



Week 15  
15<sup>th</sup> – 21<sup>st</sup> April 2014

## 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



# the macro trader's guide to major markets

John Lewis

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by the FSA



## SUMMARY

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### Global Calendar

### US Markets

+ EURODOLLARS  
+ 10 YEAR NOTE  
+ US DOLLAR  
+ S&P 500

- SQUARE
- SQUARE
- BEARISH v the Pound
- SQUARE

### UK Markets

+ SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE

- SQUARE
- SQUARE
- BULLISH v the Dollar
- SQUARE

### Euro Zone Markets

+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

- SQUARE
- BULLISH
- SQUARE
- SQUARE

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

- SQUARE
- SQUARE
- BEARISH

### Commodities

+ GOLD  
+ OIL

- SQUARE
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Week of 14 <sup>th</sup> April	
Monday	US Retail sales 0.8% US RS Ex –Autos 0.5% US Bus invntry 0.5% UK BRC Sales 1% IT Ind production 0.2m, 1.5y
Tuesday	US Empire mfg 8 US CPI 0.1m, 1.5y US CPI Ex – f&e 0.1m, 1.6y US Tot Net TIC flows n/f US NAHB Housg mkt indx 50 UK PPI Input 0.1m, 0.9y UK PPI Output 0.1m, 0.3y UK PPI Core -0.2m, -6.1y UK CPI 0.2m, 1.6y UK RPI 0.3m, 2.5y UK RPI-X 2.7y UK DCLG House prces n/f DM ZEW 45 EZ Trade bal 13.9B JP Tokyo Condo sales n/f JP Machine tool orders n/f
Wednesday	US MBA Mrtge apps n/f US Housing strts 1.0M US Buildg permits 1.0M US Ind production 0.5% US Capacity utilisation 78.8% US Fed's Beige book UK Unemployment rate 7.2% UK Averige earngs 1.4% UK AE Ex – Bounus 1.3% UK unemplm't chge -30k UK ILO Rate 7.2% EZ CPI 1.0m, 0.5y JP Ind production -2.35 JP Capacity utilisation 5.9% JP National dept store sales n/f JP Tokyo dept store sales n/f

Week of 14 <sup>th</sup> April	
Thursday	US Jobless claims 311k US Philly Fed 10 DM PPI 0.0m, -0.7y EZ C/A n/f JP Cons conf 38.3 JP Tertiary ind indx n/f
Friday	<b>GOOD FRIDAY BANK HOLIDAY</b>



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	Week of 7 <sup>th</sup> April
Monday	US Cons CR \$16.489B <b>STRONGER</b> DM Ind production 0.4m, 4.8y <b>STRONGER</b> JP C/A Y612.7B <b>LESS</b> JP Trade bal -Y533.4B <b>BETTER</b> JP BOJ Policy statement <b>THAN EXPECTED</b>
Tuesday	UK Ind production 0.9m, 2.7y <b>STRONGER</b> UK Mfg output 1.0m, 3.8y <b>STRONGER</b> UK NIESR GDP Est 0.9% <b>STRONGER</b> UK BRC Shop prices -1.7% <b>WEAKER</b> FR Trade bal -3.4B <b>BETTER</b> JP Bankruptcies -12,37% <b>WORSE</b> JP ECO Watchers 34.7 <b>WEAKER</b> <b>THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps -1.6% <b>WORSE</b> US Wholesale sales 0.7% <b>LESS</b> US Wholesale invntry 0.5% <b>AS</b> US FOMC Minutes March 18-19 <b>DOVISH</b> UK Trade bal -£9.094B <b>BETTER</b> UK Trade non-EU -£2.919B <b>BETTER</b> UK RICS Hse prces 57% <b>STRONGER</b> DM Trade bal 16.3B <b>WEAKER</b> DM C/A Bal 13.9B <b>WEAKER</b> JP Machine orders -8.8m, 10.8y <b>WORSE</b> JP BK Lndg incl Trusts 2.1% <b>AS</b> <b>THAN EXPECTED</b>

	Week of 7 <sup>th</sup> April
Thursday	US Jobless claims 300k <b>BETTER</b> US Import prces 0.6m, -0.6y <b>STRONGER</b> US Mthly budget statem't -\$36.9B <b>BETTER</b> UK BOE/MPC Rate decision 0.50% <b>AS</b> UK BOE AP Target £375B <b>AS</b> FR Ind production 0.1m, -0.8y <b>WEAKER</b> FR Mfg output 0.3m, 1.2y <b>BETTER</b> FR CPI 0.4m, 0.6y <b>WEAKER</b> IT Ind production -0.5m, 0.4y <b>WEAKER</b> JP Machine tool orders 41.8% <b>STRONGER</b> JP Dom corp gds prices 0.0m, 1.7y <b>LESS</b> <b>THAN EXPECTED</b>
Friday	US PPI 0.5m, 1.4y <b>STRONGER</b> US PPI Ex- f&e 0.6m, 1.4y <b>STRONGER</b> US U. of Michigan Conf 82.6 <b>STRONGER</b> UK Construct'n output -2.8m, 2.8y <b>WEAKER</b> DM CPI 0.3m, 1.0y <b>AS</b> FR C/A -1.4B <b>BETTER</b> <b>THAN EXPECTED</b>



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### Commodities

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## US MARKETS: economic background

Last week's focus was the release of the FOMC minutes, but just as traders were coming to terms with the prospect of rates moving higher sooner than expected, when the minutes revealed a more dovish tone, in fact policy members were concerned traders would incorrectly conclude policy was set to be tightened more aggressively than intended.

