Short Sterling senses an early cut.

Dollar rallies further on GDP upward revision.

Gold dips, but Oil is very bullish.

WEEK 27 5th – 11th July 2005

THE MACRO TRADER'S GUIDE TO MAJOR MARKETS

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ABOUT SEVEN DAYS AHEAD

Seven Days Ahead publishes a variety of trading guides suitable for experienced market operators.

ABOUT THIS GUIDE

John Lewis's unique contribution is to bridge the gap between the trader and the economist by being acutely sensitive to the interplay of real world economic data with market expectations. Using his successful trading experience of 29 years, he studies the evidence in minute detail but tries never to lose sight of the big picture, or the day-to-day problems of running a position.
Each week the Macro Trader's Guide identifies the key economic releases of the previous week and explains why the markets reacted as they did. Then it anticipates the week ahead, emphasising the critical releases and predicts the likely market outcomes.
The Guide reveals money-making trading opportunities but includes a candid assessment of loss-making situations that can arise from trend less or too-volatile markets.

ABOUT JOHN LEWIS

John Lewis has worked in the London financial markets for 29 years.

He joined Standard Chartered Bank London in 1976 trading the Sterling money markets.
He then trained as a floor trader with Holco Trading on the London Commodity Exchange specialising in cocoa and oil futures.

He began to trade off the floor with Drexel Burnham Lambert becoming Deputy Manager of their Money Desk in Europe responsible for all funding, money market trading and FX hedging for the European operation.

He rose to become Deputy Global Head of Proprietary Trading with Skandinaviska Enskilda Banken and thence Head of Proprietary trading Svenska Handlesbanken London.

After 1998 he moved into the hedge fund business as a senior fund manager of Weavering Capital UK.
Now in association with Seven Days Ahead he works with a wide variety of financial institutions and independent traders, utilizing his long experience and successful trading record.

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UK MARKETS

SHORT STERLING

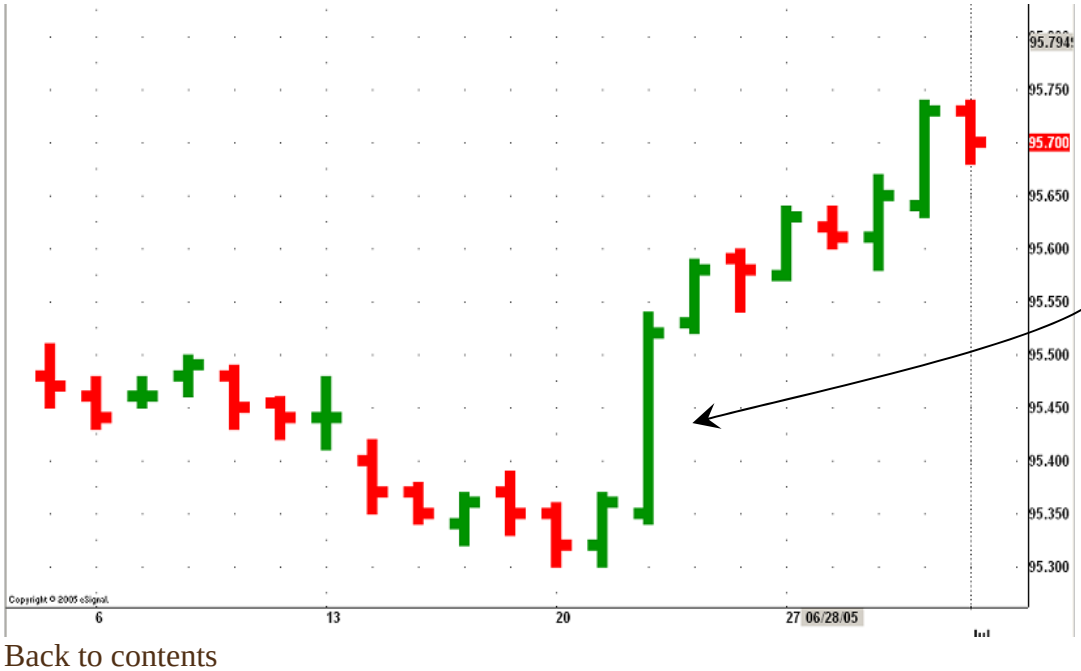
WHAT HAPPENED LAST WEEK?

	Week of 13th June
Monday	PPI Input 0.3m, 7.8y HIGHER PPI Output -0.2m, 2.7y LOWER PPI Output FBTP 2.5y/y LESS ODPM House prices 6.9% LESS RICS House prices -49 WEAKER THAN EXPECTED
Tuesday	CPI 0.4m,1.9y HIGHER RPI Ex 0.2m, 2.1y
Wednesday	Unemployment rate 2.7% AS Change 13.2K WORSE Avge earnings + bonuses 4.6 LESS Avge earnings ex-bonuses 4.1 AS THAN EXPECTED
Thursday	Retail Sales 0.1m, 1.3y WEAKER THAN EXPECTED
Friday	

Last time's calendar.

The last calendar we covered lent further weight to the view of a rapidly slowing economy. Although CPI disappointed; it didn't move any higher. The releases of retail sales on the 16th fully illustrated the degree of the slowdown, with a much weaker y/y reading. Key data releases over the last two weeks; MPC minutes on 22nd; clearly acknowledged the nature of the slowdown and paved the way for lower rates this summer, BBA mortgage approvals on 27th; showed a large y/y decline, confirming continuing loss of momentum in the housing market, CBI distributive trades survey on 29th; was the worst in 22 years, GDP Q1F on 30th; suffered a surprise downward revision, giving an annualised rate of only 1.6%, and on Friday 1st July; CIPS PMI Mfg survey; although stronger than consensus was still below the watershed level of 50. The market reacted to all of this by rallying strongly; the impetus being the bullish MPC minutes released on Wednesday 22nd June.

DECEMBER 05 SHORT STERLING



See how the MPC minutes released on Wednesday 22nd June, which turned a vote of 8/1 against a hike into a vote of 7/2 against an immediate cut, propelled the market much closer to my previously stated target of 95.90.

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SHORT STERLING

THE WEEK AHEAD

	Week of 4th July
Monday 9.30am	BRC Retail sales 0.8% CIPS PMI Services 54.6
Tuesday 9.30am	
Wednesday 9.30am	Industrial production -0.1m, -2.4y Mfg output -0.2m, -2.2y BRC Shop price Indx n/f NIESR GDP 0.3%
Thursday 9.30am	HBOS House prices n/f MPC interest rate decision 4.75%
Friday 9.30am	

This week's calendar.

