



Week 17
29th April – 5th May 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

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the macro trader's guide to major markets

John Lewis

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SUMMARY

Summary

Global Calendar

US Markets

+ EUROS DOLLARS
+ 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
● SQUARE

Commodities

+ GOLD
+ OIL

● SQUARE
● SQUARE

Disclaimer

More



Summary

Global Calendar

US Markets

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

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

	Week of 28 th April
Monday	US Pndg home sales 0.7m, DM Import prces -0.1m, -2.8y JP Retail trade 6.0m, 10.8y JP Lrge retail sales 13.8%
Tuesday	US Case/shiller comp-20 12.9% US Cons Conf 83.0 UK Indx of services 0.3m, 0.9 (3m) UK Q1 GDP 0.9q, 3.2y UK GFK Cons conf -4 DM GFK 8.5 FR Cons conf 88 EZ M3 (3m) 1.3% EZ M3 (y/y) 1.4% IT RS 0.0m, -0.7y EZ Cons conf -8.7 EZ Ind conf -3.1 DM CPI -0.1m, 1.4y JP Ind production 0.5m, 7.2y JP Labour cash earngs 0.1y
Wednesday	US MBA Mrtge apps n/f US ADP Emplm't chge 208k US Q1 Emplm't cost indx 0.5% US Q1 Prsnl consmpt'n 1.9% US Q1 Core PCE 1.2q US Q1 GDP (A) 1.1% US Q1 GDP Pces indx 1.5% US Chicago PMI 56.5 US FOMC Policy decision 0.25% DM Retail sales -0.7m, 1.7y FR Consumer spndg 0.3m, -0.6y FR PPI -0.3m, -1.3y DM Unemploy'm't rate 6.7% DM Unemploy'm't chge -10k EZ CPI Est 0.8y JP Vehicle prodct'n n/f JP Sml bus conf n/f JP Construct'n orders n/f

	Week of 28 th April
Thursday	US Jobless claims 319k US Persnl spndg 0.6% US Persnl income 0.5% US Core PCE 0.2m, 1.2y US ISM Mfg 54.2 US ISM Prces paid 59.3 US Construction spndg 0.6m, UK Nat'nwide hse prces 0.6m, 9.8y UK Net cons cr 0.6B UK Net Indg on dwllgs 1.7B UK Mrtge aprvls 72.0k UK PMI Mfg 55.4 JP Vehicle sales n/f JP Jobless rate 3.6 JP Househld spndg 1.7%
Friday	US Non-farm payroll 210k US Unemploy'm't rate 6.6% US Avrge hrly earngs 0.2m, 2.1y US Avrge wrk wk 34.5 US Factory orders 1.5% UK PMI Construct'n 62.2 IT PMI Mfg 52.9 FR PMI Mfg 50.9 DM PMI Mfg 54.2 EZ PMI Mfg 53.3 EZ Unemploy'm't rate 11.9%



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

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

	Week of 21 st April
Monday	JP Supermkt sales 9.4% STRONGER JP Convenience stre sales 2.9% STRONGER JP Trade Bal -Y1,446.3B WORSE THAN EXPECTED
Tuesday	US Hse price indx 0.6m, BETTER US Existing home sales 4.59M BETTER EZ Construct'n output 0.1m, 6.7y LESS EZ Cons conf -8.7 BETTER THAN EXPECTED
Wednesday	US MBA Mrtge apps -3.3% WEAKER US New Home Sales 384k WEAKER UK BOE/MPC Minutes UK PSNCR 15.7B BETTER UK PSNB 4.9B BETTER UK CBI Trends total orders -1 WEAKER UK CBI Bus optimism 33 STRONGER EZ PMI Composite survey 54.0 STRONGER JP Corp services prces 0.7% AS THAN EXPECTED

	Week of 21 st April
Thursday	US Durable gds 2.6% STRONGER US DG Ex- Transport 2.0% STRONGER US Jobless claims 329k WORSE UK CBI Sales 30 STRONGER DM IFO 111.2 STRONGER JP CPI 1.6% AS JP Tokyo CPI 2.9% LESS THAN EXPECTED
Friday	US U. of Michigan conf 84.1 STRONGER UK Retail sales -0.4m, 4.2y BETTER UK BBA Home buyer loans -45.933K WEAKER JP All ind actvty indx -1.1% WEAKER THAN EXPECTED



US MARKETS: economic background

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

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Last week's focus was split between existing home sales and jobless claims.

In the event existing home sales were weaker than expected raising new questions about the health of the housing market and jobless claims rose by more than expected.

But given the economy is still recovering from the winter slowdown, traders will not be too concerned.

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; **Pending home sales,**
- On Tuesday; **Case/Shiller comp-20 and consumer confidence,**
- On Wednesday; **ADP Employment change, Q1 ECI, Q1 Personal consumption, Q1 Core PCE, Q1 annualised GDP, Chicago PMI and**

FOMC Policy decision,

- On Thursday; **Jobless claims, Personal income, Personal spending, Core PCE and ISM Manufacturing, and**
- On Friday; **Non-farm payroll, unemployment rate, average hourly earnings, average work week and factory orders.**

There are several key events due this week including Q1 GDP, ISM manufacturing and the FOMC policy decision.

The Fed is almost certain to announce another US\$10.0B cut to its monthly bond purchases as part of the taper policy, so no surprises there.

