



Week 1  
6<sup>th</sup> – 12<sup>th</sup> January 2015

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

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by the FSA



## SUMMARY

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### US Markets

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- SQUARE
- SQUARE
- BULLISH v the Euro
- BULLISH

### 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

- SQUARE
- SQUARE
- SQUARE

### Commodities

- + GOLD
- + OIL

- SQUARE
- BEARISH

### Disclaimer



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Week of 5 <sup>th</sup> January	
Monday	US NYK ISM n/f UK Halifax survey 0.3m, 7.6(3m/y) UK PMI Construct'n survey 59.0 DM Retail sales 0.2m, 0.6y DM CPI 0.1m, 0.3y JP PMI Mfg n/f JP Vehicle sales n/f
Tuesday	US Fctory orders -0.4% US ISM Non-mfg 58.0 UK PMI Services 58.5 FR Cons conf 88 IT PMI Services 51.7 FR PMI Services 49.8 DM PMI Services 51.4 EZ PMI Services 51.9 JP PMI Services n/f
Wednesday	US MBA Mrtge aps n/f US ADP Employmnt chge 226k US Trade bal -\$42.0B US FOMC Minutes UK BRC Shop prices -1.8% DM PMI Construction n/f DM Unemploy'm't chge -6k DM Unemploy'm't rate 6.6% IT Unemploy'm't rate 13.3% EZ CPI Estimate -0.1% EZ Unemploy'm't rate 11.5%

Week of 5 <sup>th</sup> January	
Thursday	US Jobless claims 290k US Cons CR \$15.000B UK MPC Rate decision 0.50% UK BOE/MPC AP Target £375.0B DM Factory orders -0.8m, 1.0y EZ PPI -0.1m, -1.4y EZ Retail sales 0.2m, 0.2y EZ Services conf 4.6 EZ Ind conf -4.0 EZ Economic conf 101.2 EZ Cons conf -10.9
Friday	US Non-farm payroll 243k US Unemploy'm't rate 5.7% US Avrge hrly earngs 0.2m, 2.2y US Avrge wrk week 34.6 US Wholesale invntry 0.3% UK Trade bal -£9.500B UK Trade bal non-EU -£3.475B UK Ind production 0.2m, 1.6y UK Mfg output 0.3m, 2.3y UK Construct'n output 1.2m, 6.7y UK NIESR GDP Estimate 0.7% DM Ind production 0.3m, -0.6y DM Trade bal 20.5B DM C/A 23.0B



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Week of 29 <sup>th</sup> December	
Monday	
Tuesday	<p>US S&amp;P Comp-20 4.5% <b>MORE</b>            US Consumer confidence 92.6 <b>WEAKER</b>            UK Nat'wide hse prces 0.2m, 7.2y <b>AS</b>            EZ M3 (3m) 2.7% <b>STRONGER</b>            EZ M3 (y/y) 3.1% <b>STRONGER THAN EXPECTED</b></p>
Wednesday	<p>US Jobless claims 298k <b>WORSE</b>            US Chicago PMI 58.3 <b>WEAKER</b>            US Pndg home sales 0.8m, 1.7y <b>MORE THAN EXPECTED</b></p>

Week of 29 <sup>th</sup> December	
Thursday	<p><b>NEW YEARS DAY HOLIDAY</b></p>
Friday	<p>US Construction spndg -0.3m, <b>WEAKER</b>            US ISM Mfg 55.5 <b>LESS</b>            US ISM Prices paid 38.5 <b>WEAKER</b>            UK Net cons CR 1.3B <b>STRONGER</b>            UK Net Indg on dwllgs 2.1B <b>STRONGER</b>            UK Mrtge aprvls 59.0k <b>STRONGER</b>            UK PMI Mfg 52.5 <b>WEAKER</b>            IT PMI Mfg 48.4 <b>WEAKER</b>            FR PMI Mfg 47.5 <b>WEAKER</b>            DM PMI Mfg 51.2 <b>AS</b>            EZ PMI Mfg 50.6 <b>WEAKER THAN EXPECTED</b></p>



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## US MARKETS: economic background

Last week's focus was the ISM manufacturing survey,

In the event it weaker than expected, but traders were still digesting the FOMC policy statement released the week before Christmas which showed the Fed was positioning it's self to hike rates as soon as policy makers deemed the economy strong enough to warrant it.

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 York ISM survey,**
- On Tuesday; **Factory orders and ISM non-manufacturing survey,**

- On Wednesday; **ADP employment change, trade data and FOMC minutes for December 17,**
- On Thursday; **Jobless claims and consumer credit, and**
- On Friday; **non-farm payroll, unemployment rate, average hourly earnings, average work week and wholesale inventories.**

The key event this week is the non-farm payroll report.

We judge the Fed still sees the labour market as its key indicator, but FOMC minutes are due, so look out for fresh clues on policy timing.