This week's calendar holds the potential for a rate cut on Thursday, but it will likely come in August.
On Monday; BRC retail sales, more retail gloom, and CIPS PMI Services; an update on how the wider service sector of the economy is performing, on Wednesday; industrial production and manufacturing output, the BRC shop price index and a GDP estimate from NIESR, then on Thursday; the HBOS house price index and at lunch time the MPC announces its decision on interest rates, likely to be a very close call.

OUR TRADING STANCE: BULLISH.

Last week we were bullish of December 05.
This week we remain bullish of December 05

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Last time we remained committed bulls and although the market initially drifted lower, it rallied strongly over the past two weeks, led mainly by very bullish minutes from the MPC. The vote has changed from 8/1 defending against a hike to 7/2 defending against a cut. The comments released clearly show the MPC was surprised by the nature of the slowdown and by the failure of business investment and manufacturing, to fill the void and rebalance the economy. By their language, the main restraint on a rate cut last month was their unwillingness to surprise the market, they have now fully primed the market for a cut and with Q1 GDP suffering a downward revision and a seemingly relentless stream of negative news from retailers and their various lobby groups, a cut can not now be far away. We still just favour August because Q2 GDP will be known by then; however, if the MPC feels the data is unlikely to improve any time soon, they may decide there is no point in delaying and cut this week. Either way the market is very bullish, a cut now would leave 5 further opportunities this year for the MPC to act; whilst they will not cut at every one of them the possibility of another two would be factored in by the market very quickly; pushing Dec 05 through our target of 95.90. If they fail to act this week and the market trades lower on profit taking; buy into March 06 because clearly rates will fall below 4% and several cuts will occur next year.

BULLS stay long; any set back on MPC inactivity this week, is a buying opportunity.
BEARS stay square; any sell off is a buying opportunity.

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THE GILT

OUR TRADING STANCE: BULLISH.

Last time we were bullish.

GILT JUNE 05

This week we remain bullish.

Last time we advised remaining long of the Gilt as we expected up coming economic releases to support the bull case and push the market higher. Over the last three weeks, since we last wrote, that is exactly what happened, Retail sales was weak, the MPC released very bullish minutes and sound as though a cut is now imminent, Q1 GDP was revised down to give an annualised rate of only 1.6%, this will almost certainly mean the chancellor will miss his growth target this year and additionally the MPC acknowledged that the recent upward drift of inflation had nothing to do with domestic demand, as they had previously said, but everything to do with persistently high Oil prices. Oil prices will likely remain the subject of much debate for several years, previously backward, economically, areas of the World have now emerged as major economic powers, but Oil reserves have failed to keep pace, with refining capacity also out of step, the World's developed economies in this environment, will struggle to maintain strong growth. If Oil prices remain at these levels, inflation will moderate as the impact from earlier increases drops out of the index, with growth slowing and the MPC on the verge of embarking on an easing cycle, any sell off induced by negative sentiment from the US is a buying opportunity.

BULLS stay long; the market is supported by slowing growth, a likely moderation of inflation over the coming months and interest rate reductions from the MPC.
BEARS stay square; inflation is still below target and the economy continues to slow, not the ingredients of a bear market.

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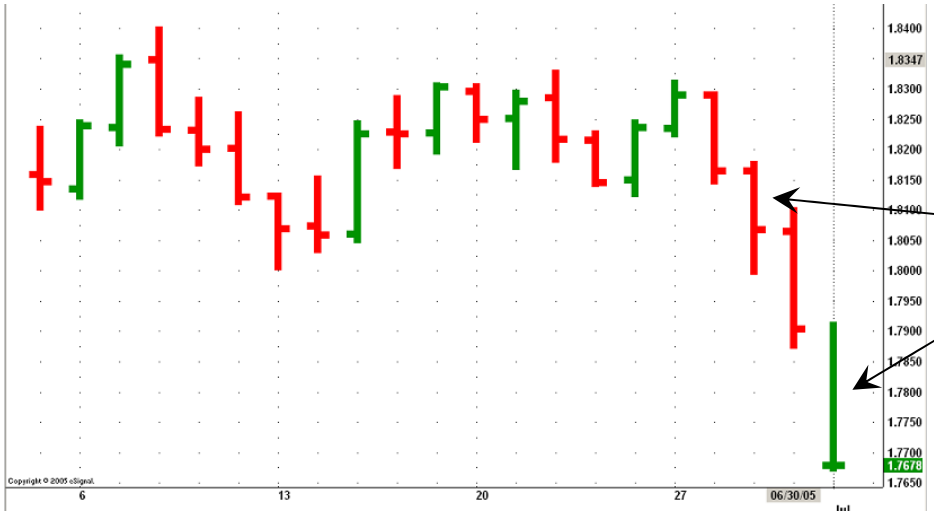
THE POUND STERLING

OUR TRADING STANCE: NEUTRAL.

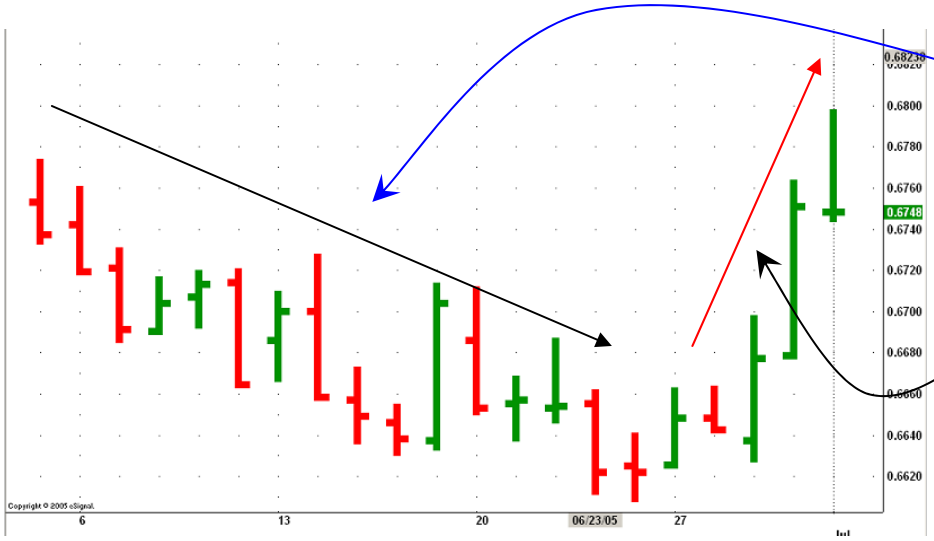
Last time we were neutral against the Dollar, but bullish vs. the Euro.

