



Week 34  
26<sup>th</sup> August – 1<sup>st</sup> September 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

Authorised and regulated  
by the FSA



## SUMMARY

### Summary

### Global Calendar

### US Markets

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

● SQUARE  
● SQUARE  
● SQUARE  
● BULLISH

### UK Markets

+ SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE

● SQUARE  
● SQUARE  
● BULLISH v the Euro  
● BULLISH

### Euro Zone Markets

+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

● SQUARE  
● BULLISH  
● BEARISH v the Pound  
● SQUARE

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

● SQUARE  
● SQUARE  
● SQUARE

### Commodities

+ GOLD  
+ OIL

● BEARISH  
● 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 25 <sup>th</sup> August
Monday	US New home sales 429k DM IFO 112.0 JP Corp service prces 3.7%
Tuesday	US Durable goods 7.1% US DG Ex-transport 0.5% US Hse price indx 0.3m, US S&P Comp-20 8.30% US Cons conf 88.5
Wednesday	US MBA Mrtge apps n/f DM GFK Cons conf 8.9

	Week of 25 <sup>th</sup> August
Thursday	US Jobless claims 300k US Q2 GDP (A) 3.9% US Q2 Prsnl consmptn 2.4% US Q2 GDP Price indx 2.0% US Q2 Core PCE 2.0% US Pndg home sales 0.5m, -3.9y UK CBI Sales 27 UK GFK Cons conf n/f DM Unemploy'm't rate 6.7% DM Unemploy'm't chge -5k EZ M3 (3M) 1.3% EZ M3 (y/y) 1.5% EZ Ind conf -4.5 EZ Cons conf -10 EZ Economic conf 101.5 EZ Services conf 3.5 DM CPI 0.0m, 0.8y JP CPI National 3.4% JP CPI Tokyo 2.7% JP Jobless rate 3.7% JP Househld spndg -2.9% JP Lrge retail sales -0.6% JP Retail trade 0.3m, -0.1y JP Ind production 1.0m, -0.1y
Friday	US Persnl income 0.3 US Persnl spndg 0.2 US Core PCE 0.1m, 1.5y US Chicago PMI 56.0 US U. of Michigan conf 80.1 IT Unemploy'm't rate 12.3% EZ Unemploy'm't rate 11.5% EZ CPI Est 0.3y IT Q2 GDP -0.2q, -0.3y JP Vehicle production n/f JP Construction orders n/f



## 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 18 <sup>th</sup> August
Monday	US NAHB House mkt indx 55 <b>BETTER</b> EZ Trade bal 16.8B <b>STRONGER</b> JP Nat'nwide dept stre sales -2.5 <b>BETTER</b> JP Tokyo dept stre sales -1.4 <b>BETTER THAN EXPECTED</b>
Tuesday	US Housing starts 1093k <b>STRONGER</b> US Building permits 1052k <b>STRONGER</b> US CPI 0.1m, 2.0y <b>AS</b> US CPI Ex-f&e 0.1m, 1.9y <b>LESS</b> UK CPI -0.3m, 1.6y <b>WEAKER</b> UK RPI -0.1m, 2.5y <b>LESS</b> UK RPI-X 2.6y <b>AS</b> UK PPI Output -0.1m,- 0.1y <b>WEAKER</b> UK PPI Input -1.6m, -7.3y <b>WEAKER</b> UK PPI Core 0.0m, 0.9y <b>AS</b> UK DCLG House price 10.2 <b>AS</b> EZ C/A 13.1B <b>WEAKER</b> JP Trade bal -Y964.0B <b>WORSE THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps 1.4% <b>STRONGER</b> US FOMC Minutes July 29-30 UK CBI Trends Orders 11 <b>STRONGER</b> UK MPC Minutes 7/2 DM PPI -0.1m, -0.8y <b>WEAKER</b> EZ Construct'n orders -0.7m, -2.3y <b>WEAKER</b> JP All ind actvty indx -0.4% <b>AS</b> JP PMI Mfg 52.4 <b>STRONGER THAN EXPECTED</b>

	Week of 18 <sup>th</sup> August
Thursday	US Jobless claims 298k <b>BETTER</b> US Philly Fed 28 <b>STRONGER</b> US Existing home sales 5.15M <b>STRONGER</b> UK Retail sales 0.5m, 3.4y <b>LESS</b> UK PSNCR -9.7B <b>AS</b> UK PSNB -1.1B <b>WORSE</b> EZ PMI Composite 52.8 <b>WEAKER</b> EZ Cons conf -10 <b>WORSE</b> JP Super mkt sales -2.1 <b>BETTER THAN EXPECTED</b>
Friday	



## 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

## US MARKETS: economic background

Last week's focus was the FOMC minutes with traders eager for fresh clues about the Fed's thinking on interest rates.

In the event the minutes revealed policy makers discussed policy and the labour market.

On policy the Fed looked at raising interest rates sooner than previously signalled, but concluded they needed more evidence before changing their view, but in any case they would give good warning before changing policy.

On the Labour market the central view was it had improved more noticeably towards longer run norms.

Other key data releases saw CPI broadly as expected and jobless claims a little below consensus.

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; **New home sales,**
- On Tuesday; **Durable goods, house price index, S&P Comp-20 and consumer confidence,**
- On Thursday; **Jobless claims, Q2 GDP, Q2 Personal consumption, Q2 Core PCE and pending home sales, and**
- On Friday; **Personal income, Personal spending, Core PCE, Chicago PMI and University of Michigan confidence.**

The main event this week is Q2 GDP report.

