Week 14

8^{th} – 14^{th} April 2014

the macro trader's guide to major markets

John Lewis

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SUMMARY

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+ S&P 500	BULLISH

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This week's global calendar – macro trader

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	Week of 7^{th} April
Monday	US Cons CR $14,000B DM Ind production 0.3m, 4.7y JP C/A Y622.1B JP Trade bal –Y593.6B JP BOJ Policy statement
Tuesday	UK Ind production 0.3m, 2.2y UK Mfg output 0.3m, 3.1y UK NIESR GDP Est 0.8% UK BRC Shop prces -1.5% FR Trade bal -5.00B JP Bankruptcies n/f JP ECO Watchers 53.3
Wednesday	US MBA Mrtge apps n/f US Wholesale sales 1.0% US Wholesale invntry 0.5% US FOMC Minutes March 18-19 UK Trade bal -£9.2B UK Trade non-EU -£3.40B UK RICS Hse prces 43% DM Trade bal 17.5B DM C/A Bal 18.0B JP Machine orders -2.8m, 17.5y JP BK Lndg incl Trusts n/f

	Week of 7^{th} April
Thursday	US Jobless claims 320k US Import prces 0.2m, -0.9y US Mthly budget statem't -$72.0B UK BOE/MPC Rate decision 0.50% UK BOE AP Target £375B FR Ind production 0.2m, -0.3y FR Mfg output 0.3m, 1.0y FR CPI 0.6m, 0.7y IT Ind production -0.3m, 1.1y JP Machine tool orders n/f JP Dom corp gds prices 0.1m, 1.7y
Friday	US Construct'n output -1.3m, 4.4y US PPI 0.1m, 1.2y US PPI Ex- f&e 0.2m, 1.1y US U. of Michigan Conf 81.5 DM CPI 0.3m, 1.0y FR C/A n/f

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Last week's releases – macro trader

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	Week of 31st March
Monday	US Chicago PMI 55.9 **WEAKER** UK Mrtge aprvls 70.3k **WEAKER** UK Net cons CR 0.6B **LESS** UK Net lndg on dwellgs 1.7B **STRONGER** FR Q4 GDP 0.3q, 0.8y **AS** EZ CPI Estimate 0.5y **WEAKER** JP Ind production -2.3m, 6.9y **WEAKER** JP Vehicle product'n 7.1% **LESS** JP Constrct'n orders 12.3% **WEAKER** JP Tankan lrge mfg 17 **WEAKER** JP Tankan non-mfg 24 **WEAKER** JP Tankan sml mfg 4 **AS** **THAN EXPECTED**
Tuesday	US ISM Mfg 53.7 **WEAKER** US ISM Prces paid 59.0 **AS** US Constrctn spndg 0.1% **AS** UK PMI Mfg 55.3 **WEAKER** IT PMI Mfg 52.4 **MORE** FR PMI Mfg 52.1 **MORE** DM PMI Mfg 53.7 **LESS** EZ PMI Mfg 53.0 **AS** DM Unemploym't chge -12k **BETTER** DM Unemplymn't rate 6.7% **BETTER** EZ Unrmploymn't rate 11.9% **BETTER** JP Vehicle sales 14.5% **LESS** **THAN EXPECTED**
Wednesday	US MBA Mrtge apps -1.2% **BETTER** US ADP Employmn't chge 191k **BETTER** US Factory orders 1.6% **STRONGER** UK Nat'nwide hse prces 0.4m, 9.5y **WEAKER** UK PMI Construct'n 62.5 **WEAKER** EZ PPI -0.2m, -1.7y **WEAKER** JP PMI Services 52.2 **BETTER** **THAN EXPECTED**

	Week of 31st March
Thursday	US Trade bal -$42.3B **WORSE** US Jobless claims 326k **WORSE** US ISM Services 53.1 **WEAKER** UK Halifax hse prces -1.1m, 8.7 3m/y, **WEAKER** UK PMI Services 57.6 **WEAKER** IT PMI Services49.5 **WEAKER** FR PMI Services 51.5 **MORE** DM PMI Services 53.0 **WEAKER** EZ PMI Services 52.2 **WEAKER** EZ Retail sales 0.4m, 0.8y **BETTER** EZ ECB Rate decision 0.25% **AS** **THAN EXPECTED**
Friday	US Unemploym't rate 6.7% **MORE** US Non-farm payroll 192k **MORE** US Avrge hourly earngs 0.0m, 2.1y **WEAKER** US Avrge wrk week 34.5 **MORE** DM Factory orders 0.6m, 6.1y **STROGER** **THAN EXPECTED**

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US MARKETS: economic background

Last week's focus was the release of the to ISM surveys and non-farm payroll. In the event both ISM surveys fell short of consensus, but continued to point to recovery.

The non-farm payroll report was a little more promising and came in a little better than expected and at 191k indicates the pace of job creation could be starting to pick up as the extreme winter weather loosens its grip.

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; **Consumer credit,**
- On Wednesday; **FOMC minutes March 18-19 meeting,**
- On Thursday; **Jobless claims, import prices and monthly budget statement, and**
- On Friday; **PPI and University of Michigan confidence.**

The key event this week is Wednesday's release of the FOMC minutes.

As ever traders will be looking for opinions etc., expressed in the meeting but not conveyed in the policy statement that could give a clearer picture of the outlook for policy.

