



SUMMARY

POSITIONS

- + S&P
- + Bund
- + Sterling Euro
- +
- +



Key Trade Round Up 29th May 2014

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Summary

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+
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LONG Jun 14 S&P @ 1871.90. Stop RAISED to 1871 .

:29th May: LONG Jun 14 Bund LONG @ 147.05 with Stop 145.49

May 14th: LONG Sterling SHORT Euro @ 0.8177. Stop 0.8253

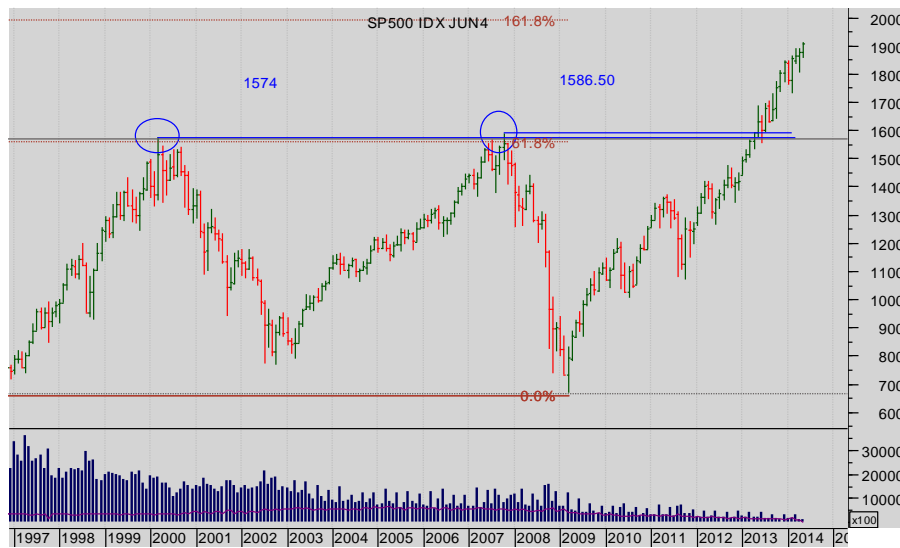


(1) TECHNICAL : LONG Jun 14 S&P @ 1871.90. Stop RAISED to 1871 . Take Profit @1989

SUMMARY

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+
+



Weekly continuation Chart :

The market's bull trend is very marked.

The break up through the Prior Highs is clear.



Daily bar chart :

The market's through the short-term Prior Highs is impressive. They are the critical support now.

Raise the Stop.

We are bulls still.



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The market remains well supported by the Fed's policy stance as highlighted in last week's FOMC minutes. And although the Fed intends to press on with its taper policy it remains committed to keeping interest rates low due to its concerns about the housing and labour markets.

These have this week shown some improvement and Durable goods have come in stronger than expected. But today's release of Q1 GDP with downward revisions shows just how the Fed needs to tread a fine line with policy.

The expectation for today's report was for Q1 GDP to be revised down to -0.5%, in the event it came in at -1.0%. While the central view is that the extreme winter weather was to blame and now that winter is over the economy should quickly recover; nothing can be taken for granted and the market will take the Fed at its word over policy and paradoxically rally.

In summary we advise remaining long.



