



Week 39  
30<sup>th</sup> September – 6<sup>th</sup> October 2014

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



# 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
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- + S&P 500

- SQUARE
- BEARISH
- BULLISH v the Euro
- BULLISH

### UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

- SQUARE
- BEARISH
- SQUARE
- SQUARE

### Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

- SQUARE
- SQUARE
- BEARISH v the Dollar
- SQUARE

### Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

- SQUARE
- SQUARE
- BULLISH on Yen weakness

### Commodities

- + GOLD
- + OIL

- BEARISH
- SQUARE

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- + YEN
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Week of 29 <sup>th</sup> September	
Monday	US PCE Core 0.0m, 1.4y US Prsnl income 0.3% US Persnl spndng 0.4% US Pndg home sales -0.2% UK Net Indg on dwllngs 2.0B UK Net consumer 0.9B UK Mrtge aprvls 64.9k UK GFK Cons conf 0 EZ Ind conf -5.5 EZ Economic conf 100 EZ Cons conf -11 DM CPI 0.0m, 0.8y JP Jobless rate 3.8% JP Household spndg -3.6 JP Retail trade 0.4y JP Lrge retailers 0.6% JP Ind production 0.5m, -1.0y
Tuesday	US Case/shiller comp-20 7.45% US Chicago PMI 61 US Cons conf 92.4 UK Nat'nwide hse prices 0.5m, 10.4y UK Q2 C/A -18.7B UK Indx of services n/f UK Tot bus investmnt 1.6q, UK Q2 GDP 0.8q, 3.2y DM Unemploy'm't chge -5k DM Unemploy'm't rate 6.7% EZ Unemploymt rate 11.5% EZ CPI Est 0.3% JP Vehicle production n/f JP Construction orders n/f JP Tankan Lrge mfg 10 JP PMI Mfg n/f
Wednesday	US MBA Mrtge apps n/f US ADP Employmnt chge 202k US ISM Mfg survey 58 US ISM Prices paid 57 US Construct'n spndg 0.4% UK PMI Mfg 52.9 IT PMI Mfg 49.4 FR PMI Mfg 48.8 DM PMI Mfg 50.3 EZ PMI Mfg 50.5 JP Vehicle sales n/f

Week of 29 <sup>th</sup> September	
Thursday	US Jobless claims 291k US Factory orders -9.3m, UK PMI Construction 63.3 EZ PPI -0.2m, -1.2y EZ ECB 5ate decision 0.05% JP PMI Services n/f
Friday	US Non-farm payroll 205k US Unemploy'm't rate 6.1% US Avrge earngs 0.2m, 2.1y US Avrge wrk wk 34.5 US Trade bal -\$40.6B US ISM Non-mfg survey 58.5 UK PMI Services 59.2 IT PMI Services 49.6 FR PMI Services 49.4 DM PMI Services 55.4 EZ PMI Services 52.8 EZ Retail sales 0.1m, 0.5y



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- + STERLING
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- + BUND
- + EURO
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- + YEN
- + NIKKEI

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Week of 22 <sup>nd</sup> September	
Monday	US Existing home sales 5.05M <b>WEAKER</b> EZ Cons confidence -11.4 <b>WEAKER</b> JP Super mkt sales -0.1y <b>BETTER</b> JP Convenience stre sales -2.4y <b>WORSE THAN EXPECTED</b>
Tuesday	US Hse price indx 0.1% <b>WEAKER</b> UK BBA Home loans 41.588K <b>WEAKER</b> UK PSNCR 1.6B <b>BETTER</b> UK PSNB 10.9B <b>WORSE</b> FR Q2 GDP 0.0q, 0.1y <b>AS</b> EZ PMI Composite 52.3 <b>LESS THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps -4.1% <b>WEAKER</b> US New home sales 504k <b>STRONGER</b> DM IFO 104.7 <b>WEAKER</b> JP Corp service prces 3.5% <b>LESS THAN EXPECTED</b>

Week of 22 <sup>nd</sup> September	
Thursday	US Durable goods -18.2% <b>WEAKER</b> US DG Ex-Transport 0.7% <b>STRONGER</b> US Jobless claims 293k <b>BETTER</b> UK CBI Sales 31 <b>BETTER</b> UK Home track hse prce 0.0m, 5.0y <b>LESS</b> EZ M3 (3M) 2.0% <b>STRONGER</b> EZ M3 (y/y) 1.8% <b>AS</b> JP National CPI 3.3% <b>AS</b> JP Tokyo CPI 2.9% <b>STRONGER THAN EXPECTED</b>
Friday	US Q2 GDP (A) 4.6% <b>AS</b> US Q2 Persnl consmptn 2.5% <b>WEAKER</b> US Q2 GDP Price index 2.1% <b>AS</b> US Q2 Core PCE 2.0% <b>AS</b> US U. of Michigan conf 84.6 <b>LESS</b> DM Import prices -0.1m, -1.9y <b>STRONGER</b> DM GFK Cons conf 8.3 <b>LESS THAN EXPECTED</b>



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+ GILT  
+ STERLING  
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+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

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+ YEN  
+ NIKKEI

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+ GOLD  
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## US MARKETS: economic background

Last week's focus was the Q2 GDP report.

Having already seen a sizeable upward revision at its last outing, another upward revision was forecast. In the event the number met consensus confirming the US economy has recovered from the Q1 winter chill and is expanding a pace.

Other data released last week saw stronger New Home sales; a GDP component and a better than expected Jobless claims report supporting the view that the labour market continues to mend.

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; **Core PCE, personal income & spending and pending home sales,**

- On Tuesday; **Case/shiller comp-20, Chicago PMI and Consumer confidence,**
- On Wednesday; **ADP employment change, ISM Manufacturing & prices paid and construction spending,**
- On Thursday; **Jobless claims and factory orders, and**
- On Friday; **non-farm payroll, unemployment rate, average earnings, average work week, trade balance and ISM Non-manufacturing survey.**

There are three key reports due this week; the two ISM surveys and non-farm payroll.

A strong payroll report would reverse the concerns of the previous month's surprisingly week report.



