis and building Banking crisis will continue to dominate and drive this market higher.

Traders should be long of the Bund.

Our target this week is 140.00 and our stop is set at 135.35 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

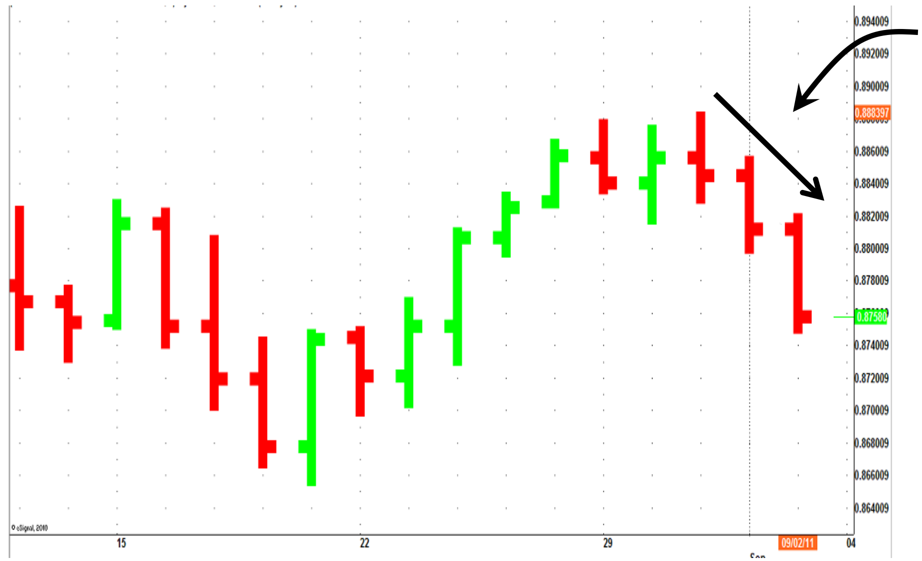
Commodities
+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Euro lost support last week as the ECB changed its focus on inflation.

The Macro Trader's view of the Euro; Last week the ECB changed its focus on inflation as Trichet said the ECB was reviewing the inflation outlook, meaning economic growth is cooling and the debt crisis and looming banking crisis are making further rate hikes inappropriate.

The Euro responded by loosing ground against the Dollar throughout last week and although US data continued to flash warning signals about a new recession, Euro zone data is starting to do the same.

Looking ahead there are several key reports due this week in the Euro zone and abroad but we judge the looming constitutional crisis in Germany could prove crucial not just for the direction of the Euro, but for its very survival.

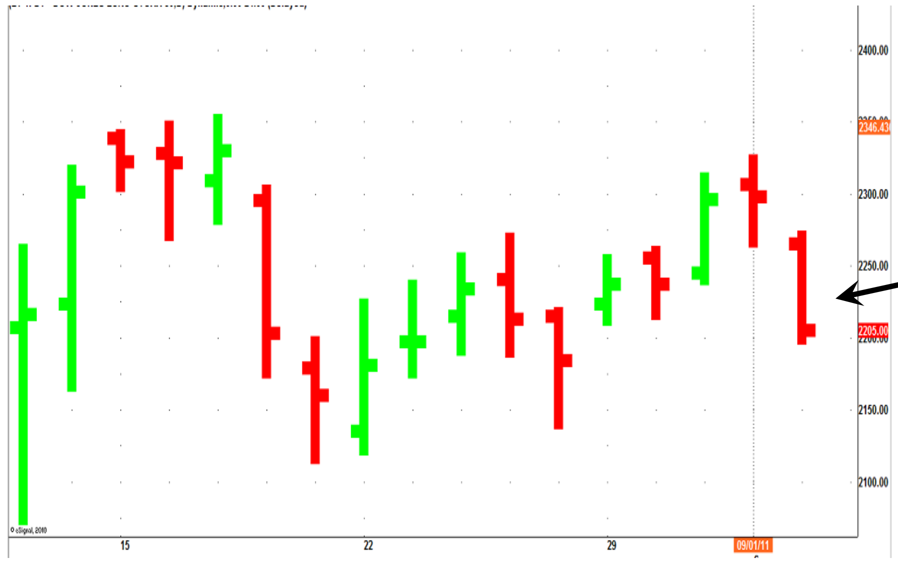
However we continue to judge the Euro and Dollar as within a range and for now we advise remaining square.

More

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: BEARISH.

Last week we were Square of DJ EUROSTOXX50.



See how the market attempted a rally that failed on Friday.

The Macro Trader’s view of DJ Euro Stoxx 50 is: this market attempted a rally last week as the FOMC minutes revealed US policy makers considering adopting additional easing measures to help the ailing US economy, and the ECB’s Trichet said the ECB was reviewing the outlook for inflation.

However as the week wore on data continued to reveal weakness in the Euro zone, US and UK. But what really ended the rally and brought out the bears was the deepening Sovereign debt crisis.

