



Week 23
9th – 15th June 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



Multi-asset fundamental analysis

John Lewis

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SUMMARY

Summary

Global Calendar

US Markets

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

- SQUARE
- BEARISH
- BULLISH v YEN
- SQUARE

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

- SQUARE
- SQUARE
- BULLISH v the EURO
- SQUARE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

- SQUARE
- SQUARE
- BEARISH v STERLING
- SQUARE

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

- SQUARE
- BEARISH v the DOLLAR
- BULLISH

Commodities

+ GOLD
+ OIL

- BEARISH
- SQUARE

Disclaimer

More



Summary

Global Calendar

US Markets

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

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
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Disclaimer

This week's global calendar

	Week of 8 th June
Monday	UK Halifax hse prces 0.2m, 8.5(3m/y) UK BRC sales 1.0% DM Ind production 0.5m, DM Trade bal 19.4B DM C/A n/f JP C/A Y1.696T JP Trade bal n/f JP Q1 GDP 2.7 (A) JP BK & Trst Indg 2.6% JP Bankruptcies n/f JP ECO Watchers 54.2
Tuesday	US NFIB Sml bus optmsm 97.1 US Wholesale invntry 0.1% UK Trade bal -£9.85B UK Trade non-EU -3.00B EZ Q1 GDP 0.4q, 1.0y JP Cons conf 41.9 JP Machine tool orders n/f JP Machine orders -2.0m, -1.3y JP Dmstic corp gds prces n/f
Wednesday	US MBA Mrtge apps n/f US Mnthly bdgt statm't -\$100.5B UK Ind production 0.1m, 0.6y UK Mfg output 0.1m, 0.4y UK NIESR GDP Est 0.4% UK RICS House prces 35% JP BSI Lrge Ind n/f JP BSI Lrge Mfg 3.2

	Week of 8 th June
Thursday	US Retail sales 0.8% US RS Ex- Autos 0.7% US Import prices 0.8m US Jobless claims 277k US Bus invntry 0.1%
Friday	US PPI 0.4m, -1.1y US PPI Ex – F&E 0.1m, 0.6y US U. of Michigan conf 91.5 UK Construct'n output n/f EZ Ind production 0.3m, 1.1y JP Ind production 1.0% JP Capacity utilisation n/f JP Tertiary ind indx 0.4%

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

Last week's releases

	Week of 1 st June		Week of 1 st June
Monday	US Persnl income 0.4% MORE US Persnl spndg 0.0% WEAKER US Core PCE 0.1m, 1.2y WEAKER US Construct'n spndg 2.2% STRONGER US ISM Mfg 52.8 STRONGER US Prices paid 49.5 STRONGER UK PMI Mfg 52.0 LESS IT PMI Mfg 54.8 STRONGER FR PMI Mfg 49.4 MORE DM PMI Mfg 51.1 LESS EZ PMI Mfg 52.2 LESS DM CPI 0.1m, 0.7y AS JP Loans & Disc corp 2.63% LESS JP PMI Mfg 50.9 AS JP Vehicle sales 1.4% WEAKER THAN EXPECTED	Thursday	US Q1 Non-farm prodctvty -3.1% WORSE US Jobless claims 276k BETTER US Q1 Unit labour costs 6.7% WORSE UK BOE/MPC Rate decision 0.50% AS UK BOE AP Target £375B AS THAN EXPECTED
Tuesday	US ISM NYK 54.0 LESS US Factory orders -0.4m, WEAKER UK Net Cons CR 1.2B STRONGER UK Net Indg on dwllgs 1.7B WEAKER UK Mrtge aprvls 68.1k STRONGER UK PMI Construct'n 55.9 BETTER UK BRC Shop prices -1.9% WEAKER DM Unemploy'm't chge -6k WEAKER DM Unemploy'm't rate 6.4% AS EZ PPI -0.1m, -2.2y WEAKER EZ CPI Est 0.3y STRONGER JP PMI Services 51.5 BETTER THAN EXPECTED	Friday	US Unemploy'm't rate 5.5% WORSE US Non-farm payroll 280k STRONGER US Averige hrly earngs 0.3m, 2.3y STRONGER US Averige wrk week 34.5 AS US Cons CR \$20.541B STRONGER DM Factory orders 1.4m, 0.4y STRONGER THAN EXPECTED
Wednesday	US MBA Mrtge apps -7.6% WEAKER US ADP Employ'm't chge 201k STRONGER US Trade bal -\$40.9B BETTER US ISM Non-Mfg 55.7 WEAKER US Fed's Beige Book UK Nat'nwide hse prices 0.3m, 4.6y LESS UK PMI Services 56.5 WEAKER IT PMI Services 52.5 LESS FR PMI Services 52.8 STRONGER DM PMI Services 53.0 BETTER EZ PMI Services 53.8 STRONGER IT Unemploy'm't rate 12.4% LESS EZ Unemploy'm't rate 11.1% LESS EZ Retail sales 0.7m, 2.2y STRONGER EZ ECB Rate decision 0.05% AS THAN EXPECTED		