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  - + 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

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- + JAPANESE BONDS
  - + YEN
  - + NIKKEI

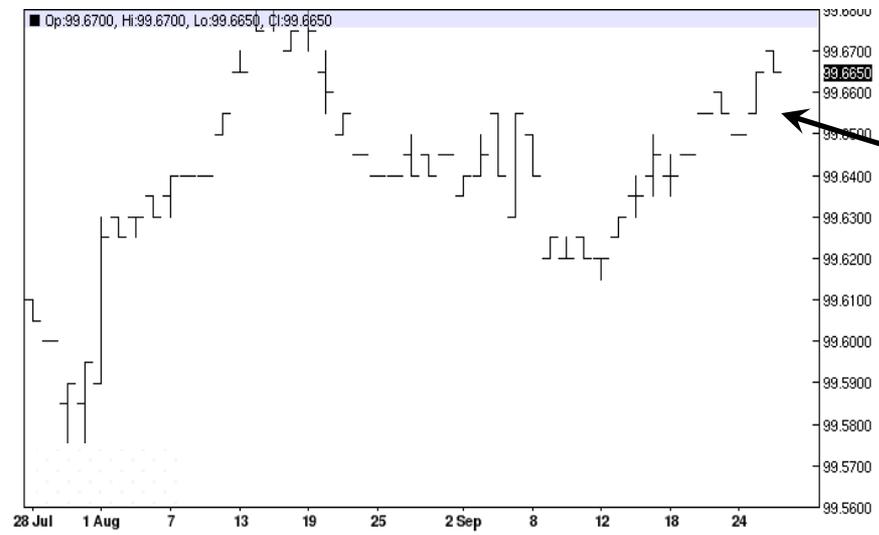
- Commodities**
- + GOLD
  - + OIL

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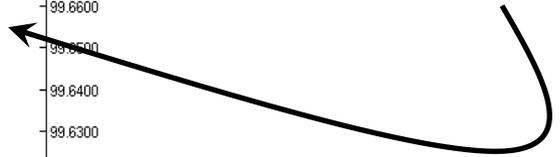
**US MARKETS: Eurodollars**

**OUR TRADING STANCE: SQUARE.**

Last week we were Square of Eurodollars.



Note how Eurodollars remain supported by the dovish Fed.



**The Macro Trader's view of Eurodollars is;** last week's data was mainly bullish for the economy, especially Friday's Q2 GDP report.

But with the recently dovish sounding FOMC policy statement traders brushed away any anxieties that the strong GDP report could cause a Fed rethink.

Looking ahead the two ISM surveys and non-farm payroll are due. We doubt this market will be too

concerned about any additional evidence of the economy's gathering strength, unless the payroll number is 100k more than market consensus; not too likely!

We judge this market continues to enjoy the support of a dovish Fed.

So once again, stay square.





## US MARKETS: 10 Year Note

### OUR TRADING STANCE: BEARISH.

Last week we were **Bearish** of the 10 year note.

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#### Global Calendar

- #### US Markets
- + EURODOLLARS
  - + 10 YEAR NOTE
  - + US DOLLAR
  - + S&P 500

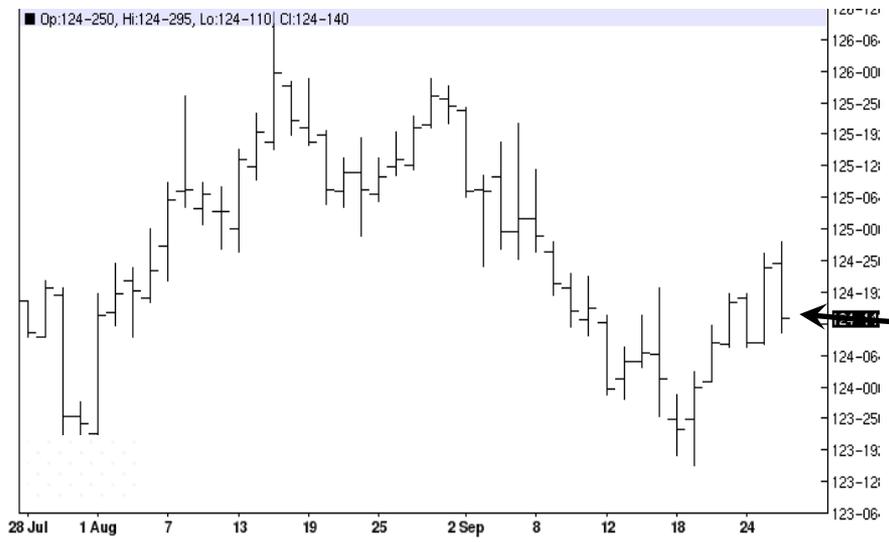
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- + SHORT STERLING
  - + GILT
  - + STERLING
  - + FTSE

- #### Euro Zone Markets
- + EURIBOR
  - + BUND
  - + EURO
  - + DJ EURO STOXX 50

- #### Japanese Markets
- + JAPANESE BONDS
  - + YEN
  - + NIKKEI

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- + GOLD
  - + OIL

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See how the 10 year note's rally was checked by Friday's GDP report.

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

...“Looking ahead the Q2 GDP report is due and a further upward revision is expected, meaning the market is vulnerable to further downward price action”...

In the event the number met consensus, confirm the recovery is back on track and the rally that had begun on Monday with a weak existing home sales report was checked.

Looking ahead several key reports are due, but if the two ISM surveys and non-farm payroll beat consensus, this market will be dragged lower.

Traders should remain short of this market.

Our suggested target remains 123.20 and our suggested stop is lowered to 125.13 for closer protection.





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

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

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- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

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- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

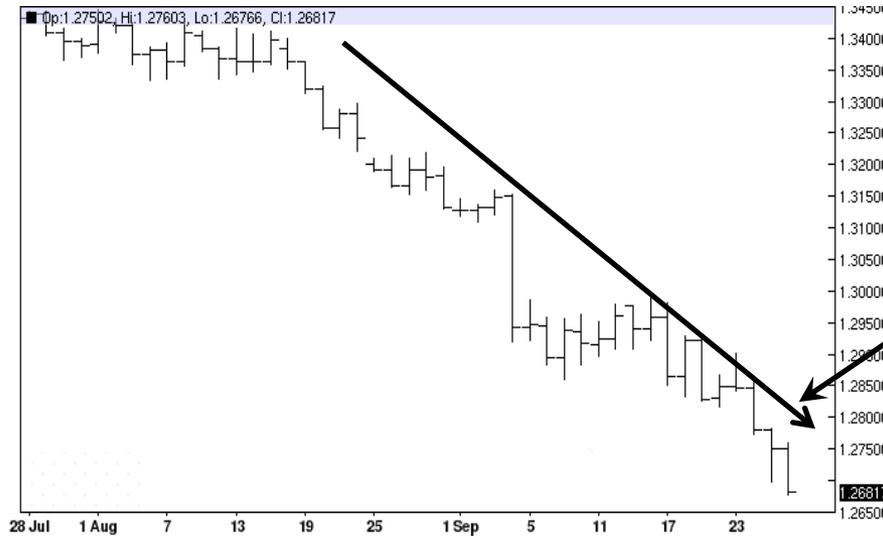
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- + OIL

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US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the EURO.

