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Week 18
30th April – 6th May 2013

the macro trader's guide to major markets

John Lewis

Authorised and regulated by the FSA

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	Week of 29th April
Monday	US Prsnl income 0.4% US Prsnl spndg 0.1% US Core PCE 0.1m, 1.2y US Pndg home sales 1.0m, UK GFK Cons conf -26 EZ Bus climate indx -0.91 EZ Ind conf -13.5 DM CPI -0.2m, 1.4y JP Jobless rate 4.25 JP Retail trade -0.8m 0.4y JP Ind production 0.4m, -7.7y JP Lrge retail sales 1.8%
Tuesday	US Q1 Emplym't cost indx 0.5% US Case shiller comp-20 9.0% US Chicago PMI 52.5 US Cons conf 60.3 UK Net cons cr 0.5B UK Net lndg on dwllgs 0.6B UK Mrtge aprvls 52.7k DM Retail sales n/f DM GFK Cons conf 5.9 DM Unemploym't chge 2k DM Unemploym't rate 6.9% EZ CPI Est 1.6y EZ Unemploym't rate 12.1% JP Vehicle production n/f JP Construction orders -1.4% JP Labour cash earnings -1.2%
Wednesday	US MBA Mrtge apps n/f US ADP emplymt chge n/f US Construction spndg n/f US ISM Mfg n/f US ISM Prces paid n/f US FOMC Rate decision 0.25% UK House prces Nationwide 0.3m, 1.3y UK PMI Mfg 48.5 JP Vehicle sales n/f

	Week of 29th April
Thursday	US Q1 Unit labour costs 0.0% US Jobless claims 345k US Trade ball -$42.0B US Q1 Non-farm prodctvty 1.8% UK PMI Construction48.0 IT PMI Mfg 44.8 FR PMI Mfg 44.4 DM PMI Mfg 47.9 EZ PMI Mfg 46.5 EZ ECB rate decision 0.5%
Friday	US Non-farm payroll n/f US Unemploym't rate 7.6% US avrge hourly earngs 0.2m, 1.9y US Avrge wrk week 34.6 US ISM Non-mfg survey 54.0 US Factory orders -2.4% UK PMI Services 52.3 EZ PPI -0.2m, 0.6y

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	Week of 22nd April
Monday	US Existing home sales 4.92M **WEAKER** EZ Cons conf -22.3 **BETTER** JP Super mkt sales 1.7% **BETTER** JP Convnience stre sales -0.4y **BETTER** **THAN EXPECTED**
Tuesday	US Hse prce indx 0.7% **AS** US New Home Sales 417k **BETTER** UK PSNCR 31.3B **WORSE** UK PSNB 16.7B **WORSE** UK CBI Trnds tot orders -25 **WORSE** EZ PMI Composite 46.5 **AS** JP Sml bus conf 49.4 **LESS** JP Corp service prces -0.2% **STRONGER** **THAN EXPECTED**
Wednesday	US MBA Mrtge apps 0.2% **WEAKER** US Durable goods -5.7% **WEAKER** US DG Ex-transport -1.4% **WEAKER** UK BBA Home buyer loans 31.227k **WEAKER** UK CBI Sales -1 **WEAKER** DM IFO 104.4 **WEAKER** **THAN EXPECTED**

	Week of 22nd April
Thursday	US Jobless claims 339k **LESS** UK Indx of Services 0.8m, 0.1(3m/3m) **BETTER** UK Q1 GDP 0.3q, 0.6y **STRONGER** JP Tokyo CPI -0.7% **STRONGER** JP National CPI -0.9% **WEAKER** JP BOJ Rate decision 0.10% **AS** **THAN EXPECTED**
Friday	US Q1 GDP (A) 2.5% **WEAKER** US Q1 Persnl consmptn 3.2% **STRONGER** US Q1 Core PCE 1.2% **STRONGER** US U. of Michigan conf 76.4 **STRONGER** DM Import prces -0.1m, -2.3y **AS** EZ M3 2.6% y/y **WEAKER** EZ M3 3.0%m/m **WEAKER** **THAN EXPECTED**

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US MARKETS: economic background

Last week we focused on the Q1 GDP report as we sought to determine the impact on growth of the sequestration tax hikes and spending cuts.

In the event the report was weaker than expected confirming data releases over recent months that have pointed to a cooling of economic activity.

Other reports released during the week were also mainly weaker than expected especially durable goods.

But there was one ray of hope as the jobless claims data came in below consensus suggesting the labour market continues to heal.

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; **Personal income, Personal spending, Core PCE and Pending home sales,**
- On Tuesday; **Q1 Employment cost index, Chicago PMI and Consumer confidence,**
- On Wednesday; **ADP employment change, ISM manufacturing and FOMC rate/policy decision,**
- On Thursday; **Q1 Unit labour costs, trade balance and jobless claims, and**
- On Friday; **non-farm payroll, unemployment rate, average hourly earnings, average work week and ISM non-manufacturing survey.**

After last week's Q1 GDP report this week offers a broad based view of current economic activity.

The two ISM surveys are important releases, but we judge Friday's non-farm payroll report is this week's main event.

The Fed has highlighted the labour market as a key area of concern and a potential trigger for any future policy action.