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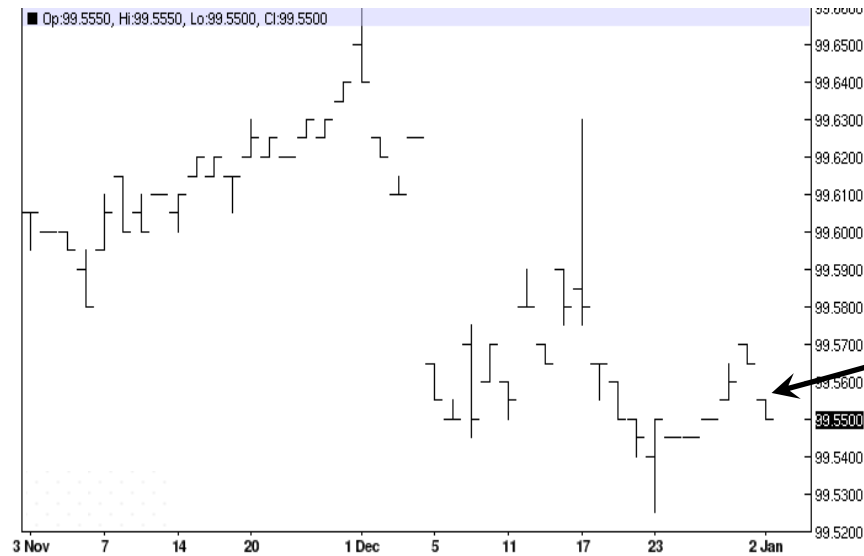
- + GOLD
- + OIL

Disclaimer

US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars are choppy but beginning to look to the downside.

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

...“Looking ahead the FOMC policy decision and statement is due this week. They are unlikely to move interest rates until next year, but they may start preparing markets to expect rates to rise earlier than previously expected”...

In the event we judge they did just that by dropping the phase indicating rates will be kept low for a considerable and replacing it with the words the Fed can be patient.

Last week's ISM Manufacturing survey came in weaker than expected, giving this market limited support, but stronger non-farm payroll and or stronger ISM non-manufacturing this week could see downward pressure begin to build..

We judge the Fed is likely to wait until Q2 before moving. Inflation remains benign and the Dollar is very strong, an early rate hike would strengthen it further.

For now we are remaining square.



# US MARKETS: 10 Year Note

## OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.

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  - + S&P 500

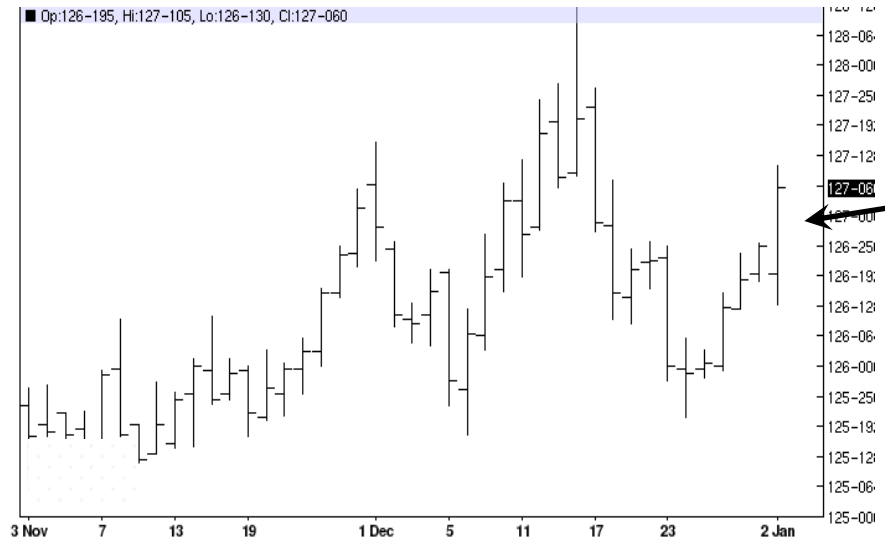
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### Disclaimer



The 10 year note is volatile but remains supported.

**The Macro Trader's view of the 10 year note is:** recent price action has been increasingly volatile as the market digests strengthening data and the prospect of higher interest rates on the one hand, against falling oil prices and weaker equity markets on the other.

We judge the recent FOMC policy statement started the count down to the first rate hike, but with inflation still benign, oil prices on the slide and global growth struggling, Bonds aren't yet ready for a major sell off.

Looking ahead the FOMC minutes are due this week, any hint of greater hawkishness than revealed in the policy statement would weigh on this market, as would stronger than expected ISM non-manufacturing and non-farm payroll.

But with the global growth outlook still looking fragile we see no trade for long term Bulls or bears and advice remaining square, at least for now.





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Commodities

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Disclaimer

US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the EURO.

Last week we were Bullish v the Euro.



The Dollar has continued to rally driven by strong growth and expected rate hikes.

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

...“Looking ahead the FOMC policy decision and statement is due. We judge the Fed will begin preparing the markets for a nearer term rate hike so depending on their wording the Dollar should draw some support”...

In the event we judge that was the FOMC message and even though last week's ISM manufacturing survey fell short of consensus, that will not change the Feds thinking.

Looking ahead an interesting week as the FOMC minutes are due; will there be more clues on the outlook for policy. Additionally the ISM non-manufacturing survey and non-farm payroll reports are due, plenty for traders to digest and potentially more fuel for the Dollar Bulls.

Traders should be long the Dollar, short the Euro.

Our suggested target is now 1.1725, and our suggested stop lowered to 1.2250 for close protection of profits.