Last week we were Bullish v the Euro.



The Dollar extended its rally on solid US data.

**The Macro Trader's view of the Dollar is;** last week's price action was again clearly bullish as solid US data, especially Friday's Q2 GDP report sent the Dollar higher against the Euro and other majors.

Add in concerns about the growing democracy protests in Hong Kong and the impact that has had on stocks and the Dollar was very much in demand.

Looking ahead the two ISM surveys and non-farm payroll are due. These reports have the potential to send the Dollar to new recent highs if they at least meet consensus.

Traders should remain long the Dollar, short the Euro.

Our target remains 1.2625, and our suggested stop is reduced to 1.2860 for closer protection of profits.



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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

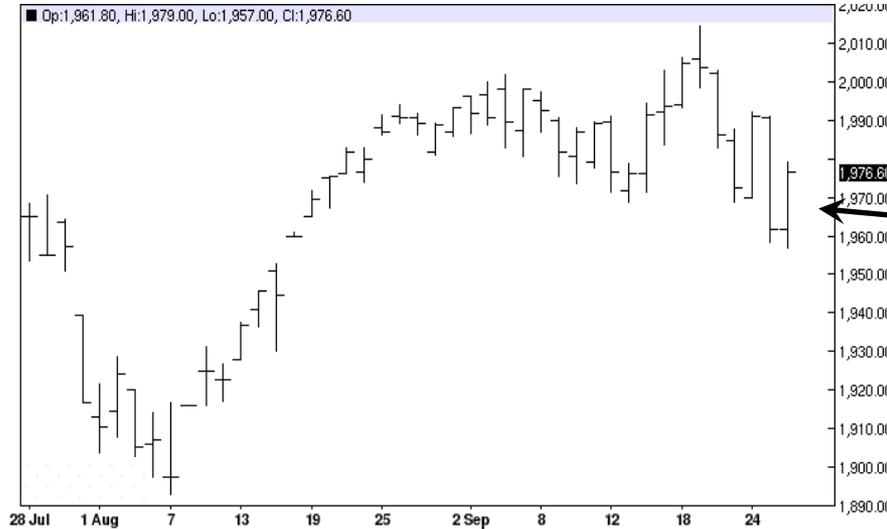
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US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



The S&P struggled on geopolitical concerns.



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

...“Looking ahead Q2 GDP is due and if the report meets or exceeds consensus the market should rally further”...

In the event the Q2 GDP report met consensus but the market sold off, hitting our suggested stop, on increased geopolitical concerns that now include a growing democracy protest in Hong Kong.

Traders have an eye on how mainland Chinese

authorities will react, bearing in mind their total intolerance of any political dissent.

Looking ahead this week sees the release of the two ISM surveys and non-farm payroll, all of which are expected to confirm the US economy is set on the path of strong recovery.

However traders are currently reacting to events overseas and for now we advise a square position, at least short term until Chinas intentions towards Hong Kong become clear.



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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

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+ GOLD  
+ OIL

## Disclaimer

## UK MARKETS: economic background

Last week our focus was the government borrowing data.

In the event the key PSNB report came in worse than expected showing a drop in income tax receipts

Other data released last week showed retail sales still buoyant, but a slight cooling in the housing market.

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; **Net lending on dwellings, Net consumer spending, mortgage approvals**

- **and GFK Consumer confidence,**  
On Tuesday; **Q2 C/A, Index of services, total business investment and Q2 GDP,**
- On Wednesday; **PMI Manufacturing survey,**
- On Thursday; **PMI Construction survey, and**
- On Friday; **PMI Services survey.**

There are several key reports due this week, including the final release of Q2 GDP, but we judge the data to watch is the PMI Surveys, especially the service sector report.

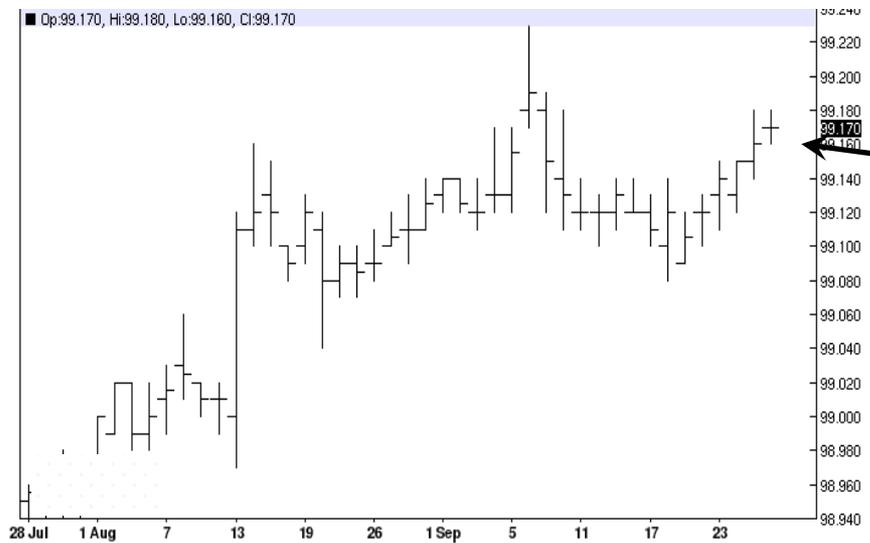


- Summary
- Global Calendar
- US Markets
  - + EURODOLLARS
  - + 10 YEAR NOTE
  - + US DOLLAR
  - + S&P 500
- UK Markets
  - + SHORT STERLING
  - + GILT
  - + STERLING
  - + FTSE
- Euro Zone Markets
  - + EURIBOR
  - + BUND
  - + EURO
  - + DJ EURO STOXX 50
- Japanese Markets
  - + JAPANESE BONDS
  - + YEN
  - + NIKKEI
- Commodities
  - + GOLD
  - + OIL
- Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE; SQUARE.

