



Week 4

27th January – 2nd February 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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SUMMARY

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Global Calendar

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

- SQUARE
- SQUARE
- BULLISH v the Euro
- SQUARE

UK Markets

+ SHORT STERLING
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+ FTSE

- SQUARE
- BULLISH
- BULLISH v the EURO
- BULLISH

Euro Zone Markets

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- SQUARE
- BULLISH
- BEARISH v the Dollar & Sterling
- SQUARE

Japanese Markets

+ JAPANESE BONDS
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- SQUARE
- SQUARE
- SQUARE

Commodities

+ GOLD
+ OIL

- SQUARE
- BEARISH

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| | Week of 26 th January |
|-----------|---|
| Monday | UK BBA Loans 36.500k DM IFO 106.5 JP Trade Bal –Y735.2B JP BOJ Minutes |
| Tuesday | US Durable goods 0.5 US DG Ex –Transport 0.6% US Case/shiller comp-20 4.32% US New Home sales 450k US Cons conf 95 UK Indx of srvcs 0.3m, 0.9m/3m UK Q4 GDP 0.6q, 2.8y JP Sml bus conf n/f |
| Wednesday | US MBA n/f US FOMC Rate decision 0.25% DM Import prices -1.5m, -3.4y DM GFK Cons conf 9.1 JP Retail trade 0.3m, 1.0y JP Lrge retailers 0.3% JP Loans discount corp n/f |

| | Week of 26 th January |
|----------|--|
| Thursday | US Jobless claims 300k US Pndg home sales 0.5m, UK Nat'nwide hse prces 0.3m, 6.6y UK CBI sales 34 DM Unemploy'm't chge -10k DM Unemploy'm't rate 6.5% EZ M3 (3M) 3.1% EZ M3 (y/y) 3.5% EZ Bus climate 0.12 EZ Ind conf -4.5 EZ Cons conf -8.5 EZ Services conf 6 DM CPI -0.8m, -0.1y JP Jobless rate 3.5% JP Household spndg -2.3% JP Nat'nal CPI 2.3%y JP Tokyo CPI 2.2%y JP Ind production 1.2m, 0.3y |
| Friday | US Q4 ECI 0.7% US Q4 GDP (A) 3.1% US Q4 Persnl consmptn 4.0% US Q4 GDP Price indx 0.9% US Q4 Core PCE 1.1q, US Chicago PMI 58 US U. of Michiga conf 98.2 UK GFK Cons conf -2 UK Net cons Credit 1.2B UK Net Indg on dwllgs 1.9B UK Mrtge apps 59.0k DM Retail sales 0.3m, 3.6y EZ Unemploymt rate 11.5% EZ CPI Estimate -0.5y JP Vehicle prodctn n/f JP Construct'n orders n/f |



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Last week's releases – macro trader

| | Week of 19 th January | | Week of 19 th January |
|-----------|---|----------|---|
| Monday | EZ C/A 18.1B AS EZ Constrct'n output -0.1m, 2.2y MORE JP Nat'nwide dept stre sales -1.7% WEAKER JP Tokyo dept stre sales 0.3% AS JP Ind production -0.5m, -3.7y AS JP Capacity utilisation -0.8% AS JP Cons conf 38.8 AS THAN EXPECTED | Thursday | US Jobless claims 307k WORSE US House price indx 0.8% STRONGER UK PSNCR 21.4B WORSE UK PSNB 12.5B WORSE UK CBI Trends tot orders 4 WEAKER EZ Cons conf -8.5 BETTER EZ ECB Rate decision 0.05% AS THAN EXPECTED |
| Tuesday | US NAHB Housing indx 57 LESS DM PPI -0.7m, -1.7y WEAKER DM ZEW Survey 48.4 STRONGER JP Tokyo condo sales 13.9% STRONGER JP Convnienece stre sales -1,2% BETTER THAN EXPECTED | Friday | US Existing home sales 5.04M AS UK Retail sales 0.2m, 4.2y STRONGER EZ PMI Composite survey 52.2 STRONGER JP PMI Mfg survey 52.1 AS THAN EXPECTED |
| Wednesday | US MBA Mrtge apps 14.2% BETTER US Building permits 1000k WEAKER US Housing starts 1089k STRONGER UK Unemploym't rate 2.6% AS UK Unemploym't chge -29.7k BETTER UK Avrge earngs 1.7% AS UK AE Ex- Bonus 1.8% LESS UK ILO Unemploym't rate 5.8% BETTER UK MPC/BOE Minutes 9/0 JP BOJ Policy statement JP All ind actvty index 0.1% AS JP Super mkt sales -1.8% WEAKER JP Machine tool orders 33.9 BETTER THAN EXPECTED | | |

More



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US MARKETS: economic background

Last week's focus was the existing home sales report.

In the event the release was as expected, but the attention of most market participants was on the Euro zone and whether the ECB would final begin a QE program aimed at halting deflation and reflation the Euro zone economy.

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 Tuesday; **Durable goods, New home sales and consumer confidence,**
- On Wednesday; **FOMC Rate decision,**
- On Thursday; **Jobless claims and pending home sales, and**

- On Friday; **Q4 Employment cost index, Q4 GDP, Q4 Personal consumption, Q4 Core PCE, Chicago PMI and University of Michigan confidence.**

There are several key data releases due this week.

The FOMC policy decision on Wednesday and the Q4 GDP reports on Friday.

The Fed is highly unlikely to move policy this time, but what they say in the policy statement is just as important.

That leaves the Q4 GDP report. Clearly a stronger than expected report will add fuel to the interest rate debate.



