Week 05

29th January – 4th February 2013

the macro trader's guide to major markets

John Lewis

Authorised and regulated by the FSA

SEVEN DAYS AHEAD

SUMMARY

Summary

Global Calendar

US Markets

+ EURODOLLARS	SQUARE
+ 10 YEAR NOTE	BEARISH
+ US DOLLAR	BEARISH v the EURO BULLISH v the YEN and STERLING
+ S&P 500	BULLISH

UK Markets

+ SHORT STERLING	SQUARE
+ GILT	SQUARE
+ STERLING	BEARISH v the DOLLAR
+ FTSE	BULLISH

Euro Zone Markets

+ EURIBOR	SQUARE
+ BUND	SQUARE
+ EURO	BULLISH v the DOLLAR
+ DJ EURO STOXX 50	SQUARE

Japanese Markets

+ JAPANESE BONDS	SQUARE
+ YEN	BEARISH v the DOLLAR
+ NIKKEI	BULLISH

Commodities

+ GOLD	SQUARE
+ 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 28th January
Monday	US Durable goods 1.9% US DG Ex-Transport 0.8% US Pndg home sales n/f DM Import prces -0.1m, 0.8y EZ M3 3.8 (3mth) EZ M3 3.9 (y/y)
Tuesday	US Case/shiller comp 20 5.6y US Cons conf 64 DM GFK Cons conf 5.7 JP Small bus conf n/f JP Retail trade 0.4m, 0.3y JP Lrge retailers sales -1.0%
Wednesday	US MBA Mrtge apps n/f US ADP Employment chge 163k US Q4 GDP Price indx 1.5% US Q4 GDP 1.2% ()A) US Q4 Core PCE 1.0q, US Q4 Personal consumption 1.8% US FOMC Rate decision0.0.5% UK Net cons CR 0.2B UK Net Indg on dwellgs 0.6B UK Mrtge aprvls 54.5k UK GFK Cons conf -28 EZ Economic conf 88.2 EZ Bus conf -1 EZ Ind conf -13.5 EZ Cons conf -23.9 JP Ind production 4.1m, -5.6y JP Loans discount corp n/f JP Labour cash earnings n/f JP Vehicle production n/f

	Week of 28th January
Thursday	US Q4 Employm't cost indx 0.5% US Core PCE 0.1m, 1.5y US Personal spndg 0.3% US Personal income 0.8% US Jobless claims 355k US Chicago PMI 51 UK Nationwide hse prces 0.2m, -0.5y DM Retail sales -0.1m, -1.3y DM Unemploym't rate 6.9% DM Unemploym't chge 8k EZ CPI Est n/f DM CPI -0.5m, 2.0y JP Construction orders n/f JP Jobless rate 4.1% JP Househld spndg -0.2y
Friday	US Non-farm payrolls 155k US Unemployment rate 7.8% US Averge work week 34.5 US Avrge hrly earngs 0.2m, 2.1y US U. of Michigan conf 71.3 US Construction spndg 0.5m, US ISM Mfg 50.5 US Prices paid 56 UK PMI Mfg 51 IT PMI Mfg 47.6 FR PMI Mfg 42.9 DM PMI 48.8 EZ PMI Mfg 47.5 EZ Unemploym't rate 11.9% JP Vehicle sales n/f

More

Last week's releases – macro trader

	Week of 21st January
Monday	DM PPI -0.3m, 1.5y **WEAKER** JP Machine tool orders -27.5 **AS** JP BOJ Rate decision 0.10 **AS** JP All ind actvty -0.3 **BETTER** **THAN EXPECTED**
Tuesday	US Existing home sales 4.94M **WEAKER** UK PSNB 13.2 **AS** UK PSNCR 1.3B **BETTER** UK CBI Trnds orders -20 **WORSE** DM ZEW 7.1 **BETTER** **THAN EXPECTED**
Wednesday	US MBA Mrtge apps 7.0% **STRONGER** US Hse price indx 0.6m **AS** UK BOE Minutes n/f UK Unemploym't rate 4.8% **AS** UK Unemploym't chge -12.1k **BETTER** UK Avrge earngs 1.5% **WEAKER** UK Avrge earngs ex-bonus 1.4% **STRONGER** UK ILO Unemploym't rate 7.7% **LESS** EZ Cons conf -23.9 **BETTER** JP Trade ball -641.5B **WORSE** **THAN EXPECTED**

	Week of 21st January
Thursday	US Jobless claims 330k **BETTER** UK BBA home buyer loans 33.636K **WEAKER** UK CBI sales 17 **BETTER** EZ PMI Composite 48.2 **STRONGER** EZ C/A ball 19.8B **STRONGER** JP National CPI -0.1% **BETTER** **THAN EXPECTED**
Friday	US New home sales 369K **WEAKER** UK Q4 GDP -0.3q, 0.0y **WORSE** UK Index of services 0.0m, 0.6(3m/3m) **BETTER** DM IFO 104.2 **STRONGER** **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

There were three reports that stood out last week; Existing and new home sales and Jobless claims.

The two home sales reports were disappointingly weaker than expected, but the Jobless claims report was better than forecast and at 330k is flagging a strengthening job market, which aside from inflation is a key indicator fir the Federal reserve when deciding policy.

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; **Durable goods and pending home sales,**
- On Tuesday; **Consumer confidence,**
- On Wednesday; **Q4 GDP, Q4 Personal consumption, Q4 Core PCE, ADP Employment change and FOMC rate decision,**
- On Thursday; **Jobless claims, Q4 Employment cost index, Personal spending, Personal income and Chicago PMI, and**
- On Friday; **non-farm payroll, unemployment rate, average work week, average hourly earnings ISM Manufacturing survey and University of Michigan confidence.**

A busy week with much to consider. The Q4 GDP report will natural be of interest, so too will be the FOMC policy decision, but we judge Friday's data is the high light of the week, especially non-farm payroll.

Jobless claims have fell back over recent weeks and with the Fed focussed on unemployment Friday's jobs report is the main event.