More



US MARKETS: economic background

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 focus was divided between the two ISM surveys and Friday's non-farm payroll report..

In the event the two ISM surveys continued to deliver mixed messages, but the message from Friday's payroll report couldn't have been clearer.

With a gain of 280k new jobs and recent back month upward revisions of 32k the report easily beat consensus, strongly indicated the economy was getting back on track and supports the Fed's intention to start hiking interest rates later this 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 Tuesday; **NFIB Small business optimism**

and wholesale inventories,

- On Wednesday; **monthly federal budget statement,**
- On Thursday; **Jobless claims, retail sales, import prices and business inventories, and**
- On Friday: **PPI and University of Michigan confidence.**

The key release this week is retail sales. After a stronger than expected non-farm payroll report last week, a strong retail sales report would allay fears about the economy's health and under line the Fed's message of rates up this year.



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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

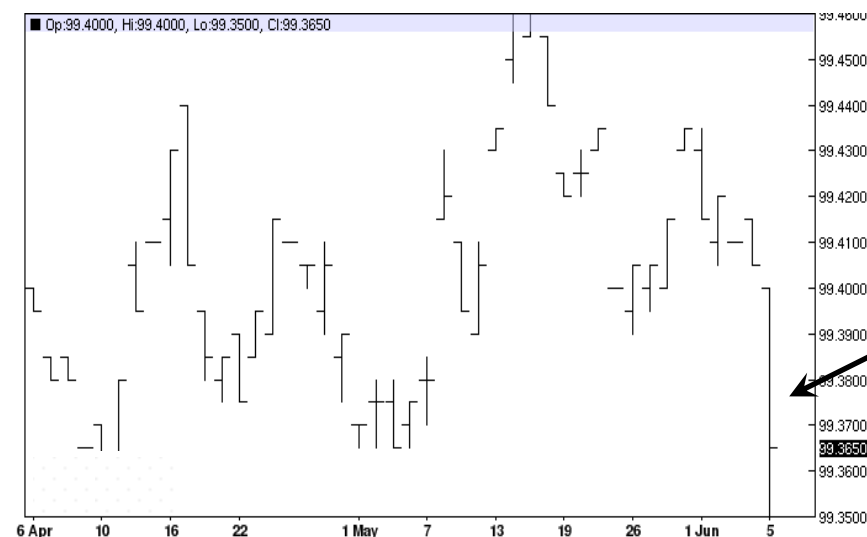
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars sold off after Friday's strong payroll report, but closed well off the lows.

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

...“Looking ahead the two ISM surveys and non-farm payroll are due”...

...“The payroll report is the key event and a trend reading is expected, but a weaker than expected outcome would likely give the Fed pause for thought”...

In the event the report beat consensus and makes a

rate hike increasingly likely in the 3rd quarter.

Looking ahead retail sales due and traders will be watching consumer demand for more evidence to support the Feds stated intention to hike rates this year.

Our expectation remains the same; economic data will snap back and the Fed seek to hike during the current year, but the increases will be small, gradual and more or less priced in so stay square.