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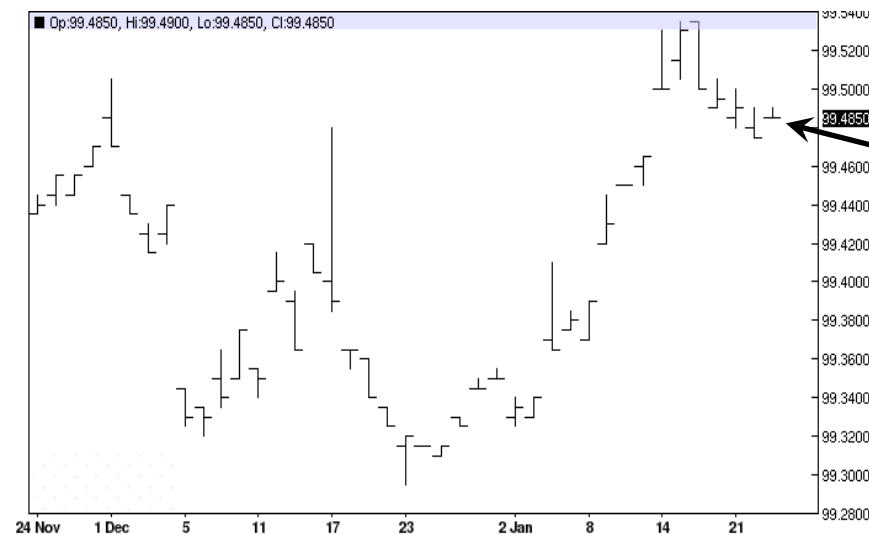
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars failed to press ahead as traders realise the Fed's next move is to tighten policy.

The Macro Trader's view of Eurodollars is; last week's price action was a correction from the previous week's rally, driven by limited new information.

But in the final analysis what is the upside for this market. The next move will be a hike only the timing is up for debate.

Looking ahead the FOMC policy decision and Q4 GDP reports are due.

We judge the GDP report will be the one to excite, especially if it comes in better than expected.

For now stay square a mid year rate hike still looks the most likely outcome.



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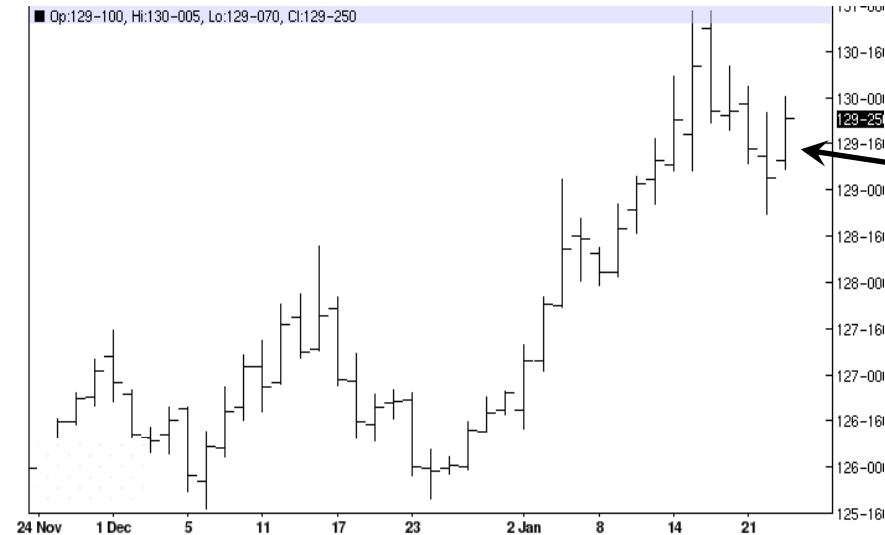
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US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note remains supported by low inflation.

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

...“Looking ahead very few heavy weight releases due this week with attention focused on jobless claims and Existing home sales”...

...“However until we see some real heavy weight data we judge this market will remain supported by current sentiment which is focussed on the Fed and whether or not policy makers will need to delay any rate hikes they are planning for this year”...

...“We think not, but with inflation subdued there is

little currently to support a Bear case in this market”...

Our thinking hasn't changed!

Looking ahead the FOMC policy decision and Q4 GDP reports are due. A better than expected Q4 GDP report could put this market under pressure, but with inflation benign and new uncertainty in the Euro zone after the Greek election we judge this market will retain support.

For now we are neutral of this market so remain square.



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Japanese Markets

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Commodities

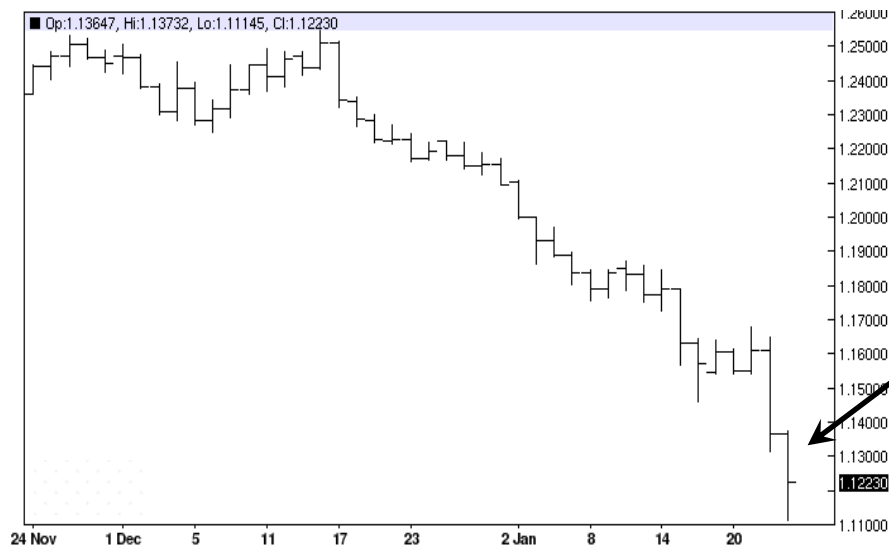
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US MARKETS: US Dollar

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

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



The Dollar remains a clear cut Bull market.

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

...“Looking ahead Existing home sales are due, but we judge the Dollar remains a strong Bull market, especially against the Euro”...

In the event the report was as expected, but the Dollar extended its rally in the wake of the ECB's decision to start a big QE program in recognition of the Euro zone economy's weakness and plunge into deflation.