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

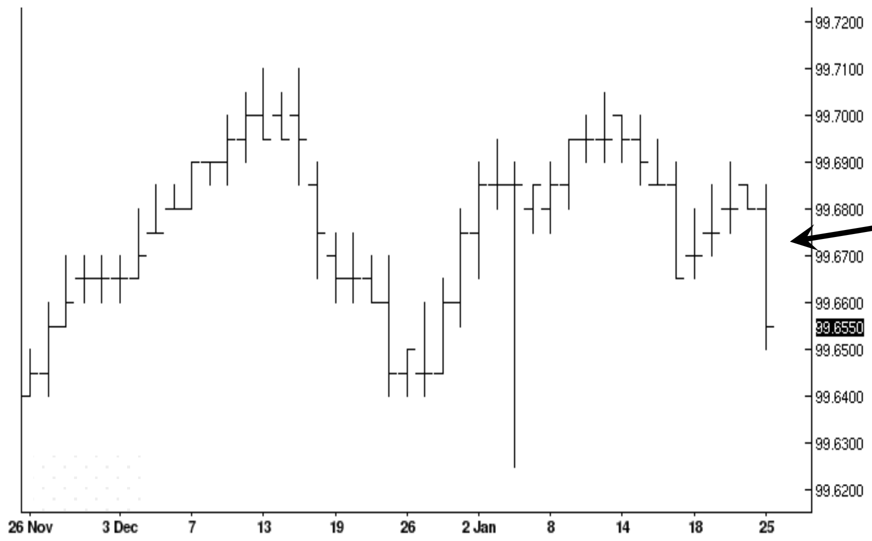
Commodities
+ GOLD
+ OIL

Disclaimer

US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of September 12 Eurodollars.



See how the market offer little new to talk about; it is clearly range bound.

The Macro Trader's view of Eurodollars is; the market offers very little new to discuss. Last week's data was again mixed with housing week and employment looking perky, but this market remains stuck in a range.

Looking ahead many key reports due with GDP, FOMC and non-farm payroll standing out, but unless the payroll report surprises with a bigger than expected jobs gain we see this market remaining stuck in its rut.

And although the FOMC policy decision is due on Wednesday, we do not expect anything new from policy makers.

For now we continue to advise staying square of what remains an uninteresting and range bound market.

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

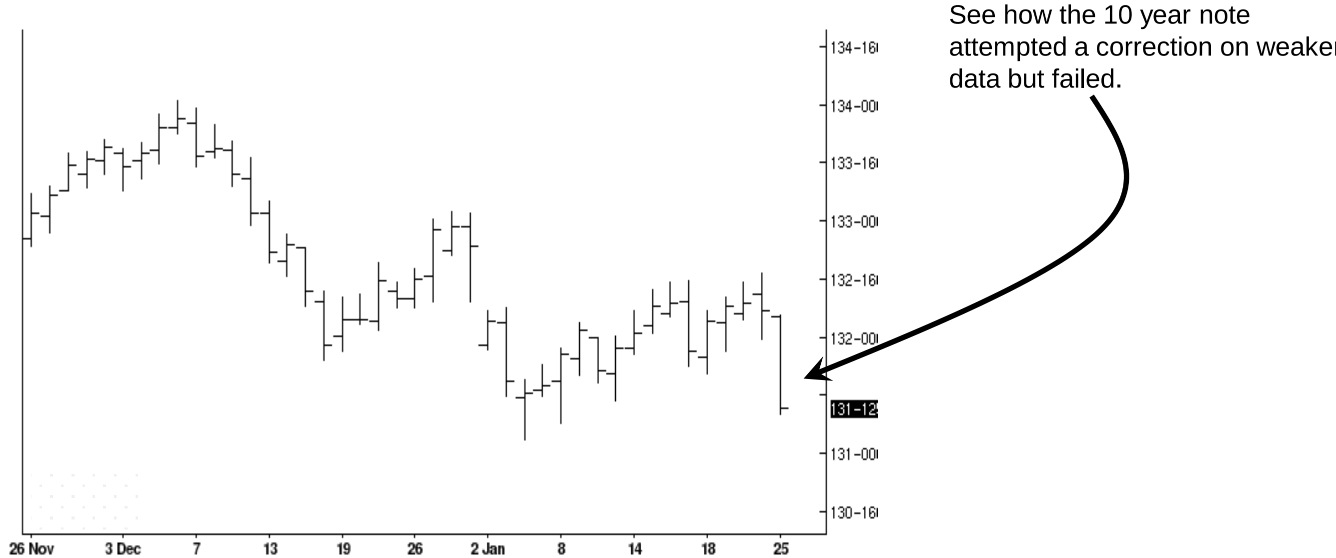
Commodities
+ GOLD
+ OIL

Disclaimer

US MARKETS: 10 Year Note

OUR TRADING STANCE: BEARISH.

Last week we were Bearish of the 10 year note.



The Macro Trader's view of the 10 year note is; the market attempted a correction on weaker housing market data, but failed.

With Jobless claims clearly pointing to an improving job market and Congress looking set to agree a temporary debt ceiling extension, traders continued the recent trend out of bonds and into equity markets.

Looking ahead much to consider this week. We don't expect the FOMC to have much impact on this market. We do expect Friday's non-farm payroll report to be a key market moving event, as there is a reasonable expectation the report could materially beat consensus.

The jobless claims number has dropped over recent weeks and although the two reports do not directly correlate, they both report on the same labour market.

We maintain our view that the 10 Year Note is vulnerable to the down side and advise remaining short.

Our suggested target remains 130.16 and our suggested stop remains at 133.00 to allow for volatility, yet still provide 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; BEARISH v the EURO, BULLISH v the YEN and STERLING.

Last week we were BEARISH v the EURO, BULLISH v the YEN

The Dollar remains weak against the Euro with, but the Yen is weaker.

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

…"Looking ahead we are interested to see if Jobless claims can repeat last week's drop, but do not expect the Dollar to benefit"...

Jobless claims were once again better than expected and at 330k something appears to be stirring in the labour market.

