



SUMMARY

POSITIONS

- + Long Gilt
- + Short Sterling
- + EuroStoxx 50
- + Dollar Euro



Key Trade Round Up 13th September 2011

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Summary

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- + Long Gilt
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- + Dollar Euro

31st August Long DEC UK Gilts (1/2) @ 126.88. Stop @ 126.99. Take Profit @ 136.00

1st Sept Long SEP 12 Short Sterling (1/2) @ 99.08. Stop @ 98.91. Profit @ 99.40

5th September Short DEC 11 EuroStoxx (1/2) @2126. Stop 2229. Profit @ 1923.

13th September Short Euros/Long Doll (1/2) @1.3624. Profit @ 131

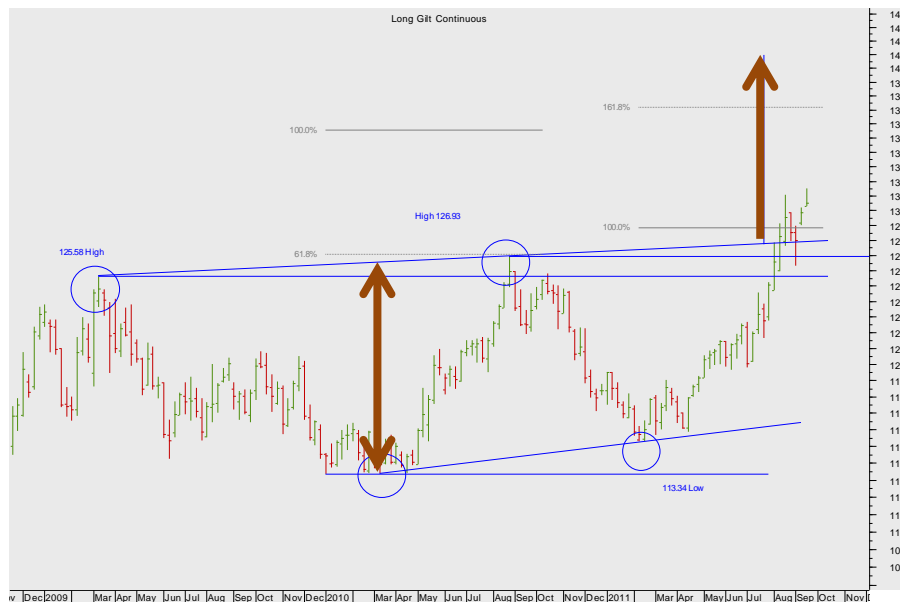


(1) TECHNICAL : 31st Aug Long DEC Gilts (1/2) @ 126.88. Stop @ 126.99. Take Profit @ 136.00

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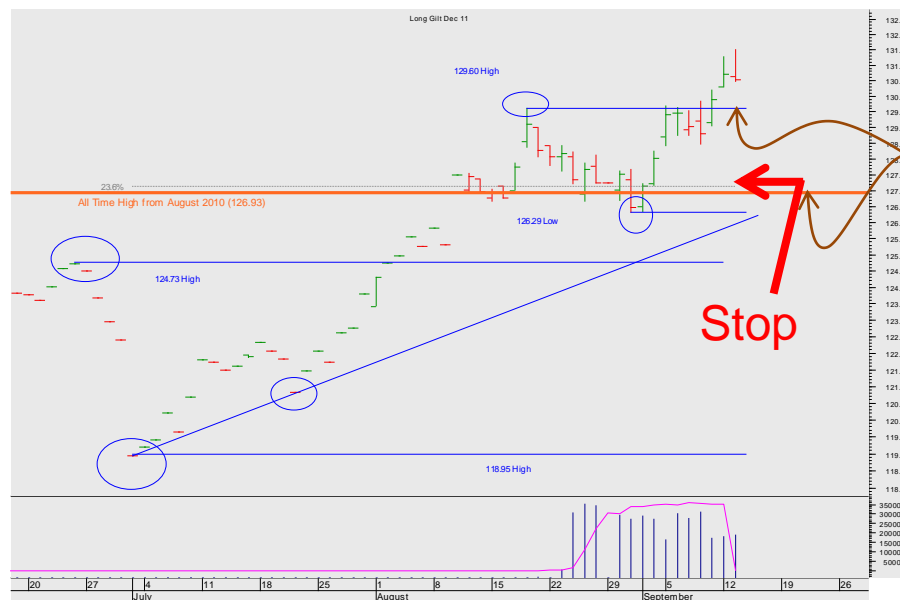
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Weekly Chart – Continuation:

The massive continuation triangle has a minimum move implied up as far as 141.