Looking ahead Q4 GDP stands out as the key release this week, a strong reading will add fuel to the Dollar's rally. Additionally the FOMC policy decision is due, no

change is expected but watch the language of the statement.

However, we judge the New turmoil that looks set to be released in the Euro zone following the Greek election should see the Dollar make further significant gains against the Euro.

Traders should be long the Dollar, short the Euro.

Our suggested target of 1.1390 was met.

Our target is now 1.0810, and our suggested stop is lowered to 1.1475 for closer protection of profits.



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Japanese Markets

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Commodities

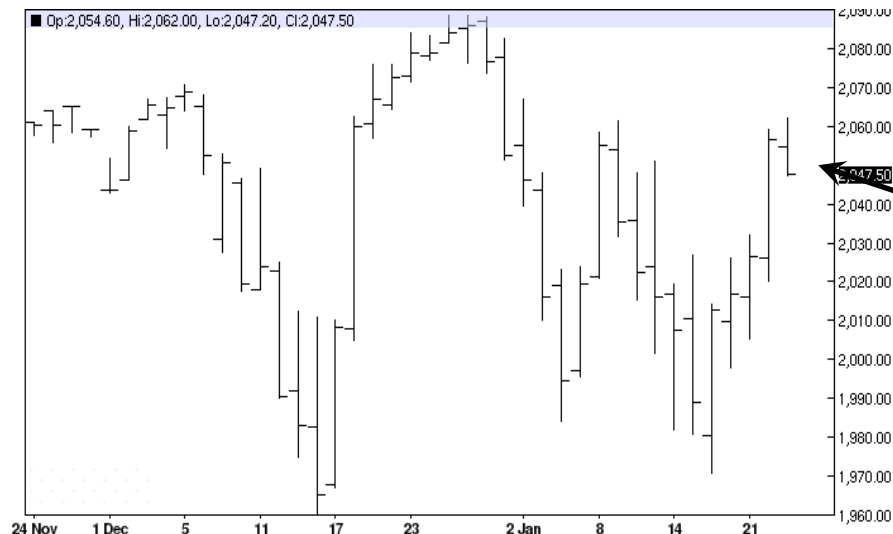
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US MARKETS: S&P500

OUR TRADING STANCE: SQUARE.

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



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

...“Looking ahead only light weight data due this week, meaning we judge current sentiment will continue to weigh on US stocks”...

In the event the market staged a limited recovery after the ECB announced the start of an 18 month QE program, but the real action in equities was elsewhere.

Looking ahead the FOMC policy decision and Q4 GDP reports stand out. The Fed will remain on hold but watch what they say.

A stronger than expected Q4 GDP report could give this market a boost.

But equities are hesitant after the Greek election result which threatens fresh Euro zone turmoil..

Although we remain long term Bulls of this market, for now we are remaining square.



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Euro Zone Markets

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Japanese Markets

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Commodities

+ GOLD
+ OIL

Disclaimer

UK MARKETS: economic background

Last week our focus was the Unemployment and Retail sales reports. And although the MPC minutes were due we judged they were less significant.

In the Event the minutes revealed the committee voted unanimously to keep rates on hold; in keeping with current market sentiment.

The unemployment report again better than expected, but the big surprise was retail sales which beat consensus by a margin.

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; **BBA loans**,

- On Tuesday; **Index of Services and Q4 GDP**,
- On Thursday; **Nationwide house prices and CBI Sales**, and
- On Friday; **GFK Consumer confidence, Net consumer credit, Net lending on dwellings and Mortgage applications**.

The key release this week is the Q4 GDP report.

Last week's retail sales was stronger than expected and will feed into Q4 GDP will that report be stronger than expected?



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Japanese Markets

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Commodities

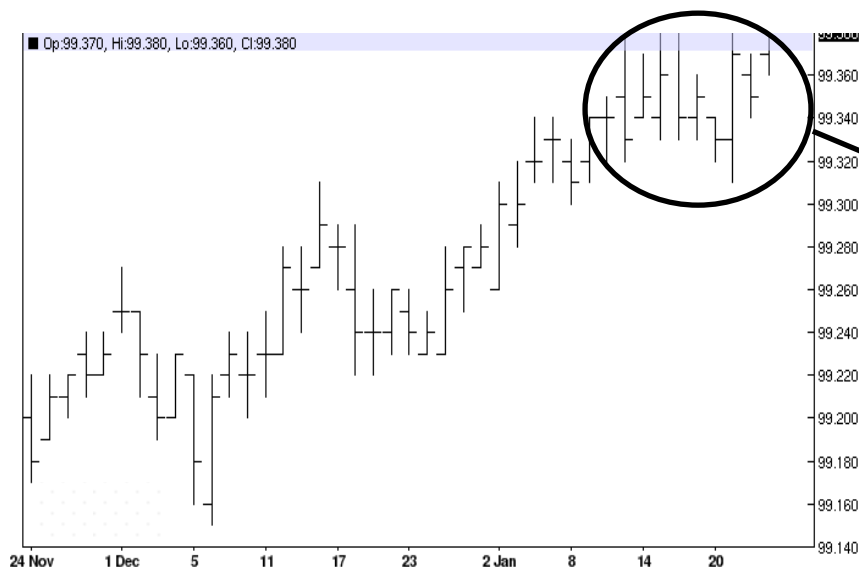
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Disclaimer

UK MARKETS: Short Sterling

OUR TRADING STANCE; SQUARE.

Last week we were Square of Short Sterling.



Short Sterling rallied on the ECB QE announcement and expectation the Bank of England will delay rate hikes.

The Macro Trader's view of Short Sterling is: last week's price action was driven by two dynamics: 1/ the ECB QE announcement, and 2/ expectations the BOE will keep UK rates unchanged longer.

But think! A flood of money into the Euro zone economy will have a significant spill over impact on the UK economy, so where as a slowdown was predicted a speed up might actually be the result meaning a BOE delay in hiking rates might not be as long as

expected.

Looking ahead Q4 GDP data is due.

The next move in UK interest rates is up, there is little to gain from a long position here, but still too soon to be a seller.

