



Week 41  
14<sup>th</sup> – 20<sup>th</sup> October 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

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

- SQUARE
- SQUARE
- BULLISH v the Euro
- SQUARE

### UK Markets

+ SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE

- SQUARE
- SQUARE
- SQUARE
- SQUARE

### Euro Zone Markets

+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

- SQUARE
- BULLISH
- BEARISH v the Dollar
- SQUARE

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

- BULLISH
- SQUARE
- SQUARE

### Commodities

+ GOLD  
+ OIL

- BEARISH
- BEARISH

### Disclaimer



## 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 13 <sup>th</sup> October
Monday	UK BRC Sales 1.0% DM WPI n/f JP Dom corp gds prces -0.1m, 3.6y
Tuesday	UK PPI Input -0.5m, -6.7y UK PPI Output -0.1m, -0.3y UK PPI Core 0.0m, 0.9y UK DCLG House prces n/f UK CPI 0.2m, 1.4y UK RPI 0.3m, 2.3y UK RPI-X 2.4y DM ZEW Survey 0 EZ Ind production -1.6m, -0.9y
Wednesday	US MBA Mrtge apps n/f US Empire mfg 20 US Retail sales -0.1% US RS Ex-Autos 0.2% US PPI 0.1m, 1.8y US PPI Ex- F&E 0.1m, 1.7y US Business invntry 0.3% US Fed's Beige bk UK ILO Unemploy'm't rate 6.1% UK Unemploy'm't rate 2.8% UK Unemploy'm't chge -35k UK Avrge earngs 0.7% UK AE Ex- Bonus 0.8% DM CPI 0.0m, 0.8y JP Tokyo condo sales n/f JP Ind production n/f JP Capacity utilisation n/f JP Machine tool orders n/f

	Week of 13 <sup>th</sup> October
Thursday	US Jobless claims 285k US Capacity utilisation 79.0% US Ind production 0.4% US Philly Fed 20 US NAHB Housing indx 59 US Net lg trm TIC flows n/f EZ Trade bal 13.3B EZ CPI 0.4m, 0.3y JP National dept store sales n/f JP Tokyo dept store sales n/f
Friday	US Housing strts 1002k US Buildg permits 1032k US U. of Michigan conf 84 EZ Construct'n output 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

# Last week's releases – macro trader

	Week of 6 <sup>th</sup> October
Monday	UK Halifax hse prices 0.9m, 9.6(3m/y) <b>BETTER</b> DM Factory orders -5.7m, -1.3y <b>WORSE</b> <b>THAN EXPECTED</b>
Tuesday	US Cons CR 13.525B <b>WEAKER</b> UK Mfg output 0.1m, 3.9y <b>STRONGER</b> UK Ind production 0.0m, 2.5y <b>LESS</b> UK NIESR GDP Estimate 0.7% <b>LESS</b> UK BRC Shop prices -1.8% <b>WEAKER</b> DM Ind production -4.0m, -2.8y <b>WEAKER</b> JP C/A Bal 287.1B <b>BETTER</b> JP Trade bal -Y831.8B <b>WORSE</b> JP Eco watchers 47.7 <b>WEAKER</b> <b>THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps 3.8% <b>STRONGER</b> US FOMC Minutes Sep 16-17 meeting UK RICS House prices 30 <b>WEAKER</b> JP Babkrptcies 0.85% <b>WORSE</b> JP Machine orders 4.7m, -3.3y <b>STRONGER</b> <b>THAN EXPECTED</b>

	Week of 6 <sup>th</sup> October
Thursday	US Jobless claims 287k <b>BETTER</b> US Wholesale invntry 0.7% <b>STRONGER</b> UK BOE/MPC Rate decision 0.5% <b>AS</b> UK BOE AP Target £375B <b>AS</b> DM Trade bal 14.1B <b>WEAKER</b> DM C/A 10.3B <b>WEAKER</b> JP Machine tool orders 34.8 <b>WEAKER</b> JP Bank Indg ex-trusts 2.4% <b>AS</b> JP Bank Indg incl trusts 2.3% <b>MORE</b> JP Tertiary ind index -0.1 <b>WEAKER</b> <b>THAN EXPECTED</b>
Friday	US Import prices -0.3m, -0.9y <b>STRONGER</b> UK Trade bal -£9.099B <b>BETTER</b> UK Trade non-EU -£3.587B <b>BETTER</b> UK Construct'n output -3.9m, -0.3y <b>WEAKER</b> JP Cons confidence 39.9% <b>WEAKER</b> <b>THAN EXPECTED</b>

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

## US MARKETS: economic background

Last week's focus was the release of the FOMC minutes for the September 16<sup>th</sup> – 17<sup>th</sup> meeting.

The policy statement had taken traders by surprise but it's unexpectedly dovish tone, would the minutes elaborate or offer a slightly different slant?

In the event the minutes were even more supportive of equity markets. The Fed wants to evolve the guidance it gives on policy so that it focusses more on the run of data rather than any particular time frame, but is worried about spooking the markets.

However with the focus still on the Labour market which still gives the Fed cause for some concern, a rate hike still looks some way off into next year.

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 Wednesday; **Empire manufacturing survey, retail sales, PPI, business inventories and the Fed's Beige book,**
- On Thursday; **Jobless claims, industrial production, capacity utilisation and NAHB Housing market index, and**
- On Friday; **Housing starts, building permits and University of Michigan confidence.**

The main event this week is the retail sales report.

The US economy is driven by the service sector and retail sales takes the lions share of that. But don't ignore industrial production, although manufacturing is a small proportion of the US economy, given the size of the US economy in absolute terms it is still important.