THE CABLE CHART



See how better US economic data jarred against deteriorating UK economic data and conspired to undermine the Pound; especially stronger US GDP on Wednesday and on Friday; stronger U. of Michigan confidence and ISM mfg.

THE STERLING/EURO CHART



Against the Euro after a strong performance earlier, the Pound suffered, as stronger US data and the ECB'S reluctance to ease, contrasted with growing expectations of lower UK interest rates over the summer months, sending the Pound into a reversal.

This week we are neutral of Sterling.

Last time we were neutral of the Pound against the Dollar as we expected further sideways price action with the possibility of Cable dipping to 1.7700. This occurred ultimately because of a combination of factors, the MPC acknowledged the severity of the current UK slowdown and moved close to cutting rates, the US Fed tightened policy and made it clear to the market more would follow as they viewed the economy in good shape with long term inflation contained; that view was supported by stronger upward revisions to US GDP on Wednesday 29th June making the much debated soft patch appear as a mirage, other data on Friday 1st July also supported that view as U. of Michigan confidence was stronger than expected and ISM Manufacturing staged a small recovery. In the medium to longer term the Dollar's strength may

not last; the US economy is still running record trade deficits as evidenced by the recent release of Q1 C/A data and the budget deficit is slow to correct, further the price of Oil, if it maintains current levels and ultimately moves higher as we expect, will have a dampening effect on US growth which will bring the poor fundamentals of the US economy back into sharp focus and result in an other leg of the Dollar's sell off. Against the Euro, after initially rallying through our target level of 0.6650 and beyond, the Pound suffered a reversal as the contrast between the direction and expected speed of movement in interest rates in the UK and the EU 12 came sharply into focus; as the Pound suffered against the Dollar towards the end of last week to a greater degree than the Euro, as traders viewed the ECB still resisting calls for easier policy while the MPC are announcing they are on the verge of cutting. Ultimately easier policy in the UK will be supportive for the Pound as this will enable the UK economy to recover while the Euro zone economy continues to under perform as it has for many years. Paradoxically, once the first cut is announced the Pound may bounce against the Euro as traders refocus their attention to the relative performance of the two economies.

BULLS remain square; the Pound may bounce to 1.8100 against the Dollar if Friday's US non-farm payroll is weak, however a strong report will sent it lower, better wait for the number; if weak then buy cable.
BEARS should remain square, although recent US data has been better, the US economy is not firing on all cylinders; job creation is definitely sub par. For this reason and the record trade deficit, we are unable to be Dollar bulls since we expect these chickens to come home and roost; sending the Dollar lower medium/long term.

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US MARKETS

EURO DOLLARS

WHAT HAPPENED LAST WEEK?

	Week of 13th June
Monday	
Tuesday	PPI -0.6m LESS PPI Ex F & E 0.1m AS Retail sales -0.5m, WEAKER Less Autos -0.2m WEAKER THAN EXPECTED
Wednesday	CPI -0.1m LESS CPI Ex F & E 0.1m LESS Business inventories 0.3 AS Empire Mfg 11.7 STRONGER Net foreign Secs purchased 47.4B AS Industrial prod 0.4 HIGHER Capacity Utilization 79.4 HIGHER Fed's Beige book BALANCED THAN EXPECTED
Thursday	Housing starts 2.009M WEAKER Building permits 2.050M WEAKER Jobless claims 333K HIGHER Philly Fed -2.2 WEAKER THAN EXPECTED
Friday	C/A Balance Q1 -$195.1B WORSE U. Michigan sentiment 94.8 HIGHER THAN EXPECTED

Last week's calendar.

The last calendar we covered tended towards the view of a continuing economic soft spot, PPI and CPI were both less than expected, retail sales were weaker as was the Philly Fed only Industrial production and capacity utilization came in stronger, but it was marginal and on Friday 17th Q1 C/A Deficit was worse than expected. Over the following two weeks the data took a different turn; Durable goods was much stronger, albeit due to a huge order for aircraft, Q1 GDP was revised up by more than expected; erasing concerns of a slowdown, the FOMC again tightened policy indicating more to come and U. of Michigan confidence and ISM Manufacturing were stronger than expected.
The market reacted to all of this by initially trading higher but with the stronger data last week and the Fed trying to sound as though all is well with the economy and they are pressing on regardless; the market sold off.

DECEMBER 05 EURO DOLLARS

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EURO DOLLARS

THE WEEK AHEAD

	Week of 4th July
Monday	US HOLIDAY MARKET CLOSED INDEPENDENCE DAY
Tuesday	Factory orders 3.0% Inventories 0.5%
Wednesday	ISM non-Mfg 58.0
Thursday	Jobless claims 319K
Friday	Unemployment rate 5.1% Avge hourly earnings 0.2 Non-farm payrolls 189K Wholesale inventories 0.5% Wholesale sales 0.7%

This week's calendar.

This week the calendar holds two key numbers; ISM non-manufacturing on Wednesday and on Friday; non-farm payroll.
The market is closed on Monday.
On Tuesday; factory orders and factory inventories, on Wednesday; ISM non-manufacturing; if this number cools the Fed pause theory would be back on the agenda, on Thursday; Jobless claims and on Friday; non-farm payroll; expected to bounce back after last month? And wholesale inventories and wholesale sales.

OUR TRADING STANCE: NEUTRAL.

Last week we were bullish of December 05.
This week we are neutral of December 05.