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

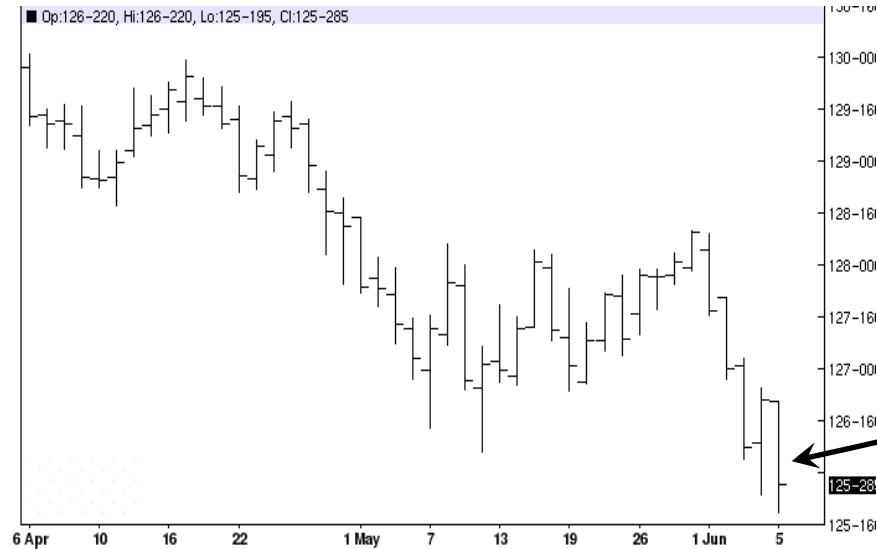
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US MARKETS: 10 Year Note

OUR TRADING STANCE: **BEARISH.**

Last week we were Square of the 10 year note.



The 10 year note reacted to the strong payroll account with a clear test of the lows.

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

..."Looking ahead traders will be looking for a stronger performance from the two ISM surveys and especially the non-farm payroll report if the commonly held scenario of a strong bounce back in economic activity is to prove correct"...

In the event mixed signals from the ISM surveys but clarity from the payroll report; the economy is creating

plenty of new jobs.

Looking ahead retail sales are due and a strong reading here will weigh further on this market.

We judge Bonds can and will sell off further from here, especially if Retail sales is strong.

Traders should be short this market, our suggested target is 123.0 and our suggested stop is set at 127.00 for protection.

More



Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

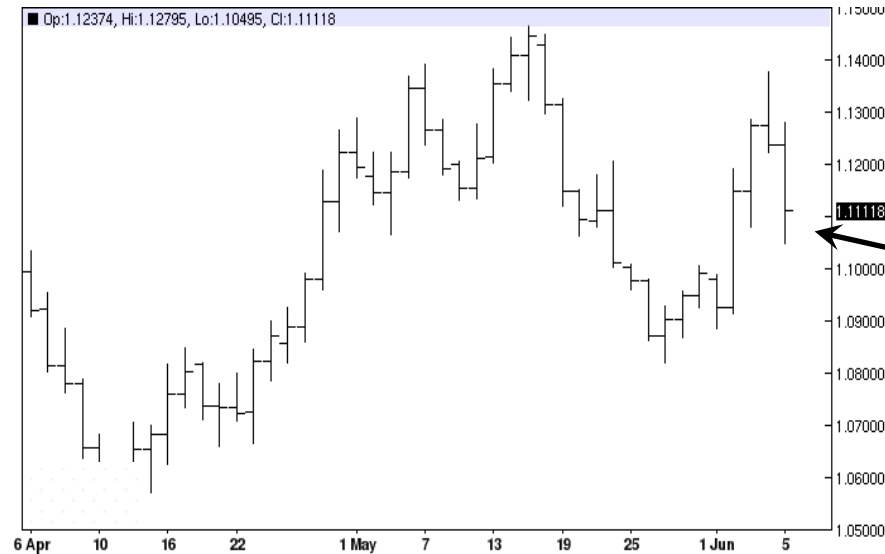
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US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the YEN.

Last week we were Bullish v the Euro and Yen



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

...“Looking ahead traders will be studying the two ISM surveys and especially the non-farm payroll report due Friday for evidence of the expected bounce”...

In the event the two ISM surveys were mixed and although the non-farm payroll report was much stronger than expected, the data was insufficient to lift the Dollar out of what is increasingly starting to look like a trading range.

Looking ahead retail sales is the key release this week and a strong report would get the Dollar Bulls back into the market.

Our stop in Dollar/Euro was hit last week so we will stand aside until the retail sales report is known.

But traders should stay long the Dollar/short the Yen.

Our suggested target remains 126.10 and our suggested Stop continues at 122.0 for protection.