Other data released showed jobless claims falling by more than expected and PPI rising by more than forecast.

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; **Retail sales and business**

**inventories,**

- On Tuesday; **Empire manufacturing, CPI and NAHB Housing market index,**
- On Wednesday; **Housing starts, building permits, industrial production, capacity utilisation and Fed's Beige book, and**
- On Thursday; **Jobless claims and Philly Fed.**

The key event this week is Retail Sales.

As ever the main engine of the US economy is the service sector and within that the main component is consumer demand.



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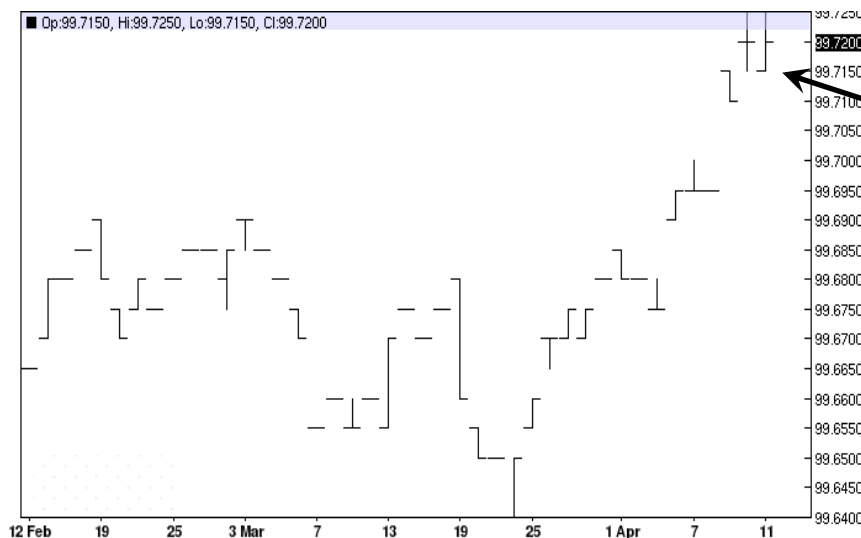
- + GOLD
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## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Euro Dollars drew support from the dovish FOMC minutes.

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

...“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”...

In the event the minutes covered just that topic, but the surprise was the seemingly dovish tone of policy makers anxious not to convey a message that an

aggressive tightening cycle was looming.

Looking ahead the retail sales report stands out this week.

Although the market reacted bullishly to the minutes, a tightening cycle is still in the pipe line, so for this market to rally from here requires a stretch of the imagination.

For now stay square.



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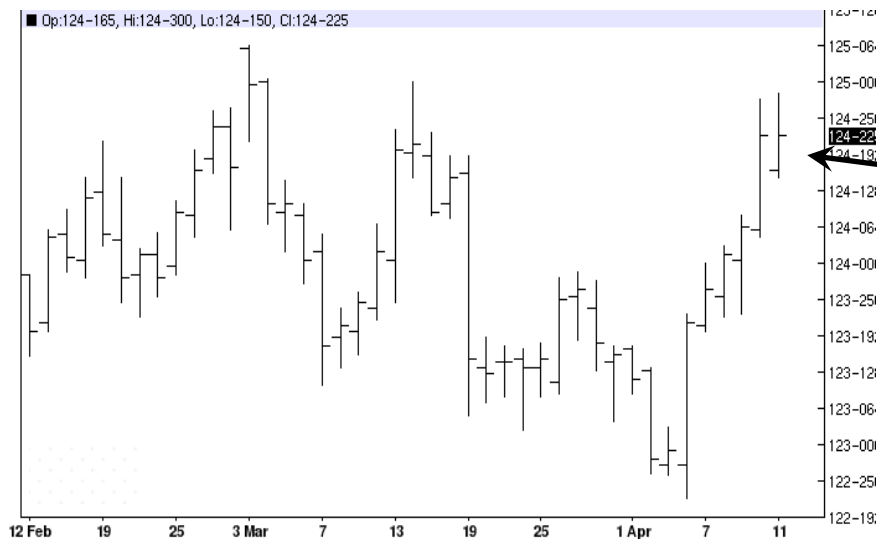
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## Disclaimer

## 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 rallied on the FOMC minutes and deepening crisis in Ukraine.

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

...“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 the event the minutes expanded on Yellen's comments and sought to reassure that an aggressive tightening cycle wasn't in the pipe line, this and the deepening crisis in Ukraine helped the market rally.

Looking ahead the retail sales report is due and a solid report would likely check this markets rally.

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

For now the market remains within a trading range and we are staying square.