Last time we remained bullish of Eurodollars as the data had continued soft, supporting our view of a Fed pause during the summer. However during my absence, the data firmed and the Fed reiterated its view the economy was doing ok and policy would be adjusted at a pace likely to be measured. We still think a pause is possible later in the summer after the August meeting. The economy has not rebalanced its self and the twin deficits remain a problem which will reassert their influence, also Oil prices remain high and we believe will go higher yet, putting additional strain on the economy, also this recovery has failed to produce Jobs at anything like the magnitude expected of a US recovery. Although Q1 GDP was eventually revised higher, the data has been uneven and that is evidenced by the choppy nature of the markets, no one is really sure what to expect next and no real trend has emerged in the market. If this week's non-farm payroll report is again weak, the market will rally and eradicate last week's losses and talk of a Fed pause will be back on the agenda. Much like the market, the Fed is also feeling its way in the dark hence the careful approach to returning policy to neutral, were they really confident of the recovery's resilience they would be looking a head to moving policy beyond neutrality; clearly they are not. Much like the UK, US inflation has edged up due to much higher Oil prices, this time inflation isn't the real bogyman; rather the negative impact oil has on growth.

BULLS should stay square ahead of non-farm payroll; if weak go long.
BEARS await non-farm payroll; if stronger than consensus add to positions otherwise square up if weak.

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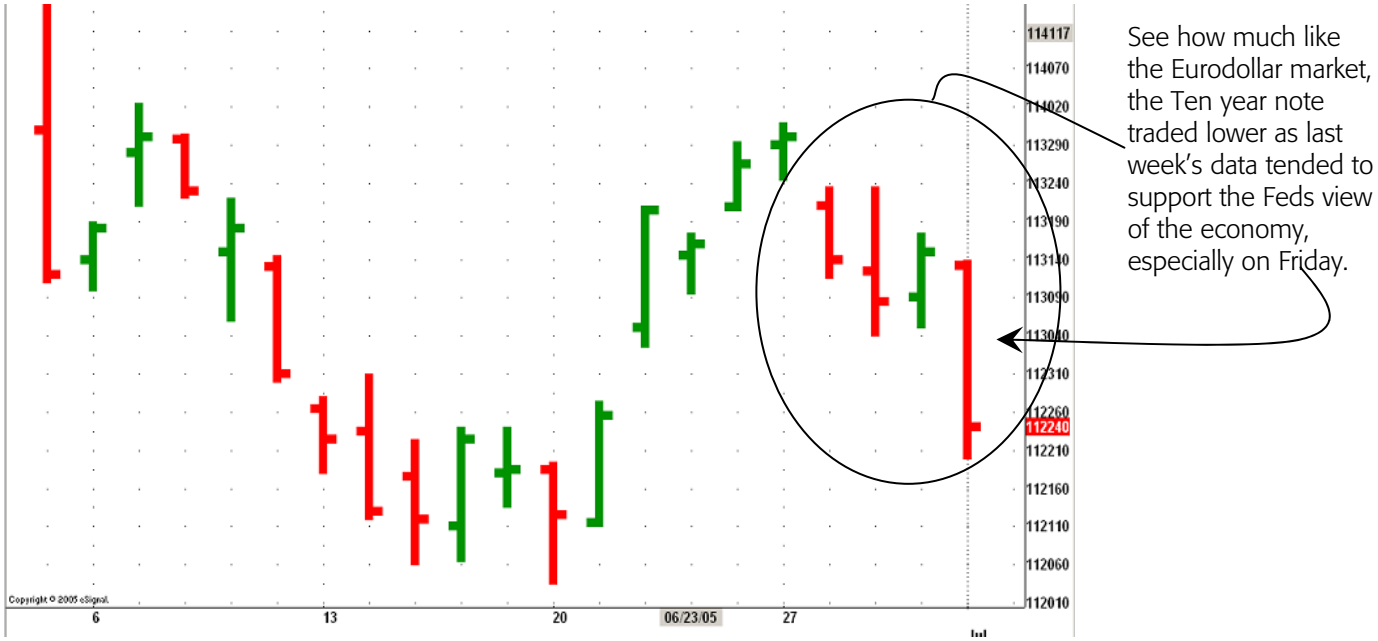
THE US TREASURY NOTE (10 yr)

OUR TRADING STANCE: NEUTRAL.

Last week we were bullish.

US 10yr NOTE JUNE 05



This week we are neutral.

Last time we were bullish of the Ten year note as we expected data to continue to support the soft patch theory. For much of the last three weeks that happened, but last week the data firmed and the Fed said all's well. For sure Q1 GDP was revised higher but the difference between 3.5 and 3.8 is not that great, these are annualised numbers on a quarterly read the difference is 0.075, not even out side the margin for error. Looking ahead if the ISM non-manufacturing survey is disappointing and/or non-farm payroll undershoots consensus, the market will rally back. On aggregate, the contract is little changed from where we left it three weeks ago, but this belies the fact it rallied to new recent highs in between. The economy is struggling to shake off the effects of a record C/A deficit driven in no small part by expensive Oil imports, were the price of Oil to move much higher, and we believe it will, the economy will slow, the Fed will pause and this market will rally, for now stay square and await Friday's number.

BULLS stay square and watch the data; if Friday's non-farm payroll is weak go long.
BEARS remain square for now; this market has confounded many this year by rallying when a sell off was scripted and we don't think it is through with us yet. Weak employment data on Friday will push the market higher and that is our view, however with non-farm payroll being a lottery we prefer to go into it square.

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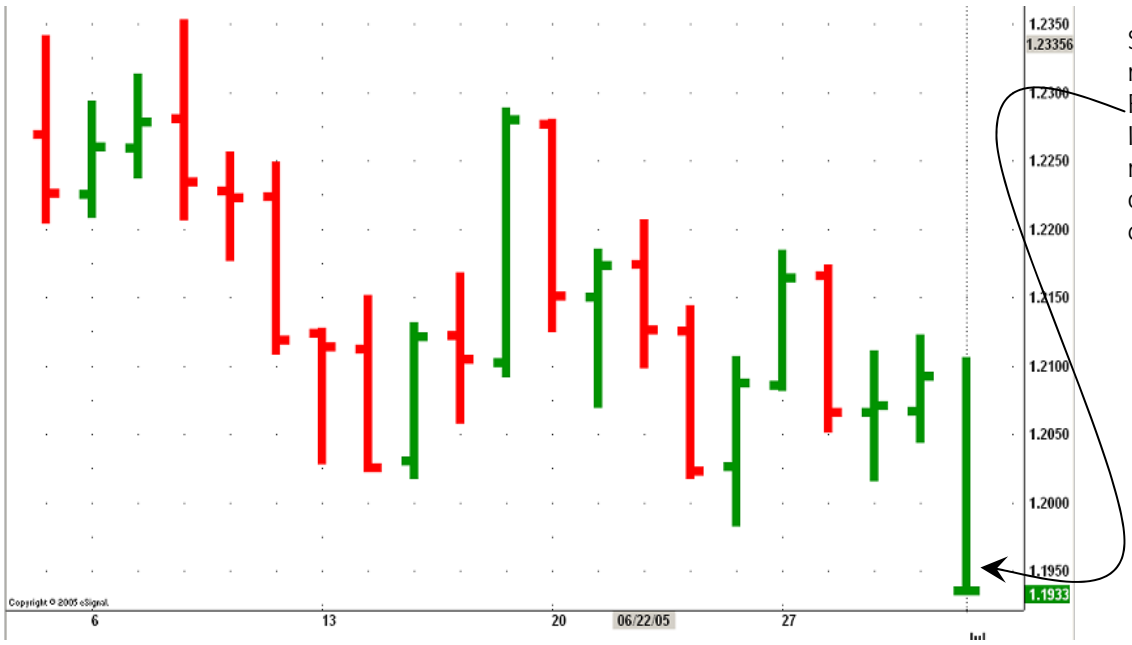
THE DOLLAR