Merkel has lost the support of the coalition regarding the bail out fund and a constitutional crisis in Germany could unfold.

If Germany is unable to full fill its commitment to the rescue fund the Euro looks in mortal danger.

Add in the building Banking crisis and the outlook for stocks is bearish.

Traders should be short of this market.

Our target is 1923.0 and our stop is set at 2229.0 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: economic background

The recent almost unbroken run of strengthening data turned a little mixed last week.

The jobless rate crept higher and the retail sales data weakened, but what disturbed the most was the weaker than expected Industrial production report.

Traders will be keeping a close eye on this report. Does it indicate a slowdown caused by internal problems or is Japan succumbing to the effects of a cooling global economy.

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 Tuesday; **Bank of Japan interest rate decision,**
- On Wednesday; **the Trade data, machine orders and Eco watchers survey,**
- On Thursday; **Q2 GDP, and**
- On Friday; **consumer confidence..**

We judge the main event this week is the Q2 GDP report. After the surprisingly weaker Industrial production report last week, traders will be watching for any unexpected downward revisions.

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

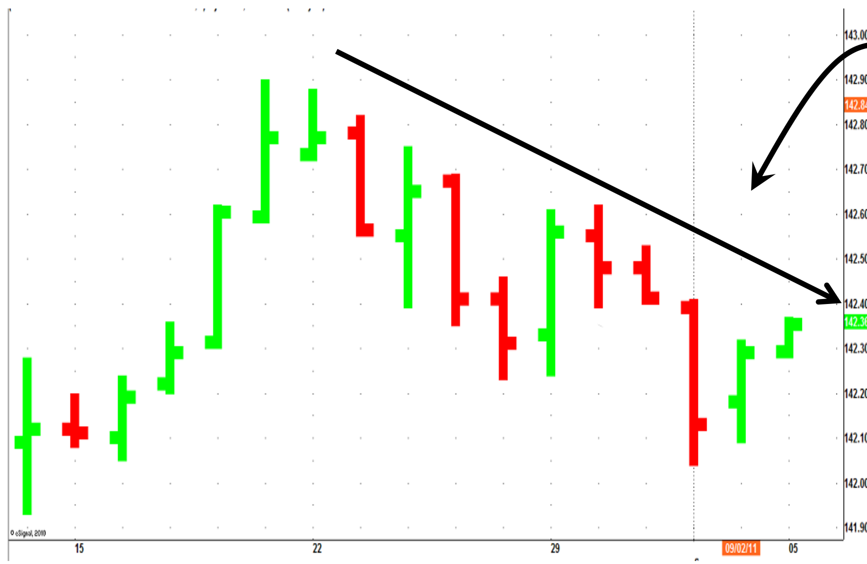
Commodities
+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB remained under pressure last week despite several weaker than expected reports.

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

…"The expectation is domestic data should remain strong, while foreign data continues to weaken"...

…"That mix should result in weaker equity markets and bullish bond markets, but equity market sentiment is currently out of line with economic reality in several key economies making timing in Bonds difficult"...

In the event Japanese data turned mixed as foreign data remained weak, but this market struggled to join the rally which began in other government bond markets late last week, as equity markets sold off on a worsening situation in the Euro zone.

Looking ahead this week's data is likely to take second place after the dramas in the Euro zone as traders fear a Banking crisis and Merkel's loss off support could plunge the Euro zone and global economy into a recession. But once again timing in this market seems particularly difficult so for now we advise remaining 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

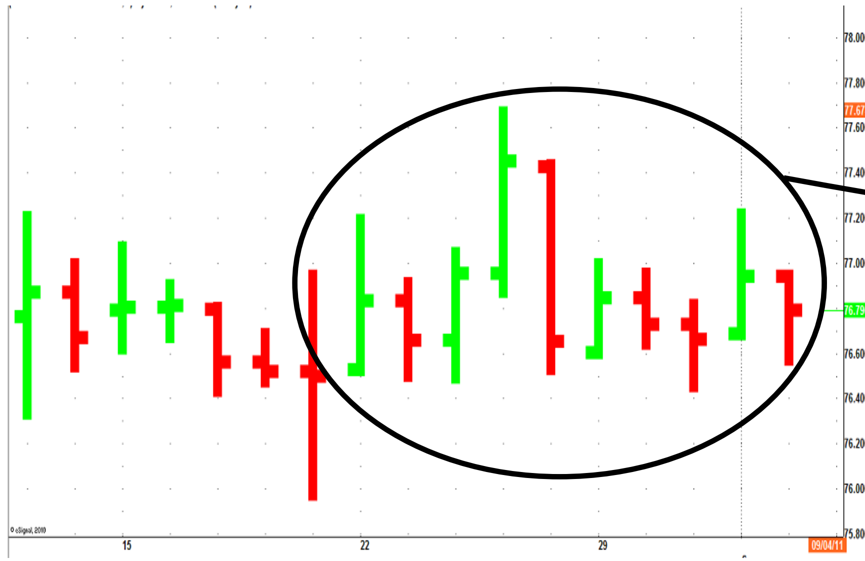
Commodities
+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Yen.