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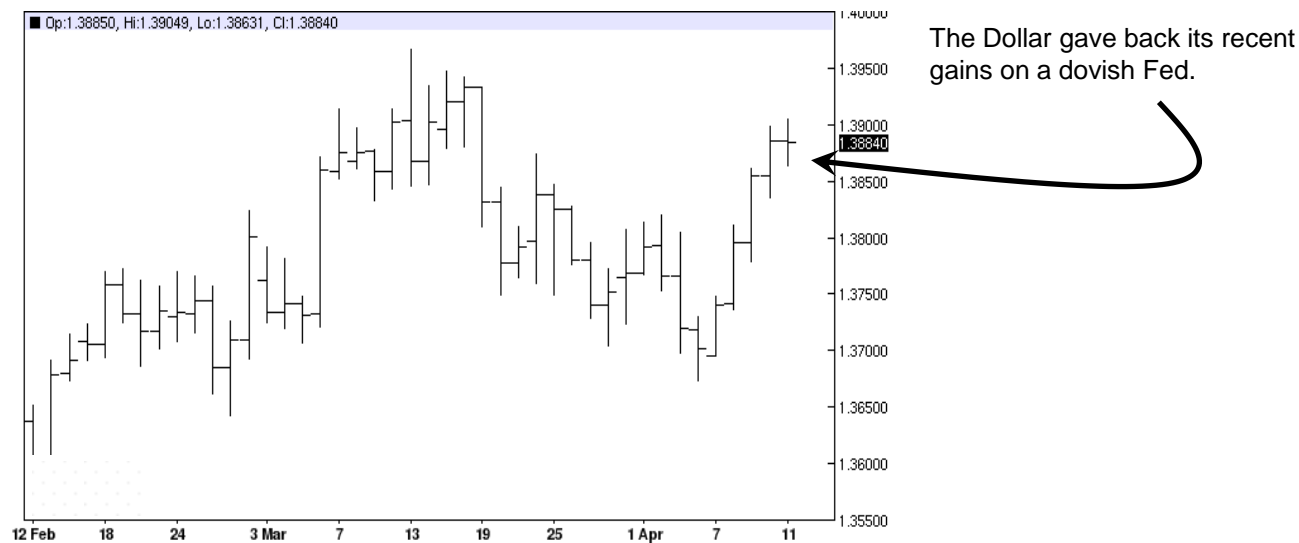
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### Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: BEARISH v STERLING.

Last week we were [Bearish v Sterling](#).



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

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

In the event far from exciting the Dollar the impact of the minutes acted as a depressant as they were more dovish on the outlook for interest rate hikes than previously expected.

Looking ahead retail sales are due, but we judge traders will continue to be influenced by the dovish tone of last week's FOMC minutes, leaving Dollar/Euro range bound.

However, 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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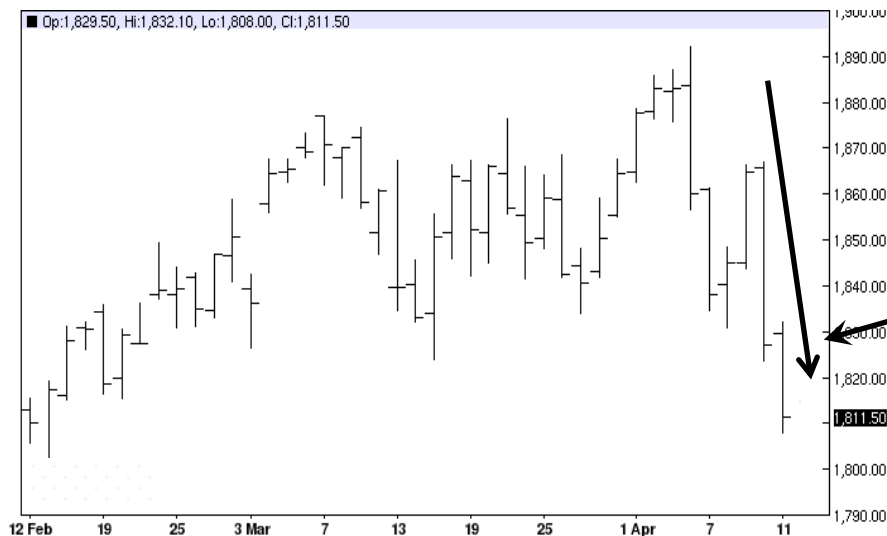
- + GOLD
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## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: SQUARE.

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



The S&P reacted badly to the deepening crisis in Ukraine.

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

...“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”...

In the event that proved the case and as Russian speaking separatist tried to emulate their kin in Crimea and take control of key buildings in eastern cities,

equity markets lost their nerve.

Looking ahead retail sales are due and they should show the US economy remains on a solid footing, but as the crisis in Ukraine looks set to become violent we expect equity traders to become more risk averse.

Last week our stop was hit and although we remain bullish on economic fundamentals geopolitics dictates a square position for now.



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## Commodities

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## Disclaimer

## UK MARKETS: economic background

Last week our focus was the Industrial production and manufacturing output report.

In the event these proved stronger than expected and showed the manufacturing sector of the economy doing just as well as the more dominant service industries. Add in the up beat NIESR GDP forecast and the UK economy continues to look well set.

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; **BRC Sales**,
- On Tuesday; **PPI, CPI, RPI, RPI-X and DCLG house price survey**, and
- On Wednesday; **the unemployment report**

## and average earnings surveys.

The key release this week is CPI, traders will be eager to see if that measure can remain subdued thereby allowing the Bank to bide its time over interest rate hikes.

The other point of interest is the unemployment report, this was the Bank's trigger for action but has since been relegated to one of many indicators they now look at but an ongoing decline in the level of unemployment will ultimately force a policy response.