OUR TRADING STANCE: NEUTRAL.

Last week we were neutral of the Dollar.

EURO/DOLLAR CHART



See how the Dollar rallied strongly on Friday on relief the ISM manufacturing report reversed and U. of Michigan confidence bounced.

This week we remain neutral of the Dollar.

Last time we were neutral of the Dollar after the culmination of several weeks of soft US data. This seemingly drew to a close last week as Q1 GDP was revised higher, Durable goods posted a big jump; but were weak ex-transportation, U. of Michigan confidence rebounded and ISM manufacturing reversed a soft patch and was higher than consensus, this coupled with the Fed nudging policy higher by another 25bp and indicating more to come, left traders viewing the Dollar as the only act in town. However this view ignores the record Current Account deficit released for Q1 on Friday 17th June and the equally corpulent budget deficit which the administration seems to have difficulty reducing. For now the Dollar looks well supported, the Fed will tighten policy again as the economy grows while the ECB should ease but wont as the EU 12 economy stagnates and the UK MPC is set to ease policy as the UK economy continues to cool.

That scenario could soon change; high Oil prices will eventually weigh on the US economy and the slow pace of job creation will also have a negative impact, if, as we believe, the price of Oil rises further the impact on growth will become more pronounced encouraging the Fed to pause and traders will again become concerned with the record twin deficits and sell the Dollar. This entire recent currency cycle has been Dollar driven; the Euro was never strong against the US currency; the Dollar was weak. Once traders realise the basic reasons for selling Dollars in the first place are still there, they will liquidate long Dollar positions.

BULLS square up; if Friday's non-farm payroll is weak the Dollar will reverse with Cable moving to 1.8100.
BEARS stay square until non-farm payroll is released on Friday; if weak then sell Dollars.

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EURO 12 MARKETS

EURIBOR

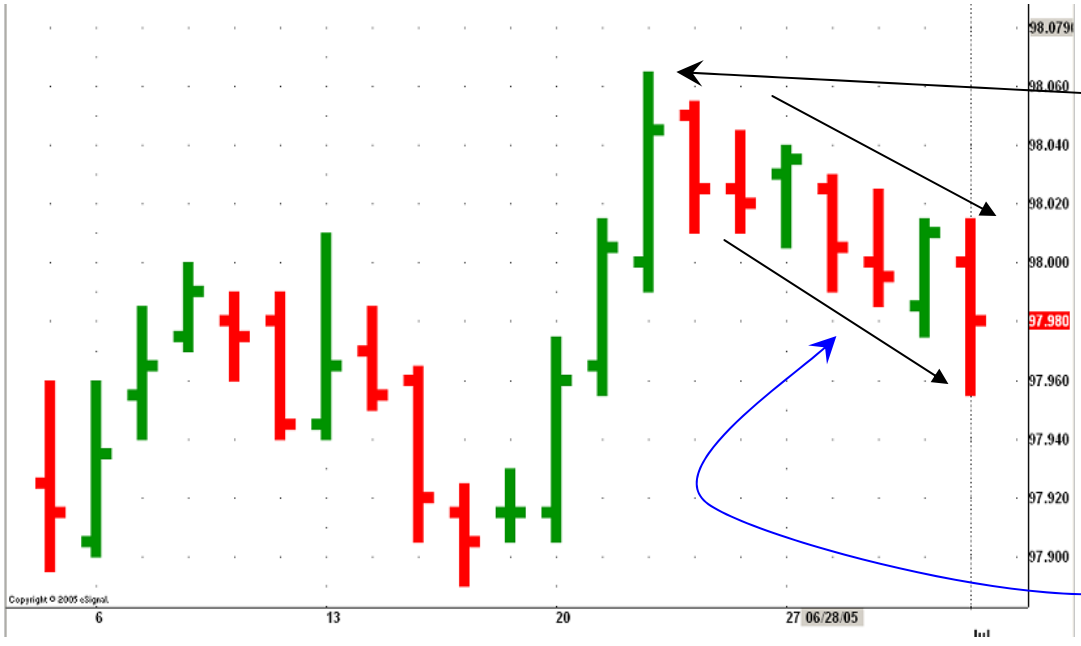
WHAT HAPPENED LAST WEEK?

	Week of 13th June
Monday	
Tuesday	FR CPI 0.1m, 1.5y LESS IT Industrial prod 1.9y STRONGER THAN EXPECTED
Wednesday	IT CPI 0.3m, 1.9y AS EXPECTED
Thursday	IT Trade Bal -1.354B LESS THAN EXPECTED
Friday	DM PPI 0.0m, 4.1y AS FR C/A -3.3B WORSE THAN EXPECTED

Last week's calendar.

The last calendar we covered offered nothing new and data over the last two weeks showed a slight improvement to expectations in the German economy. The ZEW survey was above consensus and the IFO business climate survey was also a little above expectation, on Friday; German, French and Italian PMI Manufacturing surveys were released. All three were above consensus, but only France edged above the break even 50 level.
The market reacted to all of this by rallying through my target of 98.00 before settling lower as traders took profit on fears the ECB would be slow to ease policy.

DECEMBER 05 EURIBOR



See how the market made new highs but was unable to consolidate as traders concluded the ECB would not rush to relax policy after Germany released better ZEW and IFO survey results.