## 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

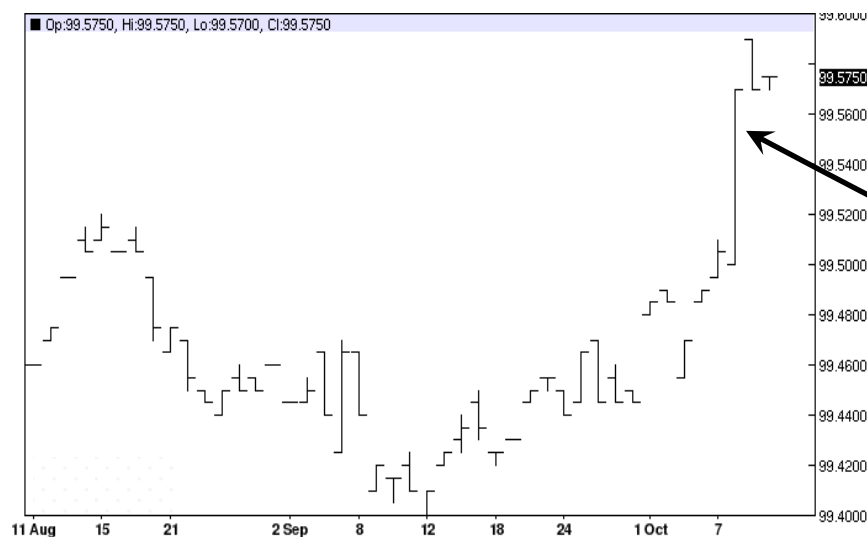
### + OIL

## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Note how Eurodollars rallied hard on the FOMC minutes.

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

...“Looking ahead the FOMC minutes due on Wednesday will likely remind traders of the Fed's commitment to hold policy unchanged well into next year, meaning this market remains unappealing”...

In the event the minutes provided a trigger for a 7 tic rally as traders took the minutes to be as or even more dovish than the original policy statement.

Looking ahead several key releases due, but now we now the Fed will remain on hold well into next year, unless activity moves up through several gears, can this market go higher? It wont sell off; the Fed's stance offers good support..

We judge the market has had it's move.

So once again, 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

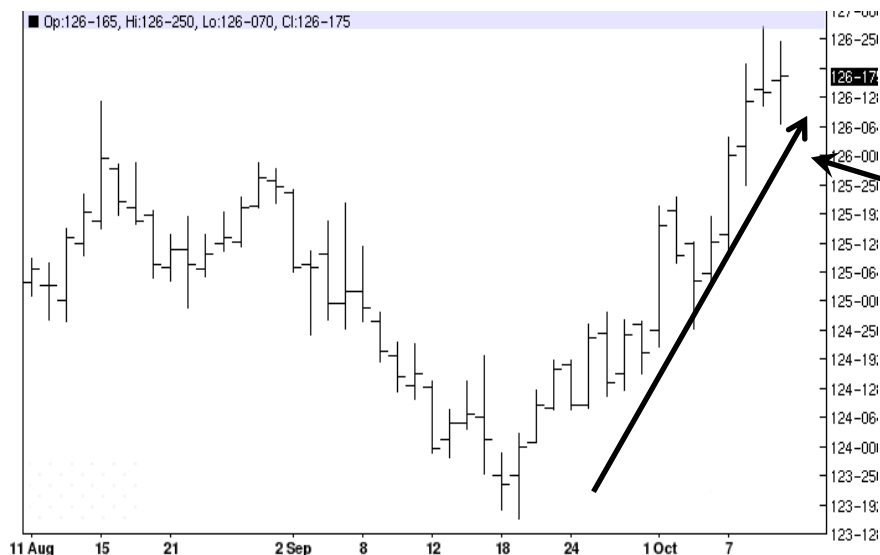
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



See how the 10 year note remains supported by global growth concerns and the Fed.

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

...“Looking ahead the FOMC minutes are due and will likely remind markets of the Fed's current dovish stance”...

In the event the FOMC minutes left traders feeling even more certain that the Fed is on hold well into 2015.

Looking ahead retail sales and industrial production are due and despite the markets new found sense of euphoria, policy makers are trying to communicate to traders that it will be data, not some arbitrary time scale that decides the timing of their next move.

So watch the data even closer than usual.

For now we are square, growth concerns; real or imagined are weighing on stocks and supporting bonds.



## 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

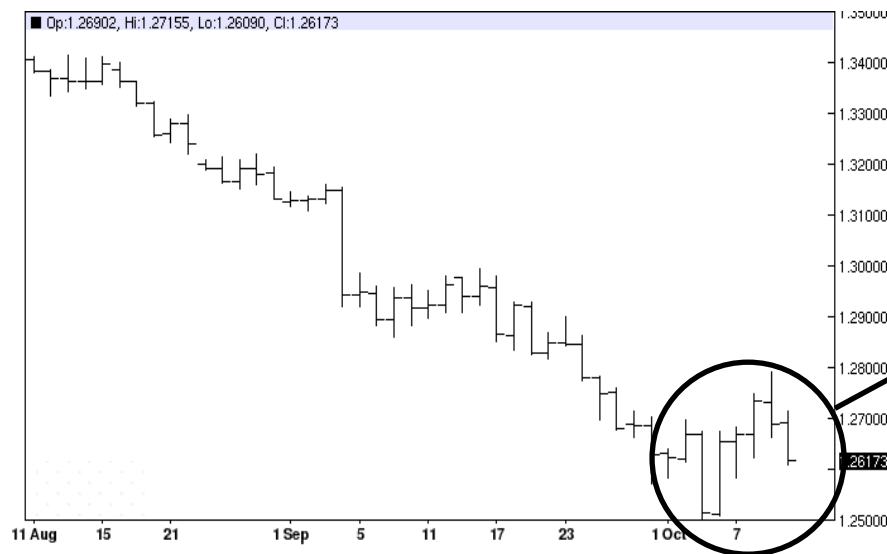
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: BULLISH v the EURO.