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## Commodities

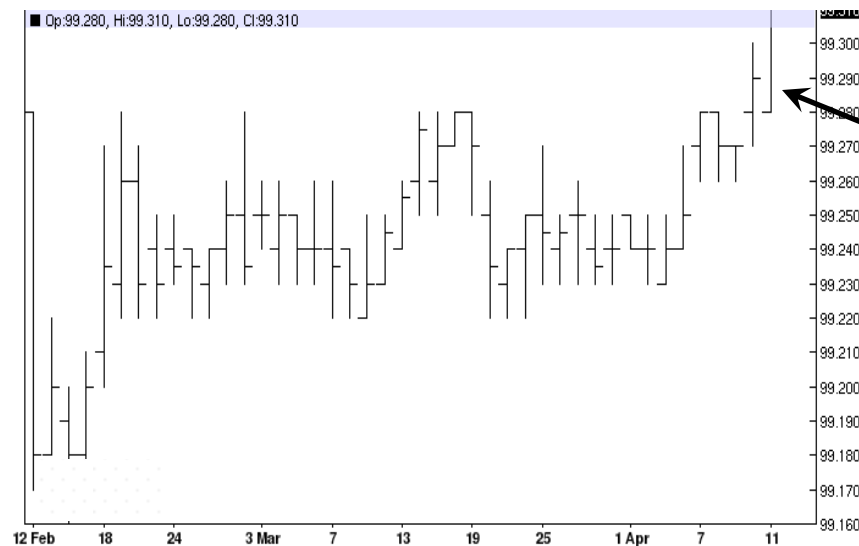
+ GOLD  
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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE; SQUARE.

Last week we were Square of Short Sterling.



Short Sterling rallied on the dovish Fed and weaker UK construction output data.

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

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

In the event the market rallied on international sentiment derived from the surprisingly dovish FOMC minutes released last week together with a weaker construction report released on Friday.

Looking ahead a tame CPI would encourage traders to

believe the Bank can wait until hiking rates, but the pace of economic recovery remains robust and delaying a normalisation of policy could put that at risk by being to relaxed about inflation in an economy that normally struggles more than others to keep it low.

In summary we judge there is little upside potential in this market, the economy is strong, and the next move will be a rate hike.

For now we are remaining square.



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- + SHORT STERLING
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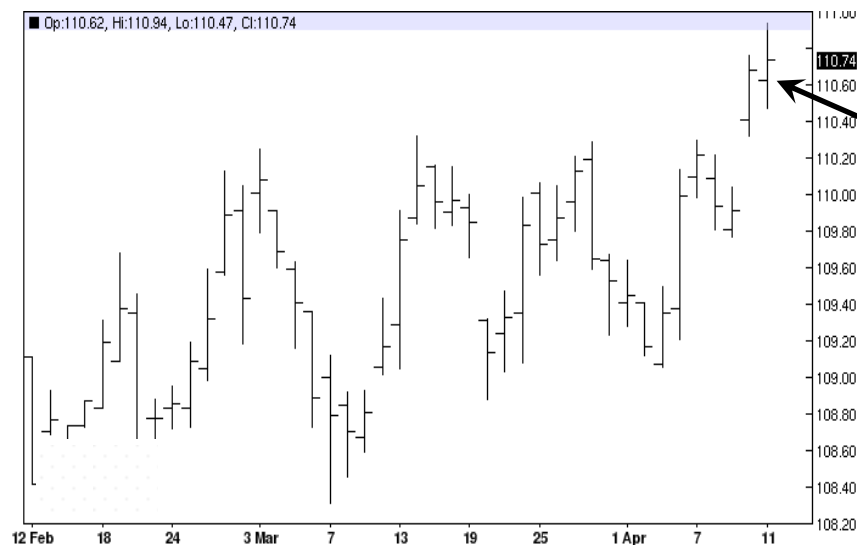
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## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt benefits from safe haven buying.

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

...“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”...

In the event those reports were much better than expected, but bonds rallied on the deepening crisis in Ukraine which sent stocks lower.

Add in the unexpectedly dovish tone of the FOMC

minutes and the gilt joined other global bond markets and moved higher.

Looking ahead CPI is due and should see UK inflation remaining just under or close to target, but with the Ukraine crisis deepening and entering what looks to be a more violent phase, safe haven buying of bonds looks likely.

For now we are remaining square of the Gilt. The market may rally on safe haven buying but the UK economy argues for a different outcome. We prefer to buy the Bund instead.



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+ **STERLING**  
+ FTSE

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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 remains supported by strong data.

**The Macro Trader's view of the Pound is;** the Pound benefited from two factors last week:

1. The continued strength of the UK economic recovery as evidenced by the stronger than expected Industrial production and manufacturing output reports, and
2. A surprisingly dovish set of FOMC minutes.

Looking ahead several key data releases due both here and in the US but we expect the Pound to extend

the rally as the Dollar looks undermined by the dovish tone of the Fed.

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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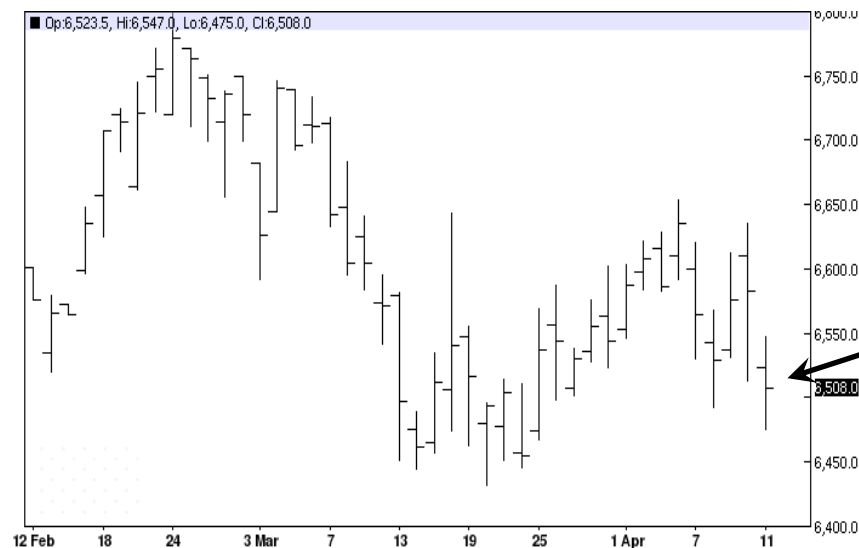
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## UK MARKETS: FTSE

### OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the FTSE remains under pressure as risk aversion weighs heavily.

**The Macro Trader's view of the FTSE is;** despite the UK economic recovery remaining strong, with even the IMF forced to back track on earlier negative statements about the UK Government's economic policies, the FTSE looks vulnerable to further downside moves.

The crisis in Ukraine has rattled markets. Russia clearly does not want a western leaning Ukraine as she feels threatened by the prospect of a potential EU/N.A.T.O. member right on her boarder.

But in reality those concerns reflect Russia's own deep insecurities rather than any hostile intent from other European nations or indeed the US.

However Russia is repeating the tactics used in Crimea but this time the authorities in Kiev look set to use Ukraine's military to stop the separatist band wagon from rolling meaning Russia could see an excuse to invade and cut gas supplies as an economic weapon.

All of this will only weigh heavily on equity markets.

But since the west has no intension of intervening militarily these anxieties should prove relatively short lived and traders refocus on economic fundamentals; how long will this take, that is the key question.

For now stay square.



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## EURO ZONE MARKETS: economic background

Last week's focus was German and French industrial production released at opposite ends of the week.

The German version was stronger than expected, but the French report was weaker than forecast highlighting the gap between the Euro zones two biggest economies.

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; **Italian industrial production**,

- On Tuesday; **Euro zone trade balance and German ZEW Survey**,
- On Wednesday; **Euro zone CPI**, and
- On Thursday; **German PPI and Euro zone C/A**.

The main event this week is German ZEW survey, but we sense markets will be focussed on the Ukraine crisis..



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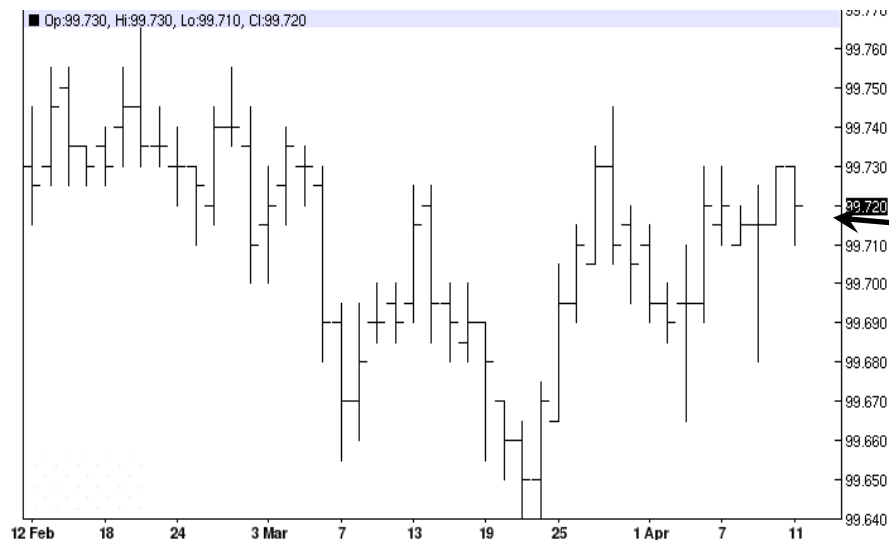
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## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor swung around last week as traders were unclear on the ECB's intentions towards a QE policy.

**The Macro Trader's view of Euribor is;** the Euro zone recovery continues to struggle, as indicated by last week's data with French industrial production falling short of the German equivalent.

And although the ECB passed on starting a QE program at their recent meeting, they haven't ruled that option out and negative interest rates have arisen as a discussion point once more.

Looking ahead the key release this week is the German ZEW Survey, but we judge the ECB's musings on which policy to adopt going forward will have the greatest bearing on this market even though we judge the upside is limited by the fact that the headline interest rate is unlikely to move.

For now stay square of what still looks like a range bound market.





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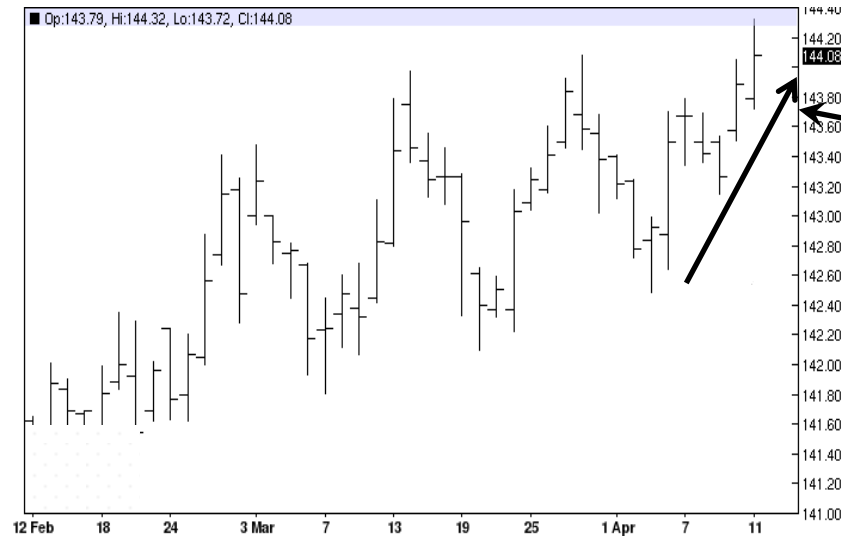
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## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of The Bund.