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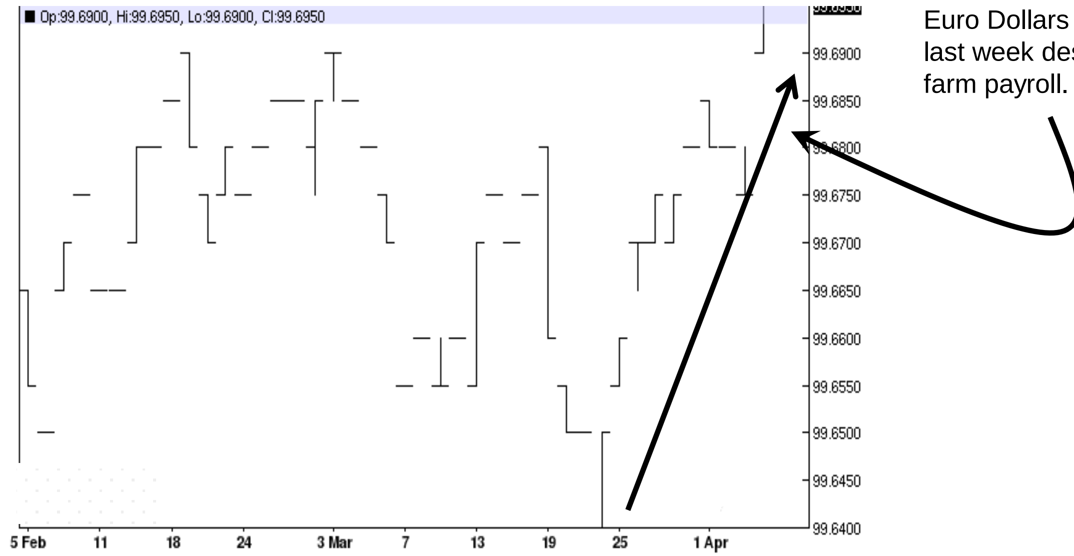
US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Euro Dollars extended the rally last week despite a solid non-farm payroll.

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

…"Looking ahead the key release is non-farm payroll. A tepid report will help this market remain anchored in the current trading range, where as a stronger report will see a test of the recent lows"…

In the event the report narrowly beat expectations, but the market extended the rally helped by weaker than expected ISM surveys which judged might just give the Fed pause for thought over the timing of future rate hikes.

Looking ahead the FOMC minutes are due and likely to include a deeper discussion on the likely timing of the first rate hike; albeit still not until into next year.

We judge risk reward in this market remains minimal; just look at range between highs and lows only 4 tics, and for that reason we are remaining square..

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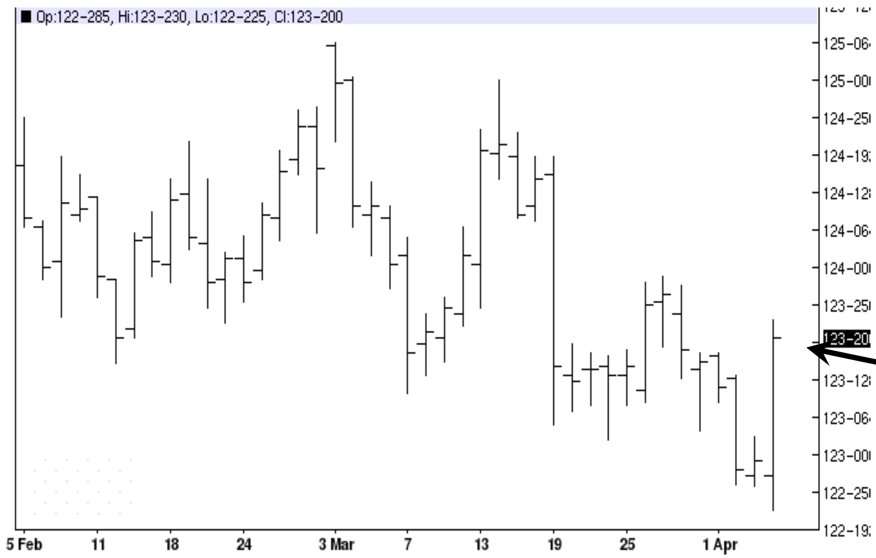
US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



See how the 10 year note bounced on Friday despite solid non-farm payroll.

The Macro Trader's view of the 10 year note is: last week we said…

…"Looking ahead three key reports are due, our main interest is non-farm payroll. Will job creation accelerate as the economy recovers from the slowdown, if it does this market would test the downside"…

In the event the market acted counter intuitively. The weaker ISM surveys saw a sell off where as a stronger non-farm payroll heralded a rally?

We judge the market reacted as it did on Friday due to a rise in the unemployment rate and weaker than expected average hourly earnings.

Looking ahead the Key release is the FOMC minutes. The Fed is unlikely to say anything new on tapering, but might on interest rates and Yellen commented early last week that the economy likely needs support for some time due to the weak labour market..

In summary, we are remaining square, we see volatility as an increasingly dominant factor in this market as traders continue to try to assess the health of the economy and the timing of the Fed's first rate hike.

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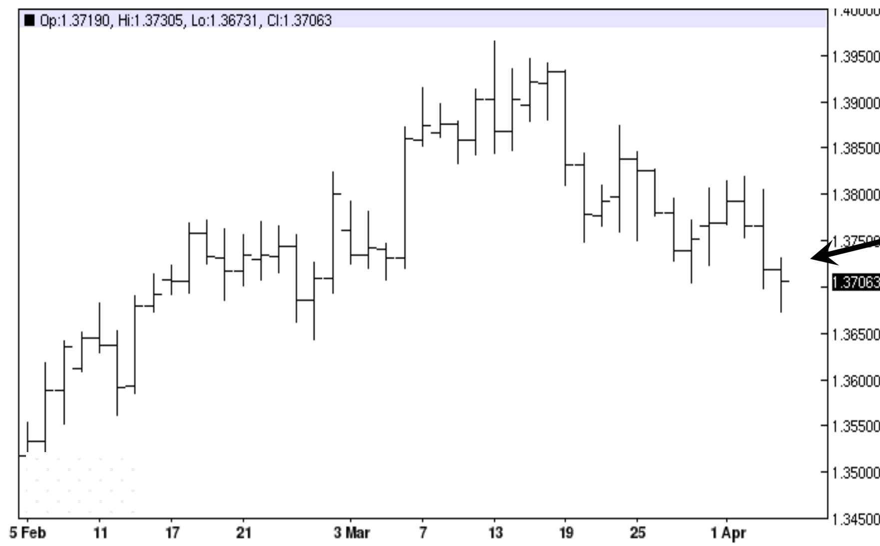
US MARKETS: US Dollar

OUR TRADING STANCE: BEARISH v STERLING.