## US MARKETS: S&P500

### OUR TRADING STANCE: BULLISH.

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

Summary

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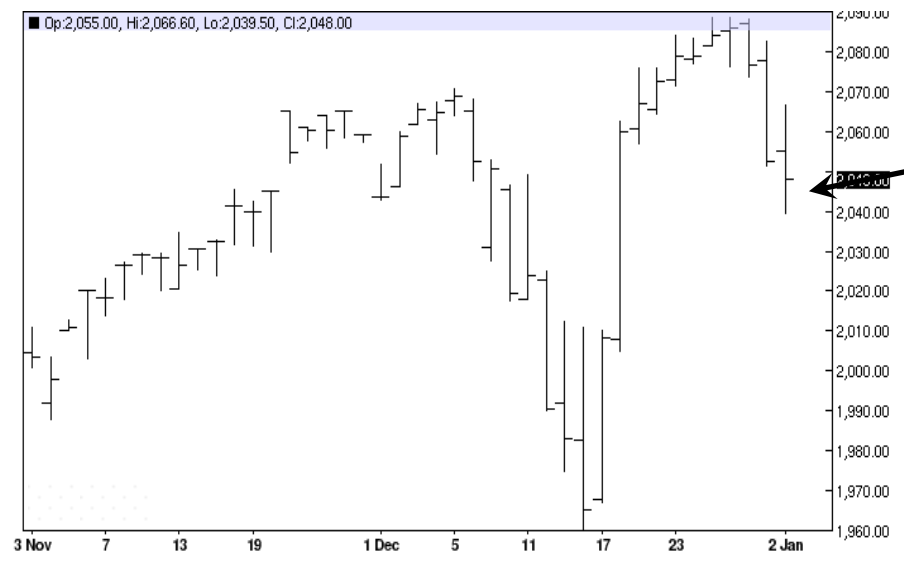
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**Commodities**  
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Disclaimer



The S&P is correcting on global growth concerns.

**The Macro Trader's view of the S&P 500 is:** the market came close to our target in the rally over Christmas and New Year, but has since corrected again on mainly global growth concerns.

There is talk once more of a possible Greek exit from the Euro zone, Japan has put together yet another massive stimulus and China continues to publish weakening data.

However, we judge the collapse in the Oil price is ultimately good news for the global economy including the US. And although lower oil prices is a negative for the shale oil industry, it is a big plus for the wider

economy.

We judge the S&P is experiencing yet another correction driven by uncertainty. If this week's non-manufacturing ISM survey and non-farm payroll report is strong this market should recover. Moreover if the FOMC minutes do not reveal any nasty surprises, stocks should breath a sigh of relief.

Traders should remain long of the S&P.

Our suggested target continues at 2100.00, but our suggested stop remains set at 1980.00 for protection.





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## Commodities

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## Disclaimer

## UK MARKETS: economic background

Last time we focused on retail sales, as consumer demand has traditionally been the engine of UK economic growth.

In the event the report came in much stronger than expected, flagging a continuing strong economic performance.

And although last week's PMI Manufacturing survey fell short of consensus, the economic recovery appears to be on track.

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; **PMI Construction survey**,
- On Tuesday; **PMI Services survey**,
- On Wednesday; **BRC Shop prices**,

- On Thursday; **BOE/MPC policy decision, and**
- On Friday; **Trade data, industrial production, manufacturing output, construction output and NIESR GDP estimate.**

A packed calendar this week, with several key releases due.

The PMI Services survey stands out as the main point of interest, and although the BOE/MPC rate decision is due on Thursday unchanged is expected.

Friday too sees several key releases, but we judge the PMI services survey is the main event.



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Commodities

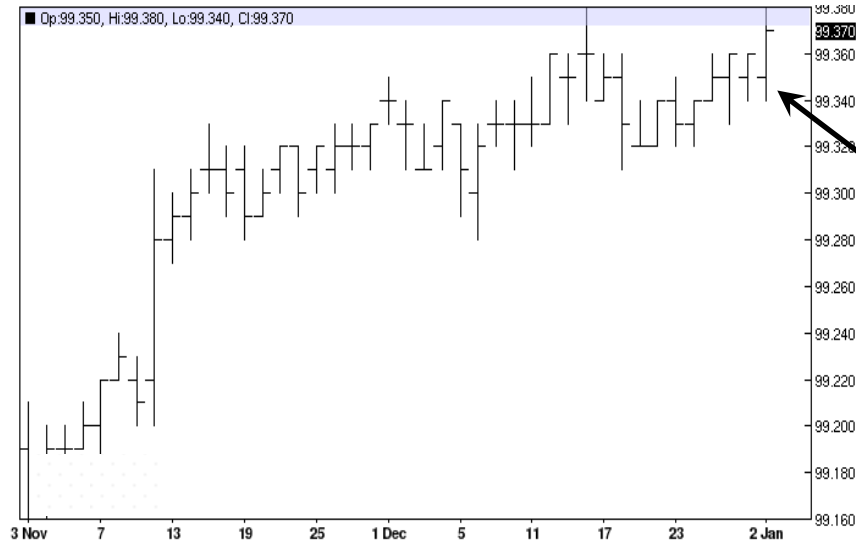
- + GOLD
- + OIL

Disclaimer

UK MARKETS: Short Sterling

OUR TRADING STANCE; SQUARE.

Last week we were Square of Short Sterling.



Short Sterling remains supported as inflation looks set to fall further.

**The Macro Trader's view of Short Sterling is:** the UK economic expansion remains on track, but this market remains supported by low inflation that looks set to fall further on the back of falling oil prices.

And although the recovery remains on track and lower oil prices will act as an economic stimulus, the Bank will likely use the prospect of sub 1% CPI as a good reason to leave policy on hold for several months yet.

Looking ahead, several key data releases due this week as detailed on the calendar, but we doubt they will have too big an impact on this market.

For now stay square.