Looking ahead although there are several key reports due our attention is firmly on Friday's non-farm payroll report. Paradoxically we do not expect a strong report to boost the Dollar, in fact the opposite would be likely with the Dollar extending its downward trend against the Euro.

Traders should be Short the Dollar/ Long the Euro. Our suggested target remains 1.3570 and our suggested stop is still 1.3190 for protection.

Against the Yen and Sterling, traders should be Long Dollar/Short Yen.

Our suggested target Dollar/Yen is 92.50 and our stop raised to 87.80 for closer protection.

And in Cable our target is 1.5150, with a stop at 1.6010 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

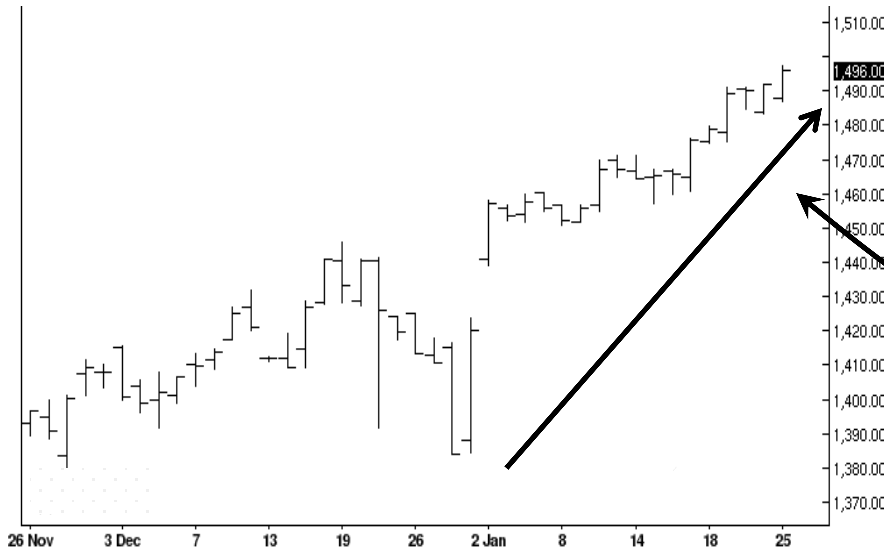
Commodities
+ GOLD
+ OIL

Disclaimer

US MARKETS: S&P500

OUR TRADING STANCE; BULLISH.

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



The S&P continues to rally as optimism grows about economic recovery and the labour market.

The Macro Trader's view of the S&P 500 is: last week we said…

…"Looking ahead we judge this market can extend the rally if:

1. There are no unpleasant surprises during the debt ceiling negotiations; they look like producing a temporary extension,
2. Data retains its firmer tone; it was mixed last week, but jobless claims pleased, and
3. Corporate earnings results don't deliver any unpleasant surprises; so far they haven't.

Looking ahead we are particularly focused on non-farm payroll. If this report can echo the improvement seen in the Jobless claims series over recent weeks then traders here will take the market higher.

In any event this market continues to look well set for making further gains and we advise staying long.

Our target of 1480.0 is met. Our target is now 1520,0 and our suggested stop is raised to 1460.0 for closer 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 main event last week was the Q4 GDP report and it lived up to expectations in that it set the UK economy on a path towards the very rare phenomenon of a triple recession.

The report was not only negative but more so than expected and it seems highly likely that the Q1 GDP report will be negative too, especially as last week's wintery weather is estimated to have cost the economy a good deal of out put.

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 Wednesday; **Net consumer credit, net lending secured on dwellings, mortgage approvals and GFK Consumer confidence,**
- On Thursday; **Nationwide house price survey, and**
- On Friday; **PMI Manufacturing survey.**

The key release this week is the PMI Manufacturing survey.

Traders will be watching with eagle eyes for clues on whether the economy is sliding back into recession or has found a new vigour from somewhere.

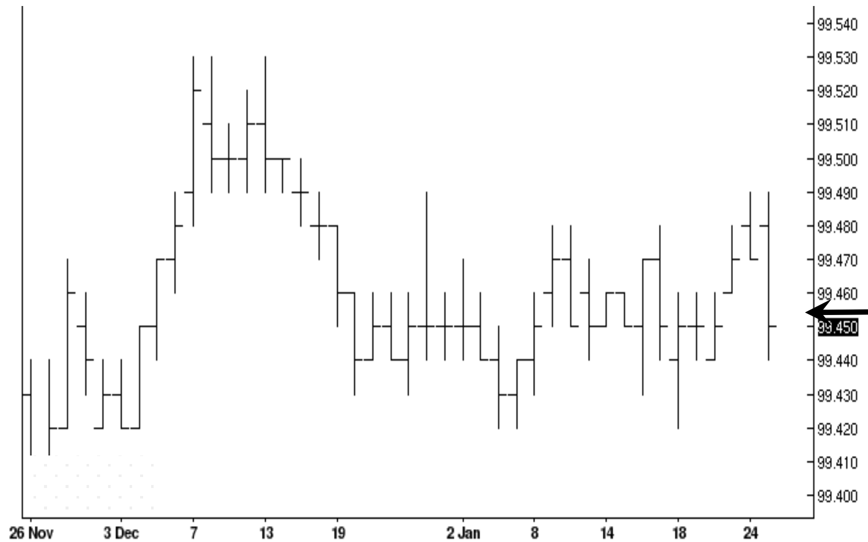
More

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; SQUARE.

Last week we were Square of Short Sterling.



Note how Short Sterling remains completely uninteresting despite the prospect of a triple dip recession.

The Macro Trader's view of Short Sterling is: the Q4 GDP report set the UK economy onto the road towards a triple dip recession, but this market remains uninterested.

The reason is almost certainly the MPC minutes released last week which showed policy makers disinclined to expand their QE program, and with inflation threatening to remain above target despite economic weakness, they do have a genuine dilemma.

Looking ahead the PMI manufacturing survey stands out this week, but in truth we expect very little from this market. A sell makes no sense, but with the Bank of England confining its self to the side lines a rally looks a fruitless expectation.