More



Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

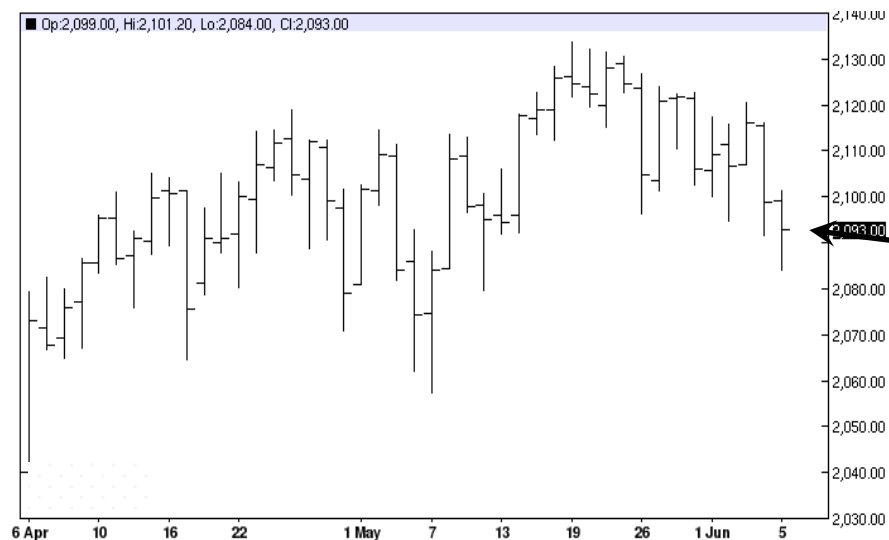
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US MARKETS: S&P500

OUR TRADING STANCE: SQUARE.

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



The S&P continues to lack sufficient support to resume the Bull trend.

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

...“Looking ahead three important releases due this week, will they flag the strong bounce expected or continue the run of mixed disappointing data?”...

In the event the data fell short of what this market required to resume the Bull trend; the two ISM surveys were mixed and although non-farm payroll was stronger than expected and will encourage the Fed to

hike later this year, the run of data wasn't sufficiently strong to off set what equity traders see as the negativity of higher interest rates.

Looking ahead retail sales are due this week and a strong report is needed to get this market moving in an upward direction.

For now, we are staying square. The market currently looks moribund.

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: economic background

Last week's focus was squarely on the PMI surveys and although the MPC/BOE rate decision was due, no change was the universal expectation in the markets.

In the event the Bank obliged, but the ISM surveys were disappointing, especially the important service sector survey which fell well short of consensus.

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

- On Monday; **Halifax house price survey**,
- On Tuesday; **trade data**,

- On Wednesday; **industrial production, manufacturing output, NIESR GDP estimate and RICS house price survey**, and
- On Friday; **construction output**.

The key release this week is industrial production and manufacturing output.

Although representing a minor slice of the economy, strong growth is still desired as the government wants to see a rebalancing of the UK economy.



Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

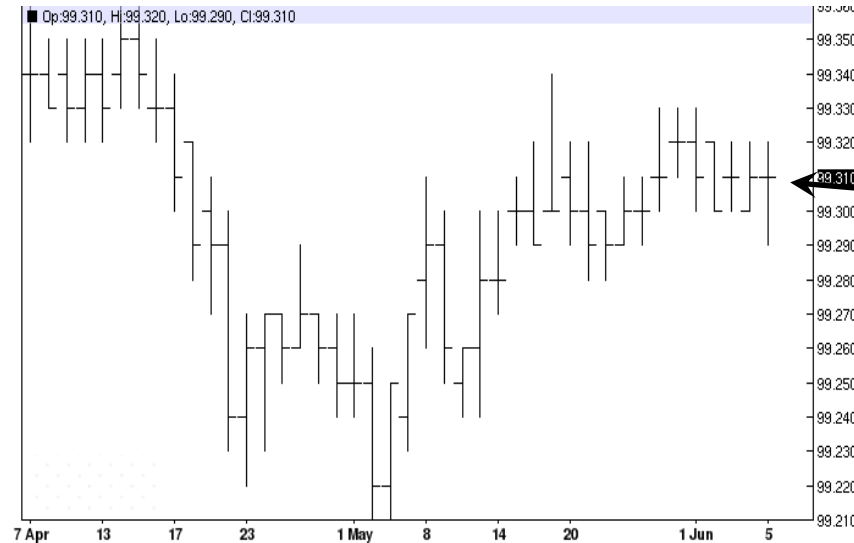
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling traded sideways last week.

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

...“A strong set of PMI Surveys due this week, will dispel thoughts of economic weakness, especially after the recent strong retail sales report...”