Once again stay square.



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Euro Zone Markets

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Japanese Markets

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Commodities

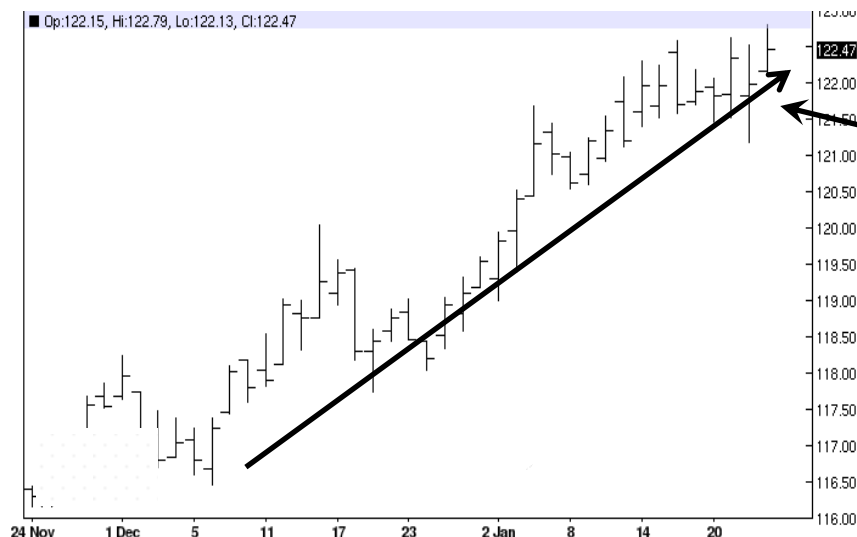
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UK MARKETS: Gilt

OUR TRADING STANCE: BULLISH.

Last week we were [Bullish](#) of the Gilt.



See how the Gilt extended the rally despite strong retail sales.

The Macro Trader's view of the Gilt is; last week we said and repeat...

...“With growth looking steady and inflation set to fall on the back of a collapse in oil prices we see no case at all to be made for selling the Gilt, in fact the opposite is true”...

In the event we judge the market came to the same conclusion despite stronger retail sales.

Looking ahead the key release this week is the Q4 GDP report, which could prove stronger than expected

on the back of last week's better than expected retail sales report.

However we judge the Gilt remains well supported, increasingly as a safe haven trade, especially after the Greek election result threatens fresh uncertainty in the Euro zone.

Traders should be long of the Gilt, low inflation is no reason to sell government Bonds.

Our suggested target is now 123.90 and our suggested stop raised to 120.45 for protection.

More



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- + **STERLING**
- + FTSE

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Japanese Markets

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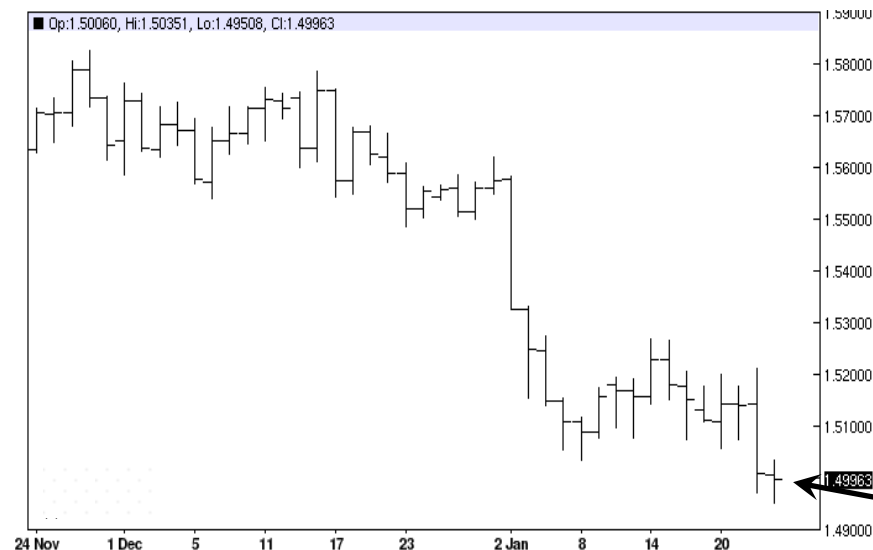
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UK MARKETS: Sterling

OUR TRADING STANCE; BULLISH v the EURO

Last week we were Bullish v the Euro



See how Sterling remains under pressure against the Dollar, but strong against the Euro.

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

...“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 regarding making a Bull case for Sterling against the Dollar.

But against the Euro we are Bullish. UK retail sales stronger than expected last week and the ECB announced a substantial QE program that will

undoubtedly spill over into the UK economy.

Looking ahead Q4 GDP is due, a stronger than expected report will further support Sterling especially against the Euro.

Add in the Greek election result that is almost certain to cause a new period of instability and uncertainty in the Euro zone and the Pound looks set to rally further against the Euro.

Traders should be long Sterling/Short the Euro, Our target remains 0.7100, but our stop is reduced to 0.7635 for closer protection.



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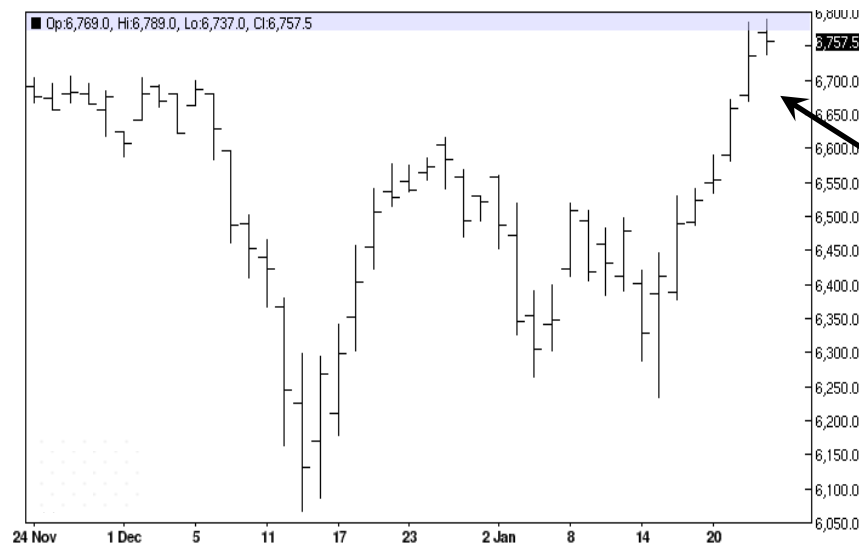
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UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were Square.