Our advise is again to 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

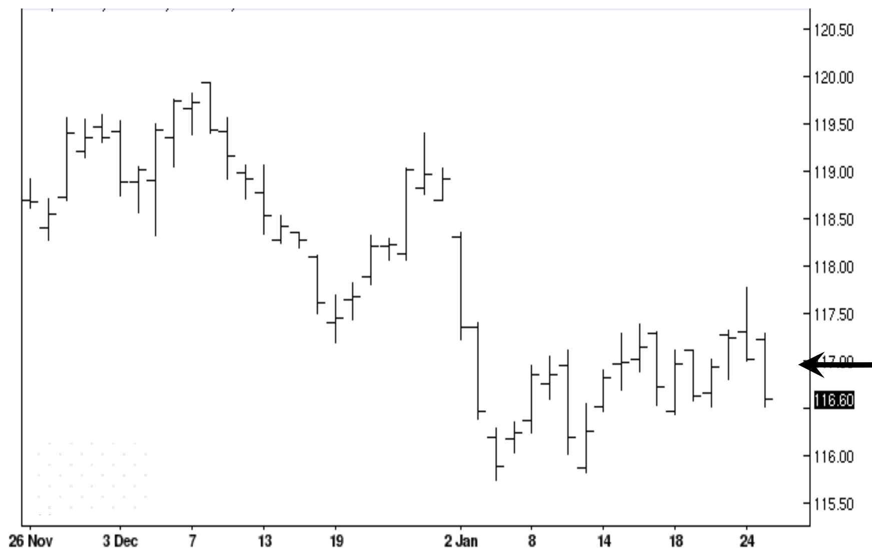
Commodities
+ GOLD
+ OIL

Disclaimer

UK MARKETS: Gilt

OUR TRADING STANCE; SQUARE.

Last week we were Square of the Gilt.



See how the gilt looks stuck in a rut, trapped by weak economic data on the one hand and buoyant equity markets on the other.

The Macro Trader's view of the Gilt is; Last week we said…

…"the Gilt is potentially a conundrum. A weaker growth out look should prove bullish as it historically means lower interest rates and slowing inflation"...

However, that isn't the forecast. Weak growth yes, weak inflation; no!

The Q4 GDP report flags triple dip recession, but this market doesn't rally; why?

Traders are focussed on equity markets where expectations of an improving global economy are driving a rally in stocks including the FTSE, robbing this market of any bullish impetus.

However with the UK economic outlook so negative we are not sellers of this market, despite the looming threat of a credit rating down grade.

For now stay 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

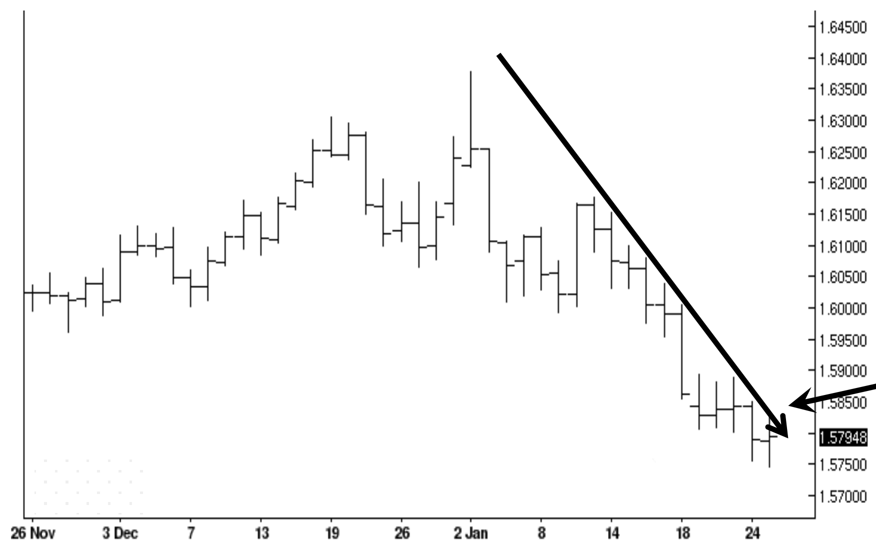
Commodities
+ GOLD
+ OIL

Disclaimer

UK MARKETS: Sterling

OUR TRADING STANCE; BEARISH v the DOLLAR

Last week we were Square



See how Sterling looks vulnerable to further selling as the UK economy looks set for a triple dip recession.

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

…"the Pound Looks vulnerable as all eyes seem focussed on the UK"...

…"The debt reduction strategy isn't going as hoped, the economic recovery looks like aborting yet again and the government has introduced political uncertainty by placing a very large question mark over the UK's commitment to the EU"...

Last week's Q4 GDP report confirmed those fears as the economy recorded negative q/q growth of -0.3%.

Yet still the government clings to its policy despite the IMF urging the government to ease up a little on the pace of debt consolidation.

Looking ahead the PMI Manufacturing survey stands out, but we judge the outlook for the UK economy will be little changed leaving Sterling facing a period of weakness.

Traders should be Short Sterling/Long the Dollar, our target is 1.5150, with a stop at 1.6010 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