Last week we were Square of Short Sterling.



Short Sterling is supported by a Central Bank that wants to delay hiking rates and is supported by low inflation.

**The Macro Trader's view of Short Sterling is:** last week's price action shows the market remains supported by the Bank of England's hesitancy in hiking interest rates, due to current low inflation levels.

But with the economy growing at a solid pace, the Bank periodically makes comments about the need to hike sooner rather than later; policy works with an 18 month lag, so complacency is a luxury the Bank cannot afford.

Looking ahead the PMI surveys are due and expected to confirm the strength of the recovery.

We judge this market is likely to remain within the broad trading range and we are staying square.





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## 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

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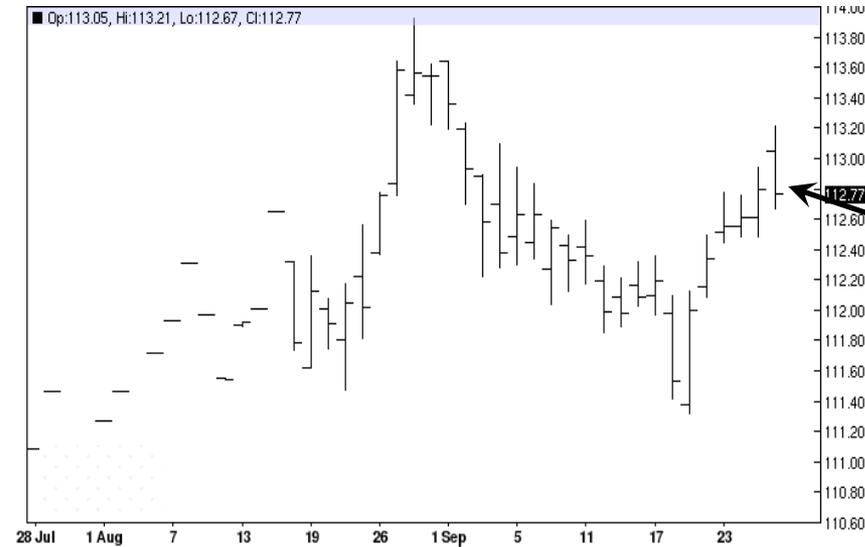
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## Disclaimer

## UK MARKETS: Gilt

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

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



See how the Gilt extended the rally last week despite worse than expected PSNB data.

**The Macro Trader's view of the Gilt is;** the gilt extended the rally last week despite worse than expected government borrowing data due to a new wave of risk aversion.

Traders are still unsettled by events in Ukraine, the Middle East, Hong Kong and the current sluggishness of the Chinese economy.

Looking ahead, the attitude of the Chinese authorities towards the democracy protests in Hong Kong could prove important for both stocks and Bonds. A crack

down will aid bonds were as a softer approach will ease risk aversion, meaning traders will refocus to fundamentals and current strong data should lead the Gilt lower.

The two PMI surveys are due this week and strength there will build a case for the Bond bears.

Traders should be short the Gilt.

Our target remains 111.50, and our stop continues at 113.80 for protection.

More

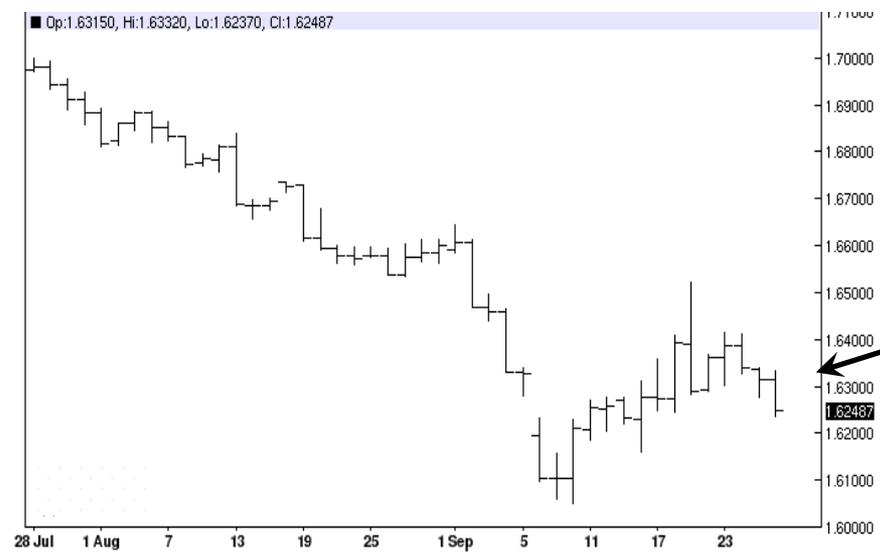


- Summary**
- Global Calendar**
- US Markets**
- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500
- UK Markets**
- + SHORT STERLING
- + GILT
- + **STERLING**
- + FTSE
- Euro Zone Markets**
- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50
- Japanese Markets**
- + JAPANESE BONDS
- + YEN
- + NIKKEI
- Commodities**
- + GOLD
- + OIL
- Disclaimer**

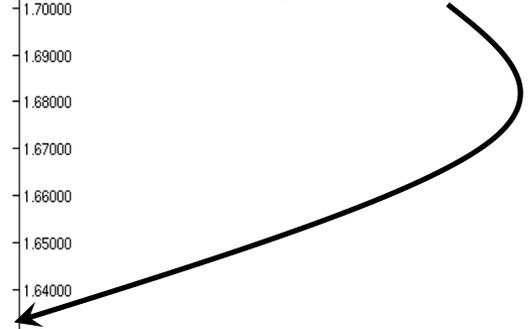
## UK MARKETS: Sterling

### OUR TRADING STANCE; SQUARE

Last week we were Square



See how Sterling remains under pressure against the Dollar.



**The Macro Trader's view of the Pound is:** the uncertainty of the Scottish independence referendum has been removed and the UK economic recovery remains on track, but Sterling still looks nervous against the Dollar.

The main reason is US data is pointing to a strong US economic recovery. Last week's US Q2 GDP report was an annualised 4.6%; that strong.