After such a weak Q1 and a strong rebound reported by early releases of Q2 GDP, traders will be anxious to see that strength isn't revised away.



## 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

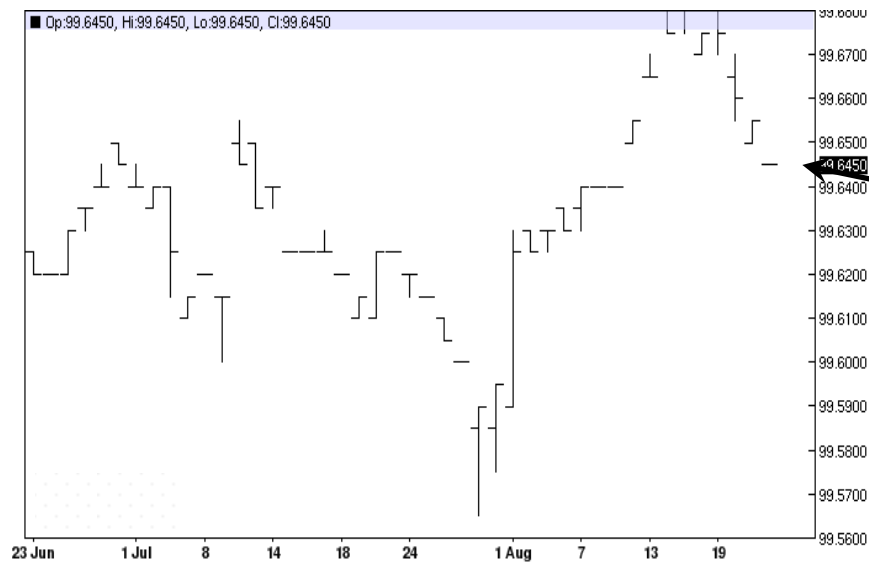
- + GOLD
- + OIL

### Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Note how Eurodollars corrected lower on the FOMC minutes.

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

...“Looking ahead the FOMC minutes are due and traders will be alert to any new comments about the outlook for policy”...

In the event policy makers explored the merits of moving rates up sooner rather than later, but decided they needed more evidence.

Looking ahead Q2 GDP is due, an in line report will have virtually no impact on this market, leaving traders to further ponder the Fed's latest remarks on policy.

We judge this market offers little to excite and 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

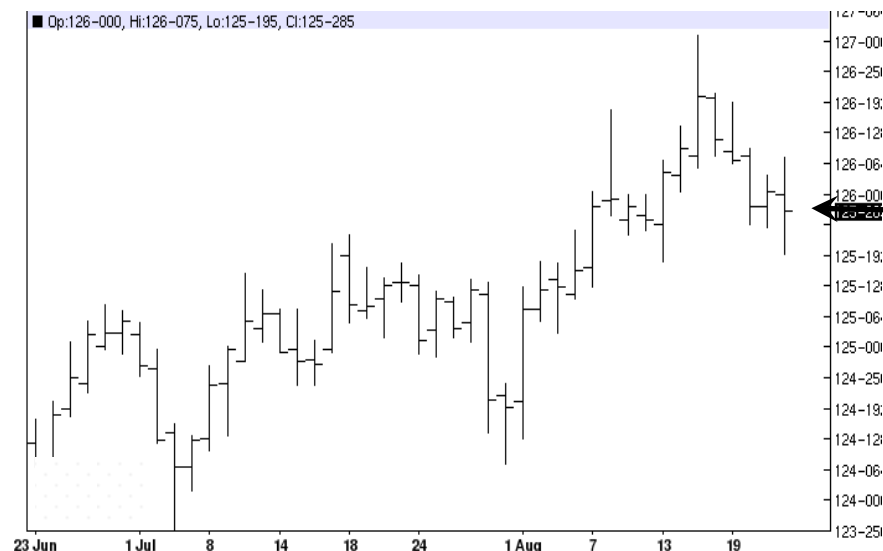
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



**The Macro Trader's view of the 10 year note is:** the Fed may have discussed the merits of tightening policy sooner the previously indicated, but in the end they opted to leave as is and seek further evidence.

Looking ahead new home sales, durable goods and Q2 GDP are all due.

Strength in these will weigh on this market, but we expect data to be more or less in line offering this market little to excite.

With inflation still low and the recovery still moderate and with interest rates still set at all time lows, there is little to support a Bear trade, but unless the economy unexpectedly stalls, it is difficult to get to excited on the Bull track either.

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

- + GOLD
- + OIL

## Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: SQUARE.

Last week we were Square.



The Dollar's recovery has held up well, but is it still just a correction?

**The Macro Trader's view of the Dollar is;** the Dollar's recovery has held up well and is looking increasingly more than just a correction.

However the Fed still seems cautious about signalling a change in policy, or even flagging that policy could start to tighten sooner than previously advised.

But with the Euro zone economy weak and German activity cooling, together with Euro zone CPI almost at zero, the Dollar could be on the verge of a genuine

long bull run.

Looking ahead another look at Q2 GDP is due this week, a small downward revision is expected, anything more would unsettle the Dollar, conversely an in line or better report will see the Dollar gain strength.

For now we are staying square, but a convincing break below 1.3100 would encourage us to go long in anticipation of further gains.