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SEVEN DAYS AHEAD

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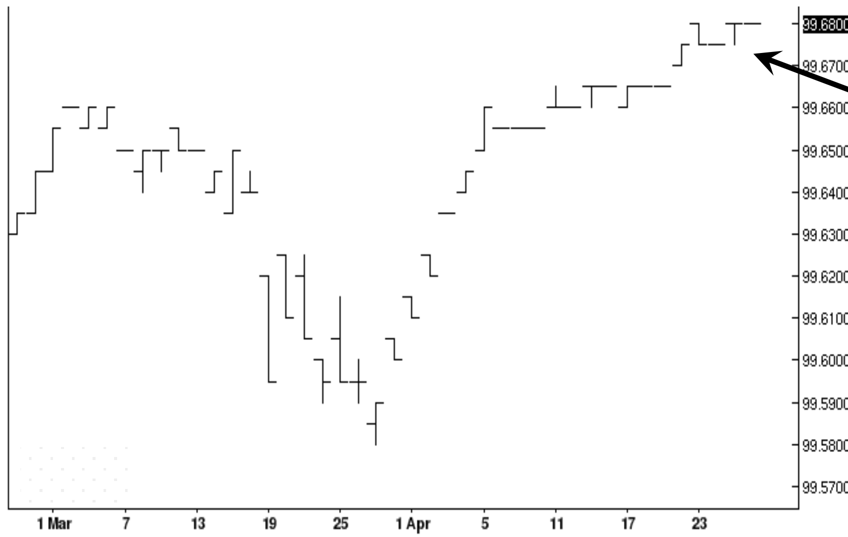
US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



See how the market eked out a few meagre gains on the back of weak data; very un convincing!

The Macro Trader's view of Eurodollars is; last week's Q1 GDP report fell short of consensus, but given the recent run of weaker data was it really that surprising?

Looking ahead there are several important data releases, but we are focussed on the non-farm payroll report and unemployment rate.

We judge a healing labour market is an important ingredient of economic recovery and so too does the Fed.

The jobless claims report has largely maintained its recovery, albeit at a slower pace, but if echoes the payroll report than this Friday could see a limited correction lower.

For now we advise maintaining a square position.

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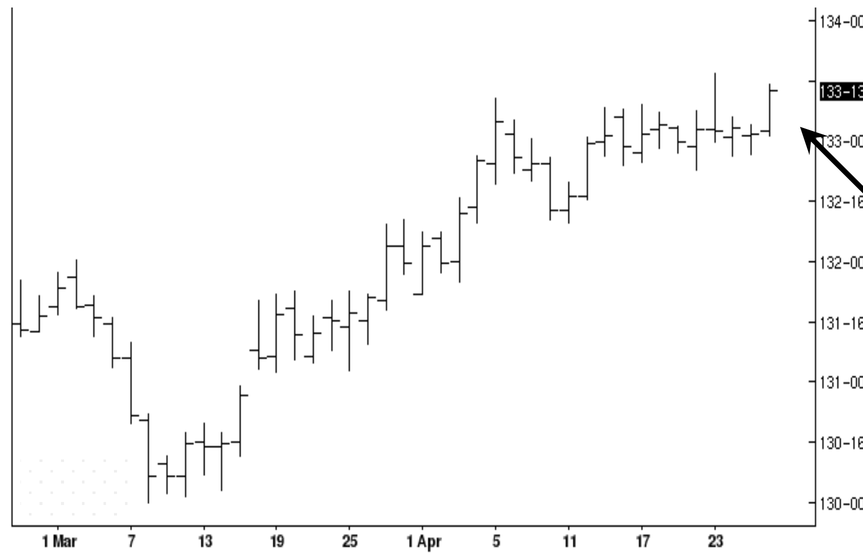
US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



See how the 10 year note made gains amid increased volatility.

The Macro Trader's view of the 10 year note is; last week's Q1 GDP report was weaker than expected and this market closed at the recent highs albeit amid increased volatility, but was a 2.5% expansion that much of a disaster given the state of the economies in the Euro zone, UK and Japan?

Looking ahead we judge Friday's payroll report stands out as the one to watch. If the number beats expectations this market will retrace, however the ISM manufacturing survey comes first so another week of volatility could be on the cards.

Moreover the last major data release of the week is the ISM non-manufacturing survey, so Friday could prove a very interesting, even volatile trading day.

Given the degree of uncertainty we advise remaining square.

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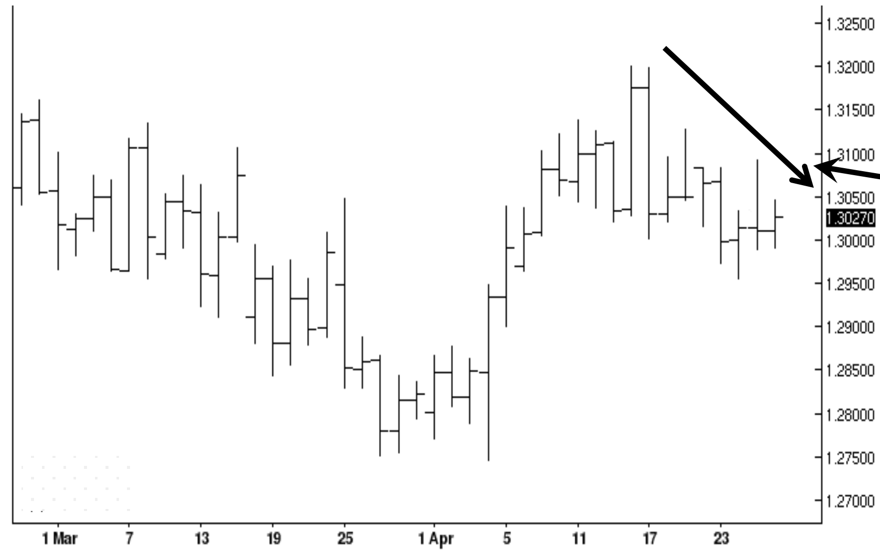
US MARKETS: US Dollar

OUR TRADING STANCE; BULLISH v the YEN.