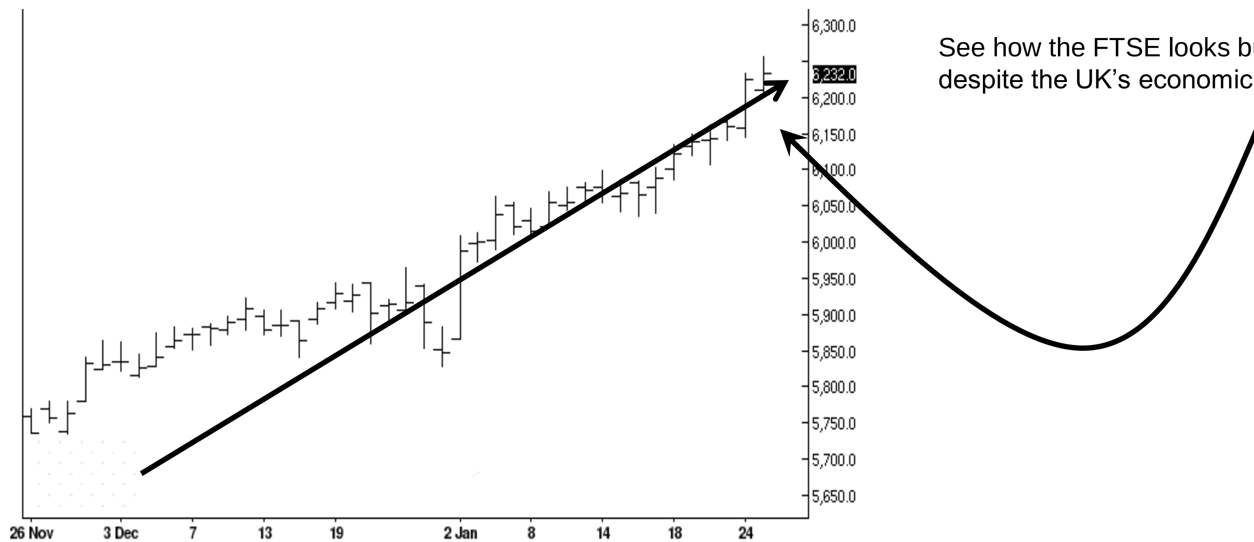
Commodities
+ GOLD
+ OIL

Disclaimer

UK MARKETS: FTSE

OUR TRADING STANCE; BULLISH.

Last week we were Bullish.



See how the FTSE looks bullish despite the UK's economic woes.

The Macro Trader's view of the FTSE is; last week we said and repeat again…

…"the FTSE looks very well supported despite the gloomy UK economic outlook"...

And although Q4 GDP was even worse than feared with q/q growth negative at -0.3% this market made 4 ½ year highs.

However as said before, this market has an international composition and the growing sense that the global economy is set to recover led by China and the US with the Euro zone expected to improve as the year matures, equity markets are looking beyond current well documented economic difficulties, including this one.

Traders should stay long this market, our target of 6200.0 is met.

Our target now is 642.0 and our stop is raised to 6110.0 for closer protection in still uncertain times..

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 main event last week was the Euro zone PMI Composite survey which showed some improvement and supported the ECB's recent forecast that the Euro zone would emerge from recession later this year.

However the French PMI data showed the French economy, the Euro zones 2nd largest moving in the opposite direction; indicating a French recession.

The other report we highlighted last week, the German IFO survey was stronger than consensus indicating a pick up in German economic activity.

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 and Euro zone M3,**
- On Tuesday; **German GFK Consumer confidence,**
- On Wednesday; **various Euro zone confidence reports,**
- On Thursday; **German retail sales, unemployment and CPI and Euro zone CPI Estimate, and**
- On Friday; **German, Italian, French and Euro zone PMI Manufacturing surveys and Euro zone unemployment report.**

The main event this week is the raft of Euro zone PMI Manufacturing surveys.

A look at the health of manufacturing in the Euro zone and a further guide to the pace of the expected economic recovery flagged recently by the ECB.

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

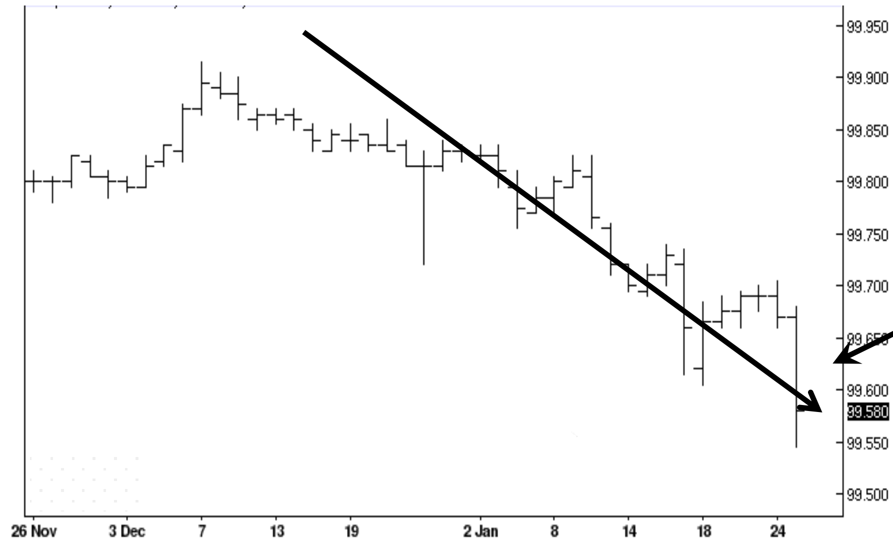
Commodities
+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of September 12 Euribor.



See how Euribor continues to trade lower as further ECB rate cuts look highly unlikely.

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

…"Looking ahead the key release this week is the Euro zone PMI Composite survey, but we doubt it will deviate far enough from consensus to materially impact this market, since traders are still reacting to the realisation that no more rate cuts from the ECB are likely"...

In the event the report came in better than expected, supporting the ECB's forecast of economic improvement. However all was not rosy as the French PMI report flagged a French recession.

Looking ahead the PMI surveys due on Friday are this week's key release and traders will be looking for more evidence to support the ECB's forecast.

But with the economy still weak we do not expect a full scale bear market to develop anytime soon either, rather yet more unwinding of expectations of further rate cuts.

For now we 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

EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.

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

…"the Bund continues to look vulnerable to the downside for a couple of reasons:

1. The ECB's new found optimism about the Euro zones economic outlook for later this year,
2. The improving US and Chinese economies that hold the promise of improvement for the Euro zone, and
3. The optimism in equity markets that has for now banished risk aversion as traders react to a solid start to the corporate earnings season and improving US data"...

We still hold that view, but the Bund seems to have lost direction. Although the Euro zone economy looks set to begin a recovery the French economy looks set for recession and with the Dow Jones Eurostoxx 50 market looking equally confused last week, bond traders and equity traders seemed to have something in common; lack of direction.