The Bund pushed higher in line with our expectation.

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

Last week's data once again highlighted the disparity in growth prospects within the Euro zone and confirmed the sluggish pace of recovery.

Looking ahead we judge data will be a minor player this week, with the German ZEW survey the main

point of interest, traders are likely to be more focussed on events in Ukraine which are turning increasingly violent, under mining equity markets and fuelling safe haven buying in bonds including this market.

Traders should be long and patient this market benefits from the prospect of renewed ECB easing, the sluggish recovery and safe haven buying.

Our target remains 145.00, our stop is raised to 143.10 for closer protection..



## 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

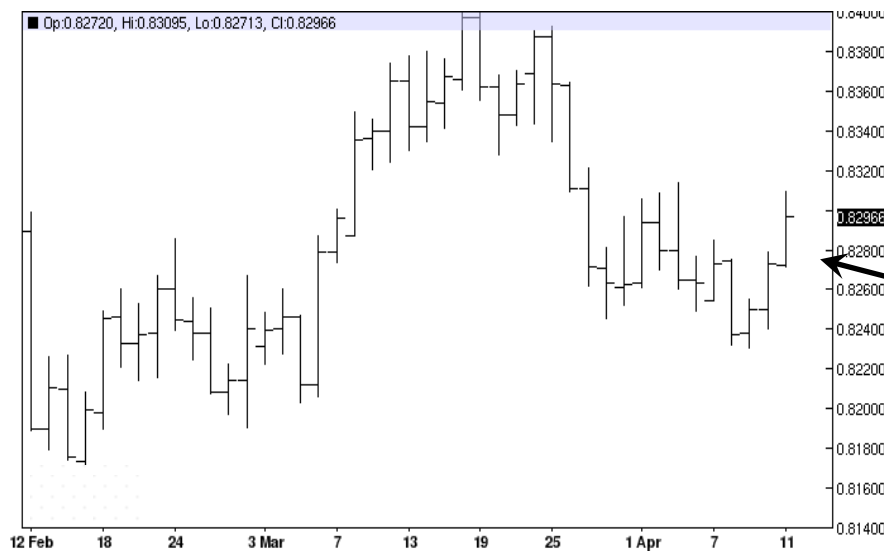
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: SQUARE

Last week we were Square



See how the Euro corrected against both the Dollar and Sterling last week, but the pattern still looks like one of consolidation.

**The Macro Trader's view of the Euro;** last week's price action initially favoured Sterling, but the Euro staged a late correction as the FOMC minutes released last week proved unexpectedly dovish and placed a question mark over the likely pace of rate hikes in the UK too.

However one thing which currently is clear; the UK economy is growing faster than the Euro zones and we expect that fact to support Sterling over time.

Looking ahead the German ZEW survey is due but unlikely to make a material difference as traders are likely to focus increasingly on the policy intentions of the ECB which now seem to include either QE or negative rates..

For now stay square. We are bullish of Sterling but timing isn't right.



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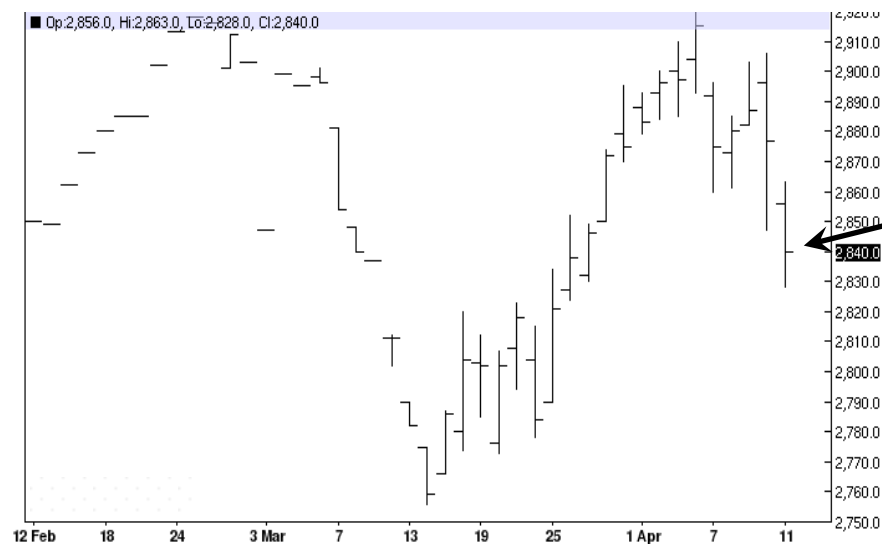
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market sold off on the deepening crisis in Ukraine.