The focus then is split between Q1 GDP and non-farm payroll, both have the potential to move markets.



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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

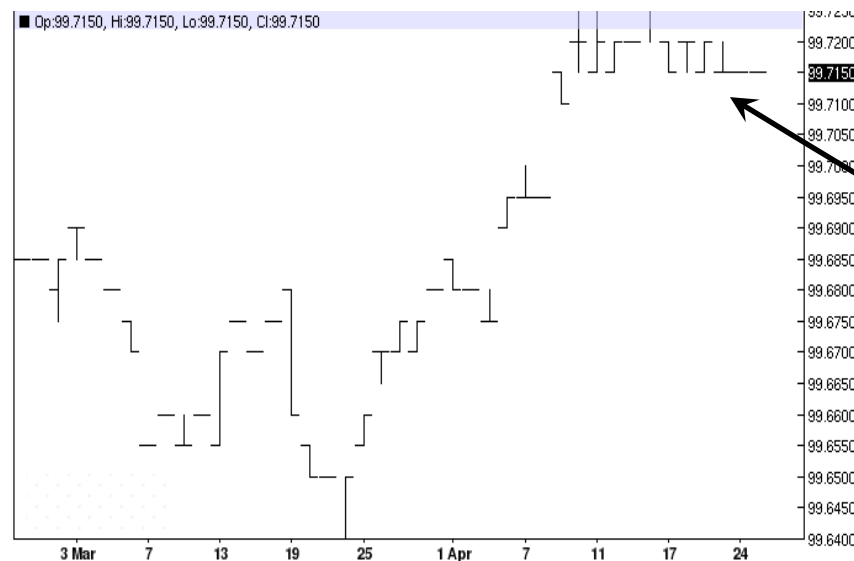
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars remain supported as the Fed continues to deliver mixed messages.

The Macro Trader's view of Eurodollars is; on the one hand the Fed talks about tighter policy from early 2015, then in the next breath Janet Yellen says the economy will need low interest rates for a considerable time; what is it to be.

We judge this week's Q1 GDP report will mean nothing if weak; traders expect that, but if the number beats consensus then traders will start speculating on when

the Fed will begin tightening and a stronger than expected non-farm payroll on Friday would only add to that.

We judge the range in this market remains tight and offers little in the way of risk reward.

For now stay square.



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

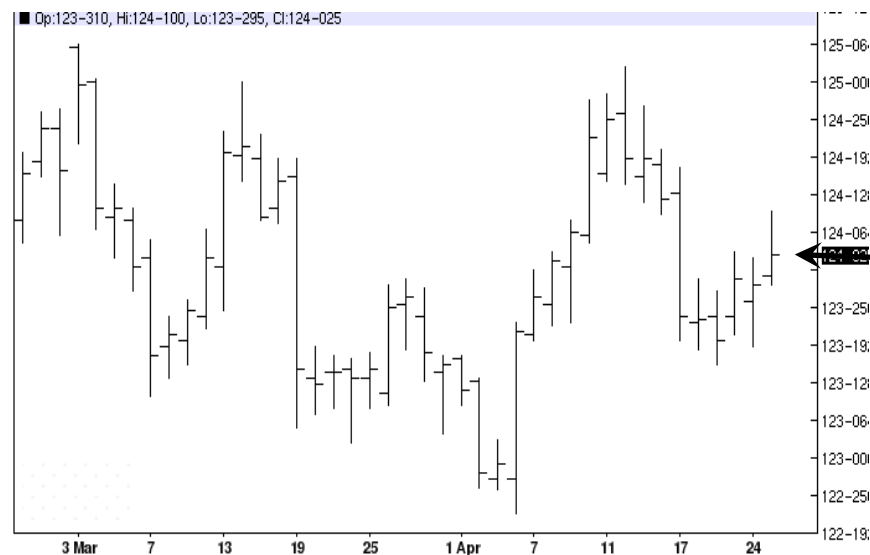
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US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



See how the 10 year note remains in a volatile trading range.

The Macro Trader's view of the 10 year note is: this market remains in a clearly defined and volatile trading range dominated by the current mixed nature of data and the ongoing crisis centred on Ukraine.

Following the release of a stronger than expected retail sales report the previous week, last week's weaker data helped the market stage a limited recovery.

Looking ahead the focus this week is likely to be split

between the Q1 GDP report and non-farm payroll.

Clearly stronger than expected data would weigh on this market, but any sell off could be limited by the Ukraine crisis.

We judge this market is likely to continue the established trading pattern.

For now stay square.



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

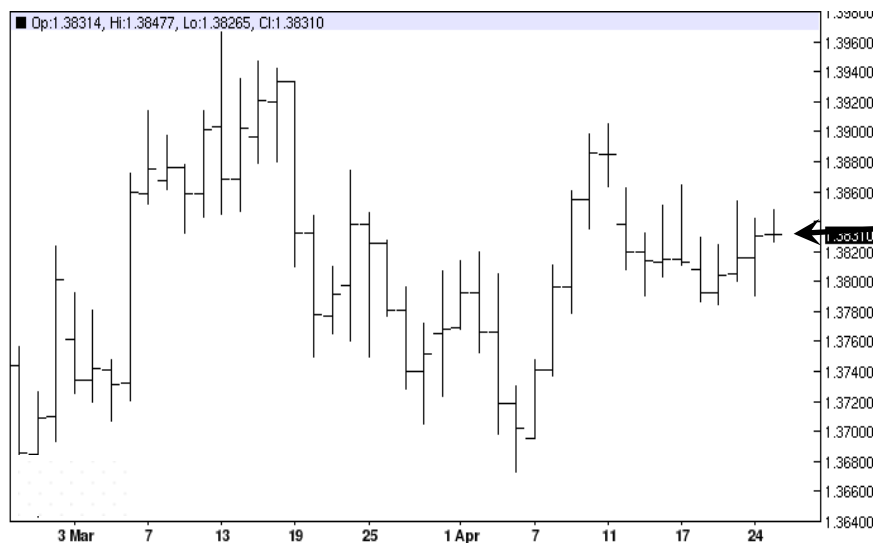
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US MARKETS: US Dollar

OUR TRADING STANCE: BEARISH v STERLING.