In the event data was disappointing, especially the PMI service sector survey which well short of expectations, raising questions about the out look for

growth this year.

Looking ahead industrial production is due, and a strong report would steady nerves about UK growth, but we doubt that will be the out come.

We are remaining square of this market as we judge the Bank will be in no hurry to change policy; they have indicated no move until 2016 and on current data releases that seems right.

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

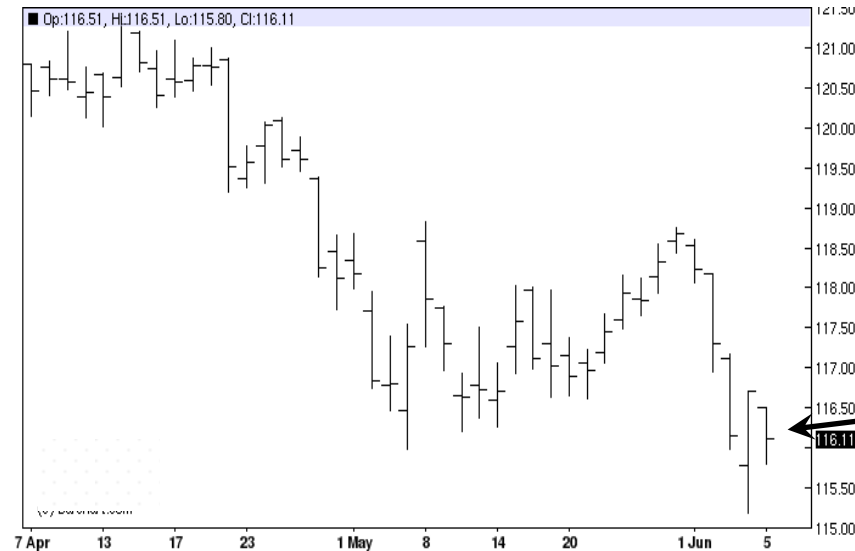
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- + OIL

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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt resisted the lows last week, as UK data and US data seemed to diverge.

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

...“Looking ahead the three PMI Surveys are due this week, with the service sector the key release”...

In the event data fell short of expectations and traders are beginning to sense Q2 GDP may not be that much better than Q1?

Looking ahead the industrial production report is due and so too the NIESR GDP estimate.

After disappointing PMI surveys the NIESR report will be an interesting read.

For now stay square. On current evidence the Bank will be in no rush to hike and why sell gilts, only international sentiment argues differently, so sell US Bonds.

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

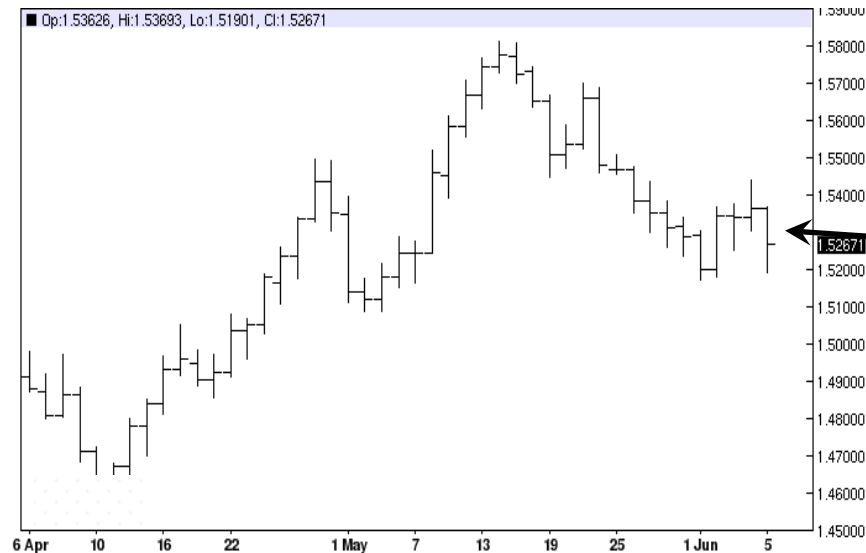
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UK MARKETS: Sterling

OUR TRADING STANCE; **BULLISH** v the **EURO**

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



See how Sterling remains subdued against the Dollar.

The Macro Trader's view of the Pound is: last week's price action in Cable was disappointing.