Looking ahead several key data releases due in the US and UK and we expect them to point to strength in both

the UK and US economies. But with geopolitics currently causing some concern, we expect the Dollar to remain the currency of choice a little longer.

Against the Euro Sterling is holding up much better, and we are currently seeking a fresh buying opportunity in Sterling/Euro.

For now though stay square.





Summary

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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

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- + JAPANESE BONDS
- + YEN
- + NIKKEI

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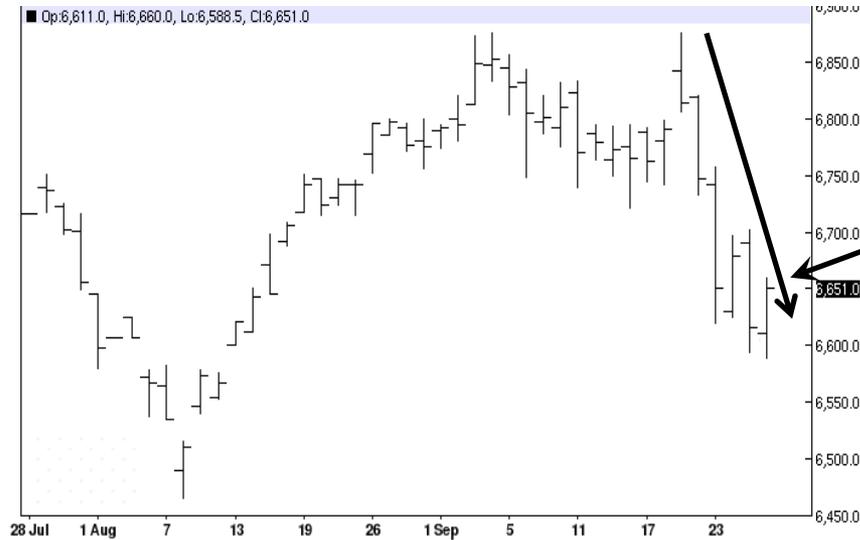
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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Bullish.



See how the FTSE sold off and hit the stop.

**The Macro Trader's view of the FTSE is;** last week's price action was disappointing. Economic data was broadly supportive, but traders suffered yet another bout of risk aversion.

With the UK being dragged into yet another war situation in the Middle East against a criminal outfit terrorising large areas of Iraq and Syria, a bombing campaign is seen as a measured response.

In Hong Kong a democracy protest continues to evolve and the world waits to see Chinas response which

together with tepid Chinese economic data is having a depressing impact on global equity markets.

Looking ahead there are several key data release due in the US and UK this week and they are all likely to prove bullish for the US and UK economies, but until the response from China towards Hong Kong is known, stocks are likely to remain hesitant.

Having been stopped out we are staying square short term.



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## US Markets

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+ S&P 500

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+ SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE

## Euro Zone Markets

+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

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## EURO ZONE MARKETS: economic background

Last week's focus was the Euro zone PMI Composite survey, closely watched as a reliable indicator of the economy's health.

In the event the report was weaker than expected and together with other weaker data released last week, confirmed the Euro zone economy remains in a fragile state.

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; **Euro zone industrial, economic and consumer confidence,**
- On Tuesday; **German unemployment**

**report, Euro zone unemployment report and CPI estimate,**

- On Wednesday; **Italian, French, German and Euro zone PMI Manufacturing surveys,**
- On Thursday; **ECB Policy decision and Euro zone PPI, and**
- On Friday; **Italian, French, German and Euro zone PMI Services survey and Euro zone retail sales.**

The main events this week are the various PMI surveys and the ECB policy decision.

Will the ECB start QE?

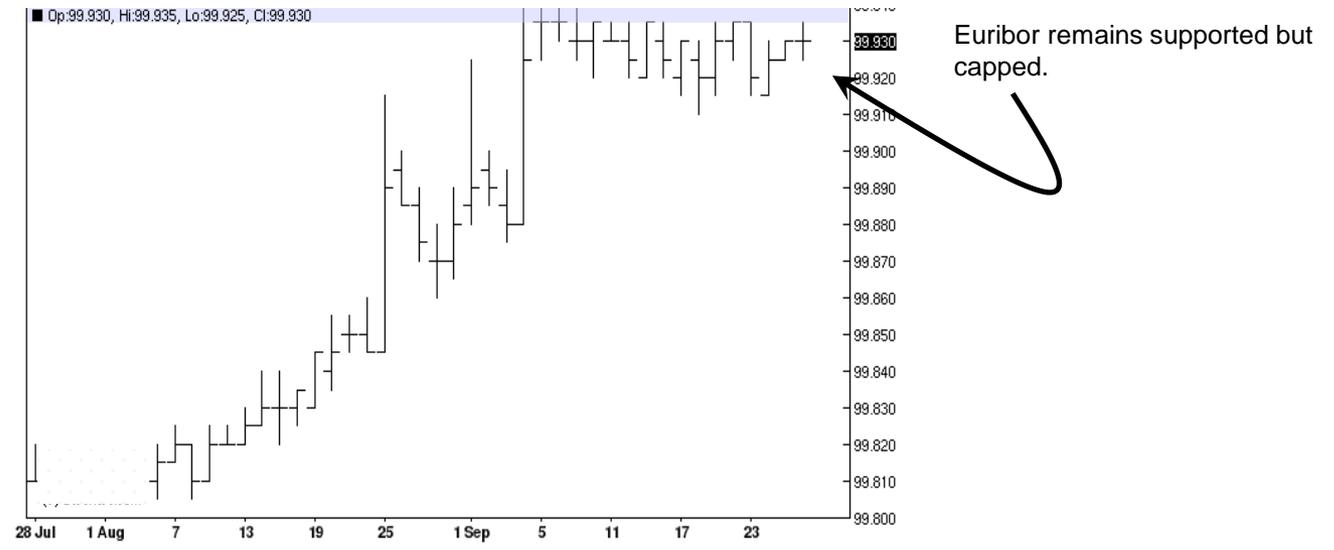


- Summary**
- Global Calendar**
- US Markets**
- + EURODOLLARS  
+ 10 YEAR NOTE  
+ US DOLLAR  
+ S&P 500
- UK Markets**
- + SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE
- Euro Zone Markets**
- + EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50
- Japanese Markets**
- + JAPANESE BONDS  
+ YEN  
+ NIKKEI
- Commodities**
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+ OIL
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## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



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

...“Looking ahead the main event this week is the Euro zone PMI composite survey, which is likely to confirm the sluggish nature of the Euro zone economy”...