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



The Dollar remains range bound against the Euro.

The Macro Trader's view of the Dollar is; the Dollar remains range bound against the Euro despite a recent stronger than expected retail sales report, but this was tarnished by the weaker data seen last week.

Against Sterling the picture looks different.

Looking ahead the FOMC policy decision is due and likely to extend the taper policy. The focus then is Q1 GDP and non-farm payroll.

Q1 GDP is expected to be weak, leaving non-farm

payroll on Friday. If the pace of job creation has increased the Dollar might draw some support, but we judge equity markets would be the main beneficiary.

In summary we advise traders should remain Short Dollar/Long Sterling. The UK economy is growing strongly and a rate hike may come sooner than expected.

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

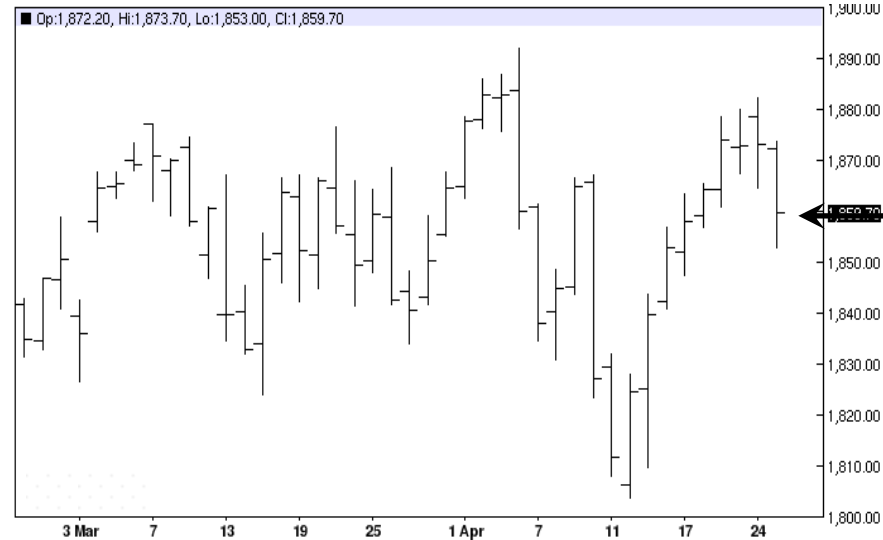
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US MARKETS: S&P500

OUR TRADING STANCE: SQUARE.

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



The Macro Trader's view of the S&P 500 is: the market recovered from its correction helped by stronger retail sales the previous week and although last week's data was generally weaker than expected, the run of solid earnings reports acted as a strong enough off set.

However with the crisis in Ukraine unresolved and looking to worsen, this market remains vulnerable.

We doubt this week's FOMC meeting or Q1 GDP

report will offer sufficient energy to see this market make new highs in the short term and barring a much stronger than expected non-farm payroll report on Friday, the market is looking set for a period of range trading.

We remain longer term bulls of this market but judge the markets current price action argues in favour of staying square.



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

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UK MARKETS: economic background

Last week's data continued to paint a positive picture of the UK economy. Retail sales were better than expected and so too were public finances.

The surprise was the split that seems to be emerging on the Bank's MPC committee over interest rates and inflation.

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; **Index of Services and Q1 GDP,**

- On Thursday; **Nationwide house prices, Net consumer credit, Net lending on dwellings, mortgage approvals and PMI Manufacturing survey, and**
- On Friday; **PMI Construction survey.**

The key release this week is Tuesday's Q1 GDP report.

Despite a very wet winter with widespread flooding the economy continues to perform well and a strong GDP report is expected.



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

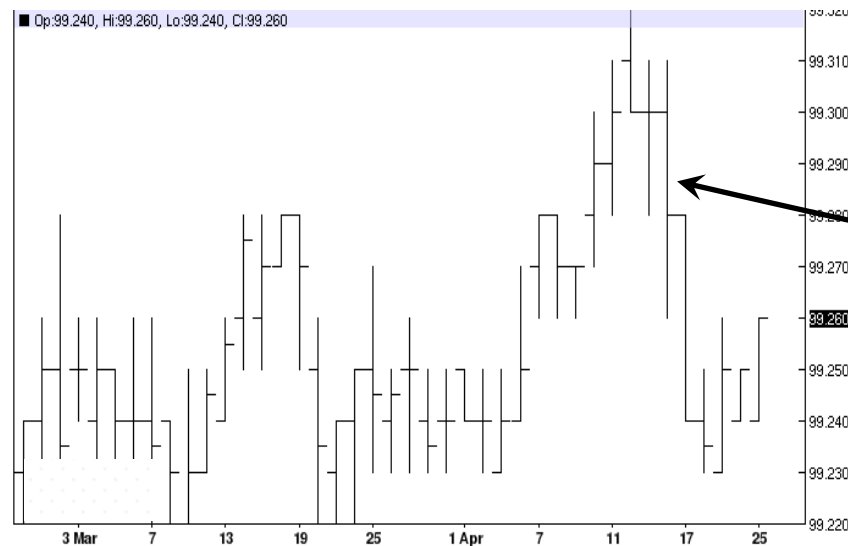
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UK MARKETS: Short Sterling

OUR TRADING STANCE; SQUARE.