For now we continue to advise a square position as we judge this week's data will tell us more of what we already know.

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

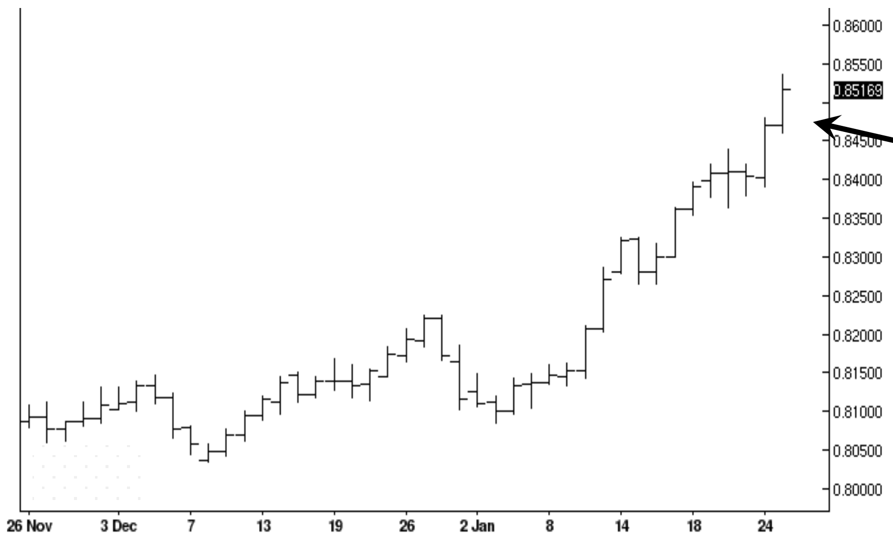
Commodities
+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BULLISH v the DOLLAR

Last week we were Bullish v the Dollar



See how the Euro remains bullish against Sterling and the Dollar, not to mention the Yen.

The Macro Trader's view of the Euro; the Euro remains well supported against the Dollar, Pound and Yen.

The Pound is currently undermined by the political uncertainty introduced by the UK Prime ministers constant allusion to the UK leaving the EU if she cannot renegotiate membership terms, with a simple in/out referendum now promised by 2017, which isn't helped by UK economic weakness.

The Yen too is weakened by the policies of the new Japanese government..

However, we still prefer the Dollar/Euro vehicle as we see this as the arena where the wider picture is played out.

Looking ahead the PMI manufacturing surveys due on Friday are the main domestic event, but we judge markets, including this one, will be driven by US data, especially Friday's non-farm payroll report.

Traders should remain Short the Dollar/ Long the Euro.

Our suggested target remains 1.3570 and our suggested stop continues at 1.3190 for protection.

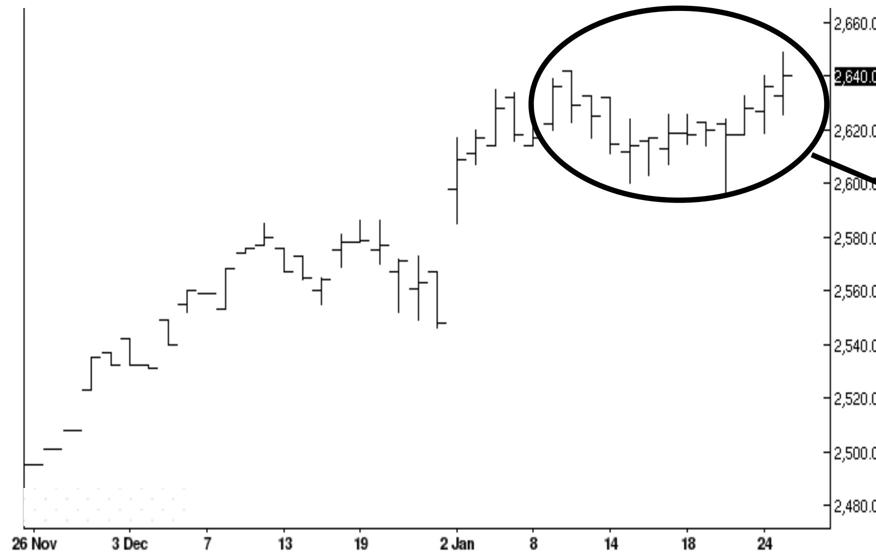
More

SEVEN DAYS AHEAD

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market struggled throughout last week, despite the vigour seen in other leading equity markets.

The Macro Trader's view of DJ Euro Stoxx 50 is:
despite the ECB's recent forecast of an end to the Euro zone recession and last week's better than expected Euro zone PMI composite survey, this market struggled throughout the week for direction, even as the FTSE, S&P, DOW JONES and Nikkei were clearly bullish.

The Euro zone economy maybe on the brink of recovery, but the French economy; the Bloc's second largest looks on the path to recession.

With the focus on the US and Japanese economies, this market looks tired and unable to keep up with its peers, hence our decision last week to remain square.

And we repeat last week's message; for now stay square. The answer is clear; the main event is the US with the Nikkei close behind, not to mention the FTSE.

More

JAPANESE MARKETS: economic background

Last week's focus was the Bank of Japan rate decision. After coming under pressure from the New Prime minister, the BOJ adopted a 2% inflation target and an open ended bond buying program in an effort to defeat a two decades old deflation problem.

Other data released last week through out the usual mixed messages with the trade deficit worse than expected, indicating the weak Yen hasn't yet worked its hoped for magic.

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 Tuesday; **small business confidence and Retail trade and large retailers sales,**
- On Wednesday; **Industrial production, labour cash earnings and Vehicle production,**
- On Thursday; **jobless rate and household spending, and**
- On Friday; **vehicle sales.**

This week's main event is the industrial production report.

As ever this report informs on the health of the Japanese economy's core activities and with the Yen weakening for several weeks, an improvement at some point isn't an unrealistic expectation.