In the event the report was weaker than expected placing yet more pressure on the ECB to do more.

Looking ahead the various PMI surveys are due this week, but all eyes will be on the ECB policy announcement due on Thursday.

We are remaining square, the market is supported by weak economic activity and a Central Bank that might need to do more.





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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

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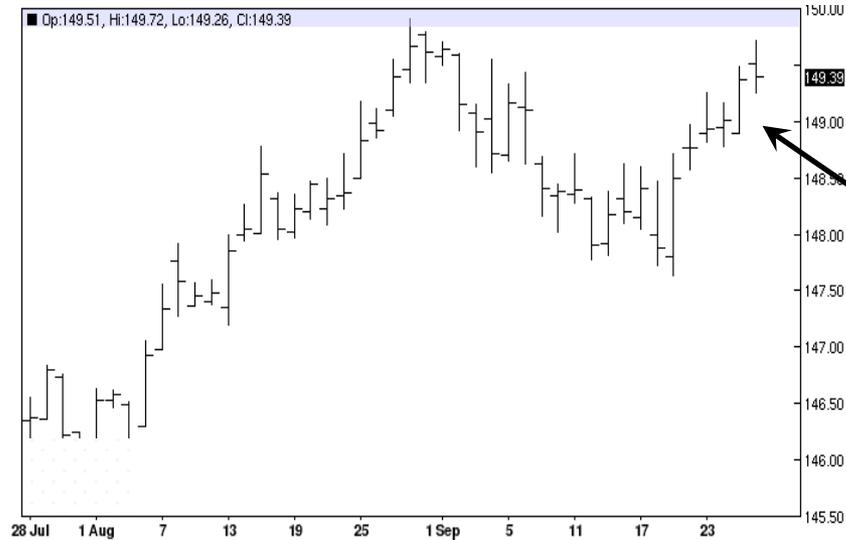
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## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund continues to look like a bull market.

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

...“Looking ahead the key release this week is the Euro zone PMI survey. Clearly continued under performance will help the Bund, but with the Fed still far from ready to announce a time table to begin tightening, stocks should be the main winners”...

In the event the survey was weaker and stocks sagged while the Bund recovered from the previous week's

sell off.

Looking ahead the PMI surveys are due and expected to confirm the economy remains fragile with the ECB under pressure to do more; will they? We will find out on Thursday..

We still judge the Bund is a bull market, but for now 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

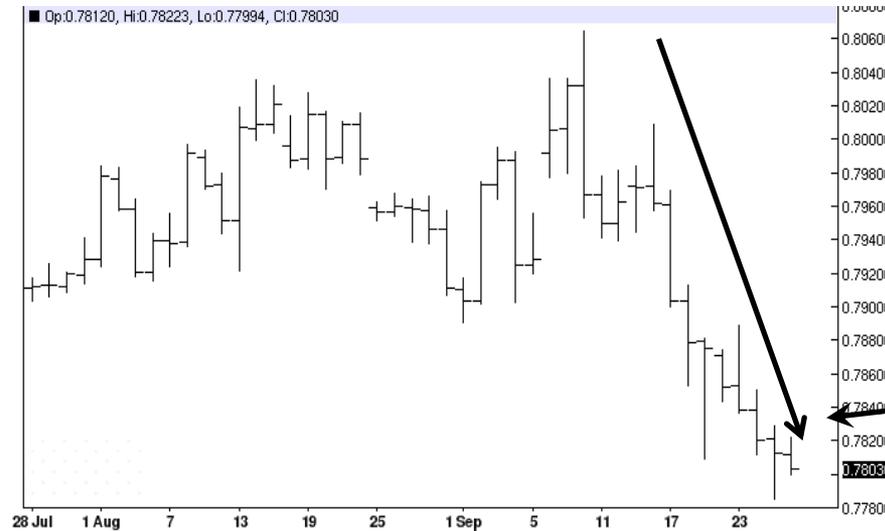
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: **BEARISH v the DOLLAR**

Last week we were **Bearish v Sterling**



See how the Euro resumed its slide against Sterling.

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

...“Looking ahead the key release this week is the Euro zone PMI Composite survey. But the Euro is likely to loose out to a Dollar boosted by this week's Q2 GDP release and a Pound freed from the fear of an end to the 307 year old United Kingdom”...

In the event both the Dollar and Sterling made further gains against the Euro as US Q2 GDP met consensus and the Euro zone economy remains fragile.

Looking ahead key releases are due in the US, UK

and Euro zone, but we judge they will continue to favour the Dollar and Sterling.

Traders should stay short Euro/Long Dollar as the US economy has clearly recovered from the Q1 winter chill.

Our target in Dollar/Euro remains 1.2625 but our suggested stop is reduced to 1.28600 for closer protection.

For now stay square against Sterling but we are seeking a fresh opportunity.



Summary

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Commodities

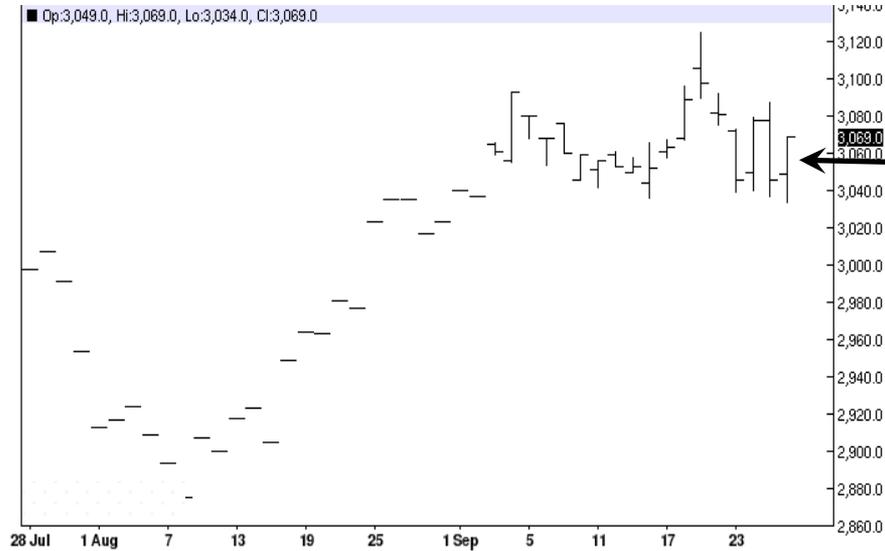
- + GOLD
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Disclaimer

**EURO ZONE MARKETS: DJ Euro Stoxx 50**

**OUR TRADING STANCE: SQUARE.**

Last week we were Square of DJ EUROSTOXX50.