Last week we were Bullish v the Euro.



The Dollar suffered a minor correction as traders factored in the Fed's stance on policy.

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

...“Looking ahead the FOMC minutes are due this week and will likely remind traders of the Fed's continued dovishness”....

...“But we judge FX traders well understand the Fed's focus on the labour market, meaning several more stronger non-farm payroll reports will nudge the Fed away from its current dovishness”...

In the event the minutes bore that thinking out. The Fed wants to shift the focus of it's guidance squarely

onto data and the Labour market remains their prime concern, but with jobless claims declining, will the Fed end up moving sooner than traders are currently assuming?

Watch this week's data closely.

Traders should remain long the Dollar, short the Euro even though or stop was just hit.

Our suggested target remains 1.2425, and our suggested stop is reset to 1.2815 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

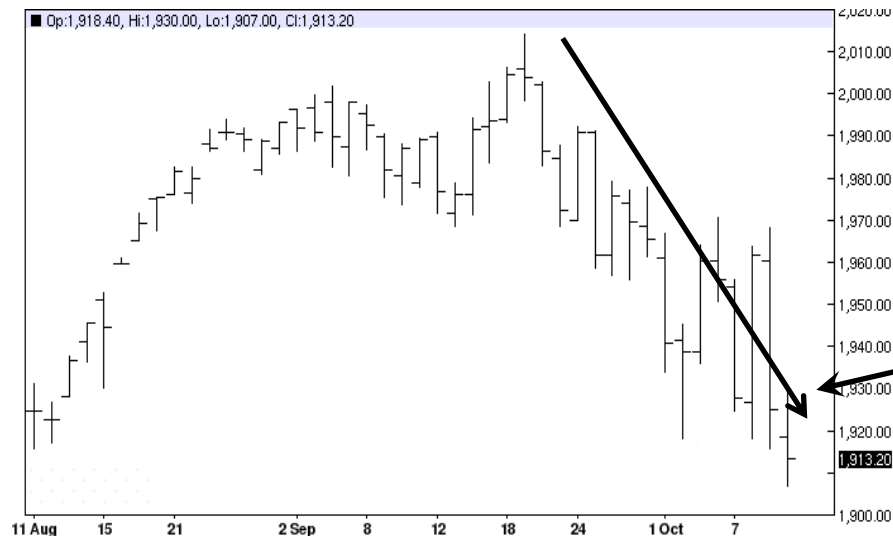
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: SQUARE.

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



The S&P remains under pressure driven by global growth concerns.

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

...“Looking ahead the FOMC minutes are due and will likely remind traders of the Fed's current dovish stance, but we judge stocks remain more vulnerable to bad news than they are likely to rally hard on good news, so for now, stay square”...

In the event that was the outcome. The market rallied hard on the FOMC minutes but the gains proved short

lived with the market closing lower on the week.

Looking ahead retail sales and industrial production are due, can these two reports counter the sense of pessimism about the global growth outlook that has permeated equity markets?

For now we judge this market remains in correction mode, so 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: economic background

Last week our focus was split between the Bank of England's policy announcement, even though no change was universally expected, and industrial production and manufacturing output.

In the event the Bank obliged with unchanged rates decision, and left the Asset purchase target at £375.0B.

However, the other key report delivered a mixed message; the industrial production report was weaker than expected, while within that, the manufacturing report was stronger. The difference probably due to weaker energy out put.

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; **BRC Sales**,
- On Tuesday; **PPI, CPI, RPI, RPI-X and DCLG House prices, and**
- On Wednesday; **Unemployment report and average earnings.**

The two key releases this week are CPI and the unemployment report.

The strengthening labour market points in the direction of higher interest rates at some point in the not too distant future, but if CPI comes in at the expected 1.4% the Bank will feel it has plenty of time yet to act and can allow the recovery to strengthen even further.



## 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 rallied on increasing concerns about global economic weakness.

**The Macro Trader's view of Short Sterling is:** last week's price action focussed on the growing pessimism about Global economic weakness.

Although the UK economy continues to out perform, concerns are creeping in that the weak Euro zone economy holds the potential to damage the UK economic recovery and these concerns are becoming more acute due to the worsening German economic out look.

Looking ahead the CPI and labour market reports stand out this week, but while global growth concerns persist this market will draw support from low UK inflation meaning no near term BOE policy action.