Last week we were Square of Short Sterling.



Short Sterling has failed to recover from the sell off the previous week driven by better than expected unemployment data.

The Macro Trader's view of Short Sterling is: the market reacted to the unemployment report despite a better than expected CPI and PPI reports previously.

Sentiment wasn't helped much by the split emerging on the MPC over the path of interest rates and inflation and a better than expected retail sales report underlined the strength of the UK recovery.

Looking ahead there are several reports due, but Q1 GDP stands out. A strong report is expected which can only add to the debate over policy.

For now we see little upside potential in this market, but it seems too early to trade for a bear market.

For now we are remaining square.



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

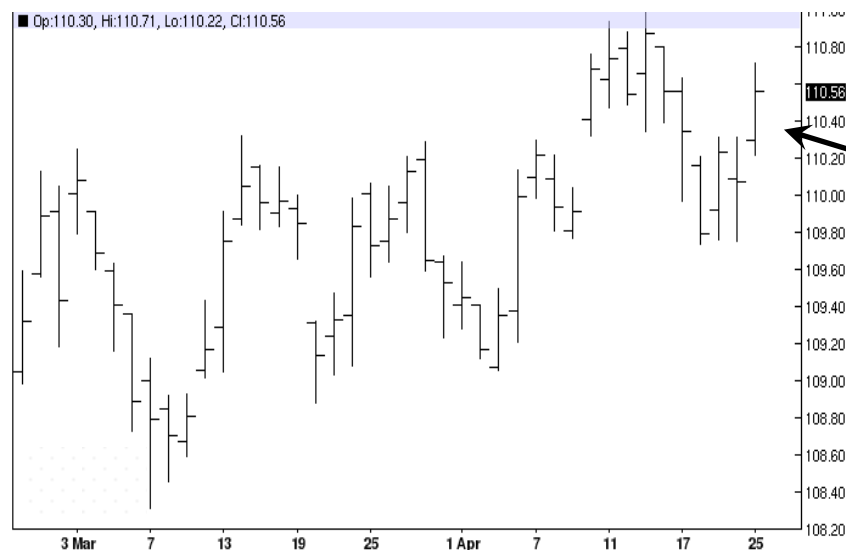
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt remains supported as government finances improve and inflation eases.

The Macro Trader's view of the Gilt is; the gilt remains supported by a combination of improving government finances, low inflation and the crisis in Ukraine.

And even last week's MPC minutes with the emerging split on policy and inflation exposed last week, the market held up well.

Looking ahead the Q1 GDP report stands out as the main event. A strong report could weigh on this market,

but the crisis in Ukraine continues to offer bonds support.

However given the outlook for growth in the UK, the expected pick up in US growth now winter has passed we judge going long bonds is a risk currently not worth taking.

For now we advise remaining square.



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

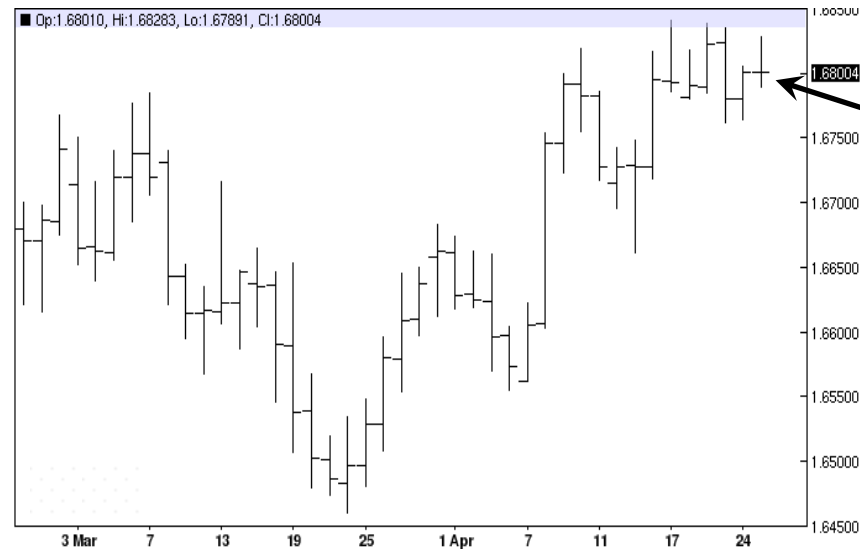
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UK MARKETS: Sterling

OUR TRADING STANCE; BULLISH v the DOLLAR

Last week we were **Bullish v the Dollar**



See how Sterling continues to test the highs against the Dollar.

The Macro Trader's view of the Pound is; the Pound remains well supported by the strength of the UK economy.

And although inflation is currently comfortably below target, policy makers are looking beyond current conditions.