Last week we were Bearish v Sterling.



The Dollar extended its recent recovery but the trading range remains in tact.

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

…"Looking ahead both ISM surveys and non-farm payroll are due, but we doubt the Dollar will be the main beneficiary of stronger data, the most likely winner will be equities"…

In the event that was the case for much of the week as the S&P made new highs until profit taking driven by fresh concerns about Ukraine set in.

Looking ahead the FOMC minutes are due but we don't think there will be anything new to excite the Dollar.

Traders should remain Short Dollar/Long Sterling.

Our suggested target remains 1.6960 and our suggested stop continues at 1.6430 for protection.

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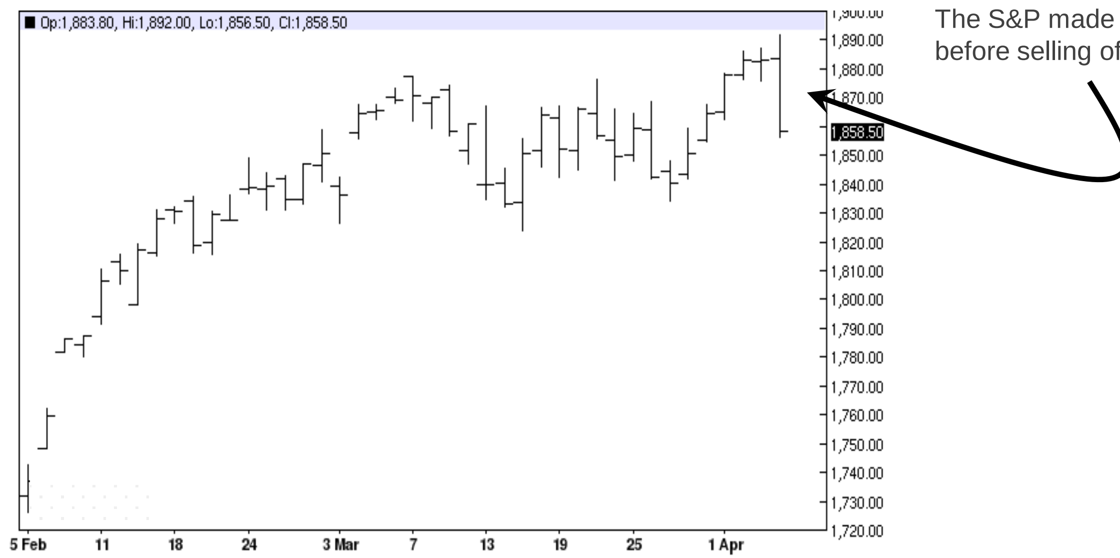
US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



The Macro Trader's view of the S&P 500 is: last week's price action was a little frustrating. A solid week long rally that saw a new high on Friday quickly evaporated into a sell off.

But with the two ISM surveys falling short of expectations, unemployment rate creeping up and average hourly earnings weaker than expected, traders judged expectations of a pick up in job creation were not matched by Friday's payroll report.

Add in a still unfolding situation in Ukraine and fresh threats from North Korea and traders booked their profits.

Looking ahead the FOMC minutes stand out this week, but we doubt much will emerge that will materially impact this market. We judge the fresh wave of unrest in Ukraine that is taking a strikingly familiar path as earlier events in Crimea could prove more important.

However we remain bullish of this market and advise traders should remain long.

Our target remains 1910.0 and our suggested **stop is raised to 1839.0** for closer protection.

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UK MARKETS: economic background

Last week our focus was the three PMI surveys with particular interest in the manufacturing version as policy makers continue to dream of an export led recovery!

In the event all three fell short of consensus, but remained strong enough to continue indicating a robust economic recovery.

However the two main house price surveys showed a slight cooling in the housing market, which should ease concerns at the Bank over a possible housing market bubble.

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 Tuesday; **Industrial production, manufacturing output, NIESR GDP estimate and BRC Shop prices,**
- On Wednesday; **Trade data and RICS house price survey, and**
- On Thursday; **BOE/MPC policy decisions.**

The Bank is unlikely to do anything with policy just yet, so although worth watching we judge the main point of interest this week is Tuesday's Industrial production report.

Although a relatively small proportion of GDP policy makers are keen for this sector to grow.

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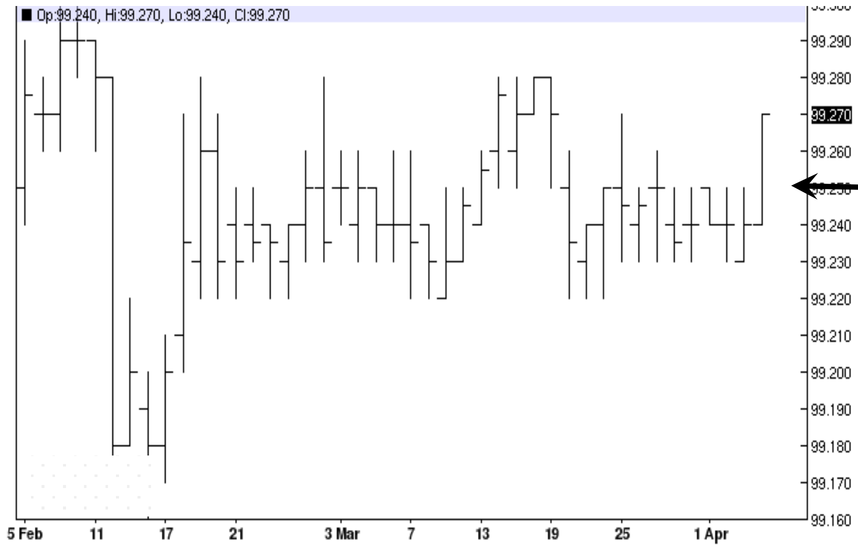
UK MARKETS: Short Sterling

OUR TRADING STANCE; SQUARE.