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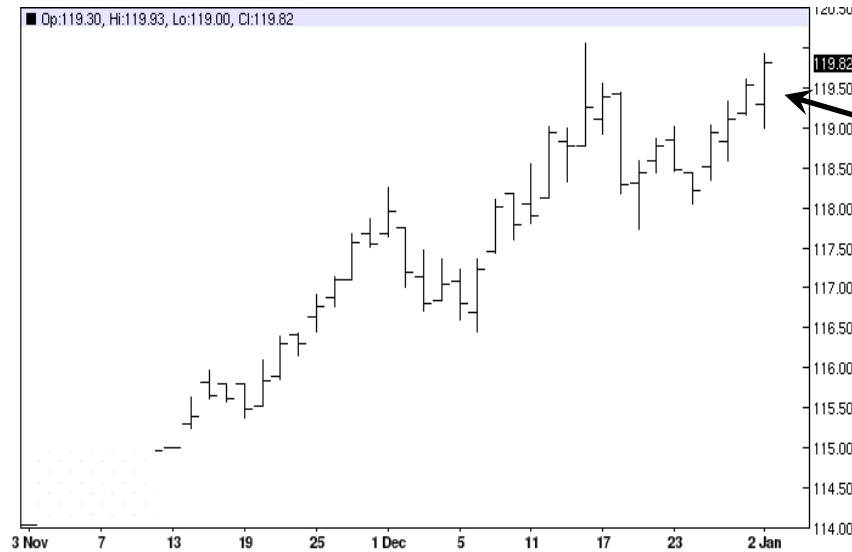
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt like other bond markets is supported by global growth fears and low inflation.

**The Macro Trader's view of the Gilt is;** although the recent retail sales report showed demand remains strong, meaning the expansion remains on track, Bonds are supported by:

1. Low inflation,
2. Collapsing oil prices, and
3. Global growth concerns.

In short the strength of the UK economy of its self is insufficient reason to be bearish of Gilts.

But falling oil prices will act as a de facto economic

stimulus, not just in the UK but globally so at some point the acceleration in growth that should result will ultimately drive the Bank of England to hike rates.

However for now we see this market balanced between the strength of domestic growth and global growth concerns, meaning we are maintaining a neutral view of this market which this week data releases are probably unlikely to change.

So for now stay square.



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- + **STERLING**
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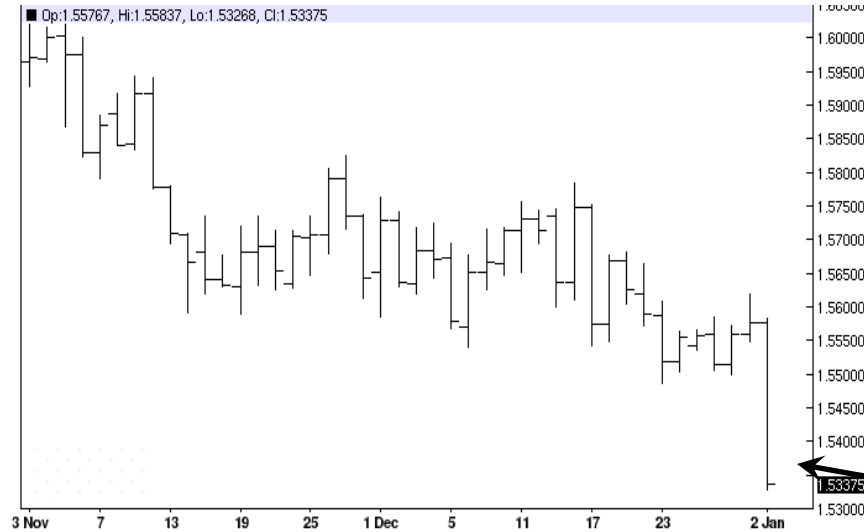
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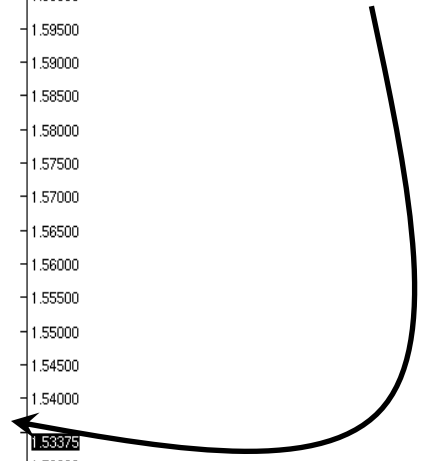
UK MARKETS: Sterling

OUR TRADING STANCE; SQUARE

Last week we were Square



See how Sterling remains weak against the US Dollar.



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

...“Our view of Sterling is that there is little justification on UK fundamentals for it to fall much further, but given the underlying strength of the US Dollar, it is difficult to make a Bullish case”...

And our view hasn't changed although Sterling has sold off further.

The Fed has cleared the way for a rate hike at any time it sees the need, where as in the UK the Bank of

England is likely to delay any move on the back of falling inflation that is expected to fall further on the back of falling oil prices.

Then there is the uncertainty of the looming UK General election.

Tis week sees a whole raft of data releases both in the UK and US, they will likely allow for a clearer long term assessment of Sterling's longer term prospects.

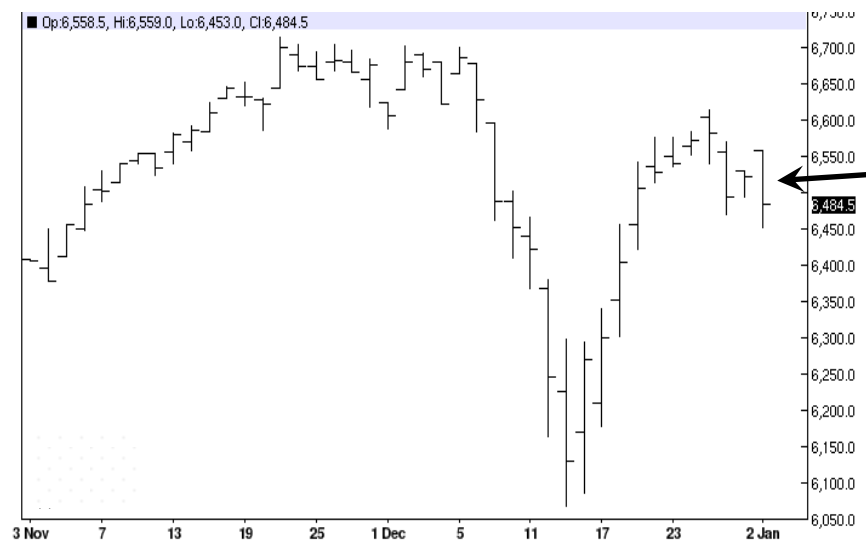
But until the data is known, we advise remaining square.