(1) TECHNICAL: LONG 29th May Jun 14 Bund LONG @ 1.4705 with Stop 1.4549

SUMMARY

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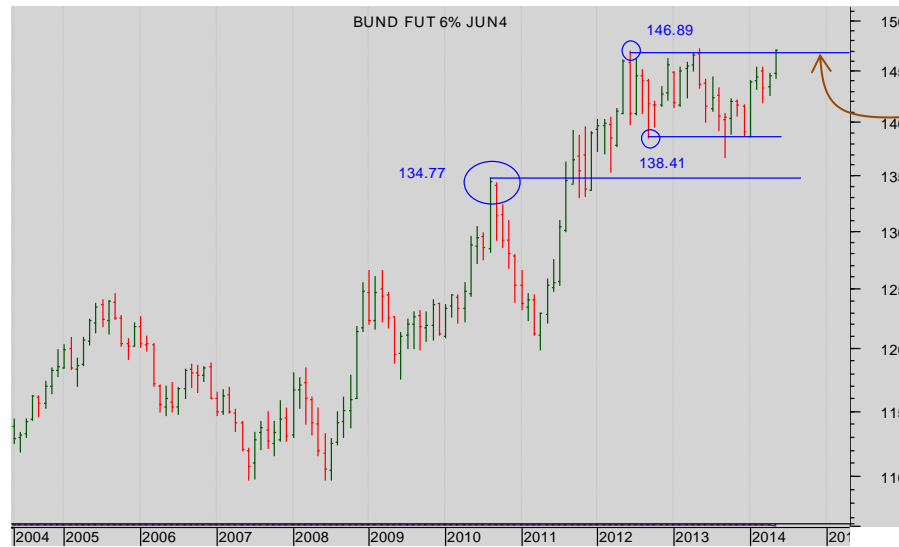
+ S&P

+ Bund

+ Sterling Euro

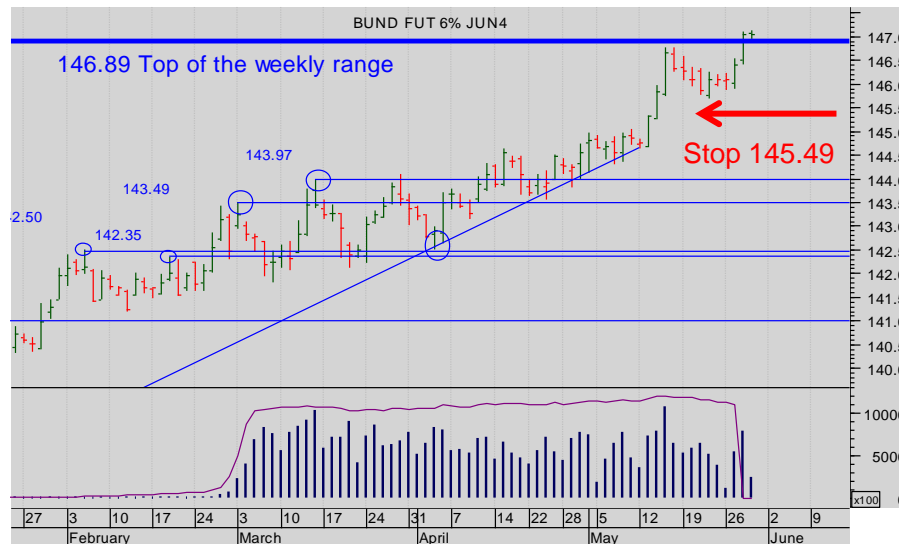
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Weekly Chart – Continuation:

The market is on the point of breaking up through the Prior High of 2012.



Daily Chart Continuation:

The breakout has happened in the short-term. Stops beneath the recent low.

Disclaimer

More



(2) FUNDAMENTAL: LONG 29th May Jun 14 Bund LONG @ 147.05 with Stop 145.49

SUMMARY

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The argument in favour of the Bund is relatively straight forward: The Euro zone economic recovery is flattered by the relative strength of the German economy, take that away and what is left.

Additionally inflation in the Euro zone remains very low, accentuating the risk of deflation. Moreover, the ECB has announced it is preparing a raft of easing measures which include rate cuts, but which must surely include a QE policy.

The impact of these policy moves will be more pronounced at the long end where yields should fall further.

In summary we are bullish of the Bund and advise going long.