Last week we were Square of Short Sterling.



Short Sterling offered a very muted reaction to last week's softer data.

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

…"Looking ahead the PMI surveys stand out. Solid reports are expected meaning this market has that priced in and is likely to remain range bound a while longer"…

In the event data both in the UK and to a degree in the US fell short of consensus, but this market remained confined by the clearly defined trading range.

Looking ahead several key reports due, but we doubt they will significantly impact this market.

For now we judge it too soon to begin going short of this market; wait for Q1 GDP due mid April at the least, so we are remaining square.

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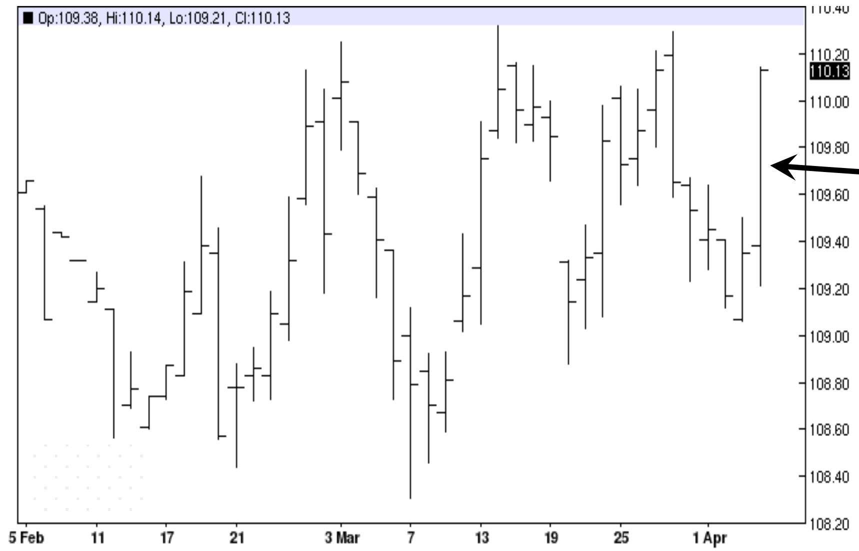
UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt looks a very volatile market.

The Macro Trader's view of the Gilt is; last week's price action can yet again best be described as a volatile market.

The price swings are quite pronounced and we continue to judge this is a market where the break is likely to be to the downside, but where there remains enough support to thwart the Bears; at least for now.

Data still points to a strong sustained recovery despite the three PMI surveys released last week all falling just short of consensus.

Looking ahead the Industrial production report is the main event, unexpected weakness would offer this market support, but we expect the market to remain within the current volatile trading range, which in truth offers little to either Bull or Bear.

For now stay square.

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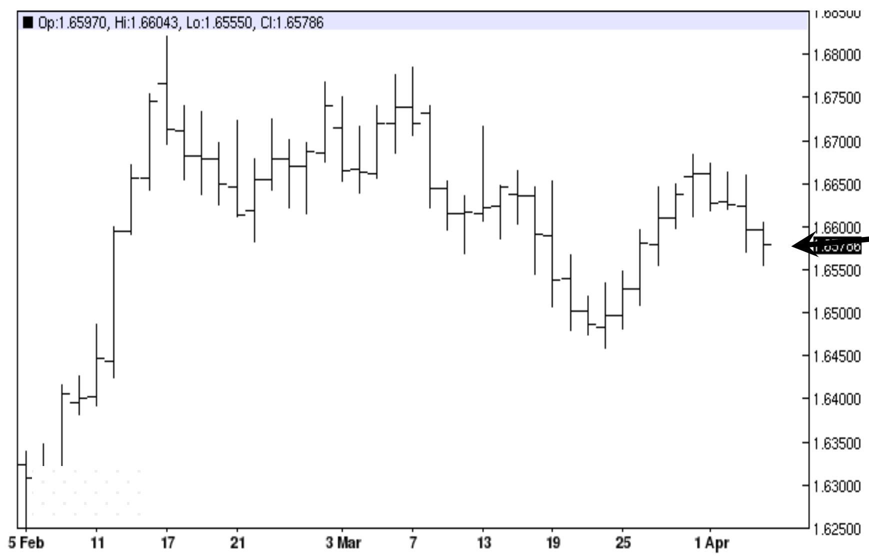
UK MARKETS: Sterling

OUR TRADING STANCE; BULLISH v the DOLLAR

Last week we were Bullish v the Dollar



See how Sterling currently lacks the dynamism to retest the highs.

The Macro Trader's view of the Pound is; the Pound failed to excite last week as the three PMI surveys fell short of consensus, but the so too did the US ISM surveys.

For now currencies seem range bound. Economic data is vying with geopolitical tensions both in Europe and Korea for attention leaving something of a stalemate.

However, on balance we judge the UK economic recovery remains robust certainly when compared to Japan, the Euro zone and to a degree the US, barring any new uncomfortable developments in Ukraine we judge the Pound should retest the highs.

Looking ahead the industrial production report and BOE/MPC policy decisions are due. We expect no change from the Bank and a ball park figure on industrial production.

Traders should be Long Sterling/Short Dollar, moving forward we see the Dollar as the least favoured of the major currencies.