The solidity of the support from the Prior Highs and top diagonal of the Triangle has been tested and found to be very solid.



Daily Bar chart

The market has bounced off the massive support from the Prior All Time High and driven through the Pivotal Prior High at 129.60 – which should be good support on any pull-back..

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(2) FUNDAMENTAL

We judge the Gilt to be a strong bull market driven by:

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

And we thought that last week's disappointingly weak PMI Services report underlined the weakness of the economy and offered the Gilt additional strong support.

Moreover, with the crisis in the Euro zone deepening after the resignation of Stark from the ECB, **we think the Gilt is ALSO a safe-haven trade.**



(1) TECHNICAL : 1st Sept Long SEP 12 Short Sterling (1/2) @ 99.08. Stop @ 98.91. Profit@ 99.40

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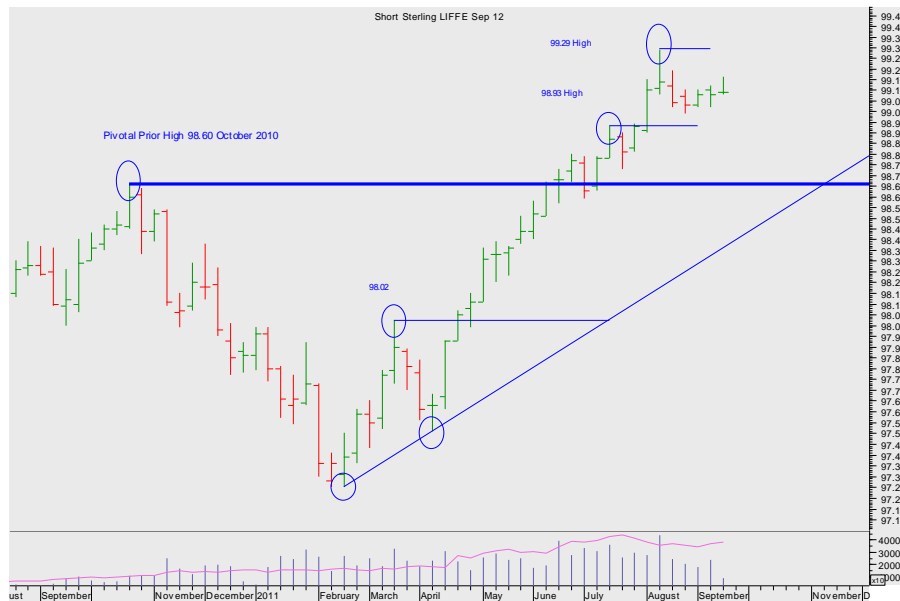
Positions