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

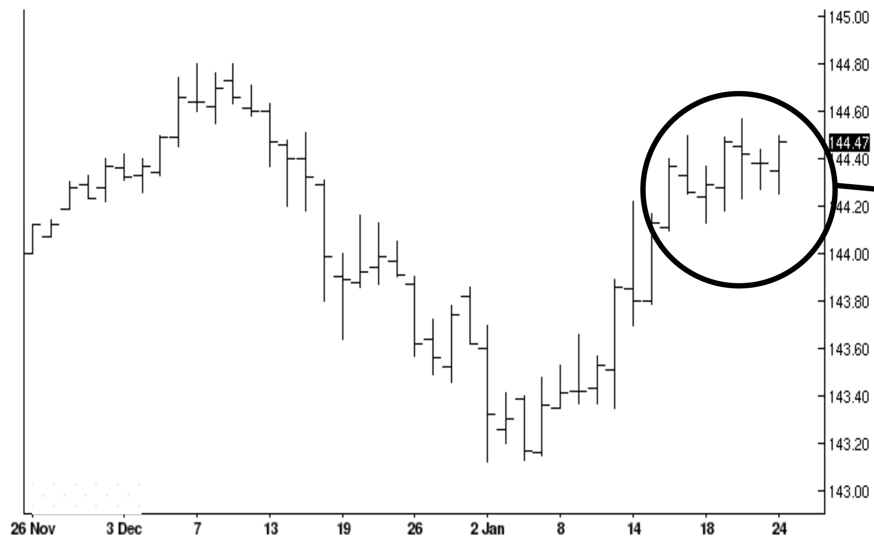
Commodities
+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB consolidated its recent rally as the BOJ pledged to implement a 2% inflation target.

The Macro Trader's view of the JGB is: the JGB consolidated the recent rally as the Bank of Japan confirmed its adoption of a 25 inflation target and re-confirmed its commitment to open ended bond purchases in an effort to defeat inflation.

Following pressure from the Japanese government the central Bank had little choice but to adopt these measures as the Prime minister had threatened to force the BOJ to adopt them via legislation if policy makers failed to comply.

Looking ahead the key data release this week is Industrial production. After weeks of Yen weakness it should show improvement, but last week's trade deficit was larger than expected, despite the weakness of the Yen, meaning the industrial production report could well disappoint.

For now we advise remaining square of this market and focus on the Nikkei.

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

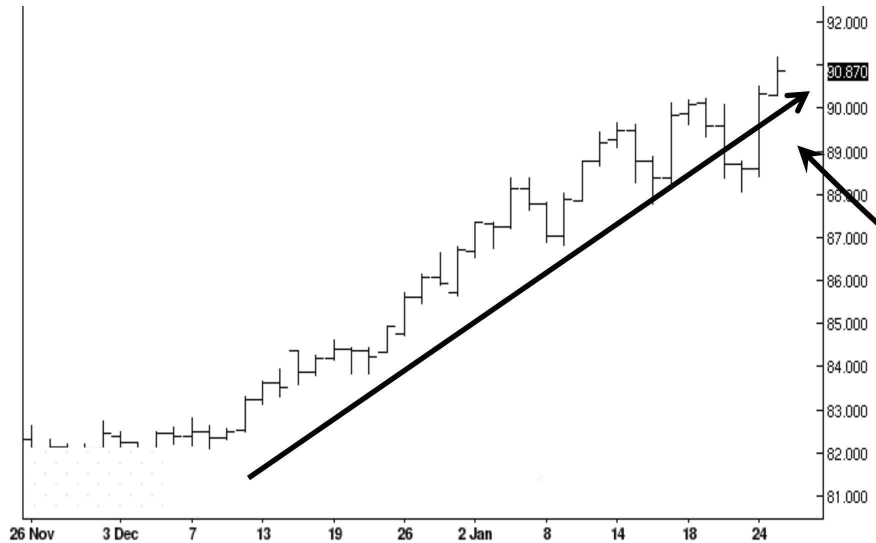
Commodities
+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: BEARISH v the DOLLAR.

Last week we were Bearish v the Dollar.



The Yen continues to weaken as traders are acutely aware of the weak Yen policy adopted by the new Government.

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

…"the Yen continues to weaken on the view the new PM will support a policy to weaken the Yen"...

…"Also data has remained mixed to weak further robbing the Yen of support and when the new found risk appetite is factored in the Yen also suffers as traders are turning away from safe haven trades, of which the Yen had been a major beneficiary"...

This still remains our view for the week ahead.

Looking ahead the key release this week is Industrial production, but we judge the Yen will continue to weaken due to the Governments policy of a weak Yen which they would almost certainly back with intervention if needed.

Traders should be short Yen/Long Dollar.

Our suggested target is now 92.50 and our stop raised to 87.80 for closer 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

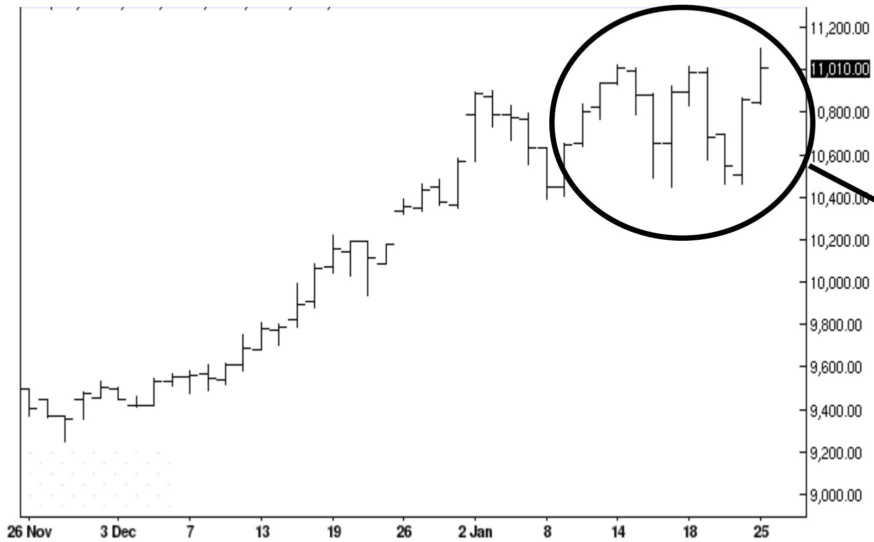
Commodities
+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of the Nikkei.