Our suggested target continues at 1.6960 and our suggested stop remains set at 1.6430 for protection

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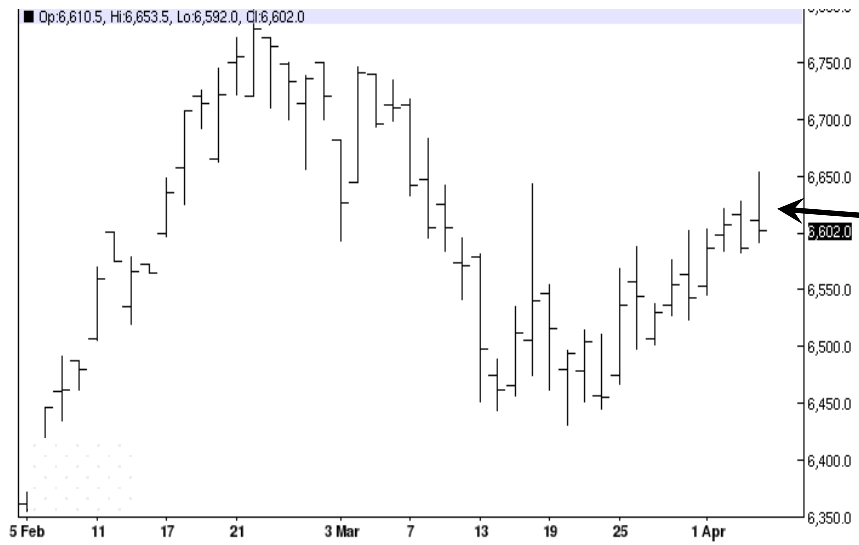
UK MARKETS: FTSE

OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the FTSE staged a limited recovery but continued to lag the S&P.

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

…"Looking ahead we judge this market can recover further if this week's UK and US data live up to expectations and the geopolitical crisis centred on Ukraine can be cooled further since there are serious concerns about Russia's intensions with an estimated 40,000 Russian troops massed on Ukraine's boarder"…

In the event data fell short of expectations both here and in the US and the situation in Ukraine remains tense, but the market rallied further away from the recent lows, albeit still under performing US markets.

Looking ahead the BOE/MPC policy decisions are due, but no change is expected. The Industrial production report is also due and a solid read would support this market.

But the Russians seem to be employing the same destabilising tactics in eastern Ukraine that they used in Crimea to provide the pretence for an invasion which if occurred would weigh on European equity markets.

For now we advise remaining square of this market in these very uncertain times.

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EURO ZONE MARKETS: economic background

Last week's focus was the ECB policy decision as we speculated on the chances of a policy move that might involve QE.

In the event the ECB left policy on hold despite a CPI rate of only 0.5% which is creeping ever closer to deflation.

However policy makers did indicate a willingness to ease if inflation remained at these low levels for too long. How long is too long?.

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 industrial production,**
- On Tuesday; **French trade balance,**
- On Wednesday; **German trade and C/A data,**
- On Thursday; **French industrial production, manufacturing output, CPI and Italian industrial production, and**
- On Friday; **German CPI and French C/A.**

There are several key releases this week. Top of the list is German industrial production, but with the French economic recovery lagging Germany and the French public finances still far from straightened out French industrial production will also be keenly watched.

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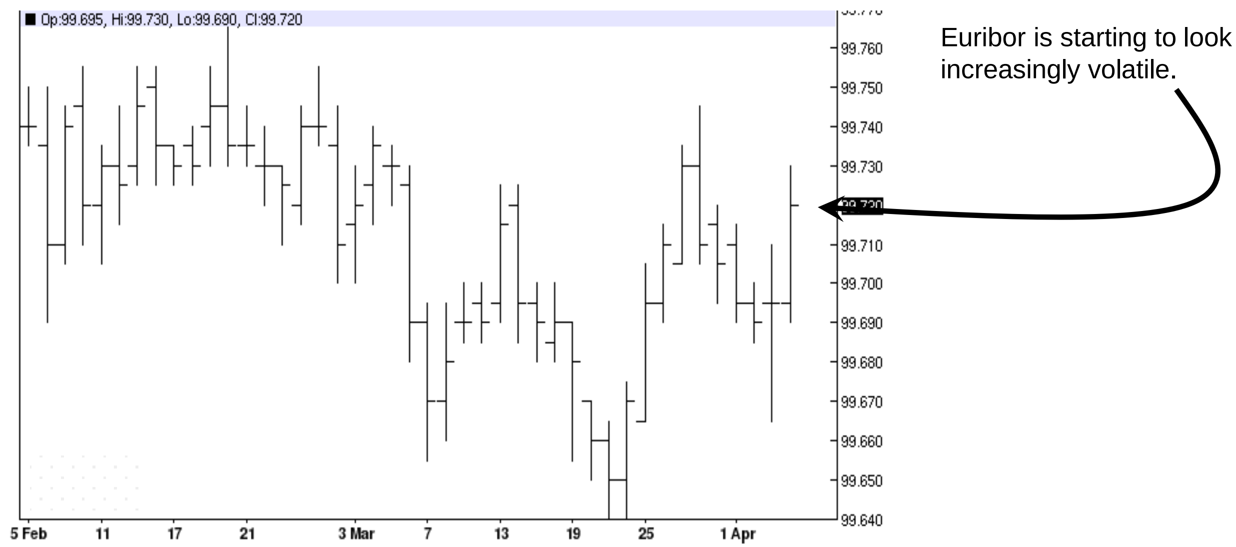
EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



The Macro Trader's view of Euribor is; as the Euro zone recovery continues to struggle for life and inflation continues its steady march south, this market has become increasingly more volatile on the contradictory messages given by the ECB.

The ECB passed up on the chance to ease further, when they had primed the markets for possibly the start of QE, which the Bundesbank appeared to acquiesce to earlier in the week.

Inflation is very low how low does it need to go to prompt a policy reaction?

Looking ahead German and French industrial production stand out, but we think this market is range bound; boring but there it is.

In any event we see little value in this market so for now stay square.