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EURIBOR

THE WEEK AHEAD

	Week of 4th July
Monday	
Tuesday	DM Retail sales n/f DM PMI Services 52.7 IT PMI Services 47.9 FR PMI Services 58.1
Wednesday	DM Factory orders 1.1m, -0.5y
Thursday	ECB announces interest rates UNCH
Friday	DM C/A 6.9B DM Trade Bal 13.2B DM Industrial production -0.4m, 1.0y

This week's calendar.

This week the calendar will offer solid evidence on the state of the Euro zone economy.
On Tuesday; German retail sales and PMI Services report, Italian PMI Services report and French PMI services report, on Wednesday; German factory orders, on Thursday; the ECB announces its interest rate decision; sadly unchanged expected and on Friday; German Current Account and Trade data together with Industrial production data.

OUR TRADING STANCE: NEUTRAL.

Last week we were bullish of December 05.
This week we are neutral December 05.

Last time we was bullish of December Euribor as traders were anticipating a rate cut from the ECB. While we still think that is necessary and firmly on the cards, the market traded lower last week after making new highs. Traders took the contract through my target of 98.00 but once there took profit as the prospect of an immediate rate cut looked slim. For now the market will drift lower on disappointment and negative sentiment out of the US. The sense that the ECB once again wriggled off the hook prevails but in the end the EU 12 economy suffers the damage. Europe still sees its self as an equal to the US but last year China contributed three times as much to world growth as the entire EU 12 and India which is hot on the heals of China, also contributed more to world growth than the whole of Euro land. The ECB and the politicians need to address the structural problems afflicting Europe's Economy before they are truly eclipsed by the giant economies of the East.

BULLS for now stay square; the market is in profit taking mode, however if the market holds above 97.90 then start to rebuild positions.
BEARS remain square the market is bullish and we expect the ECB to eventually ease in the next couple of months as the economy remains weak. A move soon by the UK MPC may provide the cover the ECB requires.

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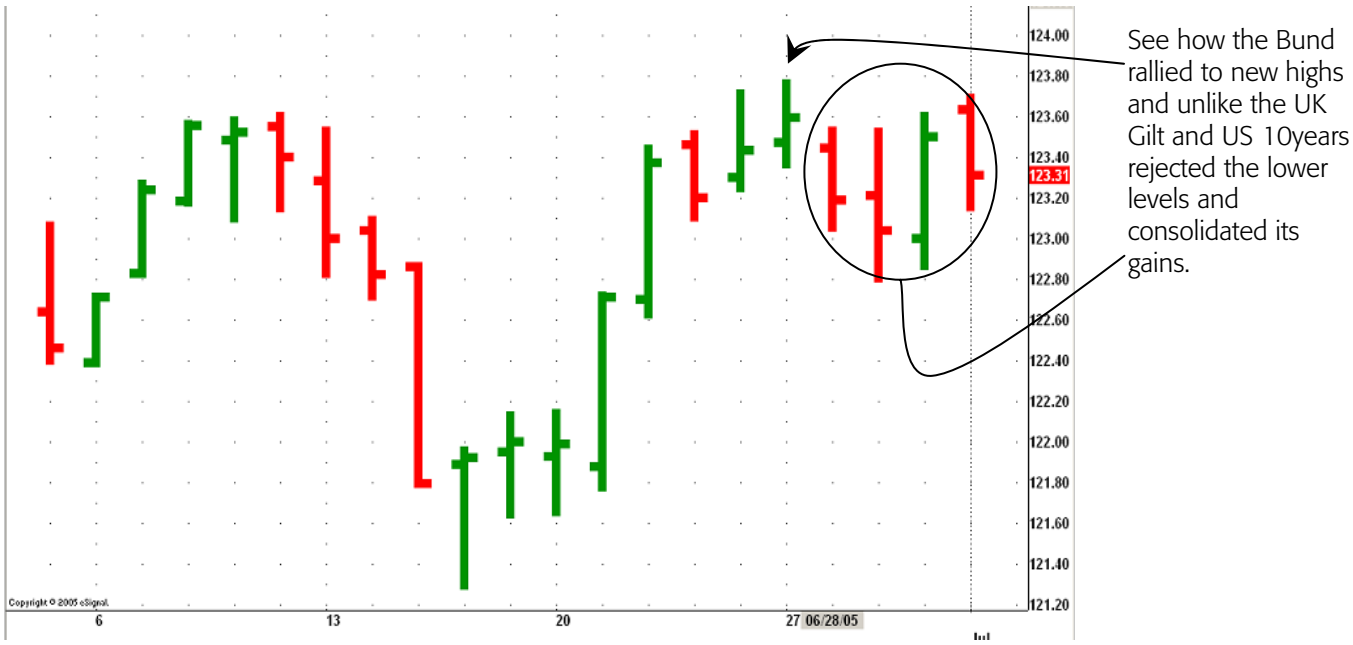
THE BUND

OUR TRADING STANCE: BULLISH.

Last week we were bullish of the bund.

THE BUND JUNE 05



This week we remain bullish of the Bund.

Last time we remained bullish of the Bund expecting it to trade higher in the aftermath of the disappointment caused by the no vote on the EU constitution. After initially trading lower on profit taking the market pushed ahead and made new highs. However as sentiment in the US Treasury market turned negative following firmer data which squashed talk of a soft patch and the Fed again tightened policy repeating its view that all was well with the US economy, indicating more rate hikes a head; the bund gave up the highs, but unlike US markets the lows were rejected and the Bund spent the week in consolidation mode. This week with the release of German retail sales and PMI Services reports from Germany, France and Italy, the market should bounce; if on Friday US non-farm payroll is weaker than consensus the bund will benefit from a return of positive sentiment in US markets and trade higher. Additionally while the ECB still holds out against easing policy and the EU 12 economy continues to under perform, the Bund remains an unqualified long term buy.

BULLS stay long the market can go higher and even though it may correct periodically, it will be important to remember that corrections usually resolve to a fresh leg of the rally, as witnessed two weeks ago.
BEARS remain square the market remains bullish and both economic and political events support the long established rally.