Although US non-farm payroll was stronger than expected, the US ISM surveys were no better than the UK PMI equivalent.

Burt with a US rate hike likely later this year the Dollar had the edge.

Looking ahead industrial production and the trade data due this week, but we doubt it will help Sterling against the Dollar, but with the Greek crisis still no nearer a resolution the Euro is vulnerable.

Traders should be long Sterling/Short the Euro. Our target is 0.6800 and our stop is set at 0.7505 for protection.

More



Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

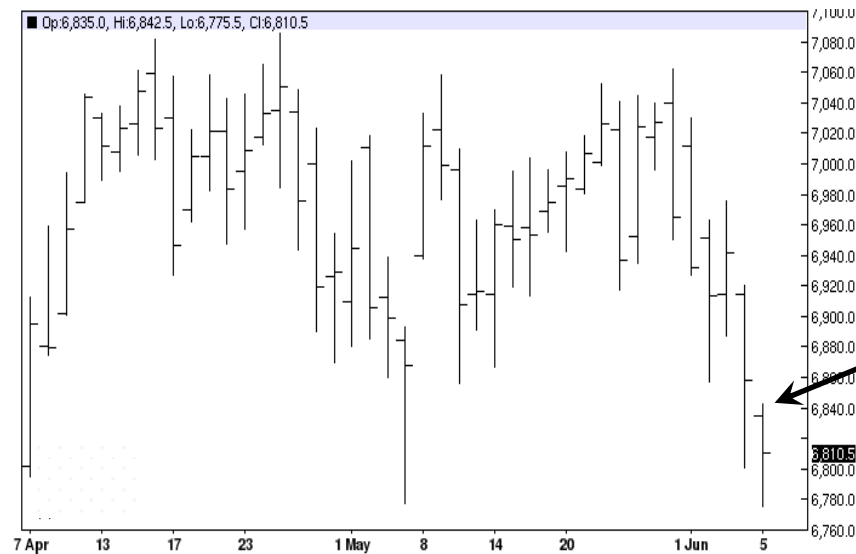
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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the FTSE performed badly last week on weak data.

The Macro Trader's view of the FTSE is; last week's price action fully reflected the disappointment of the week's data releases.

Both the PMI Manufacturing and services surveys were weaker than expected and sent this market back to the recent lows.

Looking ahead industrial production is due, but unless an exceptionally strong number we doubt it can lift this

market, which under performed the US last week and looks vulnerable on fresh signs of economic weakness.

We are square here.

We think the UK economy will perform better throughout this year than data currently suggests.

More



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

EURO ZONE MARKETS: economic background

Last week's focus was the PMI Surveys and on balance they made positive reading.

Although the German PMI Manufacturing survey fell short of consensus, the others were generally better or as expected.

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

- On Monday; **German industrial production, trade data and C/A,**
- On Tuesday; **Euro zone Q1 GDP, and**
- On Friday; **Euro zone industrial production.**

The key releases this week are The German and Euro zone industrial production reports and Euro zone Q1 GDP.

On balance the GDP report stands out as traders look for evidence of an economic recovery in the Euro zone rather than just in Germany.



Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

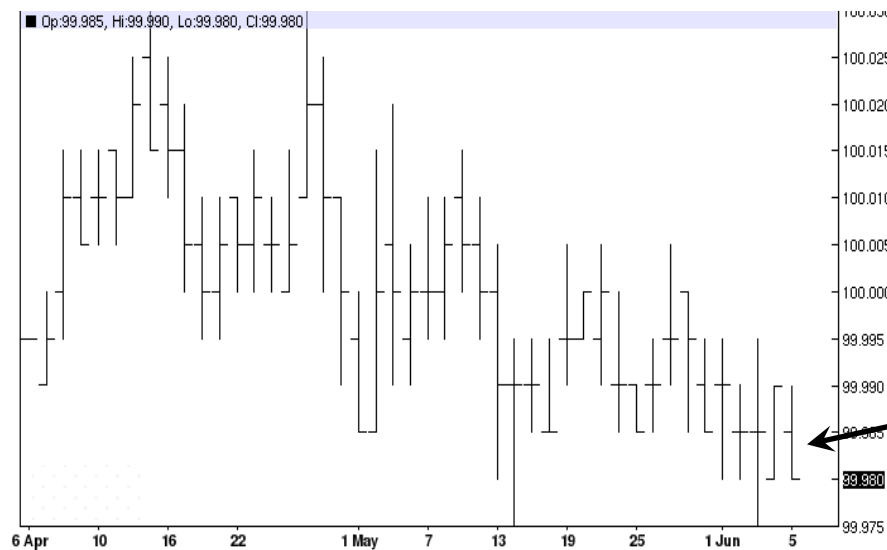
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor continued the gradual drift lower as Euro zone CPI pointed to an end to deflation.