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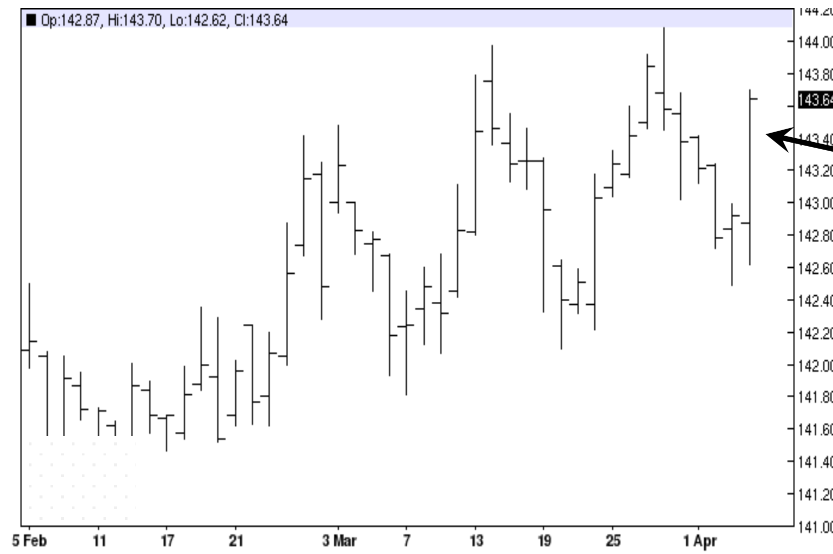
EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of The Bund.



The Bund continues to interest us and we remain bullish of it.

The Macro Trader's view of the Bund is: last week's price action again justified being long of this market. Progress may be two steps forward and one step back, but we judge this market will continue to work its way higher.

The ECB frustrated traders last week and failed to deliver on its veiled promise of QE saying it would act if inflation remained too low for too long; how long is a piece of string?

Looking ahead the key releases this week are German and French industrial production, but what looks like fresh Russian orchestrated provocations in East Ukraine will likely determine the direction of this market, which we think is higher.

Traders should be long and patient.

Our target remains 145.00 and our stop continues at 141.75 for protection..

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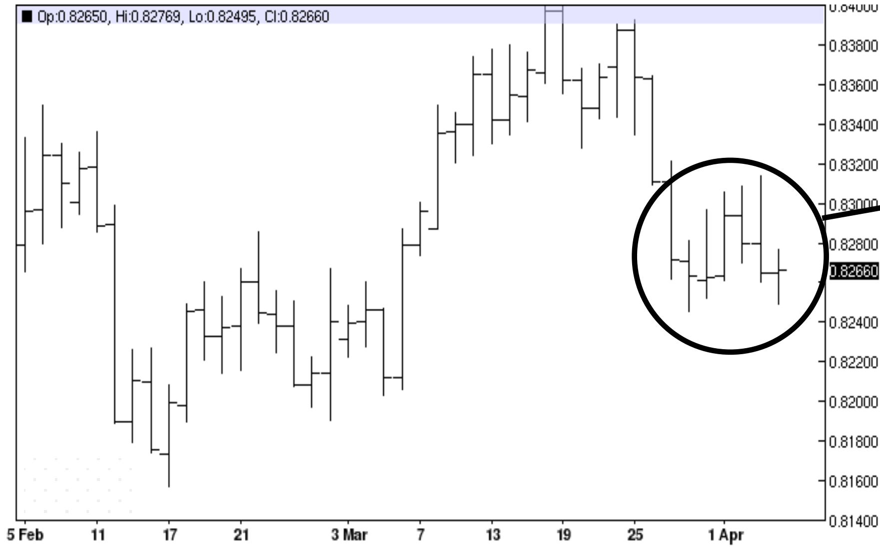
EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were Square



See how the Euro put the brakes on Sterling's recovery.

The Macro Trader's view of the Euro; last week's Euro weakness seemed to halt last week, at least against Sterling as the ECB failed to deliver on its veiled promise of QE.

But moving ahead, which economic recovery looks the more robust?

Which government seems to be focussed on delivering a more stable fiscal environment, and

Which country is recoding strong GDP?

The UK.

We judge the Pound will regain its momentum and eventually rally further against the Euro, but currently currencies seem to have slipped into the doldrums.

For now stay square.

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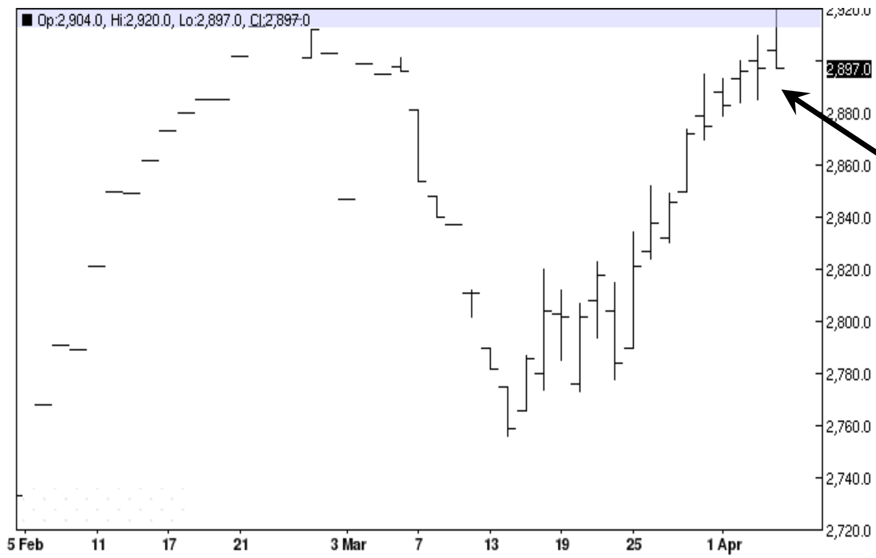
EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market shook off the disappointment of the ECB's inaction.

The Macro Trader's view of DJ Euro Stoxx 50 is: the market further extended the recovery last week despite the ECB leaving policy unchanged contrary to expectations.

And although data last week generally fell short of consensus, traders remained bullish.

Looking ahead the key data releases this week are German and French industrial production.

However there are worryingly familiar developments in East Ukraine that bear all the hallmarks of Russia's manoeuvres of a few weeks ago in Crimea.

Another land grab will surely meet a more serious response from the West VIS a vie sanctions which could weigh on equity markets as there would likely be a Russian response that could include the Gas weapon this time.

For now we prefer to remain side lined.

The crisis in Ukraine is more than just a spat between former ruled and ruler and has serious implications for relations with Russia going forward.