### The Macro Trader's view of DJ Euro Stoxx 50 is:

the market sold off sharply last week as the crisis in Ukraine deepened with the government in Kiev threatening to use force to dislodge pro-Russian rebels and Russia raising the prospect of using gas supplies as a weapon.

Although the west/N.A.T.O. has ruled out military intervention the crisis marks a significant negative turning point in relations between the west and Russia.

What was seen as a developing relationship based on mutual respect, trust and friendship has in a few short week's plunged back to the old soviet era of distrust

and confrontation.

With much of Europe heavily reliant on Russian gas the Russians seem to be holding all the cards, but the west could ultimately switch supplies; Russia needs the revenue from her energy exports. How much of an economic sacrifice is Putin prepared to make and the Russian people prepared to accept for retro empire building?

But until this crisis is resolved this market is vulnerable to further downside price action so for now stay square.



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## Global Calendar

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## Commodities

+ GOLD  
+ OIL

## Disclaimer

## JAPANESE MARKETS: economic background

Last week's focus was the Bank of Japan's policy statement.

In the event they maintained both their policy stance and their over all view of the economy, even as machine orders came in much 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 Tuesday; **Tokyo condominium sales**

- **and machine tool orders,**  
On Wednesday; **industrial production, capacity utilisation and department store sales, and**
- On Thursday; **Consumer confidence and tertiary industry index.**

The main event this week is industrial production.

As ever this number reports on the core health of Japan's economy.



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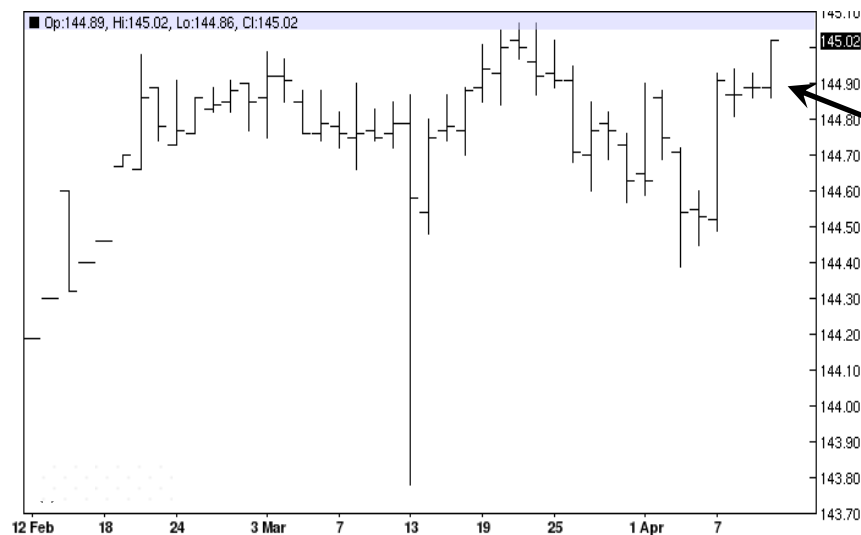
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB rallied as data remained weak and the Nikkei tanked.

**The Macro Trader's view of the JGB is:** the Bank of Japan's policy statement spelt out the Banks commitment to buying JGB's as a core effort in their attempt to defeat deflation and reflate the economy and this market took that news very positively.

Looking ahead industrial production stands out as the key release of the week. After last week's worse than expected machine orders report, just how close to consensus will industrial production be?

The Bank of Japan is committed to current policy and noted the negative impact of the front loaded sales tax, in time they may do more, but as time passes the economy stagnates.

In summary we are staying square, unless the market makes new highs and breaks out of the trading range..



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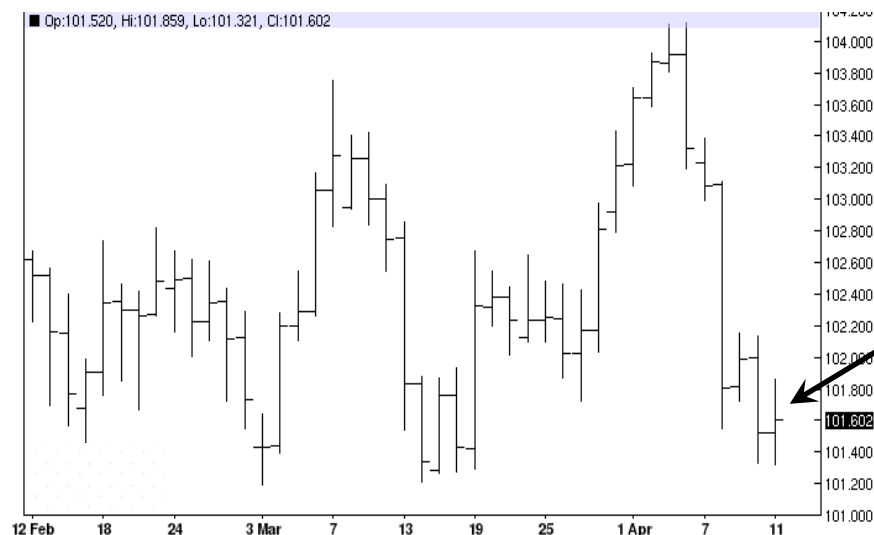
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen rallied last week against a Dollar undermined by dovish FOMC minutes.

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

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

In the event the Bank stuck to its economic assessment and bond buying program, but the Yen rallied for two reasons:

1. The FOMC minutes revealed a more dovish Fed

than expected, and

2. The crisis in Ukraine has led to safe haven buying of Japan's currency.

For now the Yen is still range bound, but a break through 101.00 would encourage us to go long the Yen against the Dollar.