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

...“Looking ahead the various Euro zone PMI Surveys are due. Will they point to a strengthening of activity or flag more under performance?”...

In the event the PMI surveys were more positive than

negative and together with a Euro zone CPI estimate that showed positive inflation, traders judged the ECB has finally put the right policy in place with little else to do other than maintain the QE program.

We judge this market looks set to range trade further around current levels or drift a little lower and see little to gain by holding any position in it, so stay square.

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

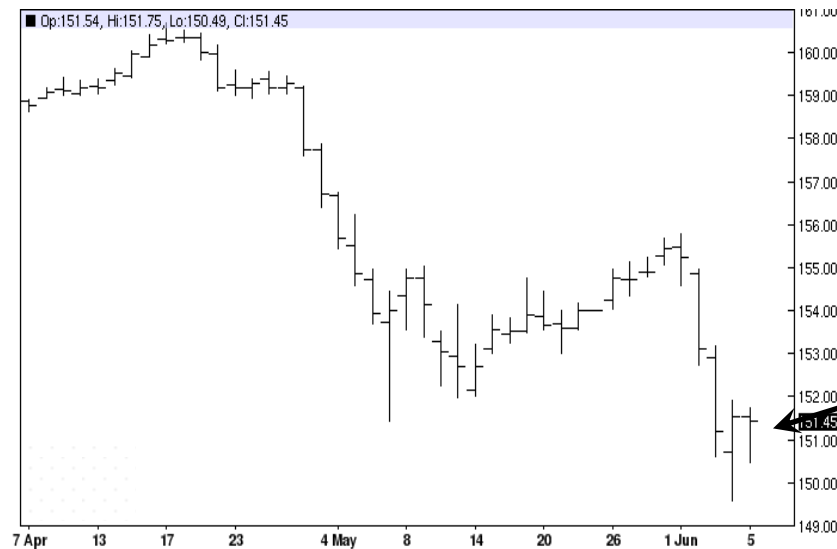
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund looks under pressure as the economy shows signs of revival and Greece refuses to accept a reasonable deal.

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

...“Looking ahead a whole raft of data due globally. In the Euro zone the key releases are the various PMI Surveys, but once again international sentiment driven by the release of the US non-farm payroll report will likely drive bonds, including the Bund this week”...

In the event domestic data was sufficiently positive and US non-farm payroll stronger than expected, added in the continued intransigence of Greece and

the Bund made new lows.

Looking ahead the German and Euro zone industrial production reports are due, but with Greece holding out for better terms and her creditors unwilling to yield the Bund looks vulnerable.

We judge the Euro zone economy remains in the early stages of a fragile recovery, and for now we remain square of the Bund.

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

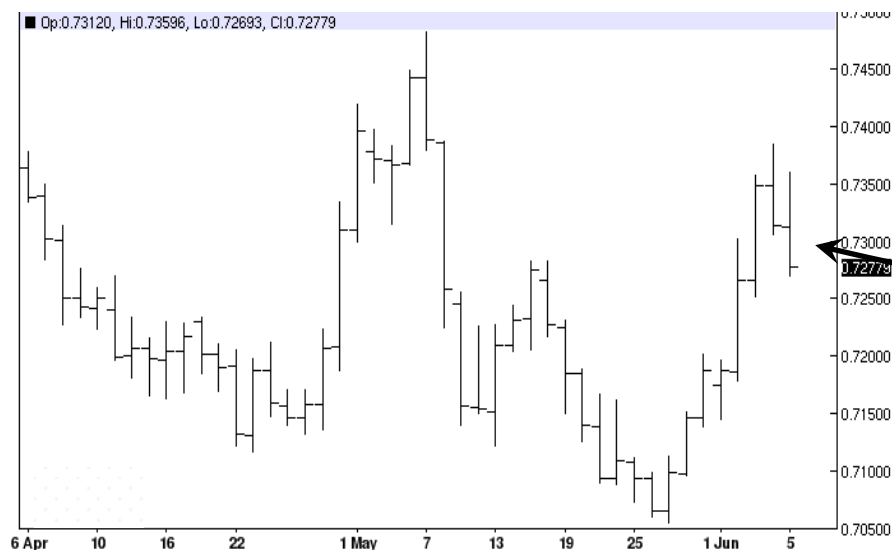
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- + OIL

Disclaimer

EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BEARISH v STERLING

Last week we were Bearish v Sterling and the Dollar



The Euro remains resilient despite strong US jobs data. And Greece.