Last week's MPC minutes revealed a split opening over the path of interest rates and inflation. Obviously rate hikes are to be expected at some point the main discussion point is when, but with growth so strong,

perhaps sooner than later

This week sees the release of Q1 GDP, a strong report will further enliven the policy debate.

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



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

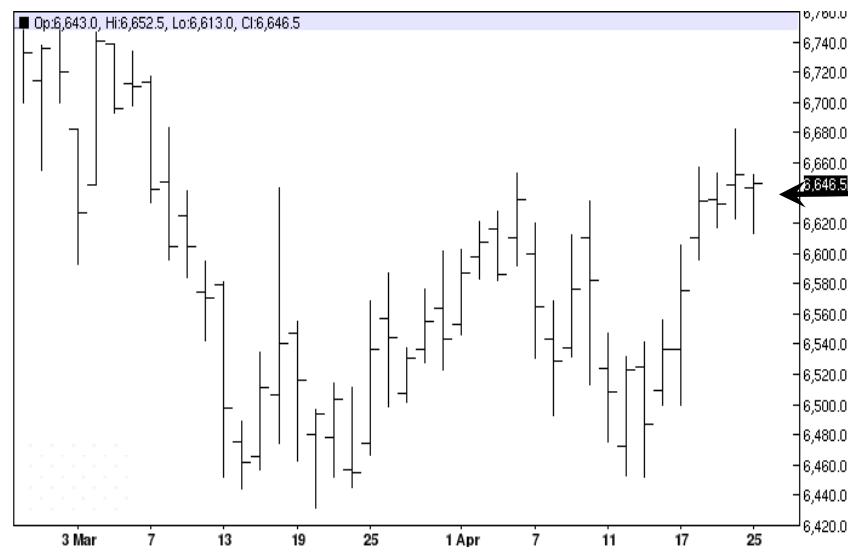
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UK MARKETS: FTSE

OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the FTSE staged a solid recovery, but is still below the highs.

The Macro Trader's view of the FTSE is; the FTSE continues to under perform US equity markets and although a recent rally has brought the market away from the lows, the highs are yet to be regained.

The UK economy is currently out performing the US, but traders seem to judge the US economy will enjoy a burst in the coming quarters as the winter weather turns to spring and summer..

Looking ahead Q1 GDP is due this week and a solid report is expected.

But the crisis in Ukraine continues with Russia and her proxy warriors in Ukraine clearly showing no inclination

to respect the deal recently agreed in Geneva.

So far western sanctions have been limited, but if Russia refuses to play ball, at some point more punitive sanctions will need to be applied and there will be a cost to western economies too.

For now we are reluctant to go long the FTSE given the crisis in Ukraine with all it implies for wider relations between the west and Russia and perhaps even a rethink of the west's defence posture.

For now stay square.



Summary

Global Calendar

US Markets

+ EUROS DOLLARS
+ 10 YEAR NOTE
+ US DOLLAR
+ S&P 500

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: economic background

Last week's focus was Euro zone PMI composite survey and German IFO report.

Both came in better than expected. The IFO survey confirmed the German economy is beginning to gather momentum.

The Euro zone PMI survey also showed economic activity picking up, however inflation remains uncomfortably low.

Looking ahead there are several key reports due which are detailed on the global calendar, but we judge these are the week's **key** releases:

- On Monday; **German import prices,**
- On Tuesday; **Euro zone M3, Consumer confidence, industrial confidence, German CPI, GfK Consumer confidence and**

- **French consumer confidence,**
On Wednesday; **German retail sales, unemployment and Euro zone CPI Estimate, and**
- On Friday; **German, French, Italian and Euro zone PMI Manufacturing surveys and Euro zone unemployment rate.**

The main events this week are the various Euro zone PMI Manufacturing surveys.

Last week's composite survey showed economic activity beginning to strengthen, these reports will show where.



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

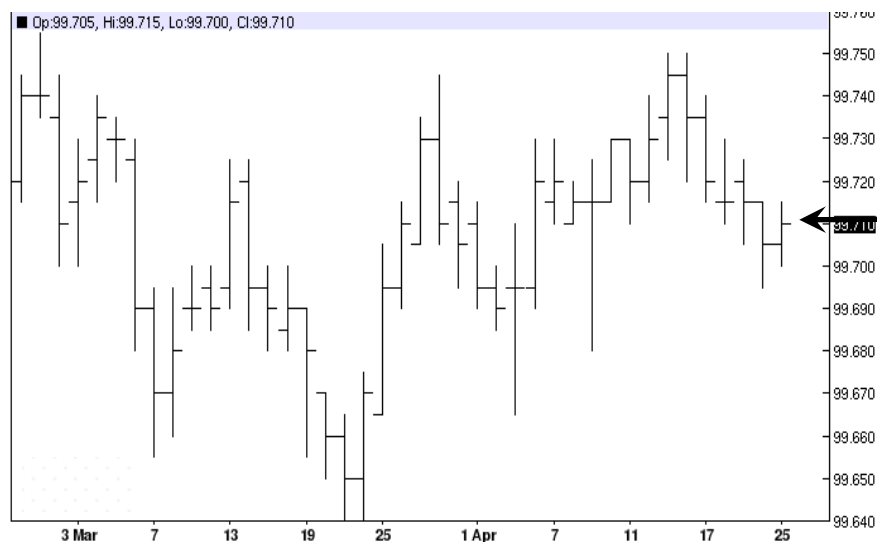
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains confused by the stance of the ECB.