See how the FTSE rallied on the ECB QE announcement.

The Macro Trader's view of the FTSE is; a major drag on the FTSE over recent months, aside from the slide in oil prices, has been the weakness of the Euro zone economy and its potential impact on the UK economy, since the Euro zone is the UK's main trading partner.

But that drag has at the very least been reduced by the ECB's QE announcement last week. Although intended to reflate the Euro zone economy and reverse its slide into deflation, as the UK's main trading partner increased economic activity in the Euro zone will have

a knock on effect on UK economic activity. So although current thinking was a slowing UK economy this year; tear that idea up, economic activity is set to remain robust and the BOE may find its self unable to keep rates on hold throughout the whole of this year.

Traders should remain long of this market. Our target of 6700.00 is met.

Our suggested target is now 6980.00 and our suggested stop is raised to 6570.00 for closer protection.

More



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EURO ZONE MARKETS: economic background

Last week's focus was the ECB policy meeting.

After much speculation about if and when the ECB would ever announce a QE program, last week was billed as the time to act after recent CPI data showed the Euro zone had descended into deflation.

In the event the ECB delivered with a sizeable QE program set to run for at least 18 months.

Looking ahead there are several key reports due which are detailed on the global calendar, but we judge these are the week's **key** releases:

- On Monday; **German IFO**,
- On Wednesday; **German import prices and**

GFK Consumer confidence,

- On Thursday; **German unemployment report, Euro zone M3, Business climate indicator, industrial confidence, consumer confidence and Services confidence**, and
- On Friday; **Euro zone unemployment rate, CPI estimate and German retail sales**.

The key release this week is the Euro zone CPI estimate.

How much further into deflation will the Euro zone economy descend.



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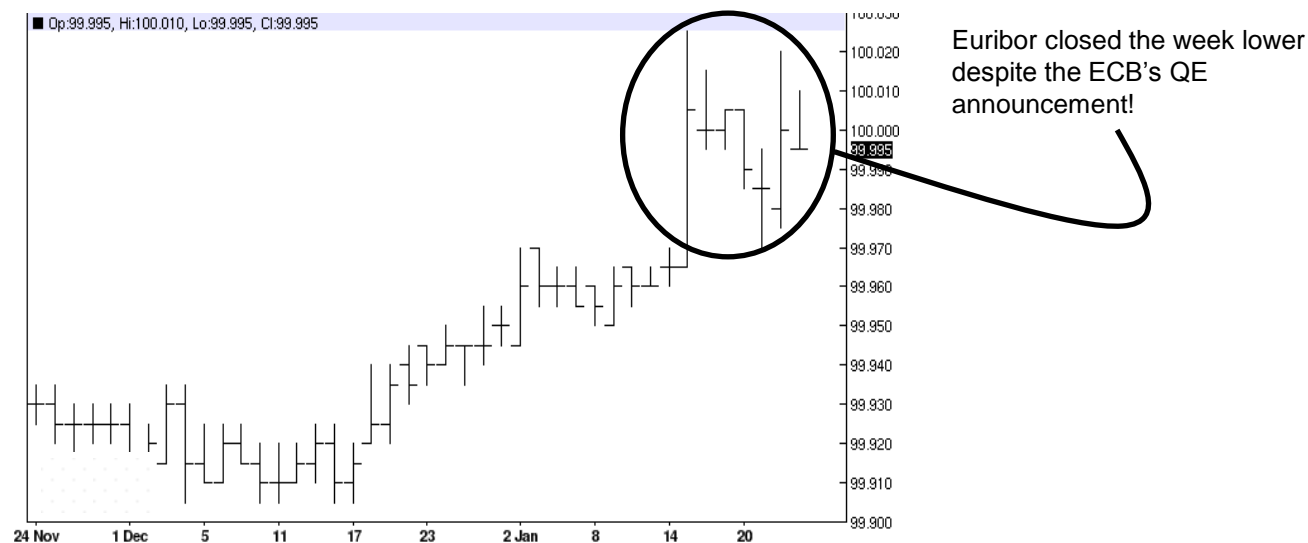
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EURO ZONE MARKETS: Euribor

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 key event this week is the ECB policy announcement. Markets are expecting the ECB to start a QE program despite continued German disquiet”...

In the event Draghi finally matched his deeds to his words and the ECB announced the start of QE, but the

market closed down on the week.

Looking ahead the Euro zone CPI estimate is due, but QE doesn't begin until March.

The ECB said the QE program was their last throw of the dice, what does that mean for this market?

We are square preferring to focus on the very Bullish Bund.



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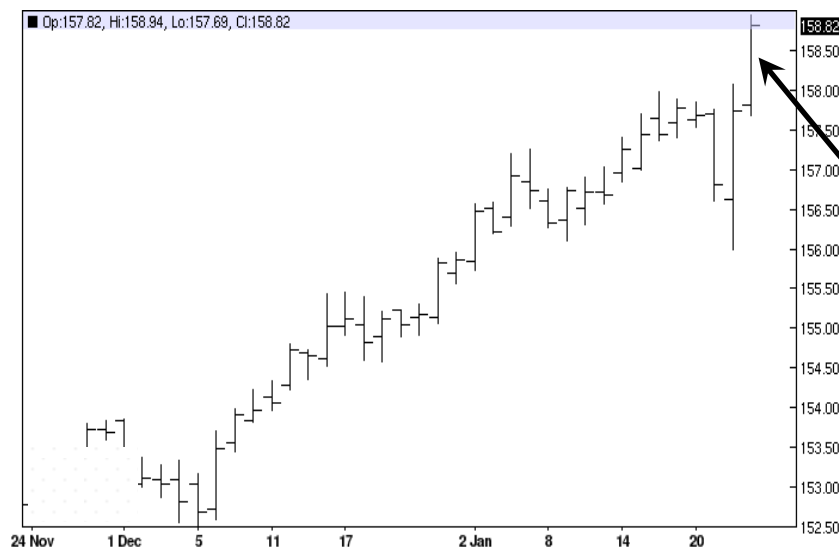
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

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



The Bund remains a strong Bull market.