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JAPANESE MARKETS: economic background

Last week's focus was the Tankan survey which reports on all the key areas of the economy.

In the event it was weaker than expected as were other key data releases, leaving a sense of economic malaise in an economy that has had unimaginable amounts of economic stimulus thrown at it for very little affect.

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; **Trade balance, C/A and BOJ policy statement,**
- On Tuesday; **Bankruptcies and Eco watchers survey,**
- On Wednesday; **Machine orders, and**
- On Thursday; **Machine tool orders.**

The main event this week is the Bank of Japan policy statement.

There have been hints of further stimulus to off set a proposed sales tax; will they deliver?

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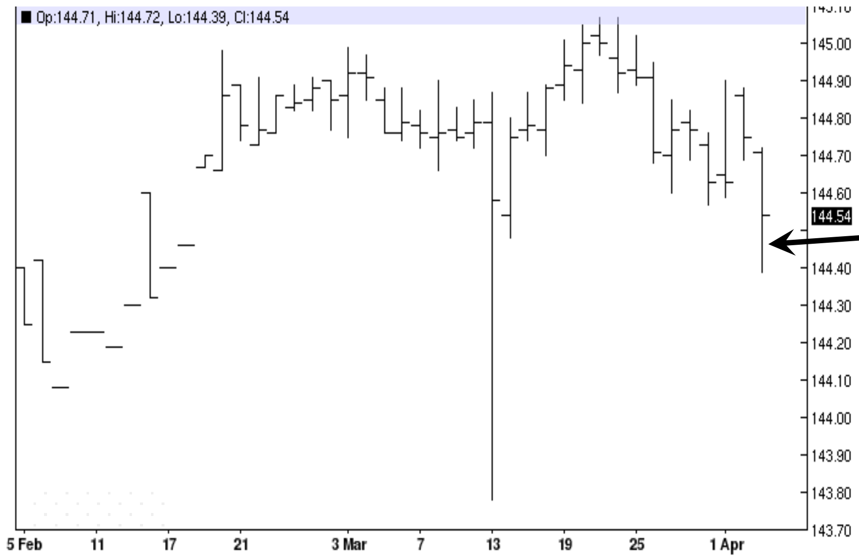
JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB came under selling pressure last week on the possibility of yet more stimulus.

The Macro Trader's view of the JGB is: last week's price action saw the JGB trade lower as traders continued to digest comments about Japan's eye wateringly high Debt to GDP levels which at some point will have to be addressed.

However while the economy continues to bump along the bottom, as indicated by last week's disappointing data, the government is unlikely to see addressing that issue as its main priority; why should it?

Looking ahead the key release this week is the Bank of Japan's policy statement; will they see the need to ease further?

The JGB is a market that has for over 20 years proved a difficult sell and we judge any weakness will prove short lived.

We are staying square..

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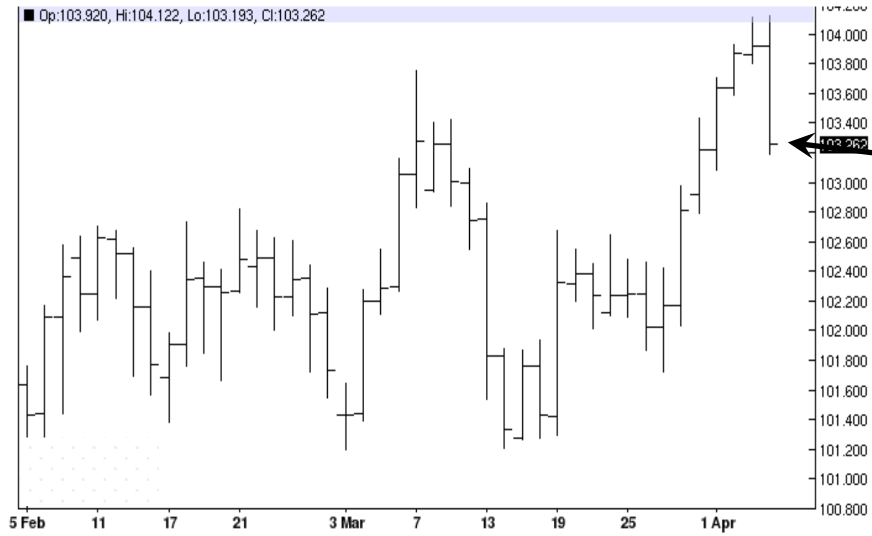
JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen continued to weaken for much of last week as data fell short of consensus; until Friday.

The Macro Trader's view of the Yen is; last week's price action saw the Yen largely respond to weaker data with the Tankan and industrial production the main disappointments.

But Friday saw a recovery as the US employment report saw the unemployment rate rise and average hourly earnings miss expectations.

Looking ahead there are several key releases but the Bank of Japan policy statement stands out.

The fight against deflation is showing results, but the economy remains sluggish to say the least. We judge the Yen is likely to slide back into the trading range as currencies lack direction currently.

We advise remaining square.

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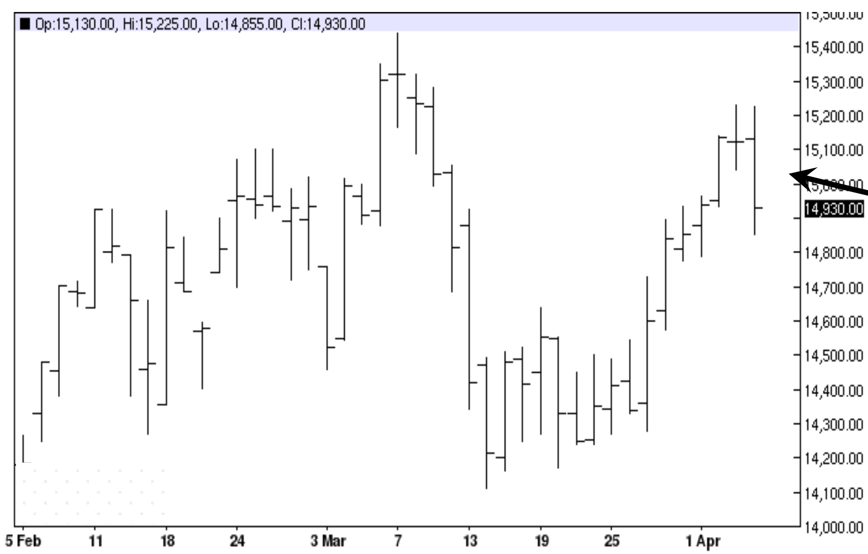
JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



See how the Nikkei for all its best efforts last week remains range bound.