However the upside looks as limited as the downside right now so 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

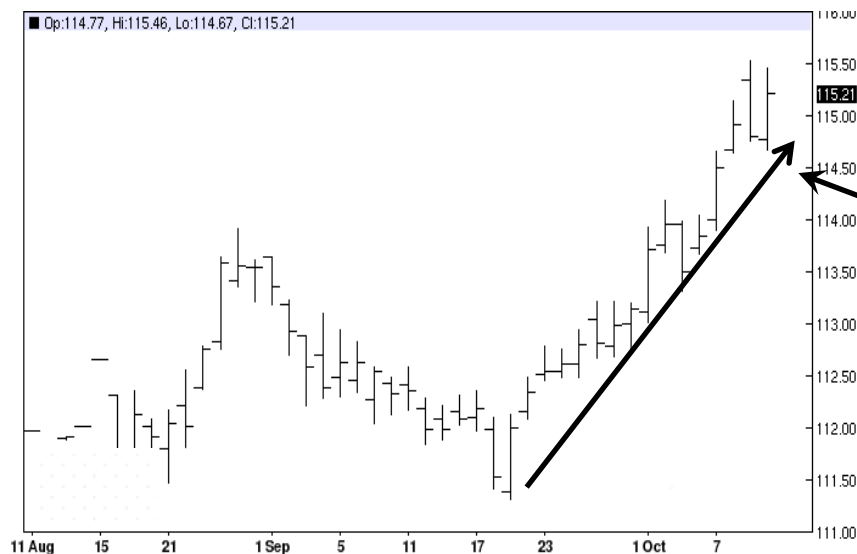
- + GOLD
- + OIL

## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt rides the wave of concern about the outlook for global growth.

**The Macro Trader's view of the Gilt is;** the gilt favoured the Bulls last week as concerns mount about the global economic outlook.

The Euro zone economy is in trouble and the German economy is cooling fast.

Japan's economy continues to struggle and China is under performing expectations, leaving the US and UK as the only two economies in expansionary mode, but for how long given the global back drop.

We judge the Euro zone does pose a threat to the UK

economy, but will the Euro zone export recession to the UK or will it just calm what is a fast expansion?

This week focusses on CPI and unemployment. CPI offers the Bank the luxury of time, the Labour market reminds policy makers that time isn't limitless, at least when it comes to policy decisions.

For now we sense the gilt enjoys strong support, but we judge the current anxiety is yet another brief wave of risk aversion.

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

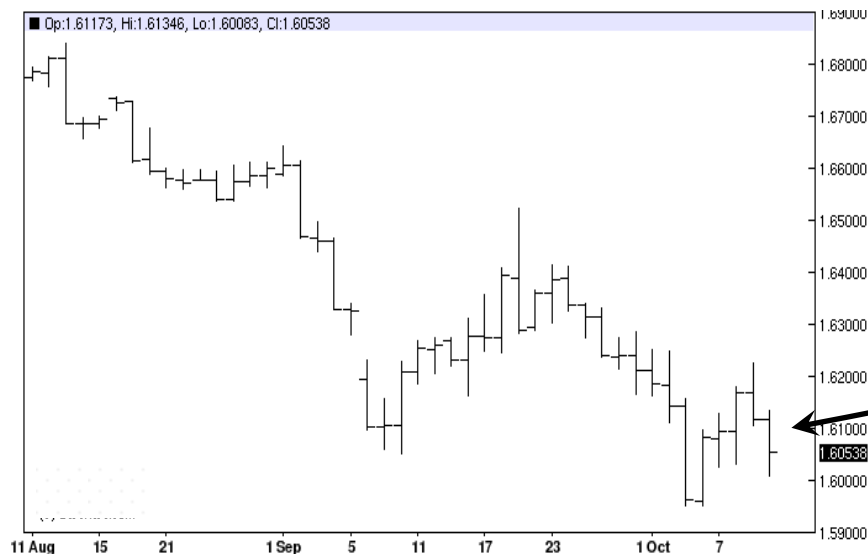
- + GOLD
- + OIL

## Disclaimer

## UK MARKETS: Sterling

### OUR TRADING STANCE; SQUARE

Last week we were Square



See how Sterling remains subdued against the Dollar and Euro.

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

...“Looking ahead the Bank of England policy decision is due on Thursday, but unchanged is universally expected and although the industrial production report is out this week, we judge FX traders will be focussed on the release of the FOMC minutes in the US on Wednesday”...

In the event the FOMC minutes underlined the Fed's current dovish stance, but they are trying to let markets know that they are led by data not an arbitrary time frame.

And although the Pound looks vulnerable here we are not bearish since the UK economy is performing very well and the BOE will likely hike rates sometime early next year despite low CPI, due to economic strength and tightening labour market. Only the Euro zone economy's weakness offers pause for thought.

Looking ahead CPI and the unemployment reports are due, but we judge the Pound is currently out of favour.

For now though stay square the Pound needs to attract some support before it looks safe to go long.

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

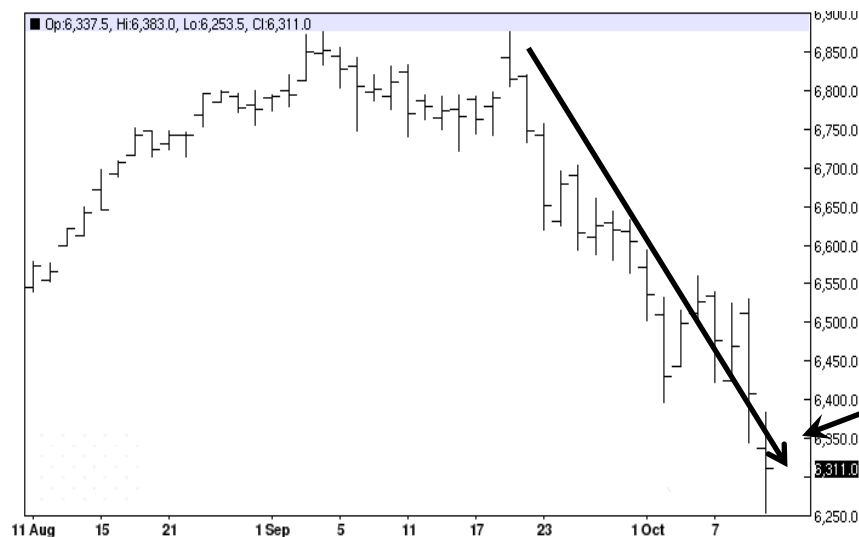
- + GOLD
- + OIL

## Disclaimer

## UK MARKETS: FTSE

### OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the FTSE looks very week on global growth and nearer to home, Euro zone growth concerns.