+ Long Gilt

+ Short Sterling

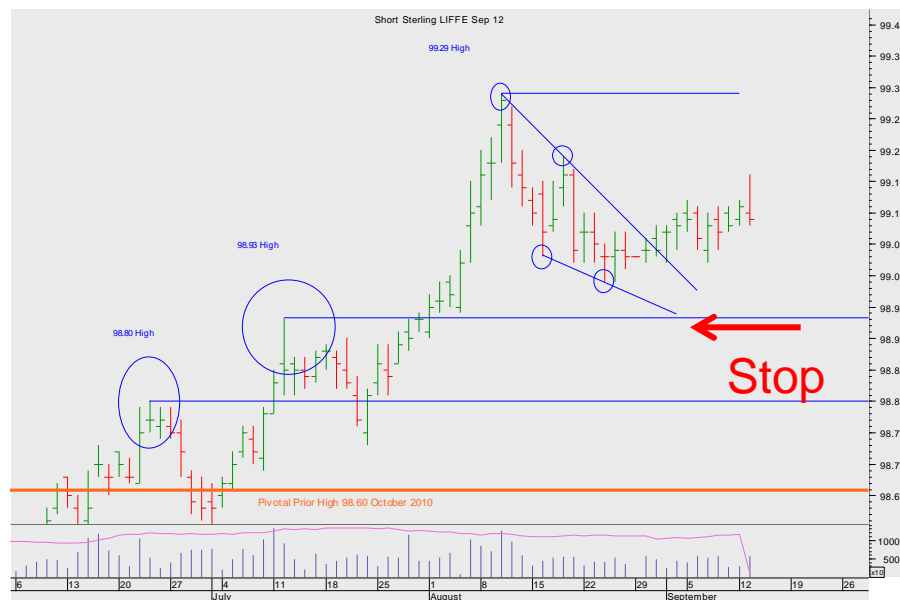
+ EuroStoxx 50

+ Dollar Euro



Weekly chart – continuation:

The rally is solid and continuing.



Daily Chart

The steep pull-back to the support – never made it.

The bull falling wedge has completed....

We remain long.

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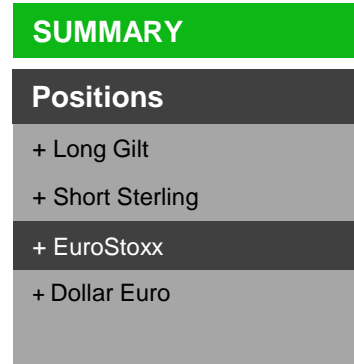
(2) FUNDAMENTAL

Short Sterling has been out of favour over the last couple of weeks as the Euro zone debt crisis has focused attention onto equity and Bond markets.

But with the UK economy expected to cool off further, even flirting with recession, we judge this market can rally further, indeed we expect convergence towards official interest rate levels.

Today's CPI was as expected, but we think the main event data-wise is Thursday's retail sales figure. A weak number is forecast, but if it fails to meet consensus, we think Short Sterling can begin to trade higher.

Hold the trade.