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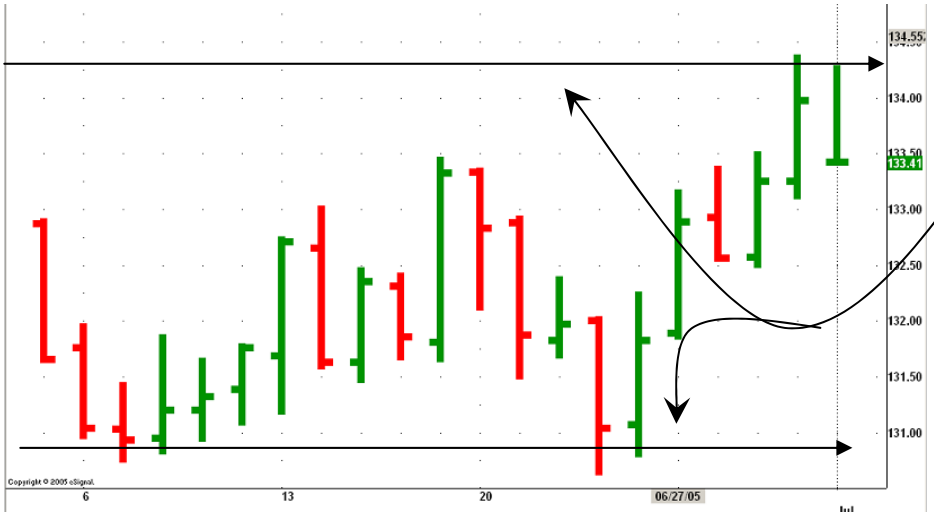
THE EURO

OUR TRADING STANCE: NEUTRAL.

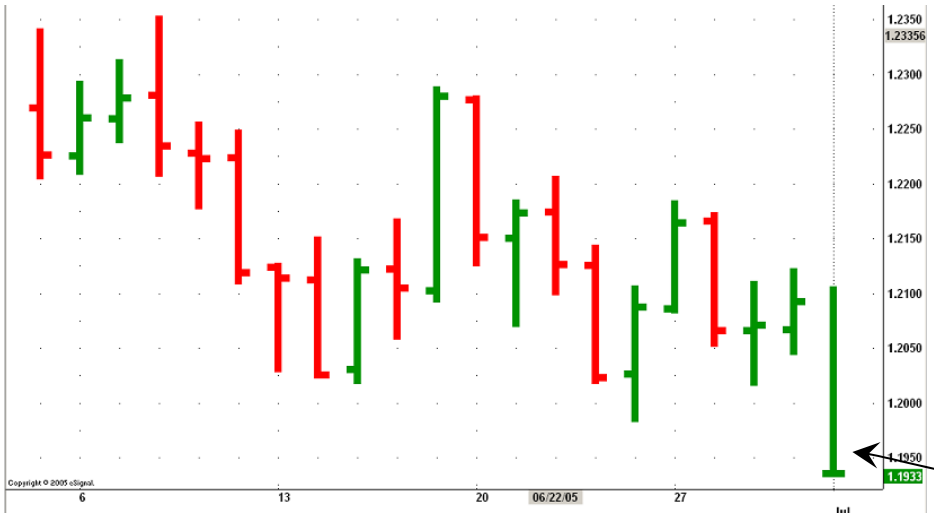
Last time we was bearish the Euro.

EURO/YEN CHART



See how the market remains trapped in a long term range.

THE EURO/DOLLAR CHART



See how the Dollar continues to dominate. Recent upward revisions to US GDP and Fed comments indicating more interest rate increases keep the Dollar well supported against a currency which represents a sick economy.

This week we are neutral of the Euro.

Last time we was bearish of the Euro against the Pound as we expected the Euro to suffer further over disappointment caused by the rejection of the EU constitution and the market did indeed trade to and through our target of 0.6650 before reversing. With the UK seemingly on the verge of a rate cutting cycle and the ECB still refusing to offer the ailing Euro zone economy any assistance, traders have taken profit. Against the Dollar the Euro still looks weak. Although we eventually expect the Dollar to resume its decline, it will only occur when investors refocus on the record twin US deficits; while the US economy continues to record respectable levels of growth with inflation contained, at the same time as the EU 12 economy records substantially sub-par growth coupled with continued political disarray, the Dollar will remain supported. When

however, high Oil prices finally exert a drag on the US economy and cause it to slow, which we fully expect it to, traders will again feel uncomfortable with an economy running a Current Account deficit in excess of 6% of GDP, especially as the Fed will have to take a break in its normalization of policy, removing the prop of yet wider interest rate differentials which currently favour the Dollar. Long term as the economies of China and India reach greater maturity and exert greater influence in the World economy the US will find it much harder to fund deficits of this magnitude. Greenspan already feels uncomfortable about what they spell for the future, when the penny finally drops with FX traders the Dollar will be on a one way ticket down. This week's non-farm payroll may offer traders a chance to sell Dollars if it is unexpectedly weak.

BULLS stay square; the Euro is unable to advance in the current environment; a weak non-farm payroll on Friday may offer a respite.
BEARS stay square; the market has come a long way and if Friday's non-farm payroll is weak, a bout of profit taking will set in.

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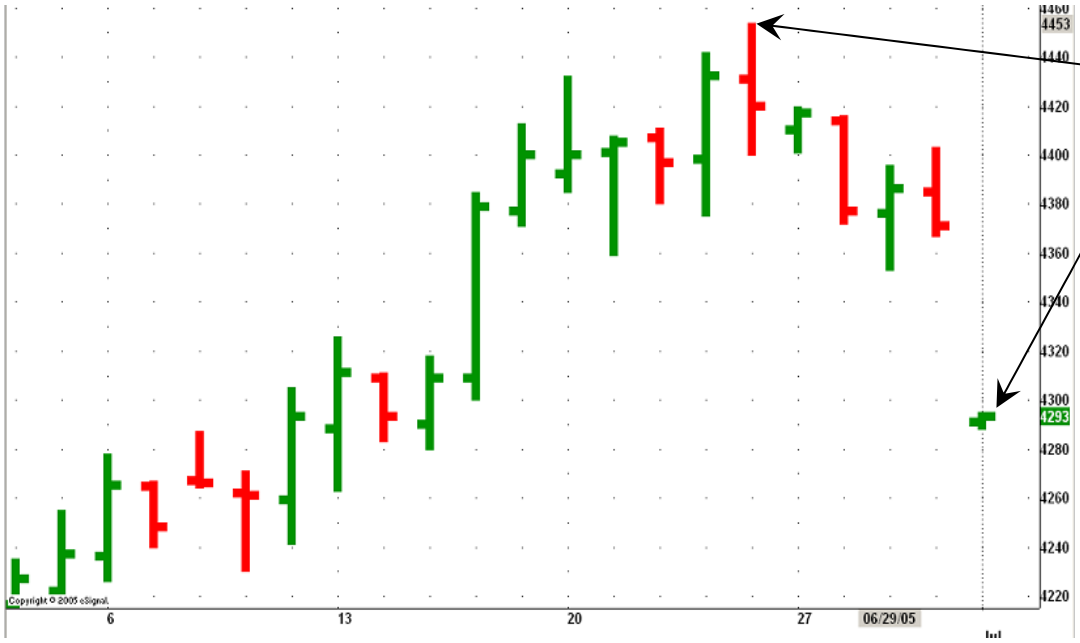
COMMODITIES

GOLD

OUR TRADING STANCE: NEUTRAL.