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## UK MARKETS: FTSE

**OUR TRADING STANCE: SQUARE.**  
 Last week we were Square.



See how the FTSE failed to regain the recent highs.



**The Macro Trader's view of the FTSE is;** last week's price action was disappointing. The rally that began mid December looked interesting and we thought it would prove the end of a correction. But the market failed to follow through and now looks on the verge of yet another correction.

Given recent retail sales data and expectations of subdued or even lower inflation driven by falling oil prices, a better performance might have been expected.

But key areas of the Global economy continue to struggle; in the Euro zone there is renewed talk of a Greek exit and ECB QE, in China data continues to soften and in Japan the economy is yet to gain traction.

And although lower oil prices will ultimately act as a global stimulus, for now traders are focussing on the short term impact on energy companies and their profitability.

For now we advise remaining stay square.





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## EURO ZONE MARKETS: economic background

Last week's focus was the various Euro zone PMI manufacturing surveys.

In the event they were all weaker than expected, with the exception of an as expected German report, but the data was sufficiently weak to keep alive speculation that the ECB would soon begin buying Euro zone Sovereign bonds..

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 retail sales and CPI,**
- On Tuesday; **French consumer confidence, Italian, French, German and Euro zone PMI Services surveys,**
- On Wednesday; **German unemployment report, Euro zone CPI estimate and**

**unemployment rate,**

- On Thursday; **German factory orders, Euro zone PPI, Retail sales, industrial confidence and consumer confidence, and**
- On Friday; **German industrial production, trade data and C/A data.**

The key releases this week are the various Euro zone PMI Services surveys and Euro zone CPI estimate.

The PMI Surveys and the CPI estimate will likely pile yet more pressure on the ECB to start a QE program..



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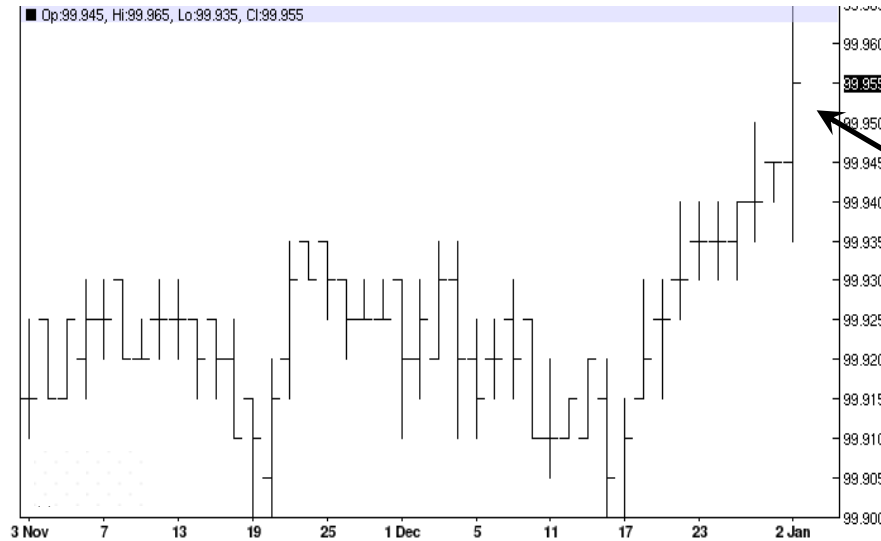
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor spiked on weak Euro zone PMI surveys.

**The Macro Trader's view of Euribor is;** last week's release of weaker than expected Euro zone PMI manufacturing data piled yet more pressure on the ECB to act and Draghi seem to indicate action will be forth coming.

Looking ahead yet another set of Euro zone PMI surveys are due; this time Service sector. Together with the Euro zone CPI estimate, the ECB may well

decide it can no longer delay beginning a QE program in an effort to forestall deflation and attempt to kick start growth.

In any event unless we trade though 100.00 this market has run out of room.

So stay square.





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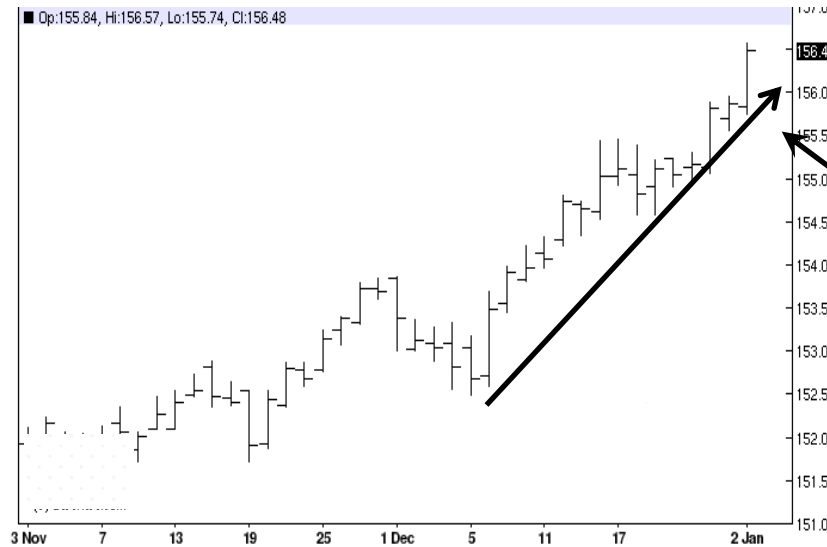
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of The Bund.