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

...“Looking ahead all eyes on the ECB this Thursday when they are expected to start a QE program”...

In the event the ECB finally took the only credible policy option left to it and announced the start of QE.

For the Bund the move proved bullish. The ECB is set to spend E1.1T of newly printed money on government bonds; the Bund is well supported.

Looking ahead the Euro zone unemployment report and CPI estimate are due, but we judge the fall out from the Greek election is set to drive trading in the short/medium term as the Greeks seek to ditch austerity in a new battle with the EU, IMF and Germany.

Traders should be long of this market.

Our target continues at 159.95 and our suggested stop is raised to 156.00 for closer protection.



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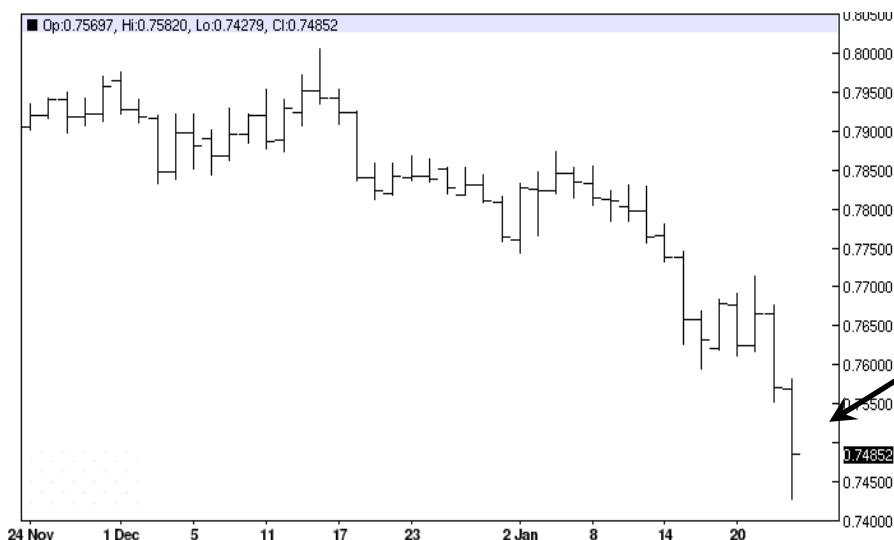
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BEARISH v the DOLLAR & STERLING

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



The Euro remains a clear Bear market.

The Macro Trader's view of the Euro; last week's price action showed the Euro remains a sell against the other major currencies.

The economy is weak and in deflation and the ECB has finally announced the start of a substantial QE program.

The US and UK economies are looking strong and the debate there remains when the Fed and BOE will start hiking rates despite low inflation; the contrast could not be clearer.

Looking ahead the Euro zone unemployment report

and CPI estimates are both due but QE doesn't start until March so more of the same misery is likely.

Traders should be long the Dollar/short the Euro and Long Sterling/Short the Euro..

Our suggested target in Dollar/Euro is now 1.0810, and our suggested stop is lowered to 1.1475 for closer protection of profits

In Sterling/Euro our suggested target remains 0.7100 and our suggested stop is reduced to 0.7635 for closer protection.



Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

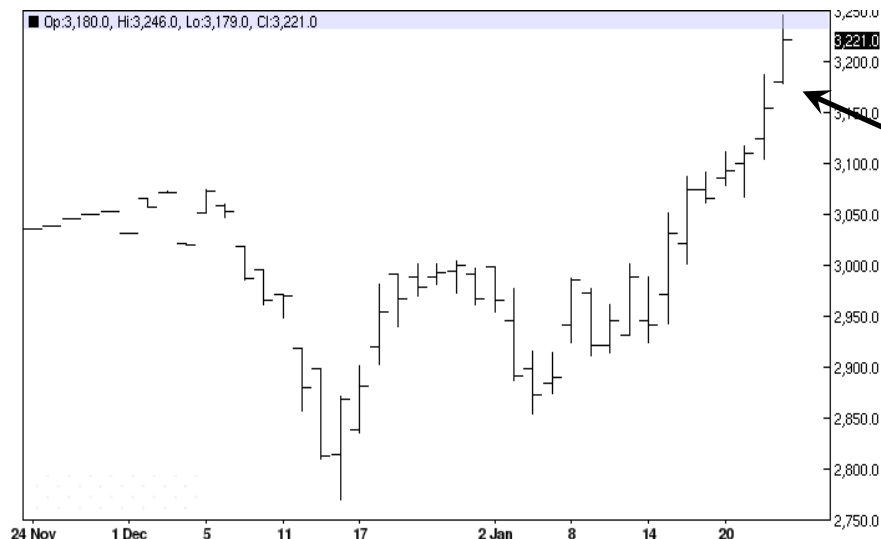
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market rallied on the ECB's QE announcement.

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

The ECB finally announced a QE program. The size was substantial and set to last for 18 months.

The impact on this market was clear cut, it rallied.

Looking ahead we judge European equity markets will draw support from the program, as the injection of newly printed money should help reflate the Euro zone economy, however nothing can fully compensate for governments adopting reform measures to make the Euro zone more competitive.

We judge the German stock market is set to benefit the most from this measure, but we do not track it here.

We are remaining square of this market as we anticipate a new round of uncertainty to hit the Euro zone after the Greek elections at the weekend put an anti-austerity government in power set on a collision course with the EU/IMF and Germany.



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JAPANESE MARKETS: economic background

Last week's focus was the Bank of Japan policy statement.