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

...“Looking ahead we expected traders to focus on the release of the US FOMC minutes on Wednesday; a reminder of the Fed's current dovish stance should settle equity market nerves especially as the protests in Hong Kong seem to be thinning out”...

In the event the Fed's impact lasted one day before global growth concerns and more specifically Euro zone/ German economic weakness drove this market lower.

The Euro zone economy has been weak for some time, but German economic weakness is new and a concern as it could infect the UK economy, at least to a degree.

Looking ahead a low CPI report is expected, this will reassure traders that UK interest rates are on hold probably into Q2 of next year. But a tightening labour market will temper that security, only current weak earnings growth allows the Bank to focus more on inflation rather than the pace of growth.

For now we judge equity markets remain nervous and vulnerable, so we are remaining square short term.



## Summary

## Global Calendar

## US Markets

+ EUROSHELLS  
+ 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 German economic data, specifically Factory orders and Industrial production.

In the event both were weaker than expected and heightened fears that Germany and the Euro zone were seriously at risk of sliding back into recession.

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 WPI**,
- On Tuesday; **German ZEW survey and Euro**

**zone industrial production**,

- On Wednesday; **German CPI**,
- On Thursday; **Euro zone trade data and CPI**,  
**and**
- On Friday; **Euro zone construction output**.

This week's key release is Euro zone industrial production.

After last week's weak German report the outlook for the Euro zone version isn't too high.



## 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

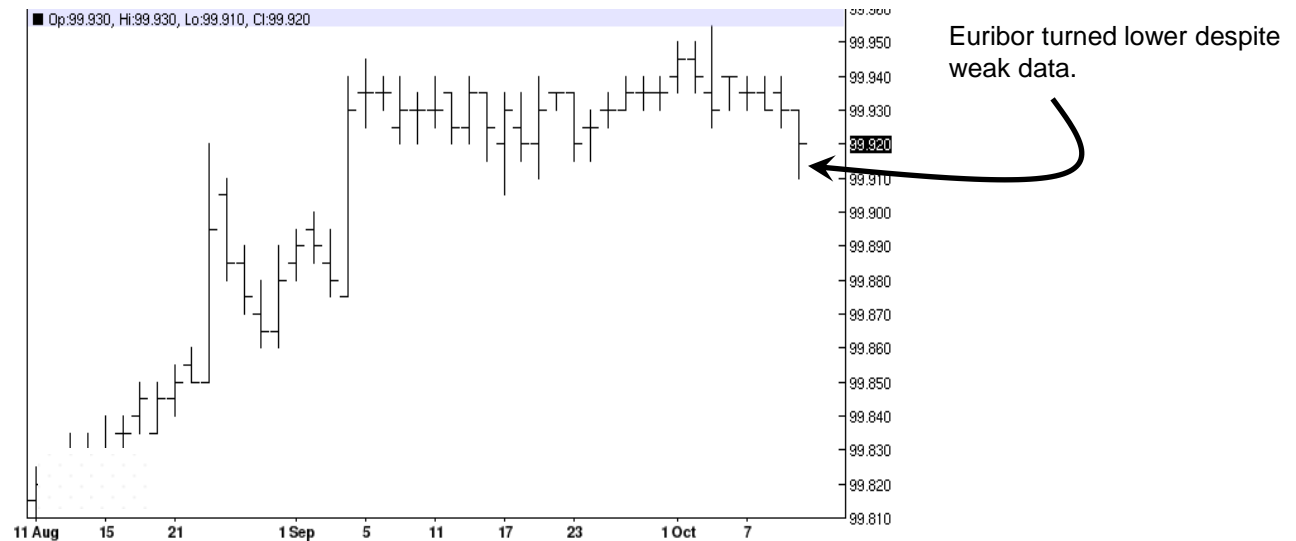
- + GOLD
- + OIL

## 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 German data due this week, weakness will point to yet more Euro zone economic misery but this market has very little upside room unless you believe in negative interest rates?”...

The two German reports were indeed weak and point towards recession, not just in the broader Euro zone but in Germany.

Looking ahead the Euro zone industrial production report is due. We do not expect anything better than last week's German version.

Although the market drifted lower on Friday we expect this was profit taking.

We are remaining square. T

The market is supported by weak economic activity and a Central Bank that might still need to do 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

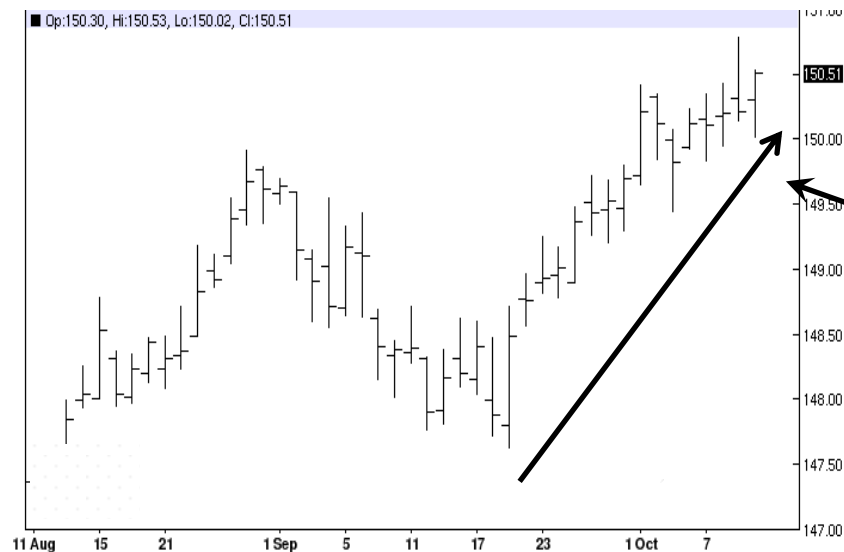
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: BULLISH.