The Macro Trader's view of the Nikkei is; the boring truth is that the Nikkei like so many other markets is range bound despite last week's attempted rally.

The economic policies heralded as the saviour of Japan's economy just over a year ago have had limited success and last week's Tankan report fell short of expectations and Industrial production was week too.

The only real progress that is visible is the CPI rate is back in double digits for the first time in years.

The plan is higher inflation will encourage spending and thereby fuel growth; lets hope it works soon.

Looking ahead the Bank of Japan's policy statement stands out, but will they ease and will it work where others so far have failed?

For now though we are remaining square.

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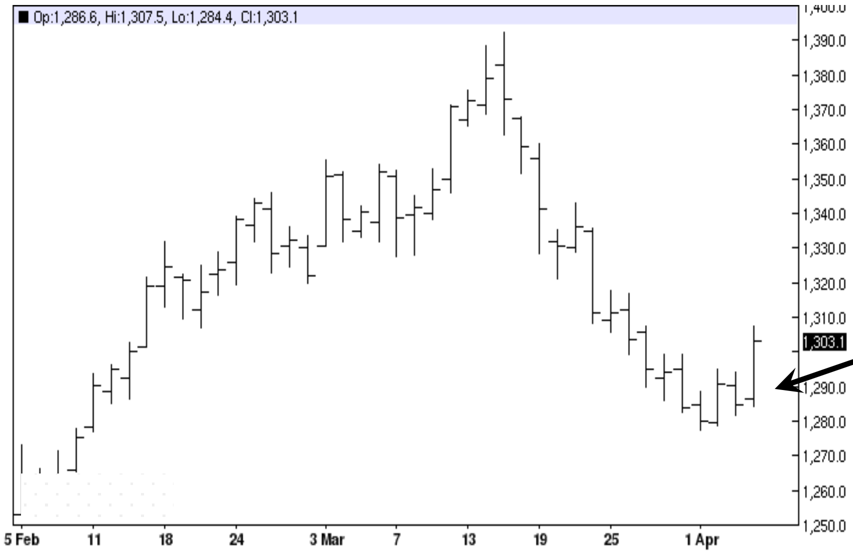
COMMODITIES: Gold

OUR TRADING STANCE: SQUARE.

Last week we were Square of Gold.



See how gold retains support, but is a market waiting to be sold.

The Macro Trader's view of the Gold is: last week's price action continued to reveal the under lying weakness of Gold.

And although the market bounced on Friday, given the continued geopolitical tensions focussed on Ukraine/Russia and North Korea, this market should be doing better on the up side.

The Russians seem to be repeating the tactics they used in Crimea in East Ukraine as a pretext for invasion; what will the West's response be this time. It will need to be much harder.

Our long term view of Gold is bearish. The economic/financial crisis that drove gold higher may not be entirely resolved but it is well passed its peak.

We advise remaining square while seeking a selling opportunity.

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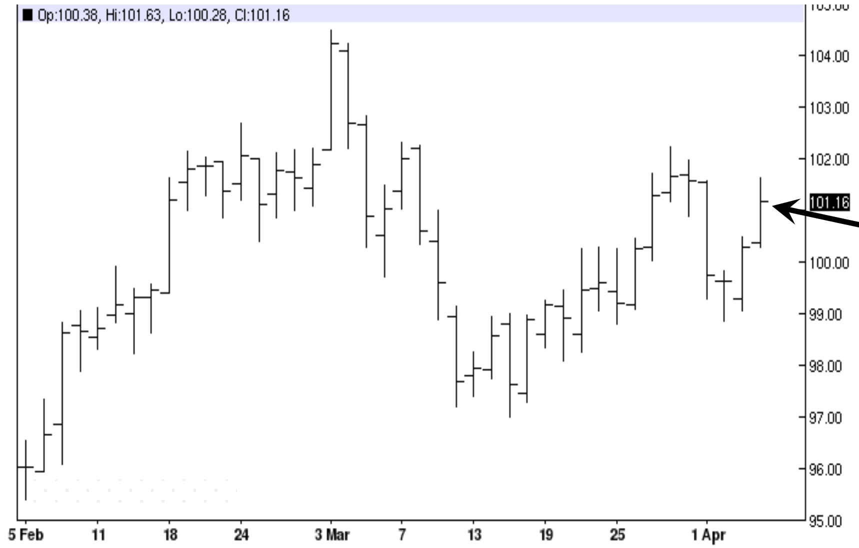
COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil remains supported by concerns over Russian aggression in Ukraine and Europe's reliance on Russian gas piped through Ukraine.

The Macro Trader's view of oil is: the oil price range traded again last week despite simmering tension between Russia and the West over Ukraine.

The Russian's seem to be repeating the tactics they used in Crimea; stir up local unrest, encourage the local ethnic Russian population to call on Russia for help, and then invade on the pretence of restoring order.

The West needs to make up its mind about how it deals with Russia. Does the world accept that Russia has some historic claim on the countries and territories it once ruled under the Tsars and then Communism, or are those now independent countries entitled to be treated the same as any other sovereign state. We think the latter meaning any new invasion of Ukraine or any other Sovereign states territory should be met with harsh economic and financial sanctions that delivers the message that business as usual is not possible in the face of blatant aggression.

Higher energy prices may result, but that is a price worth paying now rather than a more painful one later.

For now we think this market is range bound and are staying square, but any new invasion could see it test the highs.

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