The Macro Trader's view of Euribor is; the Euro zone recovery appears to have quickened slightly although data generally continues to paint a mixed picture with inflation still uncomfortably low.

The ECB isn't helping as signals over recent weeks have been mixed with talk of starting QE failing to materialise.

Looking ahead M3 and German IFO are due, but we

judge the outlook for this market will for now be determined by the policy actions of the ECB and although interest rates are not set to change, clearly if a QE program begins it would have an impact on sentiment.

But what is the upside potential? Limited. The downside potential? Non-existent.

Stay square.



Summary

Global Calendar

US Markets

- + EUROS DOLLARS
- + 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

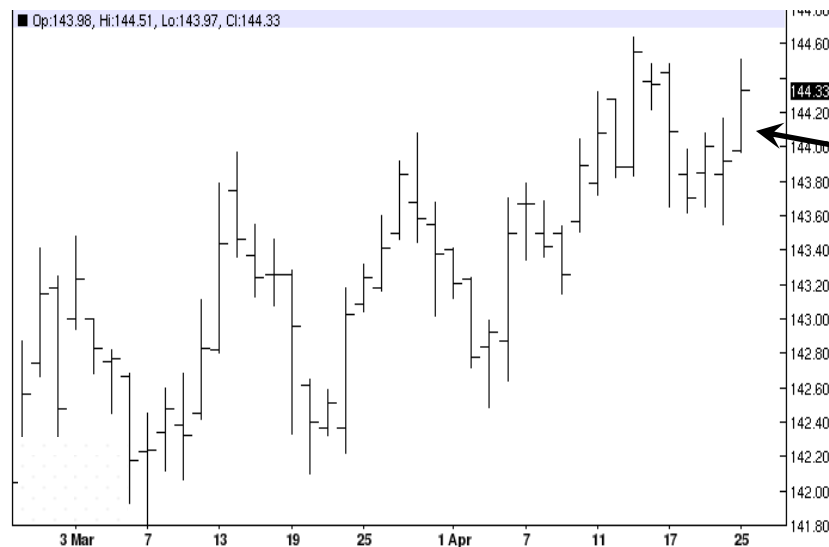
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

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



The Bund performed well and looks well supported.

The Macro Trader's view of the Bund is: last week's price action revealed the underlying strength of the Bund, recovering as it did from a limited sell off.

The Euro zone PMI Composite survey revealed a small improvement in activity, but prices continue to fall and although the ECB is concerned they are yet to act.

Add in the Ukraine crisis and the Bund looks supported moving forward.

Looking ahead the various Euro zone PMI Manufacturing surveys stand out, but as the Ukraine crisis looks set to worsen, we judge this market can rally further.

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

Our target remains 145.00, our stop continues at 143.10 for close protection..



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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

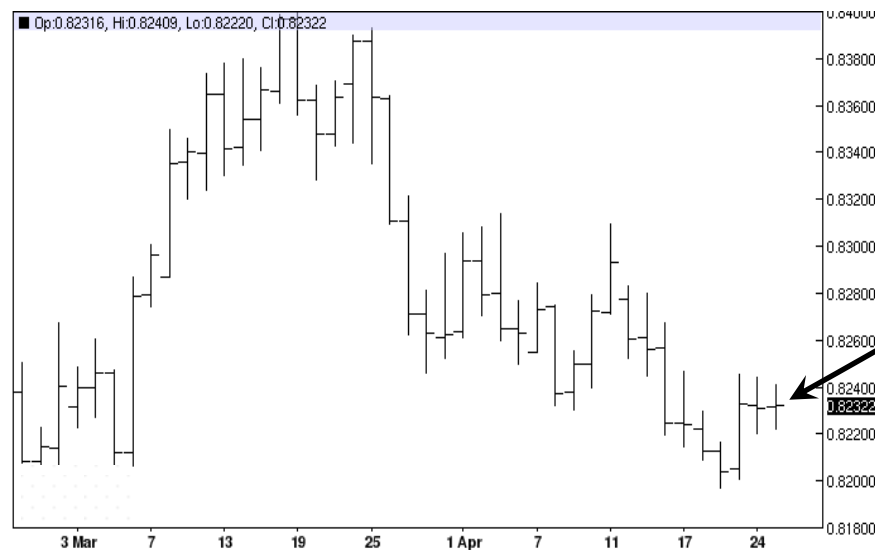
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were Square



See how the Euro has weakened against Sterling.

The Macro Trader's view of the Euro; last week's price action followed a familiar pattern as the stronger UK economic data continued to eclipse the still weak Euro zone.

With the debate in the UK increasingly centred on when policy will be tightened, compared to talk of more easing in the Euro zone, the Pound should rally further.

Looking ahead there are key releases due in the UK, US and Euro zone this week, we expect them to benefit Sterling.

For now we remain square here preferring to concentrate on Cable, but if the 0.8200 level is convincingly breached a long Sterling/Short Euro position would be our next move.