## 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

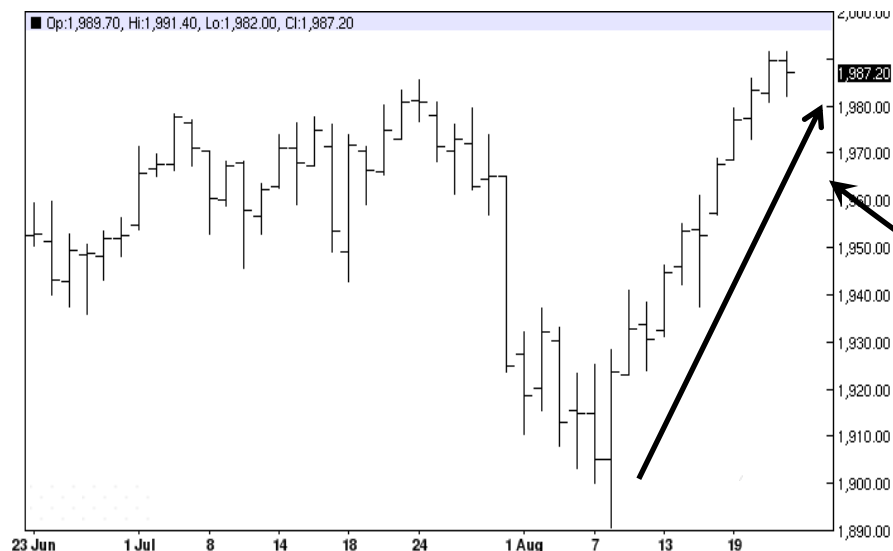
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: BULLISH.

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



The S&P flirted with new all time highs.

**The Macro Trader's view of the S&P 500 is:** last week's price action was encouraging for the long term bull, (us), as the market shook off the interest rate discussion revealed in the FOMC minutes.

Rather traders preferred to focus on remarks made by Yellen and Draghi at the Jackson Hole Central Bank retreat.

Looking ahead Q2 GDP is out later this week and

barring any unexpected negative surprises we expect this market to remain well supported by the mix of economic recovery and low interest rates.

Traders should be long of this market.

Our suggested target is 2020.00 and our suggested stop is close at 1980.00 for protection against geopolitical risk.



## 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

## UK MARKETS: economic background

Last week the focus was the Retail sales report, as ever the driver in UK economic expansion.

In the event the report was a little mixed; the m/m number was firmer, but the y/y number slightly weaker, in all not much to excite.

Other key data out last week was the CPI report and this came in weaker than expected leaving the Bank of England more room and time to leave policy unchanged, but the MPC minutes revealed a split with two policy makers seeking a rate hike.

Looking ahead there are few reports due this week, as

detailed on the global calendar, but we judge these are the week's **key** releases :

- On Thursday; **CBI Sales and GFK Consumer confidence.**

The key release this week is....?

Well in a week with few if any heavy weight releases the eye catcher will be the CBI Sales report.



## 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

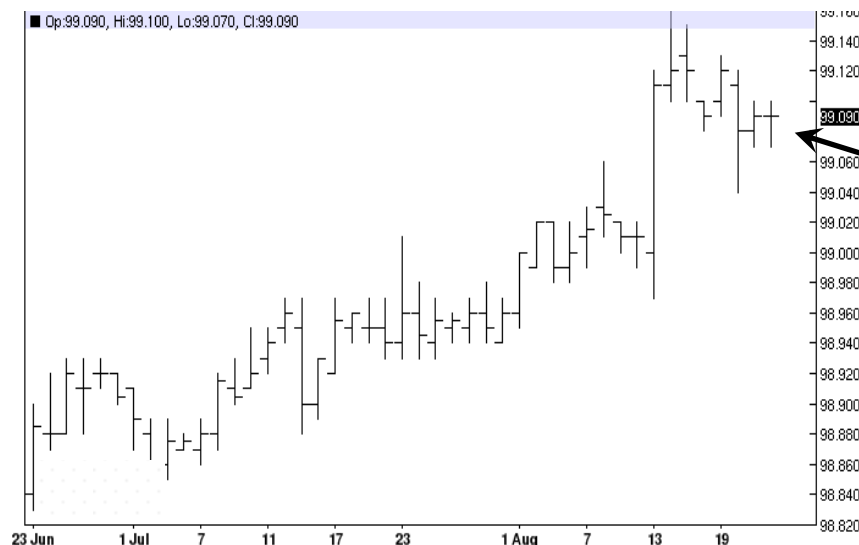
- + GOLD
- + OIL

## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE; SQUARE.

Last week we were Square of Short Sterling.



Short Sterling found few reasons to rally last week after the split vote on the MPC.

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

...“We think there is still time for the Bank to change it's stance and expect MPC minutes to start showing a split vote on interest rates”...

In the event last week's release of MPC minutes revealed just such an outcome with two members arguing and voting in favour of an immediate rate hike.

And despite CPI coming in lower than expected Short

Sterling moved lower.

Looking ahead we think it could be a few months yet until the majority move towards hiking rates and although we have been suggesting the Bank will tighten before the year is out and they still could, any move will be later than previously thought.

Data wise not much to excite this week, this market will likely continue to react to the split MPC vote.