See how the market outperformed the FTSE and remains supported by expectations of more ECB easing.

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

the key release last week was the Euro zone PMI composite survey, which fell short of consensus highlighting yet again the fragility of the Euro zone economy.

But despite that the market held up and performed better than the S&P and FTSE; why?

We judge traders expect the ECB to act further. Going into this week's ECB policy meeting there is a hope that the ECB will at last start a QE policy.

Looking ahead although the various PMI surveys are due both in the Euro zone and abroad, the ECB is the key event for this market this week.

We are not convinced the ECB are ready to begin a QE policy just yet and traders could well be disappointed.

For now stay square.



## Summary

## Global Calendar

## US Markets

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

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+ 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 releases were the CPI reports.

The Abe government made much of returning inflation to 2% or more in the belief growth would follow hard on the heels.

The CPI reports both Nationally and for Tokyo are well above 2%, but growth hasn't taken hold as 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 Monday; **Jobless rate, household spending, retail trade and industrial production,**
- On Tuesday; **Vehicle production, construction orders, Tankan survey and PMI Manufacturing,**
- On Wednesday; **Vehicle sales, and**
- On Thursday; **PMI Services survey.**

The three key releases this week are the PMI Surveys and industrial production and not to forget the Tankan report.



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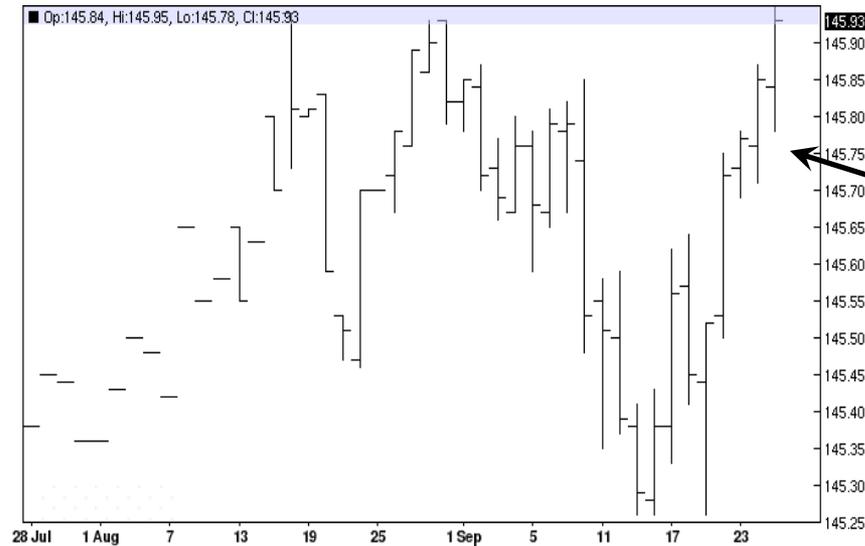
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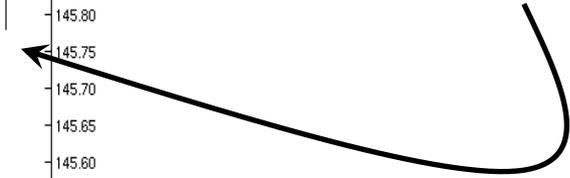
**JAPANESE MARKETS: Japanese Bonds**

**OUR TRADING STANCE: SQUARE.**

Last week we were Square of Japanese Bonds.



The JGB retested recent highs on talk of negative interest rates.



**The Macro Trader's view of the JGB is:** last week saw the JGB retest recent highs, enjoying a 5 day rally on the back of speculation that the Bank of Japan might deploy negative interest rates.

Together with Bank of Japan bond buying driven by economic under performance, this market looks supported.

Looking ahead several key reports are due including the Tankan survey and industrial production, together

with the PMI surveys, but if the BOJ is set to use negative interest rates in response to persistent economic weakness, this market could rally further.

With inflation clearly above 2% which was the authorities policy objective, how much higher must inflation go before growth reacts?

We are staying square.





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Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen held the lows against a Dollar supported by strengthening data.

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

...“Looking ahead few domestic data releases of note due this week, with CPI the main event, but once again we judge US data will be the driver in this pair where US Q2 GDP is due and another upward revision is anticipated. Additionally weakness in China is having a negative impact on the Yen too”...

In the event US Q2 GDP met consensus and Japan CPI is well above the 2% target, but the Dollar is

currently strong against all the major currencies, not least the Yen on the belief the US economic recovery is back on track.

The authorities started making comments last week about their unease over the Yen's weakness due to fears it will drive up import prices, especially energy costs.

For now we are staying square here the economy is still in a pickle and higher inflation seems not to have been the cure sought.



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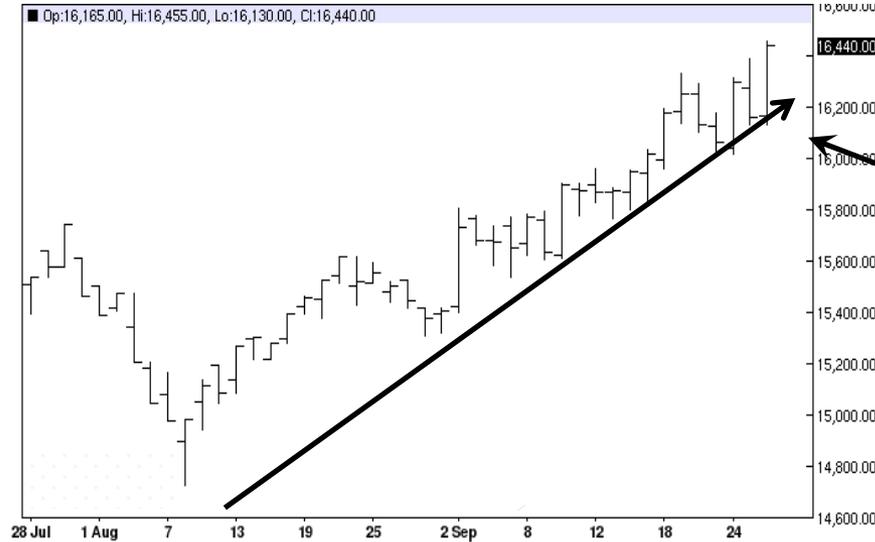
- + GOLD
- + OIL

Disclaimer

**JAPANESE MARKETS: Nikkei**

**OUR TRADING STANCE: BULLISH.**

Last week we were Bullish of the Nikkei.