Last week we were BULLISH v the YEN



The Dollar shook of the weaker data and staged a limited recovery against the Euro.

The Macro Trader's view of the Dollar is; the Dollar remains range bound against the Euro but did manage to stage a limited recovery despite weaker US data helped by yet more disappointingly weak Euro zone data, namely the PMI Composite.

Looking ahead the Dollar could be in for a turbulent week as key reports are due in the US and Euro zone, but on balance we judge the Euro zone data is likely to offer yet more weakness where as Friday's US non-farm payroll report could show the labour market continuing to heal which should support the Dollar, although we sense it likely to remain within the current trading range.

Against the Yen we remain bullish as Japan's policies promote and require a weak currency.

Traders should remain long the Dollar against the Yen.

Our target in Dollar/Yen continues at 106.0 and our stop continues at 97.5 for close protection of profits.

The 100.00 level is proving something of a psychological barrier and should the market correct before breaching it our stop is well placed.

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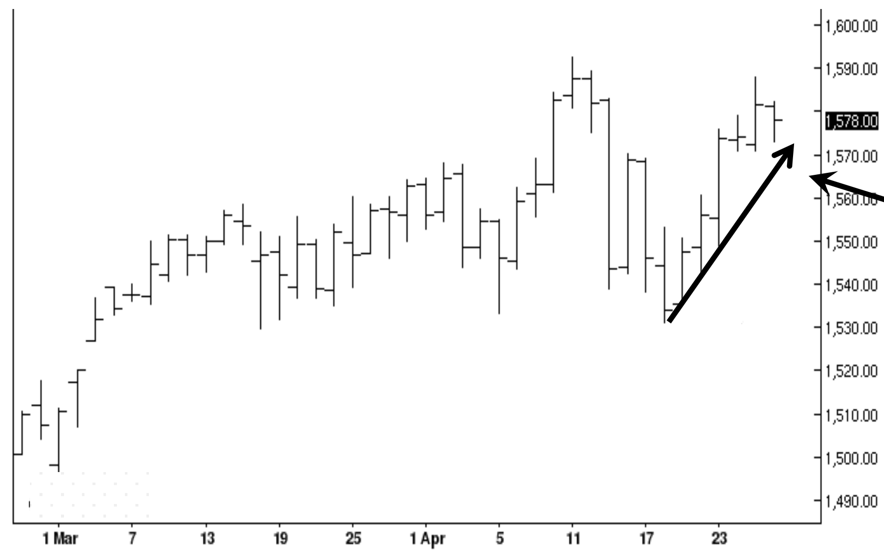
US MARKETS: S&P500

OUR TRADING STANCE; BULLISH.

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



The S&P over came weaker data, buoyed by corporate earnings.

The Macro Trader's view of the S&P 500 is: last week's price action vindicated our belief in this market and despite weaker data the market made another attempt on the highs helped by corporate earnings reports.

Looking ahead this week's data offers an up to date view of the economy and we judge Friday's payroll report will drive the SHORT term direction of this market. In other words a weaker report could force a correction that would likely fizzle out by the middle of next week, where as a stronger report would allow traders to focus on broader issues and keep the rally going.

Traders should be long of this market.

Our target continues at 1595.0 and our suggested stop is raised to 1550.0 for closer protection.

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UK MARKETS: economic background

Last week we highlighted the Q1 GDP report and after endless speculation about yet another recession the economy recorded reasonable solid growth of 0.3% on the quarter.

Although this number is below what is considered to be the economy's long term sustainable growth rate it crucially spared the UK from what would have been its third recession since 2008, not a desirable economic record.

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

The main event this week is the PMI Services report.

Last week's Q1 GDP report revealed service sector activity as the sector responsible for producing the growth that avoided recession, we therefore advise monitoring the MI Service sector survey due on Friday.

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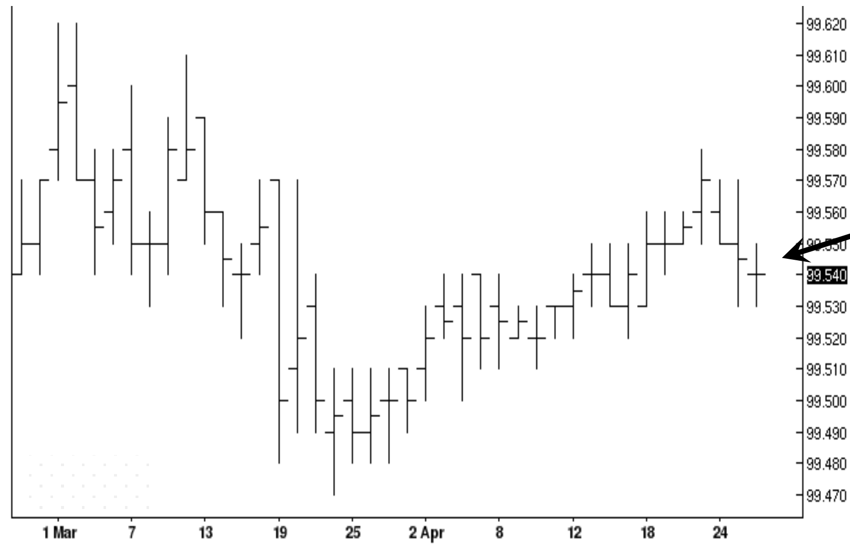
UK MARKETS: Short Sterling

OUR TRADING STANCE; SQUARE.

Last week we were Square of Short Sterling.



See how Short Sterling reversed after a stronger than expected Q1 GDP report.

The Macro Trader's view of Short Sterling is: last week we said...