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

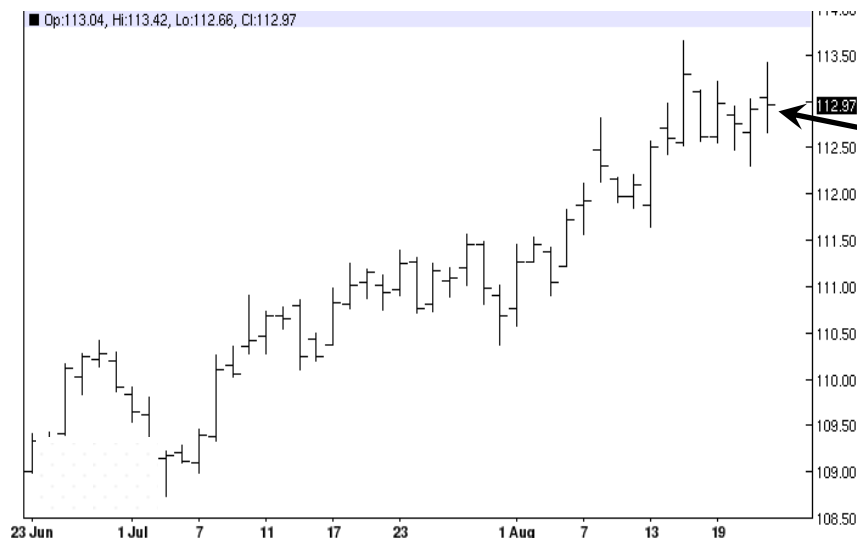
- + GOLD
- + OIL

## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



**The Macro Trader's view of the Gilt is;** the Gilt continues to look well supported, despite the MPC minutes revealing a split vote, the first in several years as two policy makers argued in favour of an immediate rate hike.

But with CPI reported last week falling from 1.8% to 1.6% year on year, it may take a few months yet before the others on the committee join them.

However the UK economy continues to perform

strongly and one MPC member commented last week that as the labour market has tightened, wages should start rising soon, meaning the Bank may yet move policy sooner than many think.

Looking ahead very little domestic data due this week, meaning the Gilt will likely follow the price action in other major government bond markets; the Bund and US Treasuries.

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

- + GOLD
- + OIL

## Disclaimer

## UK MARKETS: Sterling

### OUR TRADING STANCE; BULLISH v the EURO

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



See how Sterling continues to labour against the Dollar.

**The Macro Trader's view of the Pound is:** the Pound remains under pressure against the Dollar as the interest rate debate in the US and UK continues to evolve.

In the UK the MPC minutes revealed a split 7/2 vote.

In the US the FOMC minutes revealed a deeper debate about hiking rates than expected, which favoured the Dollar.

Add in the lower than expected UK CPI report last week and the two MPC dissenters might need a

degree of patience before others of their colleagues join them.

Against the Euro the Pound continues to perform better. The Euro zone economic recovery remains in intensive care, CPI is around 0.3% and Draghi sounded very dovish in his Jackson Hole address.

Traders should remain Long Sterling against the Euro.

Our suggested target remains 0.7800 and our stop continues at 0.8280 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

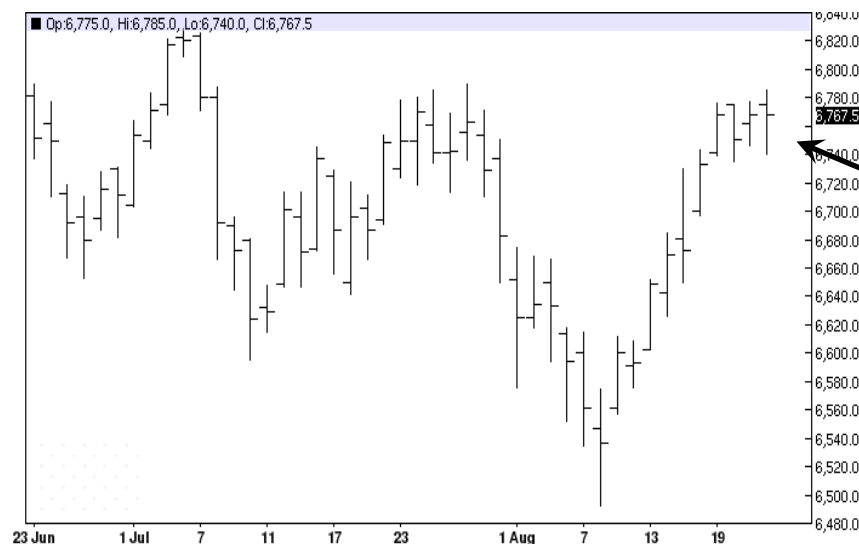
- + GOLD
- + OIL

## Disclaimer

## UK MARKETS: FTSE

### OUR TRADING STANCE: BULLISH.

Last week we were **Bullish**.



See how the FTSE edged higher on economic strength and a permissive interest rate environment.

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

...“Looking ahead CPI is due Tuesday and a tame report is expected. Later in the week retail sales are due. A stronger than expected report would help this market”...

In the event CPI declined unexpectedly to 1.6% and retail sales were more or less as expected and although the surprise of the week was the split MPC vote, traders remain confident the Bank will be in no

rush to hike; just yet!

Moreover the ECB is likely to ease further as Euro zone inflation and growth continue to disappoint and despite the FOMC minutes Yellen sounded a softer tone on policy in her Jackson Hole address. In summary this market looks set to rally further.

Traders should be long the FTSE.

Our suggested interim target remains 6820.00 and our suggested stop continues at 6560.00 for protection

More



## Summary

## Global Calendar

## US Markets

+ EUROS&POLLARS  
+ 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 the Euro zone PMI Composite survey.

In the event it was weaker than expected under lining the weakness of the Euro zone economy which Draghi spoke of in his Jackson Hole address.

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 IFO**,
- On Wednesday; **German GFK Consumer confidence**,
- On Thursday; **German unemployment report, Euro zone M3, Industrial, services**,

**economic and consumer confidence reports and German CPI, and**

- On Friday; **Euro zone unemployment and CPI Estimate.**

The main event this week is the Euro zone CPI Estimate.

A reading of just 0.3%/y is expected; how much lower must it go before the ECB responds aggressively to what is clearly a slide into deflation on the back of a weak economy?