The Bund extended the rally on equity weakness and Euro zone growth concerns.

**The Macro Trader's view of the Bund is:** last week's mainly weaker PMI manufacturing surveys, renewed talk of a Greek Euro zone exit and concerns about the strength of global growth, all combined to send the Bund higher.

Looking ahead there is a whole raft of data due, both in the Euro zone, the US and UK, and although UK and US data are expected to reveal continued economic strength, Euro zone data isn't and this market should rally further on domestic bad news,

which can only add fuel current speculation that the ECB will start a QE program.

Traders should be long of this market.

Our suggested target of 155.55 was hit.

Our target is now 157.95 and our suggested stop raised to 154.50 for closer protection.



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Commodities

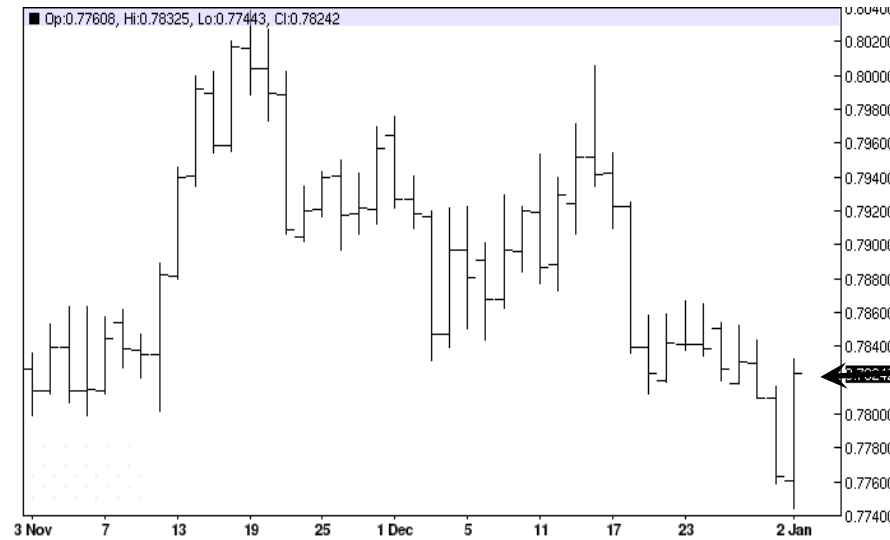
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: The Euro

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

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



See how the Euro continues to range trade against Sterling.

**The Macro Trader's view of the Euro;** last week's price action was very much about Dollar strength as the Euro and other major currencies continued to weaken against the Dollar.

With the ECB under pressure to start QE and the Fed on the verge of starting a tightening cycle, the Dollar was very much in the ascendancy.

Against Sterling the outlook is a little less clear. Both currencies are suffering against the Dollar even though UK growth is robust, but a looming general election that looks set to produce a very unusual

outcome is starting to weigh on the Pound.

Data wise there are heavy weight releases in the US, UK and Euro zone, but we expect the Dollar to rally further on what should confirm US strength and Euro zone weakness.

Traders should remain long the Dollar/short the Euro.

Our suggested target is now 1.1725, and our suggested stop lowered to 1.2250 for close protection of profits.



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

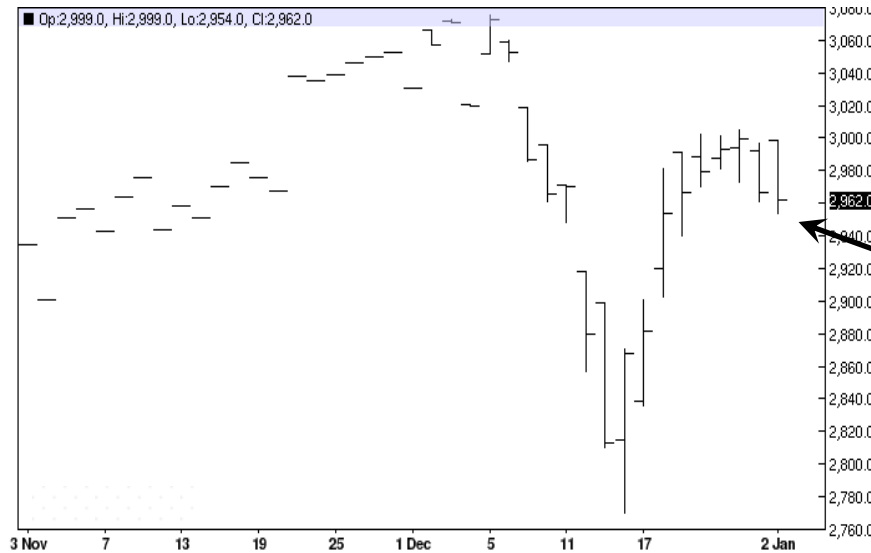
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market, much like the FTSE couldn't sustain the recovery.

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

stocks were back under pressure last week as traders fretted over the outlook for Euro zone and global growth.