See how the Nikkei remains supported by weak Yen and talk of more easing.

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

...“it is an established fact that a weak Yen feeds through quickly to a Nikkei rally”...

And so it proved yet again last week as the Yen remained under pressure against the Dollar.

So even though data continues to flag a struggling economy, the Nikkei has enjoyed a solid rally since early August.

Looking ahead there are several key reports due as detailed on the global calendar, but we expect US data due this week to dominate, drive the Dollar higher and help the Nikkei rally further.

Traders should be long the Nikkei.

Our target of 16400.0 was hit.

Our suggested target is now 16,600.0 and our stop is raised to 16000.0 for protection.

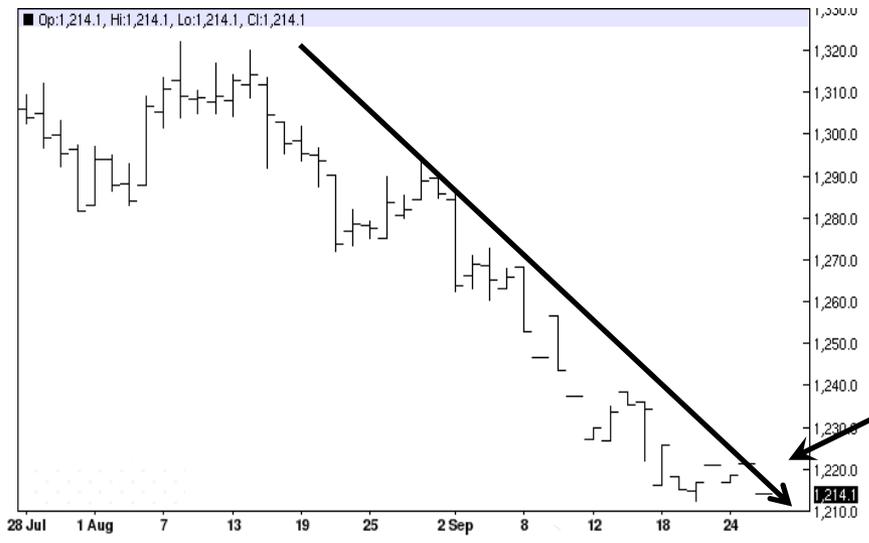


- Summary
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- US Markets
  - + EURODOLLARS
  - + 10 YEAR NOTE
  - + US DOLLAR
  - + S&P 500
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  - + SHORT STERLING
  - + GILT
  - + STERLING
  - + FTSE
- Euro Zone Markets
  - + EURIBOR
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  - + EURO
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  - + YEN
  - + NIKKEI
- Commodities
  - + GOLD
  - + OIL
- Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: BEARISH.

Last week we were Bearish of Gold.



See how gold seems to have found a floor; for now!

**The Macro Trader's view of the Gold is:** gold sold off further last week as the rationale for holding it continues to evaporate.

Once again...barring a new financial crisis, which currently doesn't look likely, or the Ukraine drama escalating into a wider regional conflict, again which currently doesn't look likely or ISIS gains wider control of oil producing regions, which the US and her allies are now gearing up to stop, this market looks

vulnerable to further downside price action.

Add in increasing evidence the US economy has fully recovered from its Q1 winter chill and gold looks a sell.

Traders should remain short of this market.

Our suggested target remains 1200.00 and our suggested stop reduced to 1245.00 for closer protection.





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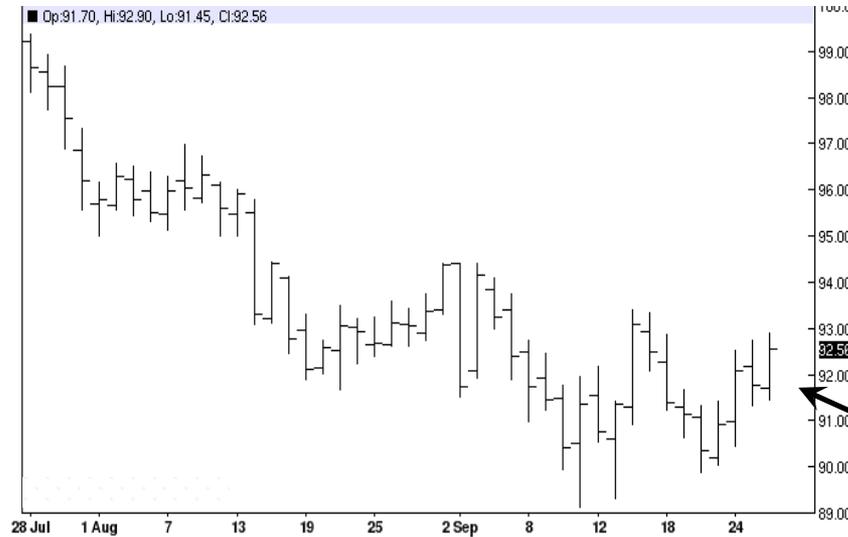
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil appears to have bottomed out.

**The Macro Trader's view of oil is:** the oil price seems to have found a floor as the unrest in the Middle East, specifically Syria and Iraq disrupts oil production there.

In Europe, although the Ukraine crisis has subsided some what and the Russian foreign minister has called for a fresh start to relations with the west, Russian actions point the other way with repeated incursions by Russian military jets in N.A.T.O. air space.

Add in the growing sense that Russia intends to use energy this winter to punish Ukraine and perhaps Europe for supporting sanctions by restricting gas supplies and the oil price sell off might have run its course.

We judge this market is likely to reveal it remains in a broad trading range.

For now we are square.



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- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

### SEVEN DAYS AHEAD

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