## 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

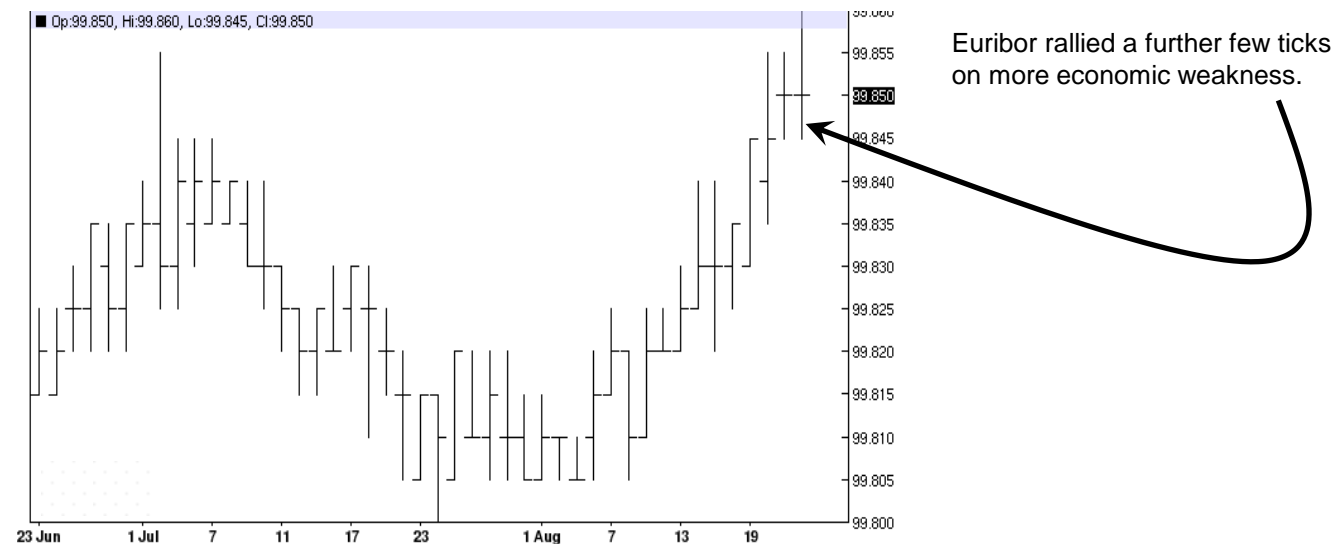
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



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

...“Looking ahead the key release this week is the Euro zone PMI Composite survey, but will the ECB finally wake up and do more than play catch-up with events and try to get ahead of the curve with its policy action; we don't think so!”...

In the event the Euro zone PMI Composite survey was weaker than expected, but is there help around the corner?

In Draghi's Jackson Hole address he certainly seemed dovish and willing to do more, but action not words are urgently needed!

Looking ahead Euro zone CPI estimate is due, a rate of 0.3%/y/y is expected, if so deflation is but a heart beat away, the ECB needs to act decisively.

We are remaining square of all short term interest rate contracts. We judge resources can be deployed more profitably elsewhere..



## 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

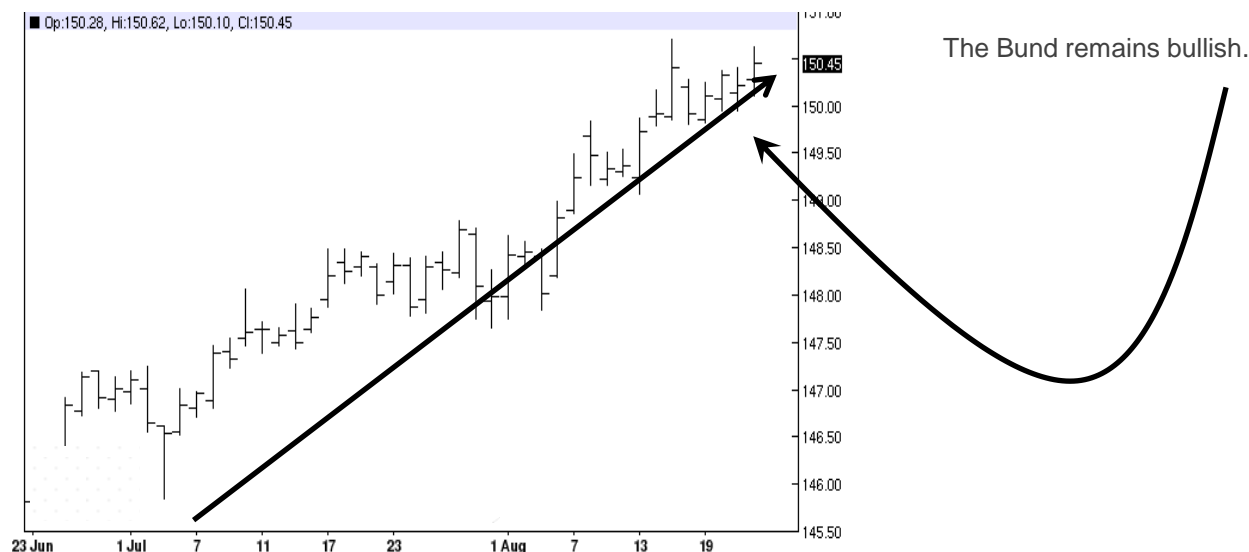
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: BULLISH.

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



**The Macro Trader's view of the Bund is:** last week's key release was the Euro zone PMI Composite survey and it was weaker than expected.

In his Jackson Hole address Draghi sounded a dovish tone and promised to do more. But given the economic malaise gripping the Euro zone and the relentless slide towards deflation, action not promises are needed.