…"Looking ahead the main report to watch this week is the Q1 GDP report. After months of speculation about the UK falling into a third successive recession this report will end the speculation one way or the other"...

…"We judge this market needs a weak report to make further small gains, but a stronger than expected out come will force a smart retreat"…

In the event the data was stronger than expected and the market retreated, but the price action continues to support our view that there is very little in this market for either Bull or Bear.

For now we continue to advise a square position.

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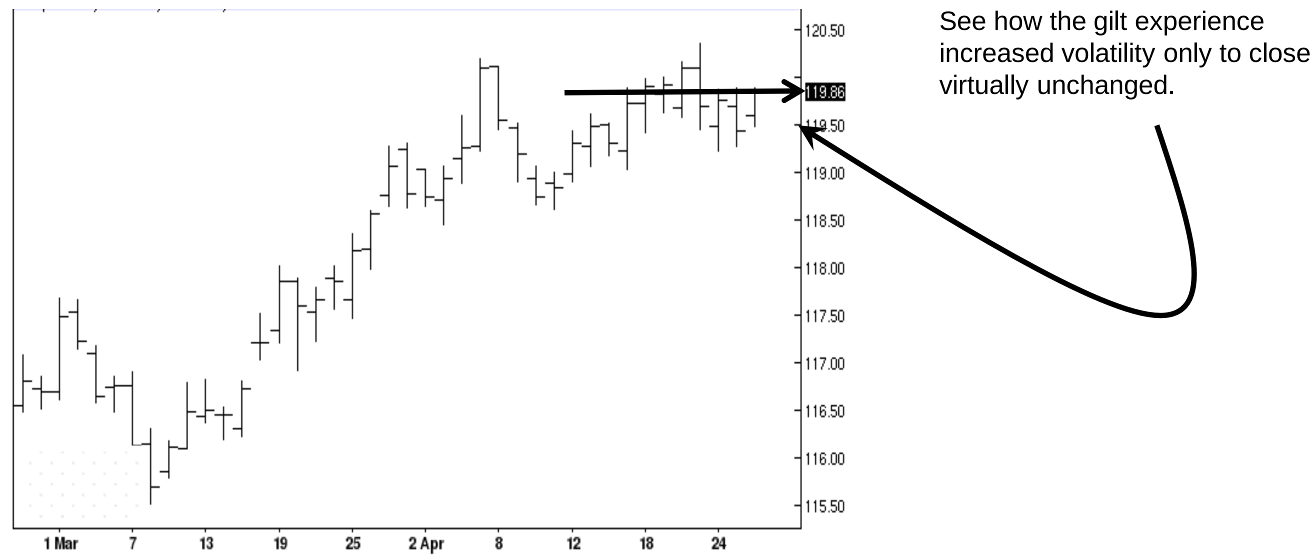
UK MARKETS: Gilt

OUR TRADING STANCE; SQUARE.

Last week we were Square of the Gilt.



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

…"And unless both US and UK Q1 GDP are weaker than forecast, we expect Bonds generally to ease lower as traders buy back into stocks"...

The US Q1 GDP report was weaker, but not dramatically so, but the UK Q1 GDP report was surprisingly stronger than forecast and with the other data releases throughout the week, on both sides of the Atlantic, offering mixed to weaker signals, the Gilt endured a period of volatility that saw the week close virtually unchanged.

Looking ahead an important week for data but we judge Friday's US non-farm payroll report will decide the direction of bond markets over the next period.

For now we remain side lined from bonds as we judge they are an asset class in denial, despite recently weaker data as we continue to focus on equities.

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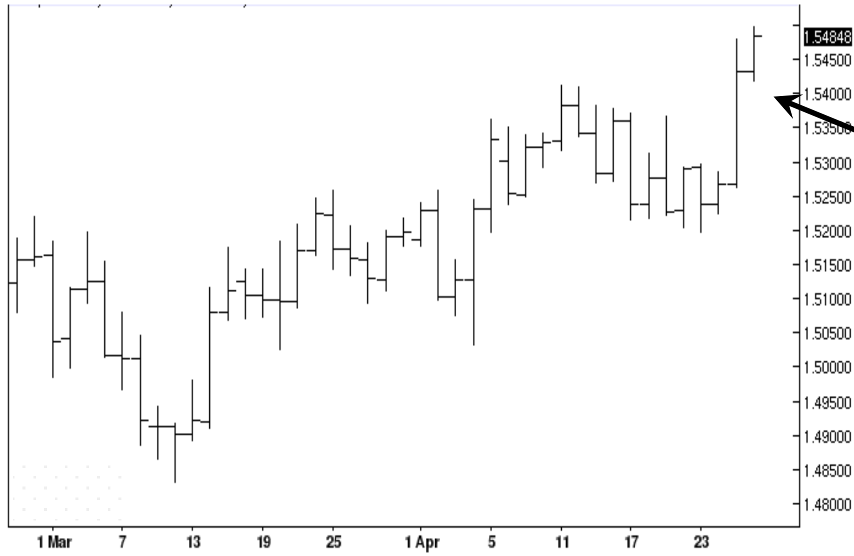
UK MARKETS: Sterling

OUR TRADING STANCE; SQUARE

Last week we were Square



See how Sterling bounced on the stronger Q1 GDP report.

The Macro Trader's view of the Pound is; the Pound staged a solid recovery on Thursday driven by a stronger than expected UK Q1 GDP report and a weaker than forecast US Q1 GDP report.

Although the US economy still out performs the UK currency trading is a game of relative strengths and last week belonged to the UK/Pound Sterling.