Positions

+ Long Gilt

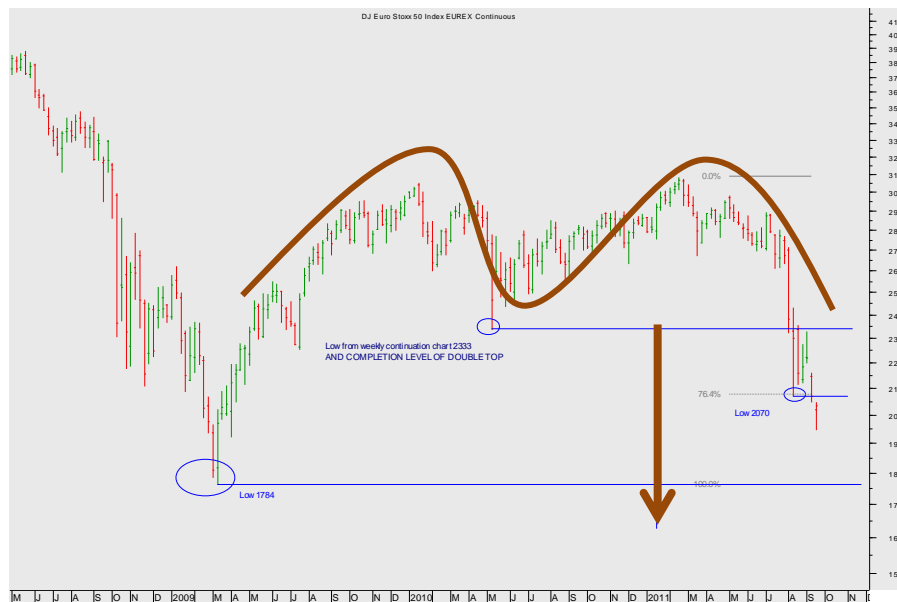
+ Short Sterling

+ EuroStoxx

+ Dollar Euro

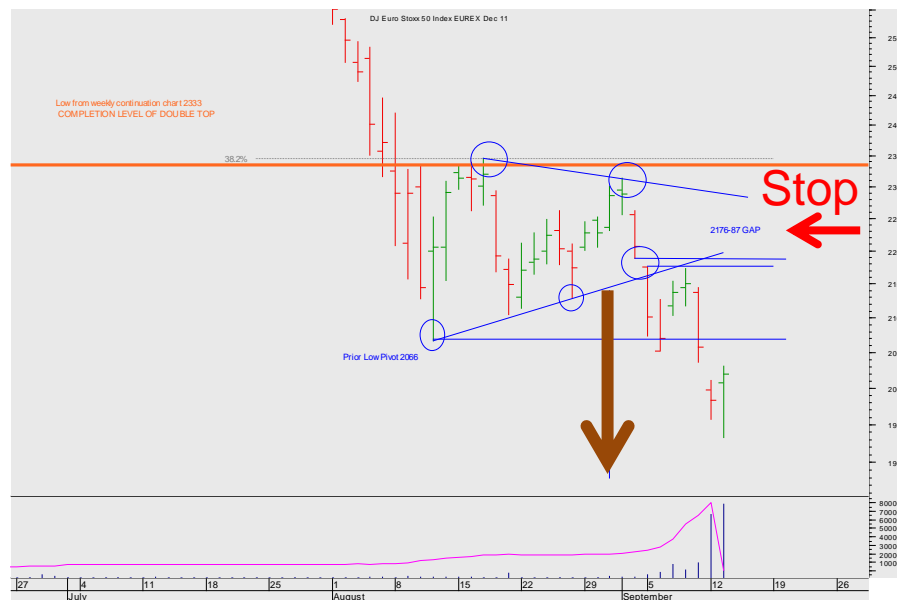
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(1) TECHNICAL : 5th Sept Short DEC 11 EuroStoxx (1/2) @2126. Stop 2229. Profit @1923.

**Weekly Chart – Continuation:**

The large and powerful Double Top is clear.

The minimum measured move is down as far as 1600...



Daily chart – Continuation:

The continuation triangle is clear and impressive - there is more on the downside though – minimum move to 1900.

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(2) FUNDAMENTAL

The resignation of Stark from the ECB on Friday is a big negative for the Euro, the Euro zone and especially European equity markets.

The Germans were known to be unhappy with the policy paths being followed, but Stark's resignation from the ECB lays the policy disputes bared for all to see.

We think the mood in this market is bearish, and nothing short of a comprehensive solution to the sovereign debt crisis will change sentiment.

Looking ahead, data is of secondary importance, it will be fresh developments in the Euro zone that dictates the path of this market which we see moving significantly lower over time.

Traders should hold the trade.



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- + Euro/Doll

(1) TECHNICAL : 13th Sept Short Euros Long Doll (1/2) @1.3624. Stop@ 139.03. Profit @ 131



Weekly Chart – Continuation:

The collapse back through the supports from both diagonals at 1.40 has signalled the weakness of the Euro.



Daily Chart Continuation:

That collapse in greater detail.

Note the first critical resistance above the market at the Prior Low 1.3841.

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(2) FUNDAMENTAL

The big news in Foreign exchange markets last week was the strength of the Dollar against the Euro, but also against other leading currencies.

The news that pushed Dollar/Euro out of the long standing trading range was the resignation of Stark from the ECB.

The Euro had begun to soften before the announcement after Trichet announced on Thursday that the ECB was halting its tightening cycle, but Stark's resignation on key policy differences was a game changer.

Germany clearly isn't happy with the ECB's bond buying and isn't an enthusiastic participant in the Euro zone rescue fund. The risk now is will the zone break up or fragment and will a Greek default be the catalyst?

In summary, hold the trade.



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SEVEN DAYS AHEAD

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