Looking ahead the Euro zone CPI estimate is due and expected to show another decline in year on year CPI.

The weakness of growth, the slide towards deflation and the expectation the ECB will ultimately adopt a QE policy makes the Bund a Bull market.

Traders should be long this market.

Our suggested target remains 152.0 and our suggested stop continues at 149.05 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

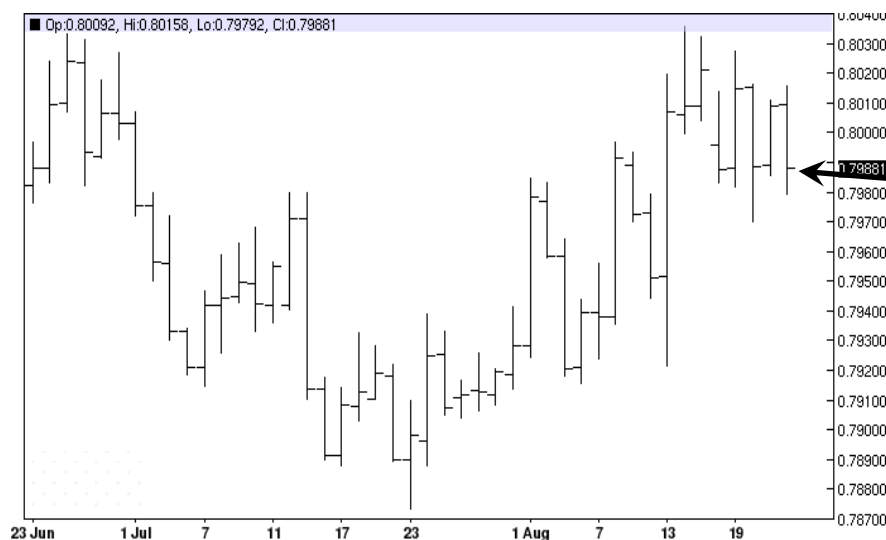
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: **BEARISH v STERLING**

Last week we were **Bearish v Sterling**



See how the Euro's correction against Sterling is showing signs of failure.

**The Macro Trader's view of the Euro;** the ECB promises to do more to help the Euro zone economy, but drags its feet even as data continues to weaken, last week it was a worse than expected Euro zone PMI Composite survey.

In the UK the MPC policy committee has already begun to divide into two camps; those calling for an immediate rate hike and those wanting to wait and see a while longer.

For the currency markets the differences are clear, the UK economy is strong and a rate hike is around the

corner, in the Euro zone economic activity is weak, inflation is close to zero, the ECB says it can do more but when it does it is too little too late.

Looking ahead the Euro zone CPI estimate is due and likely to offer further ammunition to those calling on the ECB immediately adopt a QE policy.

Traders should remain Long Sterling/Short the Euro.

Our suggested target remains 0.7800 and our stop continues at 0.8280 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

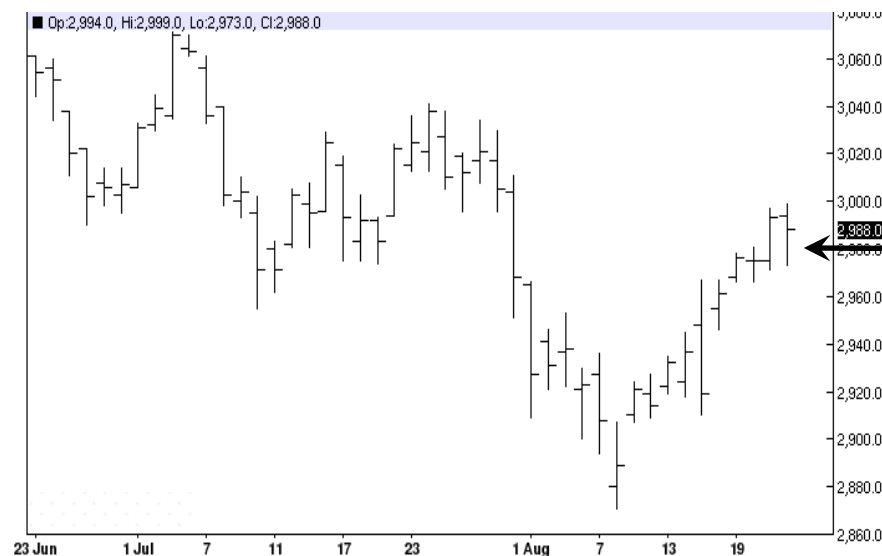
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market extended the recovery dragged better by international sentiment.

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

the market extended the recover helped by international sentiment.

Additionally the ECB President pledged to do more during his Jackson Hole address, but the ECB's actions don't live up to their pledges and when they do act its too little too late.

Last week's Euro zone PMI Composite survey showed

yet again the economy needs help.

This week's Euro zone CPI estimate is expected to show a further move towards deflation.

What is the ECB waiting for?.

We are staying square of this market based on the local fundamentals; they do not support a rally.



## 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 key release was the PMI Manufacturing survey.

In the event it was stronger than expected, but last week's trade data was worse than forecast and the recently released Q2 GDP report was uncomfortably weak.

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; **Corporate service prices,**
- On Thursday; **National and Tokyo CPI, Jobless rate, household spending, retail sales and**

**industrial production, and**

- On Friday; **vehicle production and construction orders.**

The key release this week is the industrial production report.

As ever a key measure of Japan's economic health which hasn't so far matched the rise in CPI.