However the UK economy remains saddled with a large budget deficit and high debt to GDP ratio which continues to render Sterling vulnerable, but for now the Q1 GDP report will offer a degree of immunity.

Looking ahead this week's PMI Services survey is the one to watch and traders will be seeking evidence that the dominant service sector remains positioned to drive growth forward in Q2.

For now we judge Sterling is out of the woods and at best will only test the upper boundary of the established trading range, so for now remain square.

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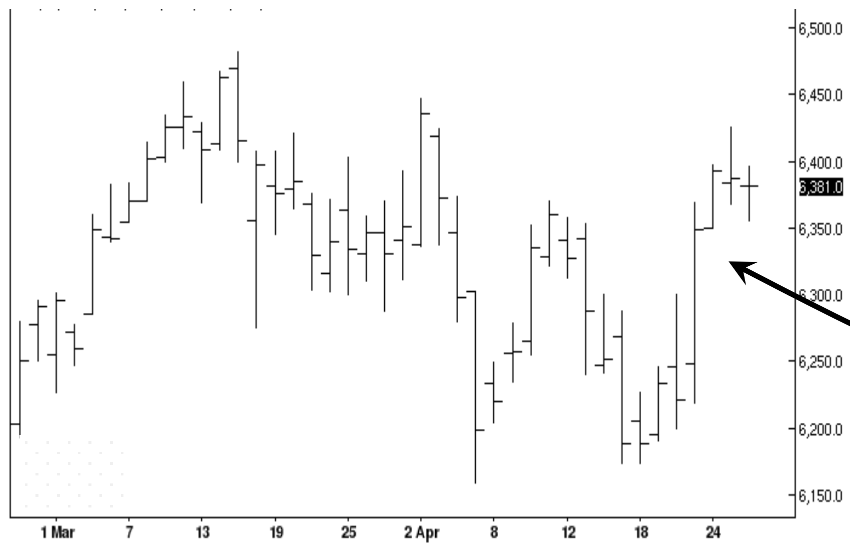
UK MARKETS: FTSE

OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the FTSE extended the recovery as stocks responded to corporate earnings.

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

…"Looking ahead the Q1 GDP reports in the UK and US stand out. If the UK can avoid a triple dip recession and the US can display a negligible impact on growth from the so called "sequestration, then we judge equity markets including this one can go better"…

And on balance we judge that was the outcome. The UK reported stronger than expected growth and the US report while below consensus; at 2.5% was respectable.

Looking ahead an important week for stocks. If UK and US service sector surveys report solid growth and Friday's US non-farm payroll report reveals job creation riding out the sequestration then stocks can advance further.

However we are long the S&P and Nikkei and that is all the equity risk we are willing to carry right now so stay square here a little longer.

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EURO ZONE MARKETS: economic background

The main event last week was the PMI Composite survey which although in line with consensus showed the Euro zone economy still mired in recession.

More worryingly though was the German surveys which showed the Euro zone/EU’s largest economy in recession territory, additionally the German IFO survey also came in 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; **Euro zone Business climate index and German CPI,**
- On Tuesday; **German retail sales, GFK Consumer confidence, unemployment report, Euro zone unemployment report and CPI estimate,**
- On Thursday; **Italian, French, German and Euro zone PMI Manufacturing surveys and the ECB rate decision, and**
- On Friday; **Euro zone PPI.**

The main event this week is the ECB rate decision.

The economy remains in recession and German data points to trouble there too, the ECB hinted further easing was possible all eyes will be on the meeting to see if they deliver.

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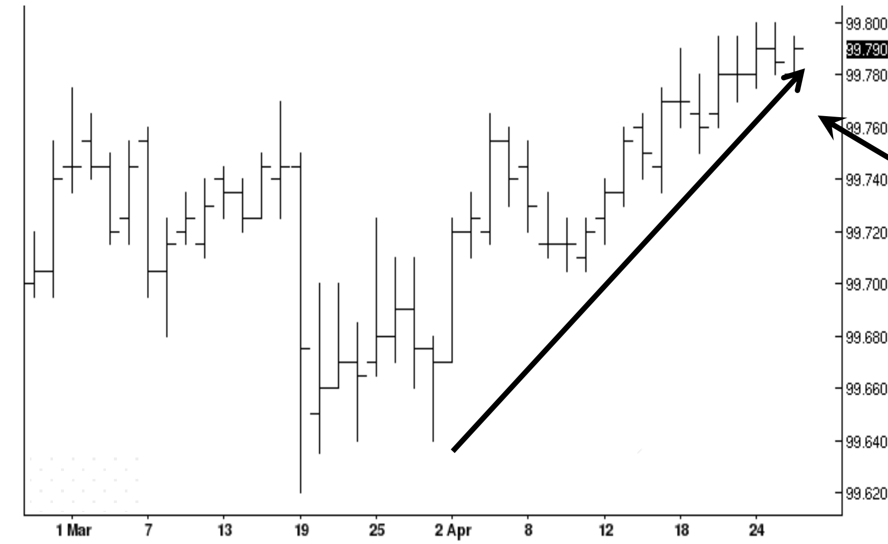
EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



See how Euribor extended the rally on expectations of a rate cut.

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

…"Looking ahead the Euro zone PMI composite survey is due this week and a weaker than expected report would fuel expectations of an ECB rate cut and support this market, but at 99.78 how much higher can this market realistically go?"…

In the event the PMI Composite was in line with expectations but confirmed the economy has made no improvement and remains in recession.

The ECB meets to set policy this week and a cut is widely anticipated, but we judge a move is priced in.

For now we remain square as most short term interest rate futures markets, including this one, seem to offer very limited risk reward.