The key elements of which were an extension of some lending facilities, and a downward revision of CPI.

Other data released last week saw industrial production, capacity utilisation and PMI Manufacturing survey meet consensus.

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; **trade account and BOJ Minutes**,

- On Tuesday; **small business confidence**,
- On Wednesday; **retail trade**,
- On Thursday; **Jobless rate, National and Tokyo CPI and industrial production**, and
- On Friday; **vehicle production and construction orders**.

The two key releases this week are the Trade balance and Industrial production.

As the Bank of Japan's policy statement noted last week, the drop in oil prices should help exports. The trade account should begin to reflect this.



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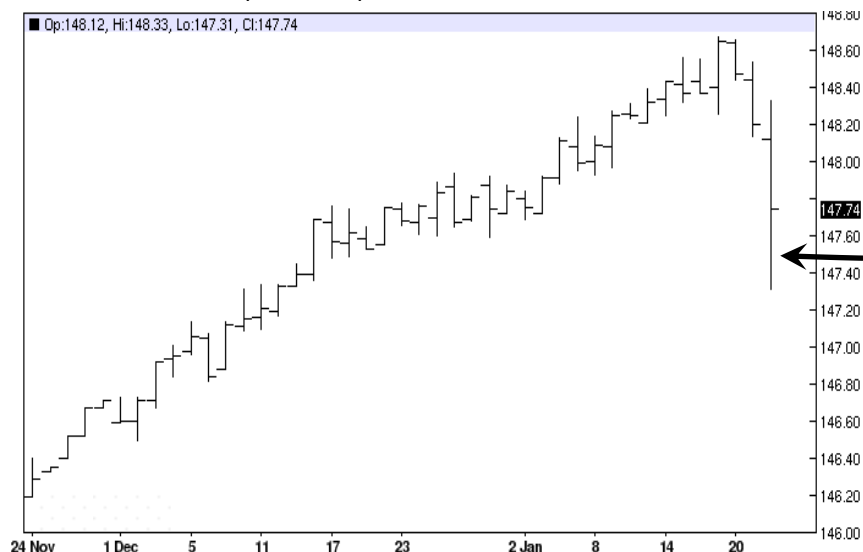
- + GOLD
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Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB sold off last week; the opposite of the price action in the Bund and Gilt.

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

...“Looking ahead the Bank of Japan's policy statement is due on Wednesday; will they announce further easing measures?”...

In the event they extended the scope of some lending measures but revised down the CPI forecast.

Looking ahead the Trade data and industrial production reports are due.

The Bank of Japan has said it expects the lower oil price to fuel an increase in exports; will that show up in this week's data?

The ECB's decision to start QE has further strengthened the rally in the Bund. We are staying long that market and square here.



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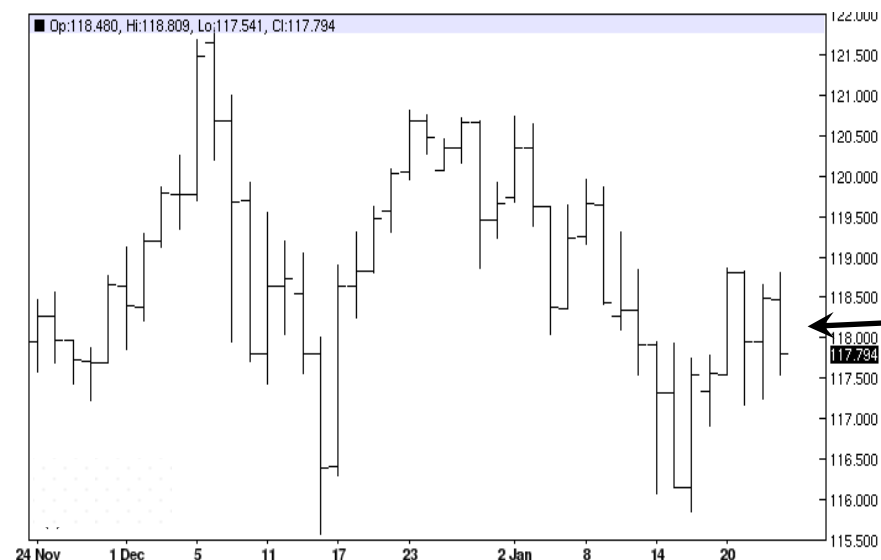
- + GOLD
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Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square v the Dollar



The Yen was unmoved by last week's ECB announcement.

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

...“The Yen remains under pressure against the Dollar, but for the last several weeks has been in a clear sideways trading pattern”...

And on balance that looks set to continue at least short term..

Longer term we judge the outlook for the Yen remains bearish. The US Fed is set to begin raising rates any

time in the first half of this year, and Wednesday's FOMC policy statement will likely throw fresh light on their current thinking.

However the Yen has so far held its ground on safe haven buying resulting from equity market weakness, how long will that last? The ECB's decision to start QE has helped stocks stage a strong rally, mainly in Europe.

For now we are staying square.



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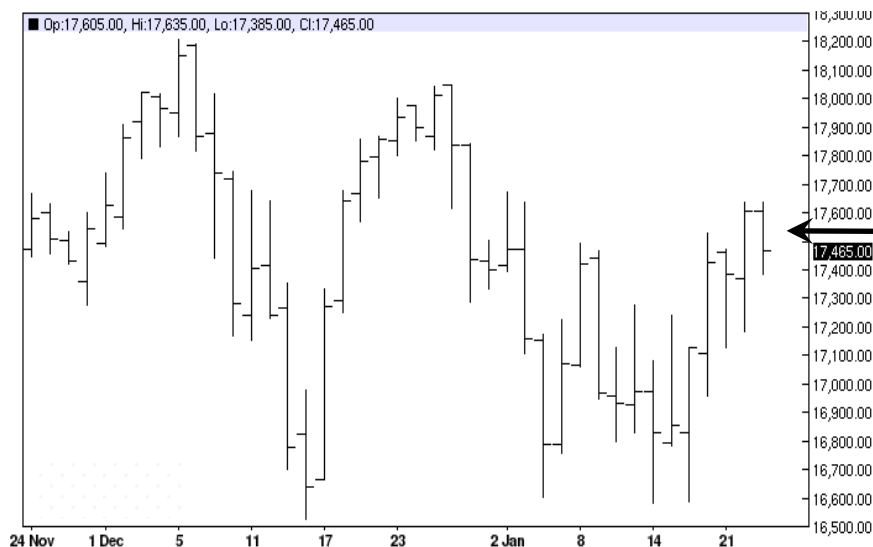
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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei remains range bound.