## 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

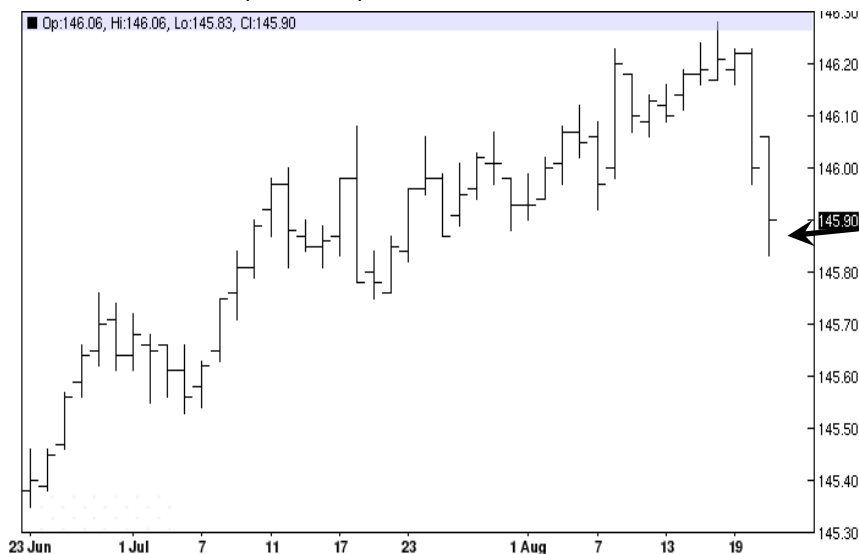
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB sell off ran contrary to rallies in other leading government bond markets.

**The Macro Trader's view of the JGB is:** the key release last week was the PMI Manufacturing survey and although better than expected, weakness remains the theme.

The authorities have cut rates to the bone, embarked on a QE policy that has driven up inflation and thrown countless fiscal stimulus packages at the economy but still it doesn't respond.

Looking ahead the key release this week is industrial production, but the message is likely more of the same.

We are staying square of this market.

The authorities economic plan was that by driving up inflation, growth would strengthen too. In reality that hasn't happened.

The economy remains fragile and now with a huge debt to GDP ratio.

We are 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

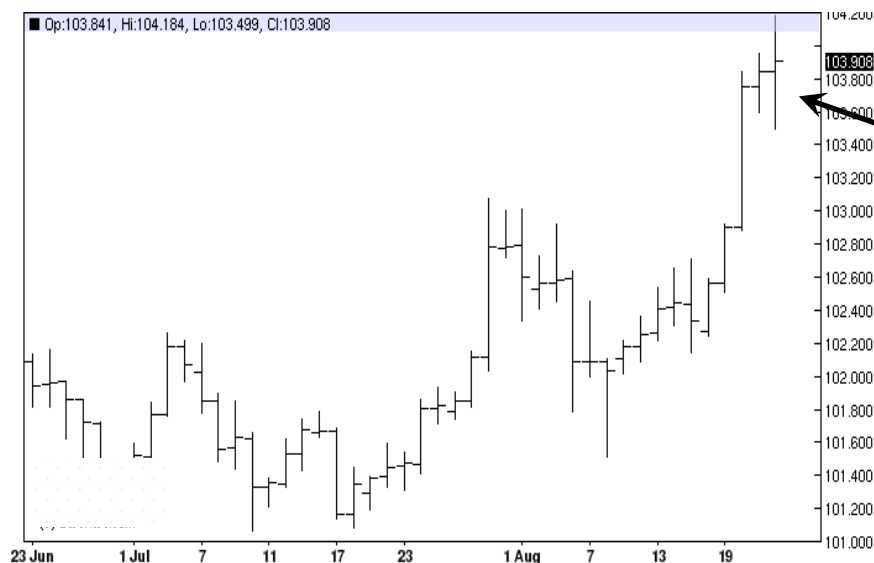
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen weakened last week as the Dollar continues to strengthen against all the major currencies.

**The Macro Trader's view of the Yen is;** the combination of US economic recovery, Japanese economic weakness and geopolitical tension further strengthened the Dollar last week against all the majors including Japan.

Looking ahead the key release this week is the Industrial production report and evidence of continued weakness will again weigh on the Yen.

But current price action in currency markets is pointing increasingly to Dollar strength as the US economy continues to heal and the Fed widens the debate about policy and when to tighten.

However for now we are square the Yen still retains the capacity to attract safe haven buying at times of geopolitical tension and there remain several serious global hot spots right now..



## 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

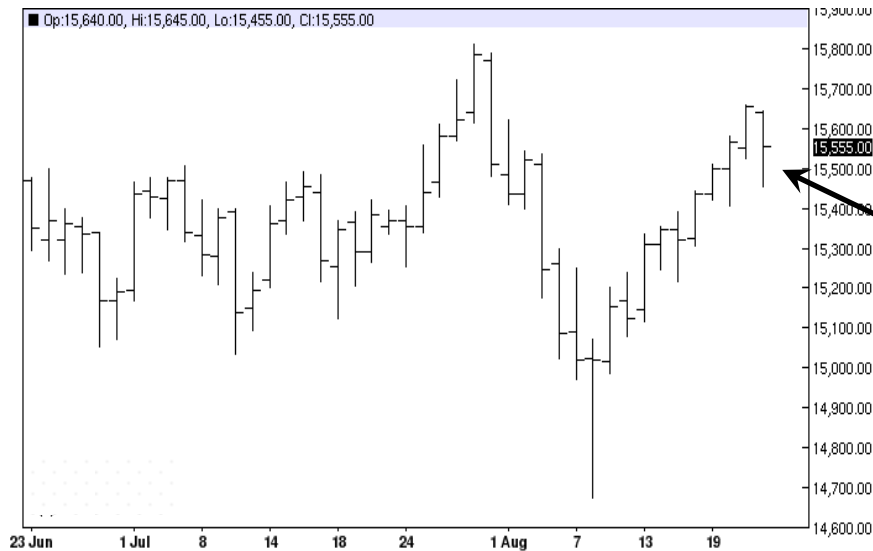
+ GOLD  
+ OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



See how the Nikkei extended the recovery but looks a little fragile.