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



The Bund remains a clear bull market.

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

...“Looking ahead the German factory orders and industrial production reports are due; weakness will drive the Bund higher”...

In the event those two key reports were weak and despite equity market weakness the Bund laboured, albeit still closing the week higher.

This week's attention is turned Euro zone industrial production. A weak report is expected further fuelling talk of recession.

We judge the Bund remains a Bull market.

Traders should be long of the Bund, our suggested target is 152.00, and our suggested stop sits at 148.70 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

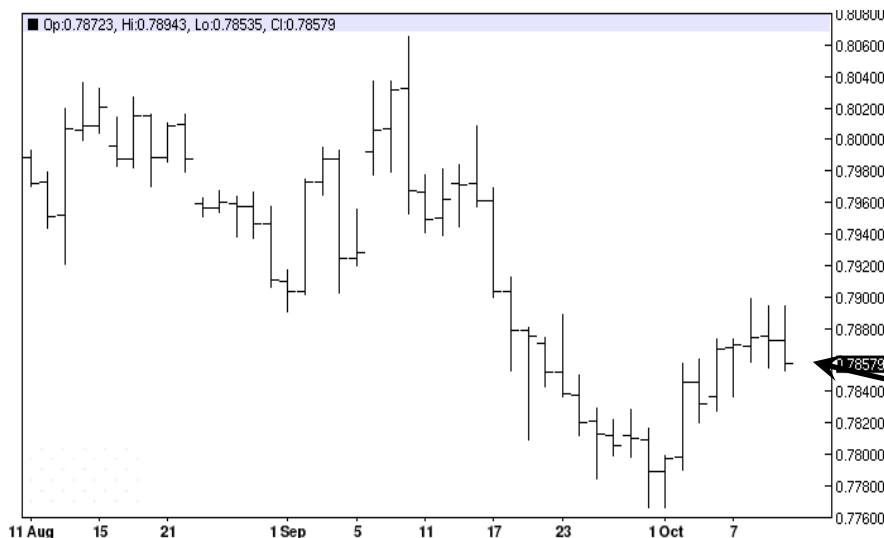
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

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

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



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

...“Looking ahead the key release globally this week is the US FOMC minutes released on Wednesday, domestically the German factory orders and Industrial production reports are due. We judge the Dollar will be the beneficiary”...

In the event the Dollar gave back some minor gains as the FOMC minutes revealed the Fed is concerned not to deliver the wrong message to traders as it turns the focus of its forward guidance squarely onto data.

Looking ahead the Euro zone industrial production report is due, a weak report is expected.

The US economy has picked up steam, the UK economy continues to motor along, where as the Euro zone and now the German economies appear to be heading towards recession; I would not be a buyer of the Euro against the Dollar, the Pound or anything else.

Traders should remain long the Dollar/short the Euro.

Our stop was just hit but stay long.

Our suggested target remains 1.2425, and our suggested stop is reset to 1.2815 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 sold off hard on domestic and global growth concerns.

**The Macro Trader's view of DJ Euro Stoxx 50 is:**  
we have always viewed the rally in this market as a house of cards built on positive sentiment from elsewhere. Now that is clear for all to see.

As concerns continue to grow about the Euro zone and German economies sliding inexorably towards recession, global equity markets have come under increased selling pressure, especially here.

Recent economic data is a big concern. The ECB has thrown several policy levers recently and although

policy takes time to work, policy makers may well have hesitated too long to avoid recession.

Add in the weakness still obvious in Japan's economy and the under performance of China's economy and investors are right to sell.

We prefer to stand aside from this market and concentrate on Bonds where we are long the Bund.

So stay square here.



## 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

## JAPANESE MARKETS: economic background

Last week's key releases were the Machine orders and Machine tool orders reports.

In the event they delivered mixed signals with machine orders stronger than expected, while machine tool orders came in weaker.

Other data released during the week echoed the theme with trade deficit worse, but C/A better, Bankruptcies worse, eco watchers weaker and Tertiary industry index weaker, meaning the economy is still struggling.

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; **Domestic corporate goods prices**,
- On Wednesday; **Tokyo condo sales, industrial production and capacity utilisation, and**
- On Thursday; **National and Tokyo department store sales.**

The key release this week is industrial production, a good measure of Japan's underlying economic health.