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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

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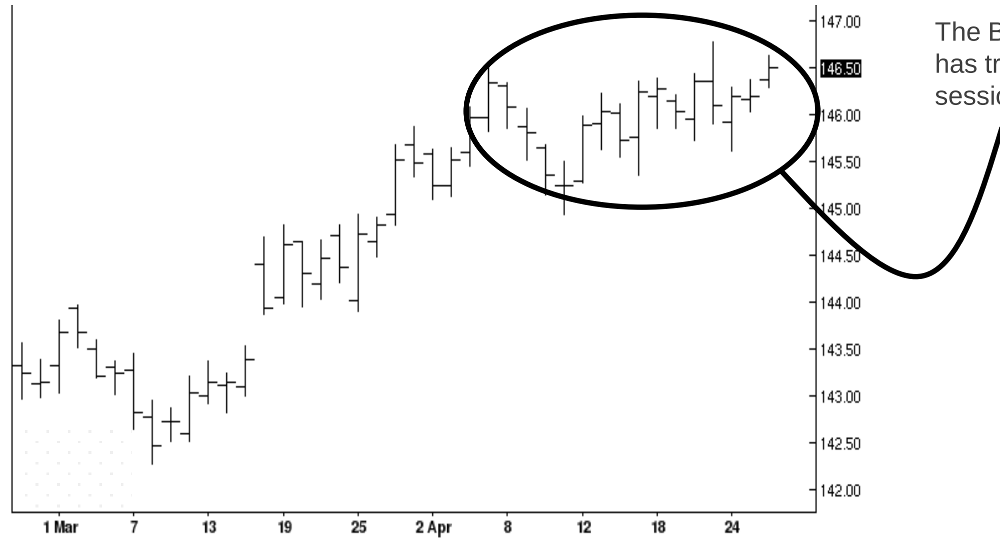

The Bund remains supported but has traded sideways for several sessions.

The Macro Trader's view of the Bund is: the Bund remains well supported on a weak Euro zone economy and German data showing a worsening situation.

But closer inspection shows this market has only really range traded since early April. Last week's Euro zone PMI composite showed no improvement and worse still the German PMI manufacturing survey deteriorated.

Looking ahead the various Euro zone PMI manufacturing surveys are due this week, but the ECB rate decision stands out and we judge a rate cut is a realistic possibility.

The Bund looks set to remain around current levels, but we are more bullish of equities than we are bonds so for now advise remaining square.

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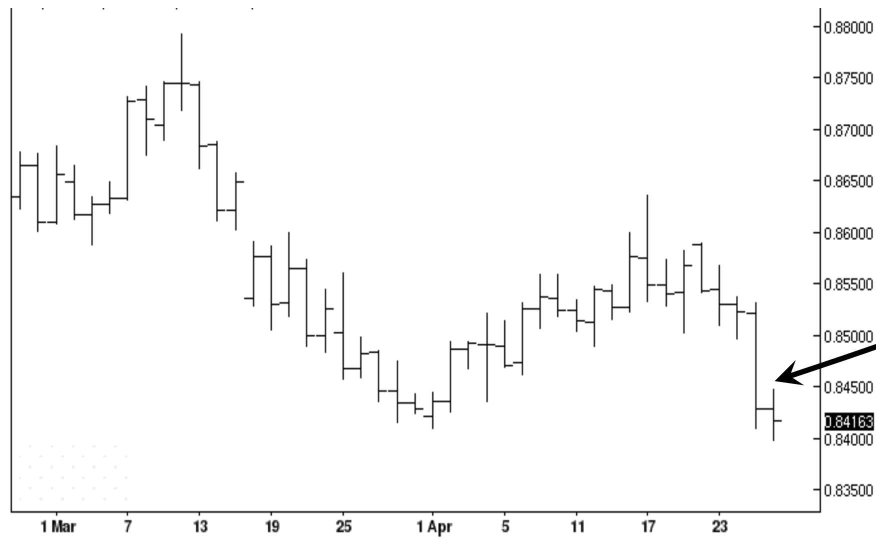
EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were Square



See how the Euro slumped against the Pound after stronger UK Q1 GDP.

The Macro Trader's view of the Euro; the Euro slumped against Sterling last week after the release of stronger than expected UK Q1 GDP.

The story was similar against the Dollar despite weaker than expected US Q1 GDP, but weak Euro zone data undermined the Euro.

Looking ahead key data releases are due in the US, UK and Euro zone and we judge currency markets are likely to prove volatile this week.

Moreover we judge the Pound, Dollar and Euro are range bound and currently we see nothing that is likely to change that.

For now we advise remaining square.

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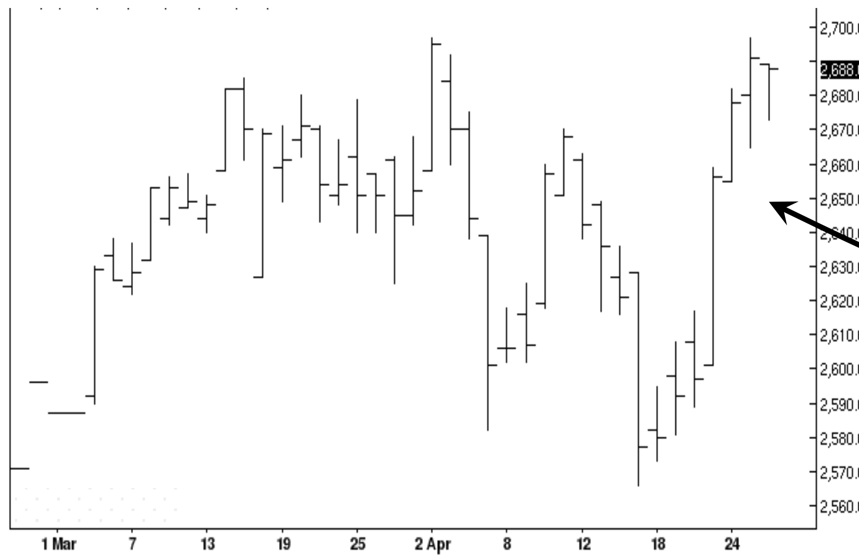
EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market rallied on news of an Italian government.