As yet traders appear not to be registering the benefits that will come from lower oil prices but instead are focussed on the drop in profits oil companies are expected to incur as a result of the weak oil price.

Add in the fact that although Draghi has again alluded to beginning a QE program, it is by no means certain

one will be adopted as the Germans are far from keen, even though German and Euro zone inflation flirts with deflation.

Looking ahead although we are long term Bulls of equity markets we have consistently avoided this one due to Euro zone economic fundamentals not being consistent with previous bullish price action of this market.

So once again we are square



## Summary

## Global Calendar

### US Markets

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+ 10 YEAR NOTE  
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+ 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 there were no Japanese data releases and traders were left to contemplate the latest massive fiscal stimulus announced by the government in an attempt to get growth going.

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; **PMI Manufacturing survey and vehicle sales, and**

- On Tuesday; **PMI Services survey.**

The two PMI surveys are due this week and will provide fresh clues on the economy's health; in reality we doubt little has changed for the better.

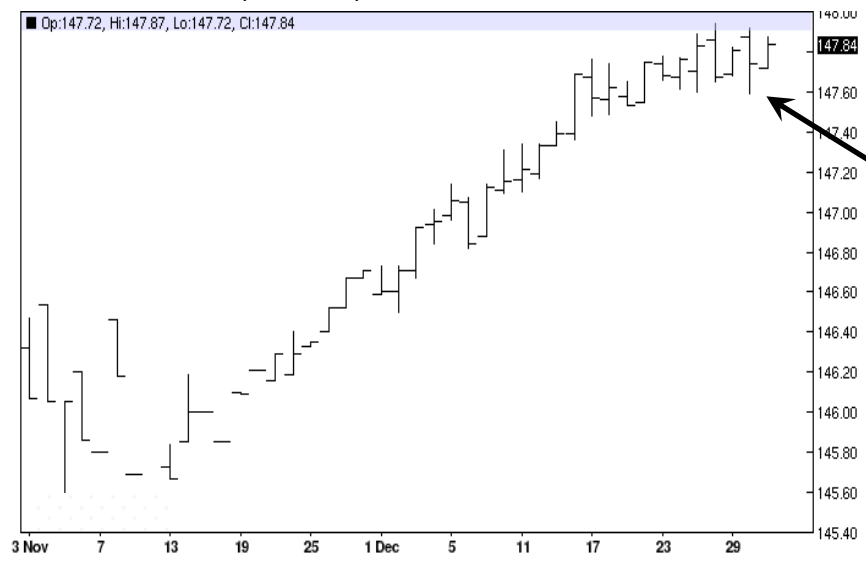


- Summary**
- Global Calendar**
- US Markets**
- + EURO DOLLARS  
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+ US DOLLAR  
+ S&P 500
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+ DJ EURO STOXX 50
- Japanese Markets**
- + JAPANESE BONDS  
+ YEN  
+ NIKKEI
- Commodities**
- + GOLD  
+ OIL
- Disclaimer**

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB remains supported by weak growth and new government stimulus.

**The Macro Trader's view of the JGB is:** last week's price action was driven by continued economic weakness, weak Nikkei and yet more government aid.

Add in the Bank of Japan Governors remarks that he still has plenty more policy leavers to pull and the JGB remained well supported.

Looking ahead only two data releases due this week, but both report on the near term out look for the economy.

In general government Bonds remain supported by weak growth and renewed fears of falling prices.

The Japanese economy has failed to respond to numerous stimuli both monetary and fiscal and the JGB and other Japanese markets are little more than a roller coaster ride.

We are square.





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**Commodities**

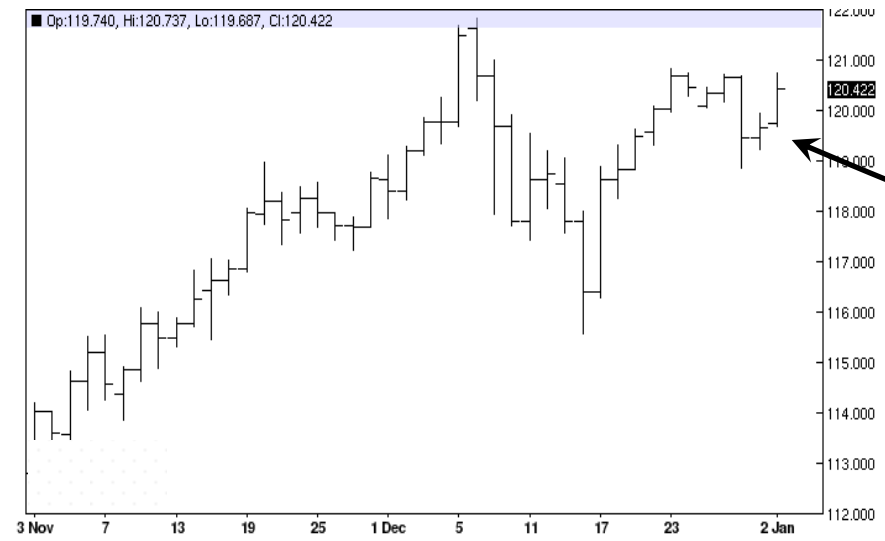
- + GOLD
- + OIL

**Disclaimer**

**JAPANESE MARKETS: Yen**

**OUR TRADING STANCE: SQUARE**

Last week we were Square v the Dollar



The Yen could well be set to weaken much further.

**The Macro Trader's view of the Yen is;** the Yen remains under pressure against the Dollar, but for the last several weeks has been in a clear sideways trading pattern.

We judge the outlook for the Yen remains bearish. The US Fed is set to begin raising rates any time over the next few months, where as the Bank of Japan is still seeking ways to ease policy.