## 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

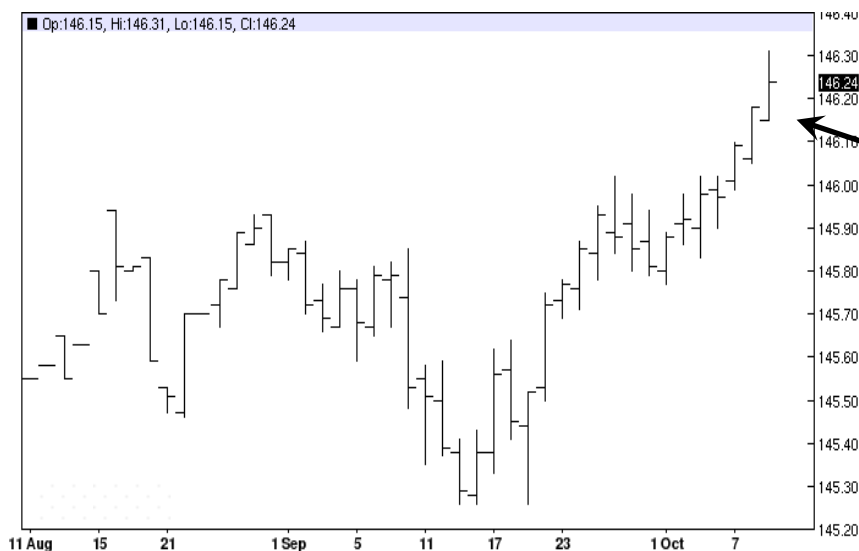
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: BULLISH.

Last week we were [Bullish](#) of Japanese Bonds.



The JGB rallied on global and domestic growth concerns.

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

...“Looking ahead the machine orders and machine tool orders are due, but our view of this market remains largely unchanged; it is a bull market temporarily caught in trading range of uncertain duration”...

In the event data was disappointing, and together with concerns about global growth this market made new highs.

Looking ahead the key release this week is industrial production, we suspect another disappointment is looming..

Traders should be long the JGB. Japan's economy remains sufficiently in a pickle to keep the Bank of Japan in easing mode.

Our suggested target remains 146.50 and our suggested stop is set at 145.50 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

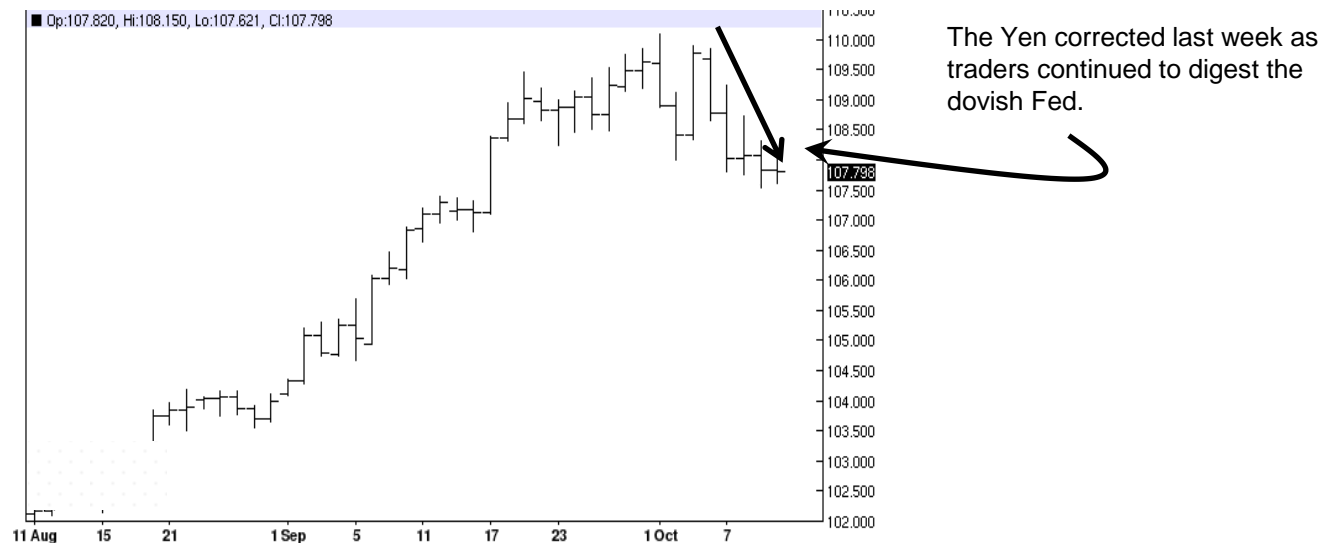
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE

Last week we were Square



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

...“Looking ahead the machine orders and machine tool orders reports are due, but we judge traders are more focussed on the midweek release of US FOMC minutes, which will likely focus minds on the Fed’s dovish stance on interest rates”...

In the event that was the outcome and the Fed re-enforced the dovish sentiment by revealing policy makers are concerned not to rattle markets when they shift the focus of their forward guidance onto data.

Looking ahead several key data releases due in Japan and in the US too.

We judge a stronger than expected US retail sales report would help the Dollar recover recently lost gains.

Once again we are square this market, the authorities are getting uneasy about the Yen’s weakness, but a weaker Yen should help exporters and concerns about dearer energy imports are likely over done with oil prices falling.



## 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 sold off smartly last week.

**The Macro Trader's view of the Nikkei is;** last week's price action vindicated our decision to remain side lined from this market having been stopped out.

The domestic economy hasn't responded as expected to Abe economics and with concerns mounting about the strength of global growth especially in the Euro zone and Germany together with China, this market remains vulnerable in the current nervous environment.

Looking ahead industrial production reports are due in Japan, Euro zone and US, will they show sufficient

strength to turn the tide in equity markets; we doubt it, with the possible exception of the US..

Equity markets globally look vulnerable, but in reality not much has changed fundamentally from a couple of weeks ago when stocks were a clear bull market, except sentiment and that can turn, as they say, on a dime.