The Macro Trader's view of the Nikkei is; the ECB has just announced the start of a Euro zone QE program and European equity markets rallied, but in Japan QE has been running a long time and a self sustaining recovery remains elusive.

However with oil prices at their lowest in years the export industries of Japan should start to feel the benefit which should soon be reflected in the trade account and industrial production, both reports due for release this week.

The downside of lower oil prices for Japan though is,

lower inflation.

The Bank of Japan has been struggling to get inflation into positive territory for a considerable period, as part of the Governments policy to revive the economy.

The Bank of Japan acknowledged in last week's policy statement that CPI would be lower than previously forecast.

We are staying square of this market, we judge the FTSE and German DAX will be the hot markets over the next period.

More



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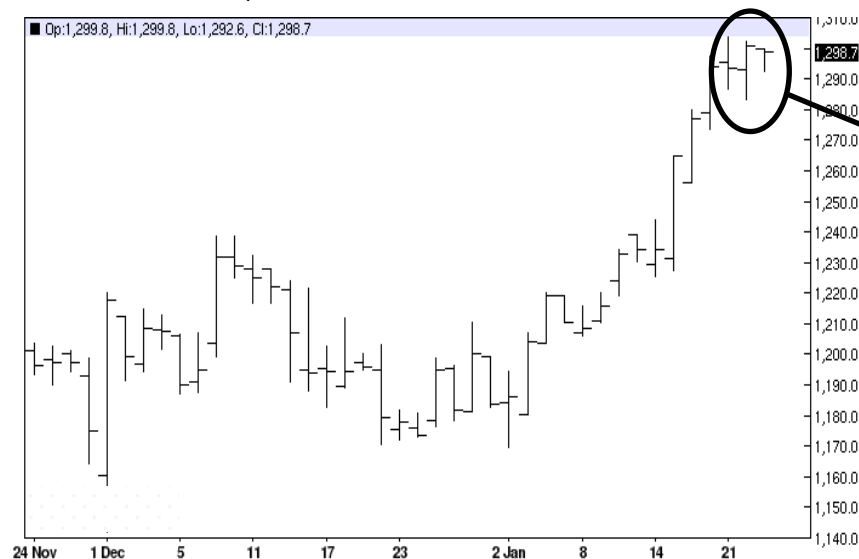
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE.

Last week we were Square of Gold.



See how gold failed to extend the rally on the ECB QE announcement.

The Macro Trader's view of the Gold is: the ECB announced the start of a substantial QE program last week, but gold failed to extend the rally.

Many had argued that yet another big Central Bank QE program would send gold higher, that hasn't happened.

The Greek's voted in an anti-austerity government over the weekend, set on renegotiating the terms of the bail out provided by the EU/IMF and Germany.

The Germans have already fired a warning shot. If the new Greek government is serious will it default if it

cannot get the terms relaxed.

Clearly a fresh period of uncertainty and potentially, turmoil is set to grip the Euro zone in the coming months. That should be a signal to Gold bulls to go long, but so far Gold hasn't responded.

We judge this market has merely corrected over recent weeks and the next big move is down, but as ever timing is critical.

For now stay square.



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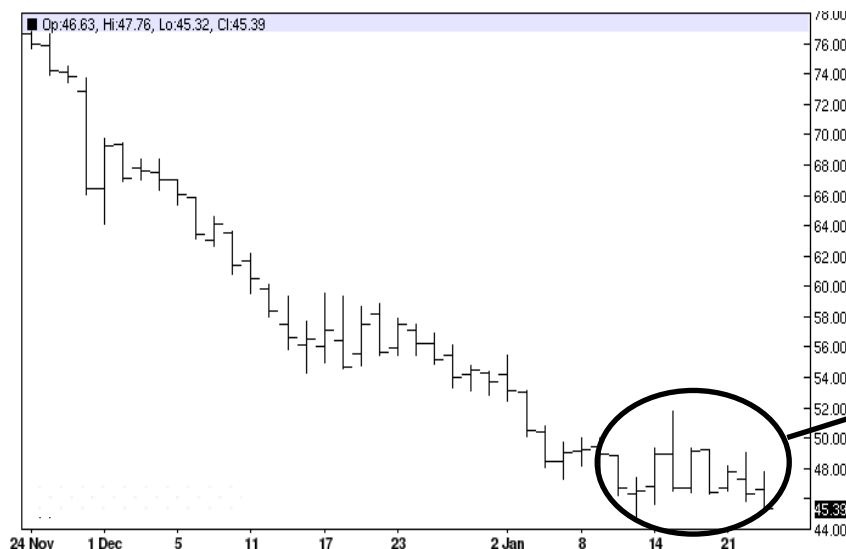
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: **BEARISH.**

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



The Macro Trader's view of oil is: last week's death of the King of Saudi Arabia gave the market a very short term lift as traders became anxious about the approach of the New King.

In the event he rushed to reassure markets of stability through the appointment of New Crown Princes and confirming the kingdom will retain current policies.

The result has been oil gave back those brief gains.

Looking ahead we judge the outlook for this market remains bearish.

If current levels of production are to be maintained the glut will persist. True some Shale Oil companies have mothballed some production facilities, but as said before, if the price rises those sites will be back in production.

We remain long term bears.

Traders should be short of Oil.

Our target continues at \$36.50 and our suggested stop remains set at \$52.50 for close protection of profits.



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- + NIKKEI

Commodities

- + GOLD
- + OIL

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