The Macro Trader's view of DJ Euro Stoxx 50 is: the market enjoyed a strong rally last week dragged better by US sentiment and news of a new Italian government after months of failed negotiations.

But, although international sentiment has turned positive towards equity markets, is the move in this market sustainable?

The Euro zone economy is in recession, recent German data shows that economy suffering the same fate.

The ECB sets interest rates this Thursday and a cut would help sentiment here, but we remain suspicious of this market and advise focussing on the S&P, Nikkei and FTSE in that order.

But stay square here..

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JAPANESE MARKETS: economic background

Last week we focussed on the Bank of Japan policy statement and although no new action was expected, we judged traders would still want to know the BOJ’s latest thoughts on the economy which in the event were little changed.

The other key release was CPI and this showed the economy remains solidly in the grip of deflation.

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; **Jobless rate, retail trade and industrial production,**
- On Tuesday; **Vehicle production, construction orders and labour cash earnings, and**
- On Wednesday; **Vehicle sales.**

The main event this week is the Industrial production report.

Yet another opportunity to see how much of an impact the BOJ’s policies and the weak Yen are having on the economy.

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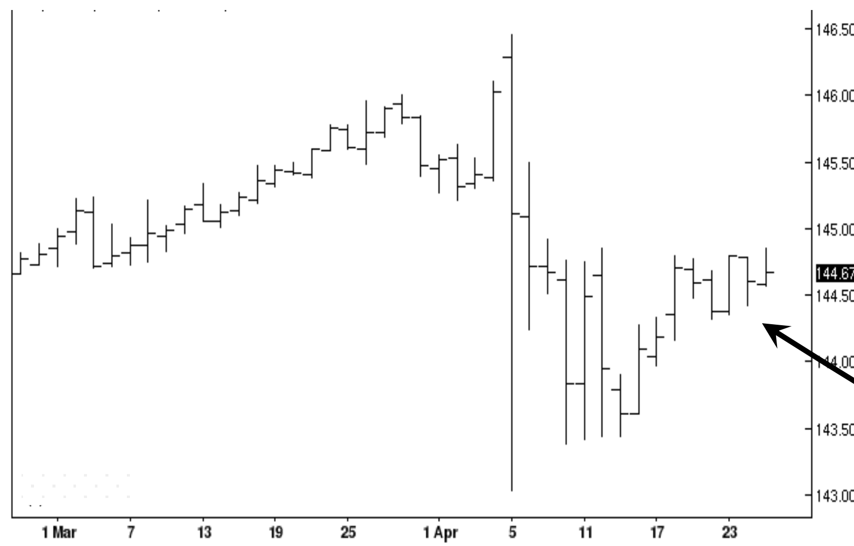
JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB continues to recover from the shock sell off following the historic easing early this month.

The Macro Trader's view of the JGB is: last week the JGB extended the tentative recovery following the shock sell off after the Bank of Japan's historic policy easing.

And although hopes are ridding high that this time the economy will be fixed, deflation is still entrenched and activity subdued.

Looking ahead industrial production is this week's key release, but we judge the market may enter a period of range trading.

A massive expansion of the monetary base isn't bond market friendly, but deflation and weakness is, result inertia.

For now we advise a square position here due to the scale of volatility and advice focussing on the Nikkei.

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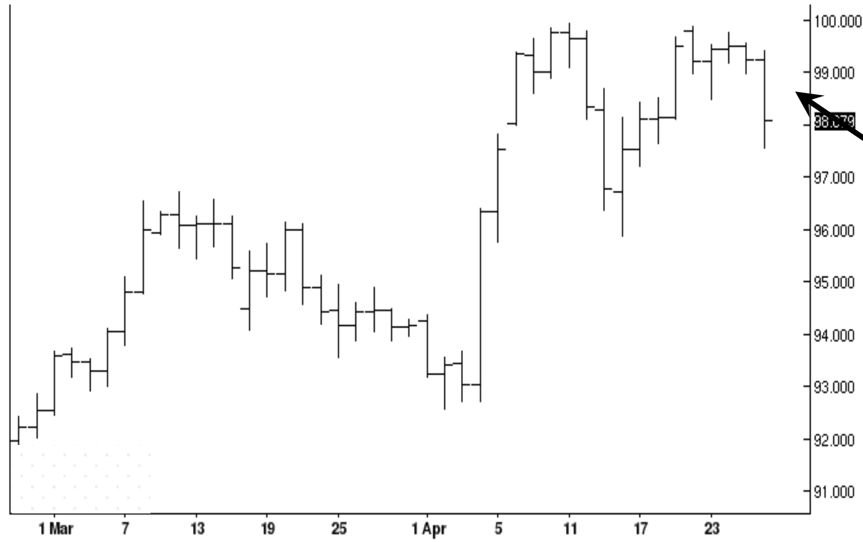
JAPANESE MARKETS: Yen

OUR TRADING STANCE: BEARISH v the DOLLAR.

Last week we were Bearish v the Dollar.



The Yen continues to meet resistance at the 100.0 level.