The Yen traded within its recent range last week as the threat of intervention was replaced by a stronger Dollar.

The Macro Trader's view of the Yen is; last week the Yen remained trapped in the recent trading pattern.

After fearing currency intervention, traders now had to contend with a strengthening Dollar, driven by the ECB's re-assessment of inflation.

The Euro zone economy is starting to weaken and if the threatened Banking crisis materialises a deep recession is in the offing.

The Dollar has regained a little of its safe haven appeal, but with the US economy weakening and the Japanese economic recovery dependant on exports, which currency would one eventually choose as a safe haven?

This week we advise watching the Q2 GDP report, but markets are likely to be led by events in the Euro zone, as much as domestic data.

Amid the current stalemate we advise remaining 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

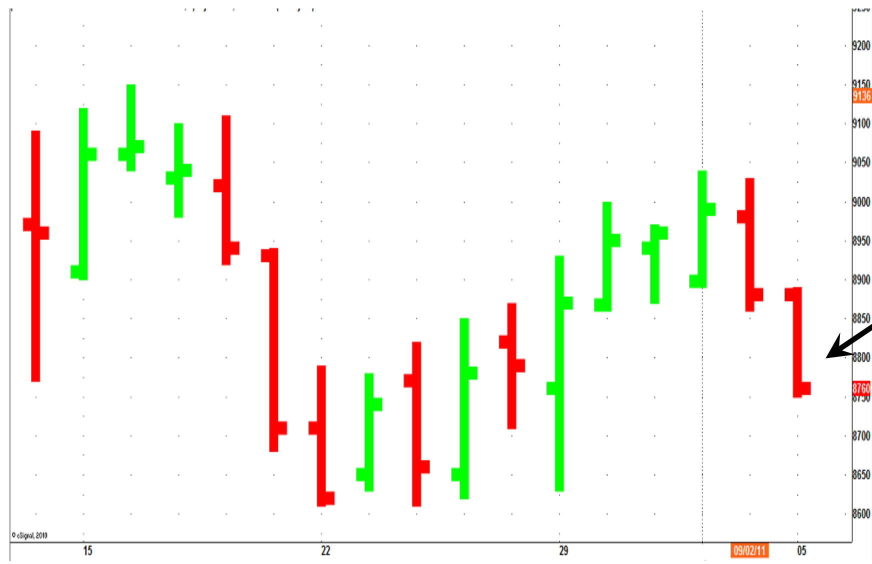
Commodities
+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



See how the Nikkei followed other leading equity markets lower late last week.

The Macro Trader's view of the Nikkei is; last week we said…

…"the fear of recession, especially in the US but also in the Euro zone and UK is a major driving force in global markets"...

…"Japan may be on the brink of returning to growth, but should the other major economies fall back into recession will Japan remain afloat?"…

Japanese data showed some weaker tendencies last week, but what weighed on this and other leading equity markets was the fear of global recession.

The US reported a weak non-farm payroll report and the Euro zone sovereign debt crisis took an other turn as German chancellor Merkel lost the support of her own coalition.

We judge equity markets are at risk of further bearish price action, but we are committed else where.

For now we advise remaining square..

More

SEVEN DAYS AHEAD

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.

See how gold rallied last week on a worsening global outlook.

The Macro Trader's view of the Gold is: the major currencies remain largely range bound as fear of recession and debt hangs around their "necks".

But what helped Gold move higher last week was the weak US jobs report and the deepening Euro zone sovereign debt crisis.

The Banks in the Euro zone look in trouble, but so too is German Chancellor Merkel as she has lost the support of the coalition.

Moreover German politicians and Bundesbank officials are questioning the legality of the ECB's bond buying.

Unless a suitable conclusion can be negotiated, the Euro zone and Euro is at risk of break up. That would cause great dislocations in economies and in markets.

Gold has been and remains a long term bull market and we advise traders to be long.

Our target this week is 1950.0 and our stop is set at 1790.0 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

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.

See how oil continues to mirror the price action in equity markets.

The Macro Trader's view of oil is: last week we said…

…"the oil market continues to track sentiment and price action in equity markets and both have unrealistic expectations"...

…"The US economy is slowing, and might just fall into recession"...

…"The Euro zone is still dogged by the sovereign debt crisis and there are growing fears about a Banking crisis in the Euro zone with global repercussions"...

…"The UK economy is weak"...

…"Japan's economy relies on an export led recovery which would likely abort if activity in her major trading partners weakens further as feared"...

…"In short we judge oil looks like a market on the brink of a serious correction lower, but as with most markets currently, timing is proving very difficult"...

Timing is difficult, but we expect this market to trade lower, but for now we advise a square position.

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 SEVENDAYSAHEAD.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