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
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Commodities

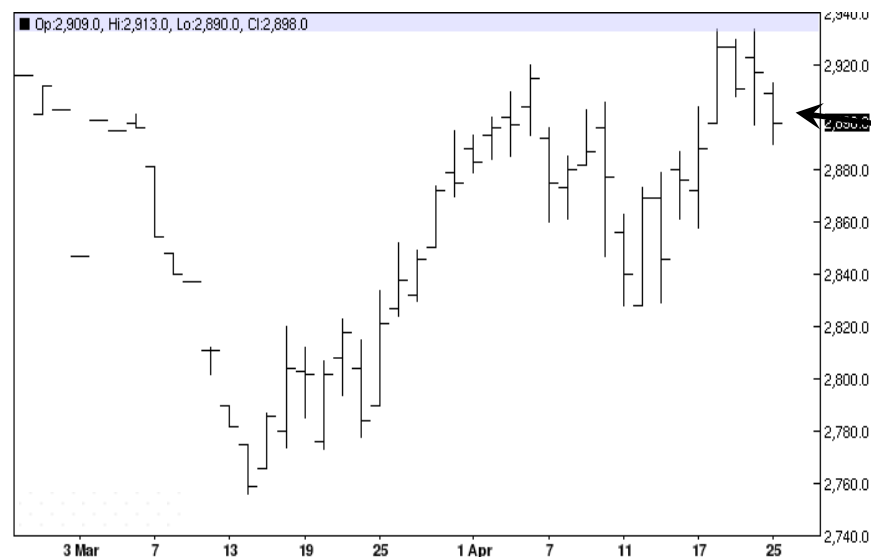
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market remains supported by talk of ECB easing.

The Macro Trader's view of DJ Euro Stoxx 50 is:
the market remains well supported, especially when compared to the FTSE.

Talk of further easing from the ECB has helped this market retest the highs and although the economic recovery still underperforms, the possibility of a QE policy is driving this market.

Looking ahead the PMI Manufacturing surveys are due this week, but we judge it will continue to be all eyes on the ECB to see what will be their next move.

We remain wary of equity markets given the crisis in Ukraine. So far western sanctions have been very limited. If at some point western governments deliver on their rhetoric, and deliver tougher sanctions, the impact will be felt in Russia, but with collateral damage, albeit manageable, in western economies.

For now we remain square.



Summary

Global Calendar

US Markets

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

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: economic background

Last week's focus was CPI. The national measure was as expected at 1.6%; quite close to the 2.0% target, but so far the economy has responded as expected, with the back drop of rising inflation.

Other data released continued to paint at best a mixed picture..

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; **Retail trade and large retail**

sales,

- On Tuesday; **industrial production,**
- On Wednesday; **Vehicle production and construction orders, and**
- On Thursday; **Vehicle sales, jobless rate and household spending.**

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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- + EURO
- + DJ EURO STOXX 50

Japanese Markets

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Commodities

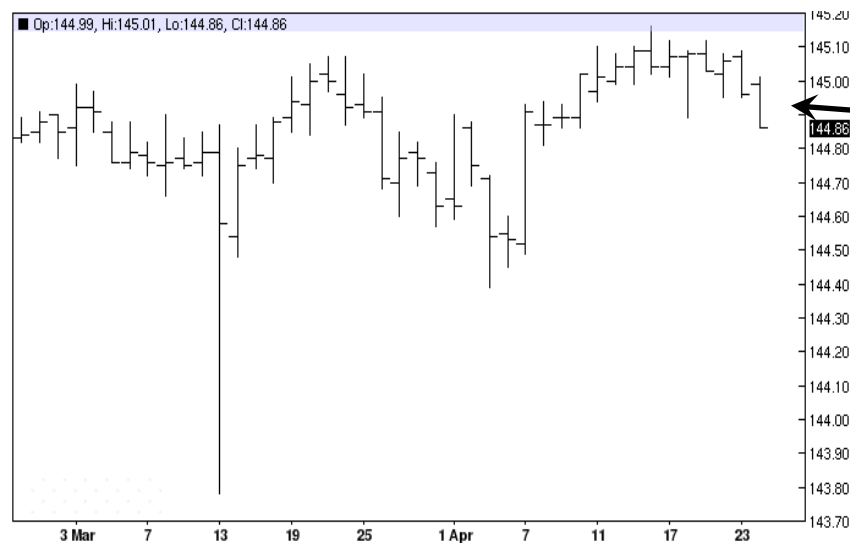
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB is supported but capped.

The Macro Trader's view of the JGB is: the run of data remains mixed and although CPI creeps closer to target, the economic recovery has yet to set in.

While this supports the JGB it so far proves insufficient to propel the market higher and with the Bank of Japan holding firm to its economic forecasts and attention being paid to Japan's eye watering high debt to GDP ratio, this market looks a difficult buy, but also neither is

it a sell.

Looking ahead the industrial production report is due, will it throw some fresh light on the future course of this market?

For now remain square.