Last week we were bullish of gold.

THE GOLD CHART



This week we are neutral.

Last time we were bullish of Gold as we expected concerns over the US soft patch to linger allowing Gold to rally even as the Dollar remained strong on the foreign exchange markets. For two of the last three weeks that occurred as Gold rallied to my target of US$445.00 an ounce. However the mood changed when US data seemed to erase the concern of a soft patch just as UK data weakened further and MPC minutes pointed firmly to an early cut in UK interest rates, at the same time as US rates were expected to move high yet. This lent the Dollar enormous support as it rallied strongly against the Euro, Japanese Yen and Pound Sterling. Traders took profit as it appeared for the short term; the compelling reason for holding Gold was apparently removed. Medium/long term we remain bullish of Gold because we do not view the current bout of Dollar strength as the beginning of a new bull cycle. All the problems which have weighed on the Dollar and caused its decline are still in place and when higher Oil prices eventually cool the US economy these will come back into play.

BULLS for now stay square and await Friday's US non-farm payroll; if weak go long.
BEARS remain square; the market is medium/long term bullish.

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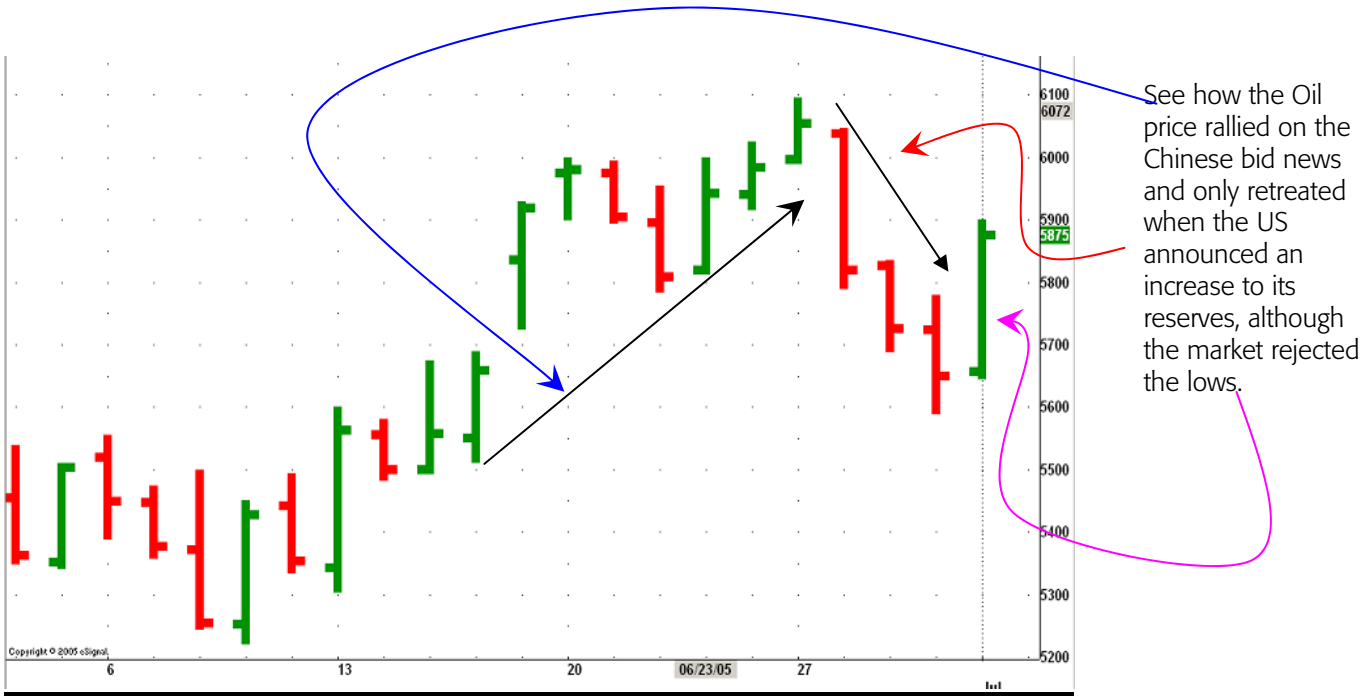
OIL

OUR TRADING STANCE: BULLISH.

Last time we were neutral of oil.

THE CRUDE OIL CHART



This week we are bullish of oil.

Last time we were neutral of Oil but argued if it rallied and held above US$56.00 a barrel; bulls should re-enter the market, the market traded through our level and we went long. As news broke that China's CNOOC Oil Company was bidding for the US'S UNOCAL Oil Company oil prices rallied further; eventually closing above US$60.00 a barrel for the first time, as traders took the news as bullish for the market. China has emerged as a major consumer and importer of Oil and this move is designed to place proven Oil reserves more directly under Chinese control; thereby improving their security of supply. The US Congress has looked unfavourably on the move and looks likely to try and block it. OPEC indicated it would discuss another 500,000 bpd production increase but said it couldn't come into effect until August 1 at the earliest. However when the US reported a large increase in its own Oil reserves last week the market eased back. This activity only serves to highlight the themes we have raised over recent months that the price of Oil is likely to remain volatile and well bid in the short/medium term as producers struggle to match demand with supply.

BULLS stay long; although the market eased off of the highs, it remains well supported, with China attempting a controversial purchase of a US Oil company traders are more acutely aware of the tightness in the supply/demand equation which currently exists and will only worsen as China and India increasingly industrialise.
BEARS stay square; the market is bullish, any news which puts a question mark over adequacy of supply immediately sends the market higher.

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