For now watch and wait.



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+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

## Commodities

+ GOLD  
+ OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: **BEARISH.**

Last week we were Square of the Nikkei.



See how the Nikkei sold off hard on geopolitical tensions.

**The Macro Trader's view of the Nikkei is;** the Nikkei sold off last week and broke through the lower boundary of the range that has for so long restrained it.

The combination of:

1. No let up in the run of weaker data,
2. Strong Yen, and
3. Geopolitical tension.

Have all conspired to drive the Yen higher against the Dollar.

Looking ahead the key release this week is industrial production, but barring a disaster of a number we judge the Yen can rally further as traders continue to digest the impact of the FOMC minutes on the outlook for US interest rate hikes meaning the Nikkei is set to fall further.

Traders should be short the Nikkei. Our target is 13,200.0 and our stop is placed close at 14,600.00 for protection.



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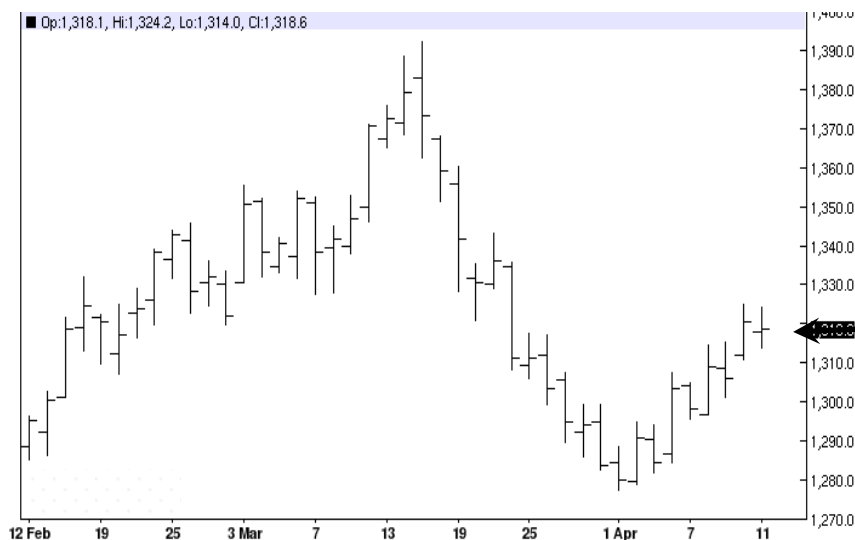
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Gold.



See how gold has rallied but what a tame move!

**The Macro Trader's view of the Gold is:** last week we said...

...“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”...

And we see no reason to change our mind. Even putting the current economic climate aside and focussing purely on geopolitical tensions gold should be much higher given the possibility of armed conflict in

a European state potentially involving Russia.

The fact gold can barely manage a tepid rally indicates just how weak it is and if this crisis is some how resolved the next move is surely down.

We advise remaining square for now.

The market is supported so the timing is wrong for going short, but given the lack of dynamism on the upside, who would want to go long?





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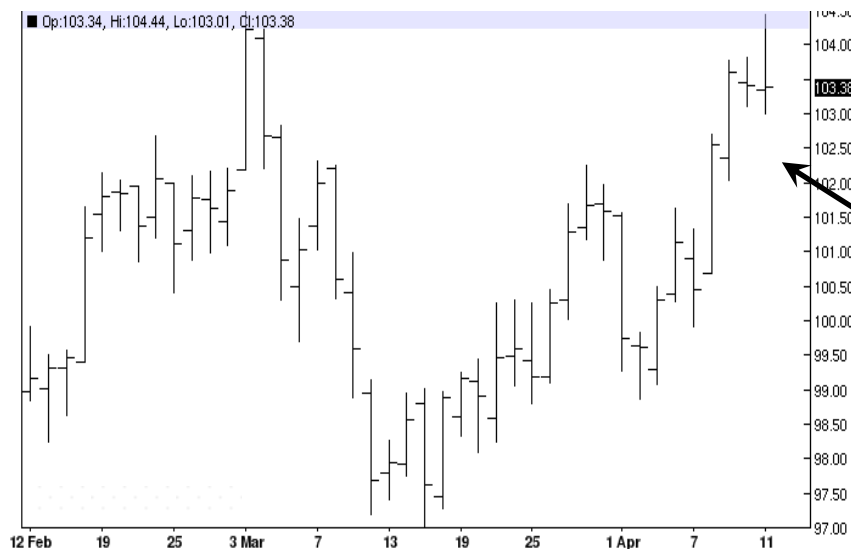
+ GOLD  
+ OIL

## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil is driven higher by the tension involving Ukraine and Russia which holds the potential to seriously disrupt European energy supplies.

**The Macro Trader's view of oil is:** the oil price is driven higher by geopolitical tension centred on Ukraine and caused mainly by Russia which has the potential to disrupt energy supplies to Europe.

However these are gas supplies, there is enough alternative suppliers of oil and even if Russia does cut the gas, the US could arguably make up the difference.

With the Euro zone economic recovery still barely out

of the starting blocks, Japan still trying to find a policy that will kick start her economic revival and question marks over China's economic resilience the drive for higher oil prices looks based on speculation rather than fundamentals.

For now we are staying square.



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- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

### SEVEN DAYS AHEAD

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