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

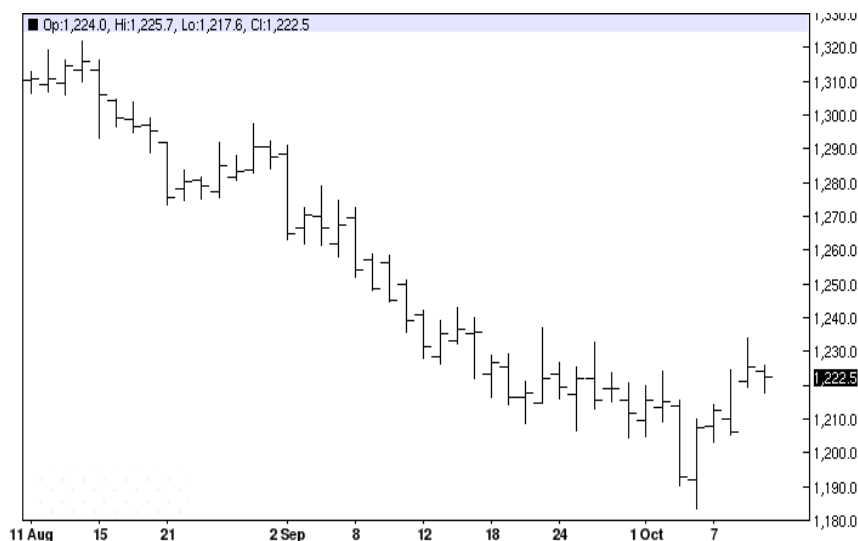
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Gold

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

Last week we were **Bearish** of Gold.



See how gold found some support in the current wave of risk aversion derived from concerns about the strength of global growth.

**The Macro Trader's view of the Gold is:** gold found some support last week, but we judge the move a correction not a change of direction.

The market has rallied as stocks have sold off on global growth concerns, but the US economy is still expanding and looks set to do better, the UK economic recovery remains well set, but there are now concerns that the increasingly weak Euro zone and German economies could impact the UK.

But with inflation low globally the key Central Banks are in no rush to hike rates and if the ECB could get ahead

of the curve the outlook in the Euro zone might improve.

We judge this market remains bearish and if not already short go short now.

Traders should remain short of this market.

Our suggested target is longer term at 1040.00. With this in mind and in view of recent price action our suggested stop is raised to 1260.00 for protection, but allow time for the market to meet our objective.

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

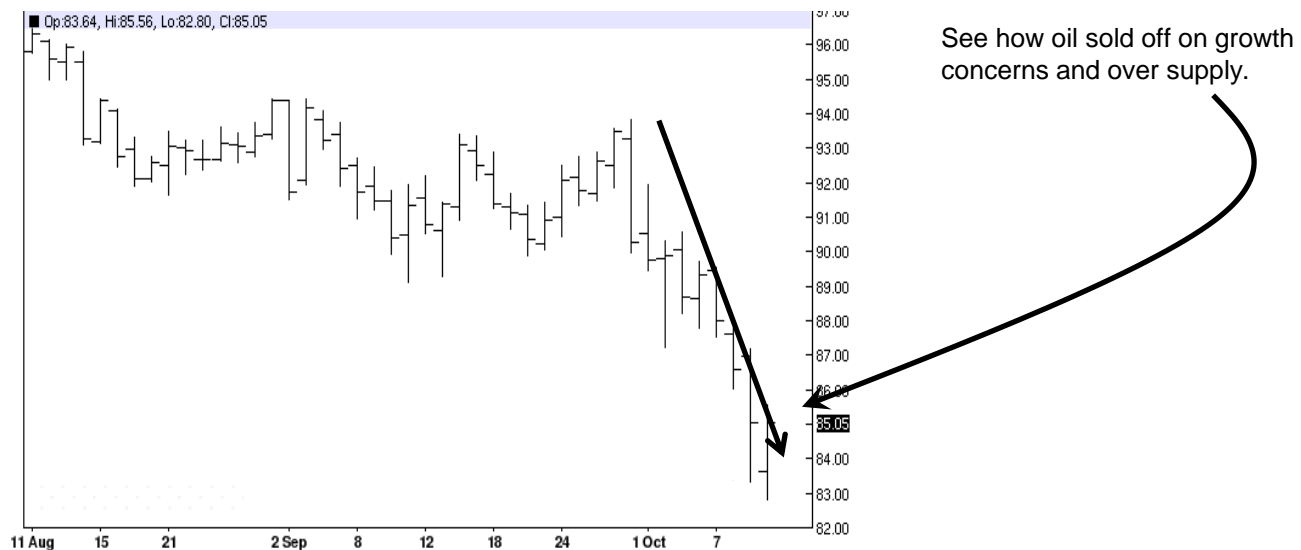
+ GOLD  
+ OIL

## Disclaimer

## COMMODITIES: Oil

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

Last week we were **Bearish** of Oil.



**The Macro Trader's view of oil is:** Last week we said...

...“the oil price continues to trade lower despite tensions in the Middle East”....

...“But the truth is as the US continues to develop its oil producing capacity to the extent where it is now the largest global producer, two dynamics are unleashed:

1. The world's most powerful nation has been freed from relying on energy supplies from the world's most volatile region, and

2. The supply of oil/petroleum hitting the market is outstripping demand and will drive the price lower yet”...

Additionally Saudi Arabia is unwilling to give up market share despite falling oil prices.

Traders should be short of this market.

Our suggested target is 65.50 and our suggested stop is set at 89.90 for protection amid still uncertain times.



## 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**