**The Macro Trader's view of the Nikkei is;** equity markets globally staged a rally last week as key speakers at the Jackson Hole conference pledged support for their economies.

But what is there new for Japan to do?

She has tried kick starting her economy by:

1. Cutting interest rates almost to zero,
2. Throwing countless fiscal stimuli at the problem,
3. Adopting a QE policy, and

4. Aggressively pursuing a policy designed to drive up inflation in the belief growth would follow.

So far none have had the anticipated success.

Looking ahead this week's key release is industrial production, but we doubt this will offer anything new.

For now stay square, the market has rallied on international sentiment not domestic fundamentals.



## 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

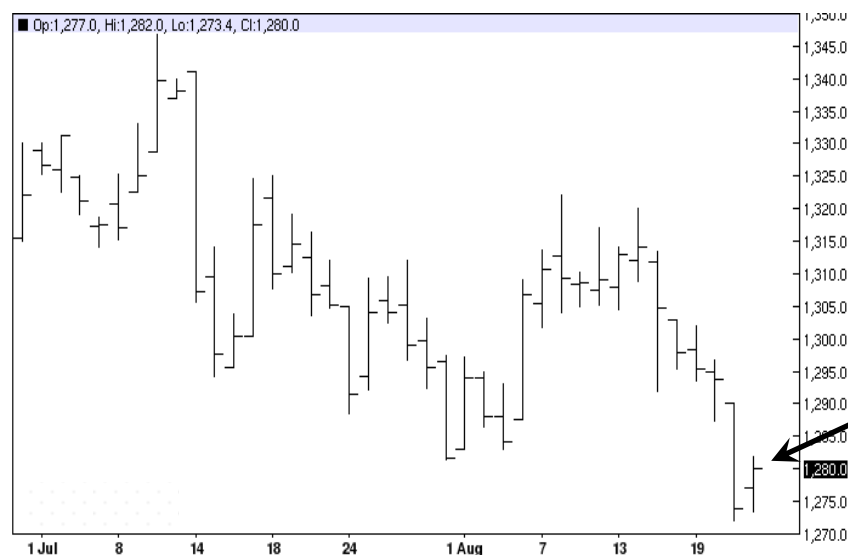
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Gold

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

Last week we were Square of Gold.



See how gold's inherent weakness finally broke through.

**The Macro Trader's view of the Gold is:** gold finally revealed its weakness and despite ongoing geopolitical tensions involving, Ukraine/Russia, the Middle Est and territorial disputes centred on China the Gold price broke down.

Looking ahead the US Fed is now debating when to hike rates as they see their labour market close to long run norms, in the UK the MPC has split between those wanting an immediate rate hike and those wanting to wait a little longer even though UK growth is strong. The Chinese economy is looking healthier, only Japan

and the Euro zone continue to ail.

Where next then for gold.

We judge the threat of global financial crisis has diminished so much so that Gold is now an asset that is too expensive to hold. That means it is vulnerable to further selling and we advise going short.

Our suggested target is 1200.00 and our suggested stop is placed close at 1310 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

- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



**The Macro Trader's view of oil is:** despite fighting in oil producing areas which includes Iraq and Libya, the Oil price continued to correct lower.

Moreover with relations between the west and Russia still at the worst in 20 years, with implications for western Europe's reliance on Russian energy imports, a rally rather than a sell off might have been expected.

But as the US is set to assume the position of world number one energy producer with expectations she will be a net exporter, as evidenced in already improving trade data, the current crisis is not having the same

impact as would have occurred a few years earlier.

Moreover even as the extremist group ISIS threatens to further split Iraq and grab land in Syria with implications for the oil reserves of Iraq, it is apparent that the extremists are selling the oil from the wells they have captured, so is supply really at risk.

For now we are remaining square. Any natural resource as important as oil that is located in war torn areas presents a security of supply dilemma.



## 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

### SEVEN DAYS AHEAD

Authorised and Regulated by the FSA

124 REGENTS PARK ROAD LONDON NW18XL

TEL +44 (0) 7849 922573 E-MAIL [jlewis@sevendaysahead.com](mailto:jlewis@sevendaysahead.com),

[msturdy@sevendaysahead.com](mailto:msturdy@sevendaysahead.com)

WEB SITE [SEVENDAYS Ahead.COM](http://SEVENDAYS Ahead.COM)

The material and information set out in this research is not intended to be a quote of an offer to buy or sell any financial products. Any expression of opinion is based on sources believed to be reasonably reliable but is not guaranteed as to accuracy or completeness.

The material and information herein is general and for informational purposes only. Although Seven Days Ahead endeavours to provide useful information they make no guarantee as to the accuracy or reliability of the research.

The derivative market comprises volatility and considerable risks. To the maximum extent permitted by law no responsibility or liability can be accepted by Seven Days Ahead, any company or employee within its group for any action taken as a result of the information contained in this presentation. You are requested not to rely on any representation in this research and to seek specific advice from your accountant, legal adviser or financial services adviser when dealing with specific circumstances.

**Seven Days Ahead is regulated by the UK Financial Services Authority.**

MAIN MENU