See how the Nikkei endured greater volatility last week but closed near the highs..

The Macro Trader's view of the Nikkei is; the market continued to experience volatility last week on a run of mixed data releases.

With the Bank of Japan yielding to the governments push for greater bond buying and the adoption of a 2% inflation target the market remained well supported despite the worse than expected trade deficit.

However, the Nikkei also drew support from the improving economic outlook internationally, especially in China, closing at close to the recent highs.

Looking ahead industrial production is this week's key release, but this market will not be held back by any domestic disappointment since the weak Yen policy and growing international economic optimism are offering equity markets solid support.

Traders should remain long of the Nikkei.

Our target remains 11,200, and our stop continues at 10400.00 for protection with a degree of room for flexibility.

The Nikkei has proved a fickle market over recent years but we judge it still has reasons to rally.

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

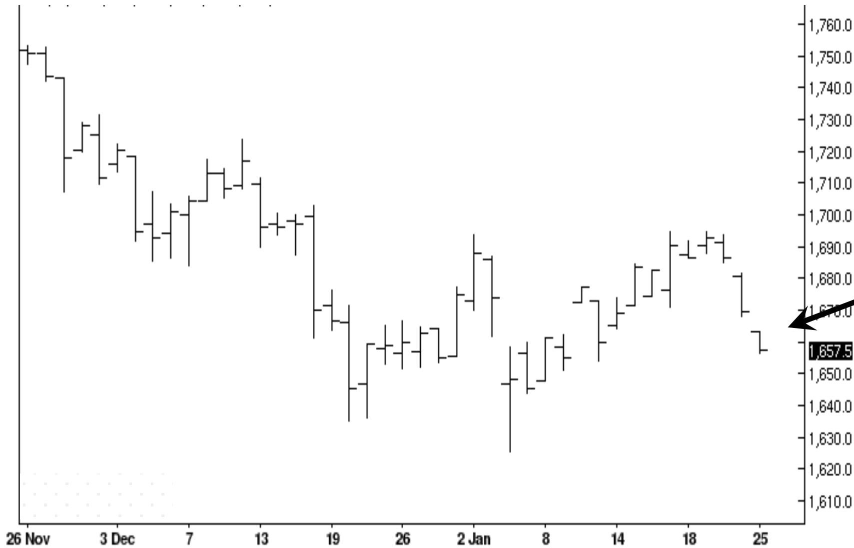
Commodities
+ GOLD
+ OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE; SQUARE.

Last week we were Square of Gold.



See how gold failed to build on the recent rally as economic optimism builds.

The Macro Trader's view of the Gold is: Gold failed to build on the recent rally as the US Congress signalled it was prepared to vote on a temporary debt ceiling extension.

Additionally, data in the US continues to point towards improvement. And although both housing market surveys were weaker than expected last week, the Jobless claims report was better than expected, and at 330k holds out hope for a strong non-farm payroll report this coming Friday.

Additionally the Euro zone PMI Composite survey pointed to an easing if recessionary pressures in the Euro zone and China continues to show improvement. With inflation in the key economic areas under control, for now, this market found few reasons to rally as traders took meagre profits..

For now remain square of a clearly range bound market.

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

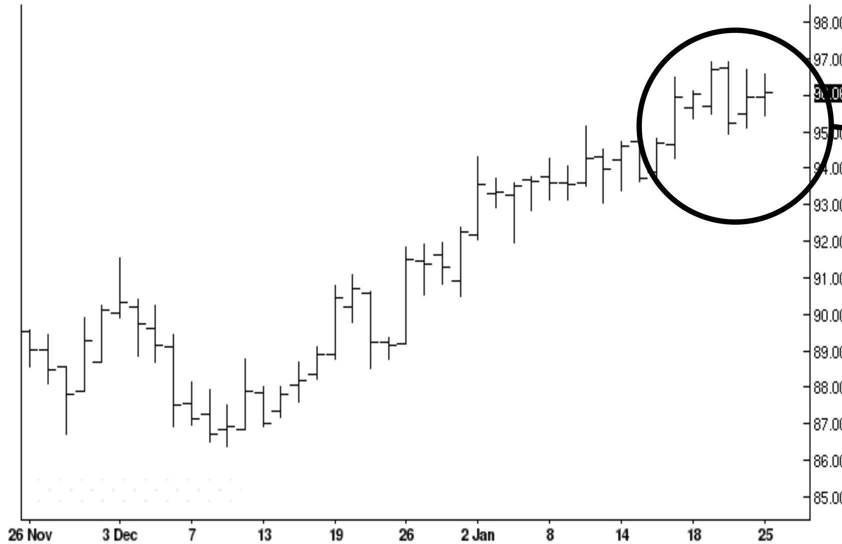
Commodities
+ GOLD
+ OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil traded sideways last week, consolidating recent gains.

The Macro Trader's view of oil is: oil remains well support on a wave of optimism running through markets.

As US data continues to show improvement and even the Euro zone produced some evidence to support the ECB's claim that the Euro zone economy would emerge from recession later this year, the Oil price held recent gains.

Looking ahead there are important data releases due in several leading economies. Expectations are for further signs of recovery in the global economy.

With oil production recently scaled back by Saudi Arabia this market looks supported. Indeed it would take a run of weak data from the US and Euro zone to under mine the markets recent show of strength.

But can the market add to its gains?

We are not convinced. The economic out look might be improving, but from a very weak position. Too high an oil price could derail it and the oil producers need to play their part in helping the global recovery.

They seem to have shown a knack over the years for knowing how far to push the price before causing economic damage.

For now remain square..

More

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, msturdy@sevendaysahead.com
WEB SITE SEVENDAYSAHEAD.COM

MAIN MENU