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

…"While we expect Dollar Yen to eventually trade through the 100.0 level, clearly this offers some psychological resistance meaning Dollar/Yen could spend a little while trading just below the level"…

And last week's price action supported that view.

Looking ahead another look at industrial production, but with so much heavy weight US data due we judge this pair will react more to US news, however the underlying trend of Yen weakness remains in place, just don't get impatient with the market; 100.00 is a big level to break through.

We judge the Yen will continue to weaken and advise traders to remain Short Yen/Long Dollar.

Our target remains 106.0 and our stop is reduced to 97.00 for protection yet provide space during the current correction.

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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Bullish of the Nikkei.

The Macro Trader's view of the Nikkei is; last week the Nikkei traded through our target presenting a strong profit taking opportunity.

We are now square and although we remain longer term bullish of this market, we have enjoyed a remarkable run and thought it prudent to book profit.

The Yen remains on a weakening trend but is pausing ahead of the important 100.00 level and we judge this market could correct a little too.

That being the case we would advise seeking a fresh buying opportunity as we judge this market has the potential to rally a long way if the governments economic policies are seen to be working.

For now though stay square.

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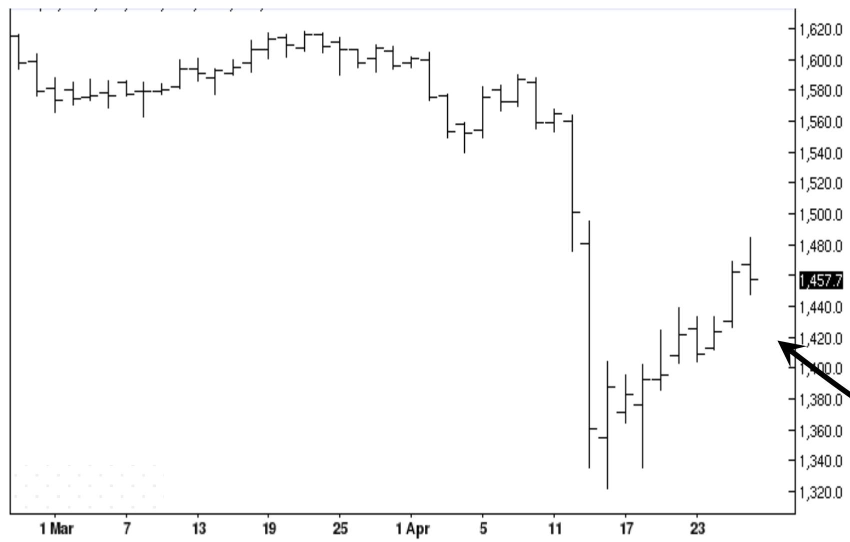
COMMODITIES: Gold

OUR TRADING STANCE; BEARISH.

Last week we were Bearish of Gold.



See how gold continues to correct, but can it stage a full recovery?

The Macro Trader's view of the Gold is: Gold continues to stretch the recovery following the recent deep sell off.

Can the market rally further? Right now we think the upside is limited.

The geopolitical scene has calmed considerably with North Korea having toned down its Rhetoric.

The inflation outlook globally and in the US remains subdued despite record monetary easing high lighting the over hang still to be worked through following the financial crisis/recession.

However, while we don't think gold has entered a full scale bear market, a feature of bear markets is very sharp sell offs followed by protracted corrections that resolve to another sharp sell off and that is what we expect here.

We advise remaining short of this market..

Our suggested target remains 1275.0 and our stop continues at 1510.0 for protection.

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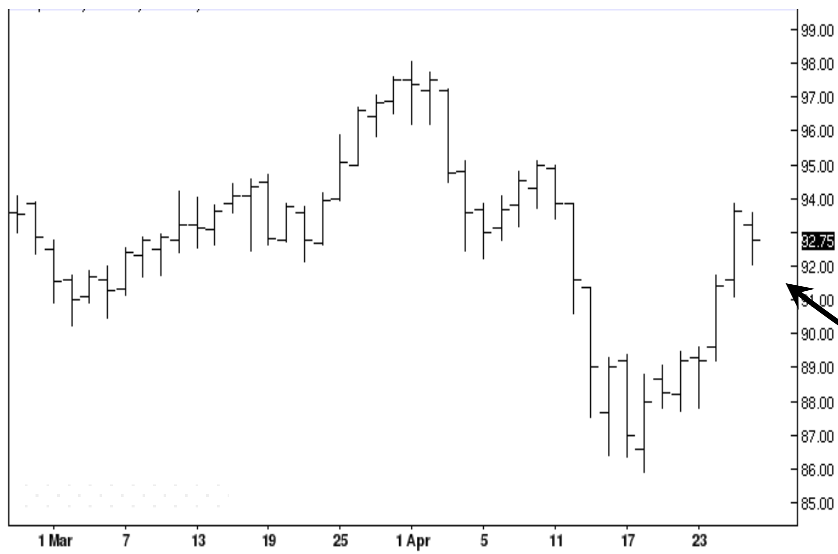
COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Bearish of Oil.



See how oil continued to frustrate and traded through our suggested stop.

The Macro Trader's view of oil is: last week's price action saw the market trade through our stop.

In a week that saw US Q1 GDP under shoot consensus bringing into question the economy's under lying heath, this market rallied.

The OPEC countries haven't cut production and Chinas manufacturing data showed some weakness, so what drives this market?

We judge the same sentiment that currently drives equity markets and is derived from optimism that the unprecedented level of monetary policy accommodation cannot fail to lead to economic recovery.

One problem, a too high oil price will act as a brake on any recovery and so prove self defeating, but for now the market looks set to test the upper levels of the trading range which we judge will hold, so for now stay square.

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