This week sees the release of several key US data

release. Continued strength will sharpen the US interest rate debate and send the Dollar higher.

However the Yen has so far held its ground on safe haven buying resulting from equity market weakness, how long will that last?

For now we are staying square.





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Commodities

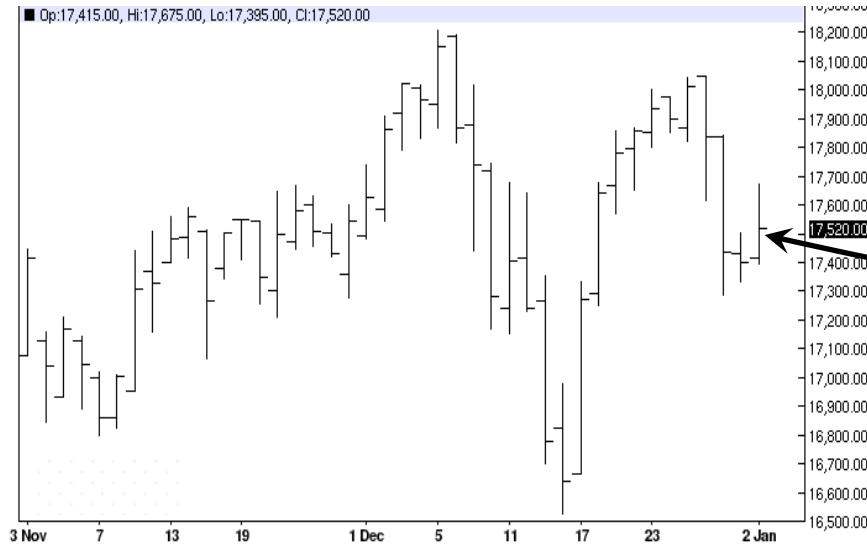
- + GOLD
- + OIL

Disclaimer

**JAPANESE MARKETS: Nikkei**

**OUR TRADING STANCE: SQUARE.**

Last week we were Square of the Nikkei.



The Nikkei is in a volatile trading range.

**The Macro Trader's view of the Nikkei is;** since early November the Nikkei has traded mainly sideways as traders react to weak Japanese and Chinese growth.

Both continue to struggle with low or falling inflation and as the world's 2<sup>nd</sup> and 3<sup>rd</sup> largest economies that presents a global growth concern.

The fact that low oil prices presents a de facto stimulus to the global economy seems not yet to have been

grasped and traders seem more concerned about the impact on oil related stocks.

We judge this market is likely to remain range bound even though the newly re-elected government has announced a new multi billion Dollar stimulus.

Once again stay square.



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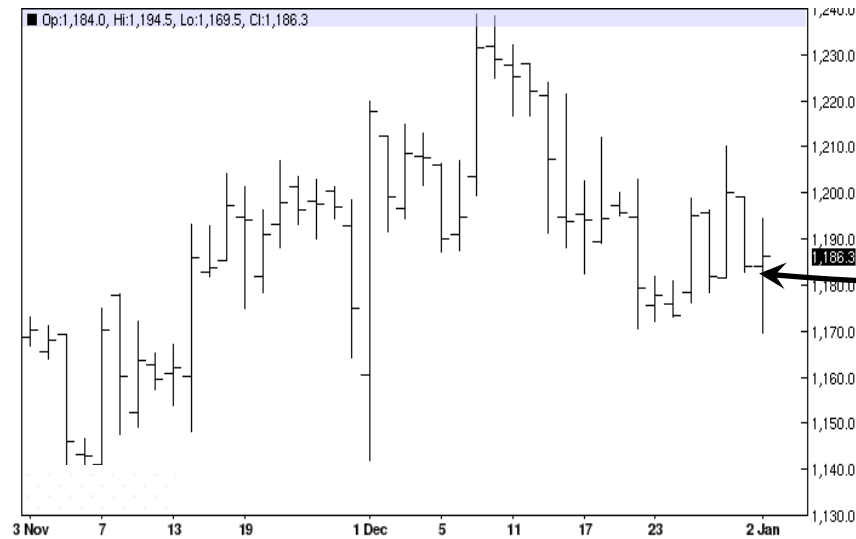
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE.

Last week we were Square of Gold.



See how gold remains range bound.

**The Macro Trader's view of the Gold is:** last time we said...

...“Russia continues to stir up trouble in a growing list of countries where it believes it has some ancient right of influence”...

...“On that basis the Greeks, Romans, Persians, Spanish and even the British would all still be trying to exert influence based on now long since passed Empires, no Russia under Putin is engaging in hostile activity aimed at nothing less than grabbing land Russia has no right to”...

...“That said why isn't gold higher?”...

We see no reason to add or detract from those comments.

Moreover we judge all this only serves to reveal the long term weakness of the Gold market. The current price action remains a correction and we expect the market to sell off once the correction has exhausted.

As ever timing is crucial and the time still isn't yet right so stay square a little longer.





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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: **BEARISH.**

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



See how oil continues to sell off.

**The Macro Trader's view of oil is:** oil remains under pressure as the realisation continues to hit that shale oil reserves whether in or out of the ground has materially changed the dynamics of the oil market for the foreseeable future.

OPEC under Saudi leadership didn't cut out put because they new it would make no difference to the price.

We judge the sell off still has further to go and where as on a few short years ago the commentary in oil was centred around peak oil production, no one is saying that now.

Traders should be short of Oil.

Our suggested target is \$46.00 and our suggested stop is reduced to \$60.50 for closer protection.



## Summary

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## 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)

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