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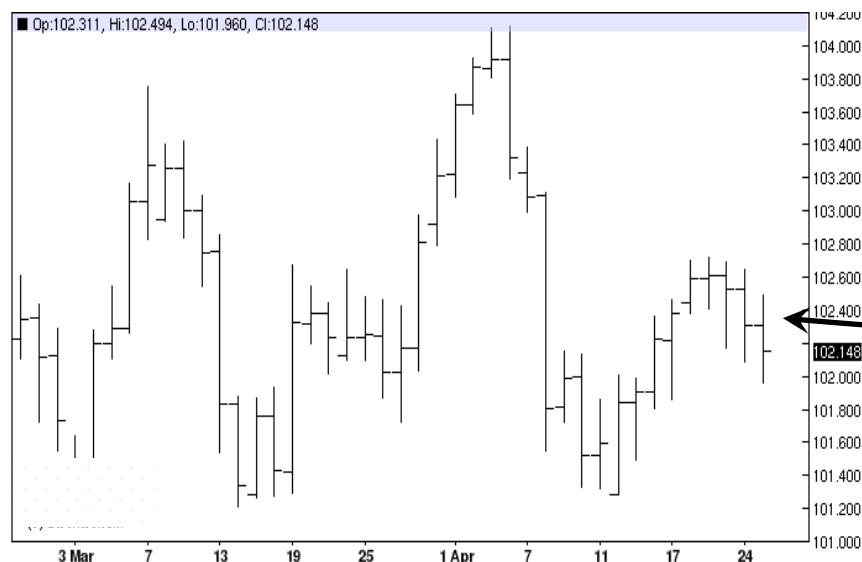
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Macro Trader's view of the Yen is; last week's price action simply repeats recent price moves; it is volatile within a clearly well established trading range.

But is it likely to break? We don't think so.

Looking ahead the Industrial production report is due in Japan and in the US Q1 GDP and non-farm payroll.

By the end of the week we doubt much will have

changed in Dollar/Yen.

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, but is that likely to happen soon? We don't think so.

For now watch and wait.



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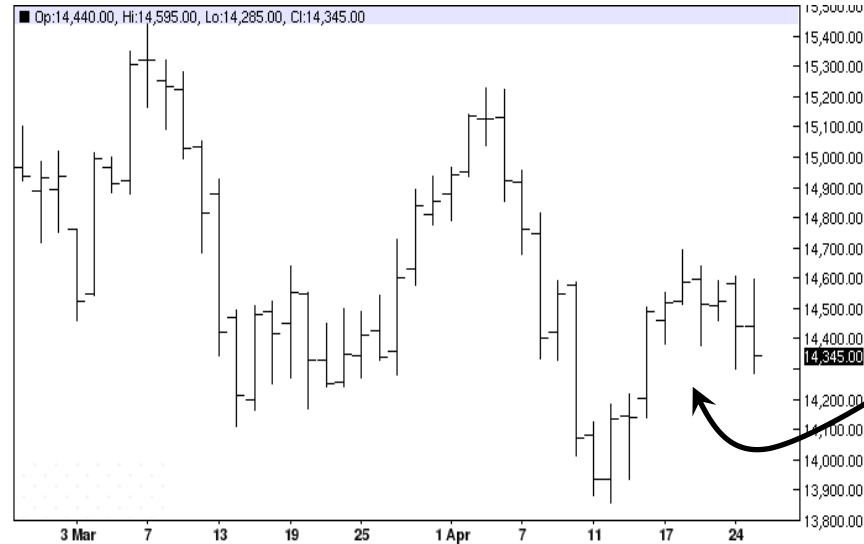
- + GOLD
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Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were **Bearish** of the Nikkei.



The Macro Trader's view of the Nikkei is; the Nikkei bounced on better than expected industrial production released the previous week, and traded through our stop.

Looking ahead the market looks likely to re-enter the previous trading range. Data remains disappointing and the Chinese economy continues to cool.

Although Japan and China are engaged in a spat over

some uninhabited islands, they remain the regions to largest economies and Japan has investments in China.

For now we are square of equity markets.

The current uncertainties, whether geopolitical, policy centric our growth centric lead us to take a cautious stance.



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Japanese Markets

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Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE.

Last week we were Square of Gold.



See how gold continues to look weak against the current geopolitical back drop.

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.

However the market retains residue support 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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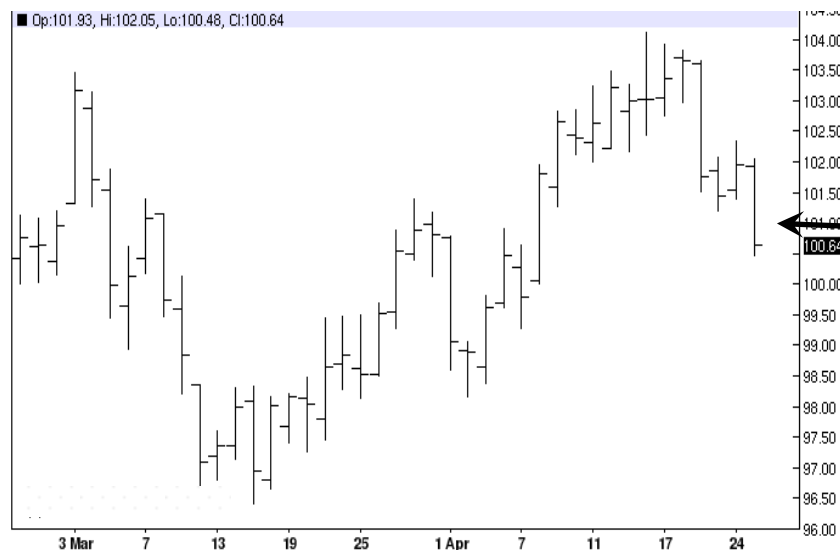
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil sold off last week on slower Chinese data.

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

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

The Chinese economy continues to post weaker data and as the world's second largest economy this is

starting to have an impact on the oil price.

However with the crisis still evolving and a Russian invasion still looking possible, the downside in this market is limited.

We judge there isn't an underlying trend in this market only a wide trading range.

For now we are staying square.



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Japanese Markets

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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

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