(1) TECHNICAL : May 14th Long Sterling Short Euro @ 0.8177. Stop **lowered to 0.8191**

SUMMARY

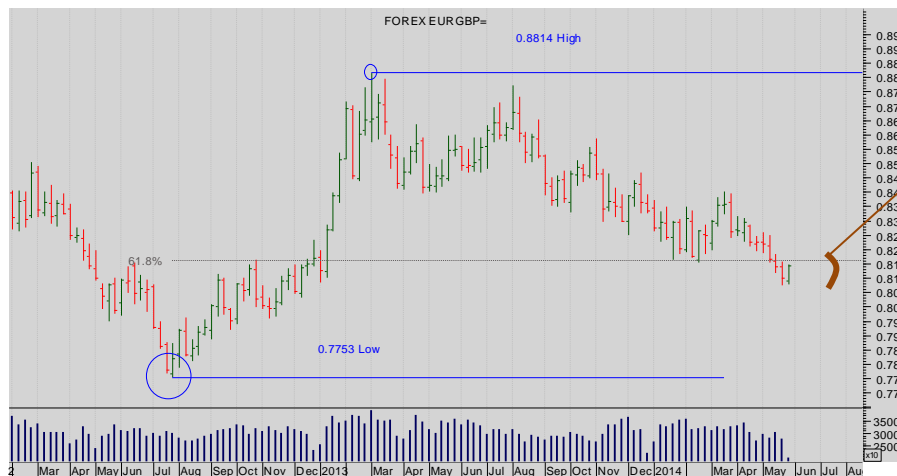
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Weekly Chart Continuation:

The market has broken through the band of pivotal resistance from the Prior High and the Fibonacci support.

They will be powerful resistance now.

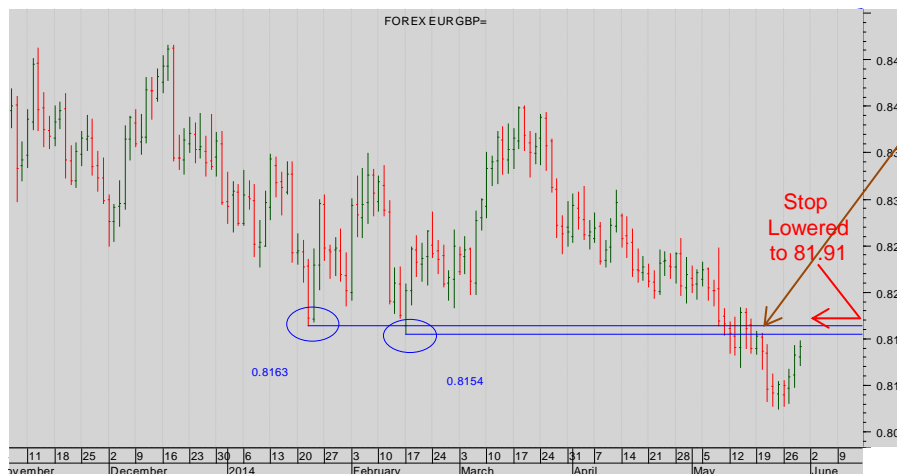


Daily Chart Continuation:

The breakdown is clear.

The rally will be meeting powerful resistance at 81.50 and above.

We remain bears.





(2) FUNDAMENTAL : May 14th Long Sterling Short Euro @ 0.8177. Stop lowered to 0.8191

SUMMARY

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+ S&P
+ Bund
+ Sterling Euro
+
+

The Pound's progress has briefly stalled, this is due to several factors linked to the recent EU vote. In several countries including the UK Eurosceptic parties have made significant gains. In the UK the UKIP part topped the poll beating all the other established political parties to win the largest share of the vote.

This serves to raise a question mark over UK political stability. The Labour leader is failing to convince the UK electorate of his case to be the next prime minister, the Liberal democrats lost all but one of their MEP seats and the leader who is also the deputy prime minister is facing growing calls from within his own party to resign.

Where he is ejected, the coalition would likely fall, prompting an early General Election which isn't due until May 2015. Add all of this to Scotland's independence referendum later this year and the landscape in the UK could potentially change dramatically.

We don't expect the yes camp in Scotland's referendum to win, meaning the UK will remain in tact. Also the thought of UKIP repeating its success in a general election looks remote. We think at this stage the Conservatives could in fact win an outright majority as UKIP are a threat to all the political parties.

In summary we judge these concerns will ease and economic fundamentals reassert meaning the Pound should rally further against the Euro so hold the trade.



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