The Macro Trader's view of the Euro; last week's price action revealed a resilient Euro despite stronger US non-farm payroll.

But when adding in the mixed signals from the US ISM surveys and weaker UK PMI surveys and comparing them to the broadly better than expected Euro zone PMI Surveys, perhaps not such a surprise, or at least it wouldn't be if the Greek drama still remained to be resolved.

Looking ahead another week where global and not just domestic data dominates. In the US retail sales are

due, in the UK industrial production and in the Euro zone industrial production is due also.

But given the Greek intransigence we judge the Euro remains vulnerable.

Traders should be Long Sterling/Short the Euro.

Our target in Sterling/Euro remains 0.6800 and our stop continues at 0.7505 for protection.

More



Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

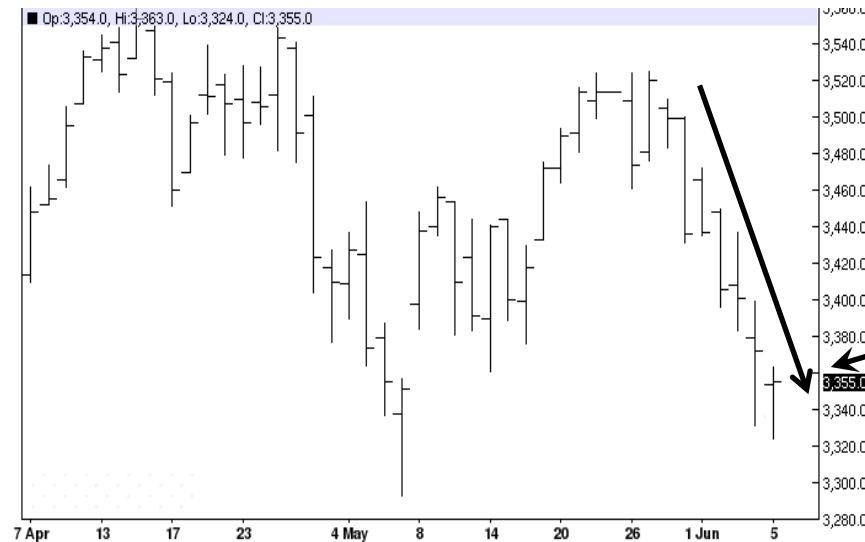
- + GOLD
- + OIL

Disclaimer

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 on continuing Greek stalemate.

The Macro Trader's view of DJ Euro Stoxx 50 is:
last week we said...

...“Looking ahead the PMI/ISM surveys are due in the Euro zone, UK and US. A strong set of Euro zone PMI's would help this market but traders have a watchful eye on US non-farm payroll, which as ever is likely to be the market moving number”...

...“For now stay square, Greece continues to drag its feet on finding a settlement acceptable to her

creditors, making this market look vulnerable”...

In the event we judge those comments just about summed up the market last week.

Looking ahead German and Euro zone industrial production are due, but we judge this market will remain fragile until the Greek question is resolved.

Once again stay square.

More



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JAPANESE MARKETS: economic background

Last week's focus was the two PMI surveys.

In the event the readings were mildly positive with manufacturing meeting consensus and services coming in stronger than expected indicating a gradual recovery is underway.

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; **C/A, Trade data, Q1 GDP, Bankruptcies and ECO watchers survey,**
- On Tuesday; **consumer confidence, Machine tool orders, machine orders and domestic**

corporate goods prices,

- On Wednesday; **BSI Large manufacturing survey, and**
- On Friday; **industrial production, capacity utilisation and Tertiary industry index.**

There are several key reports due this week and Q1 GDP and industrial production stand out.

Q1 GDP was out earlier and has been revised up significantly showing the economy much stronger than expected, if Industrial production can out perform the recovery will look on a firmer footing.



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- + NIKKEI

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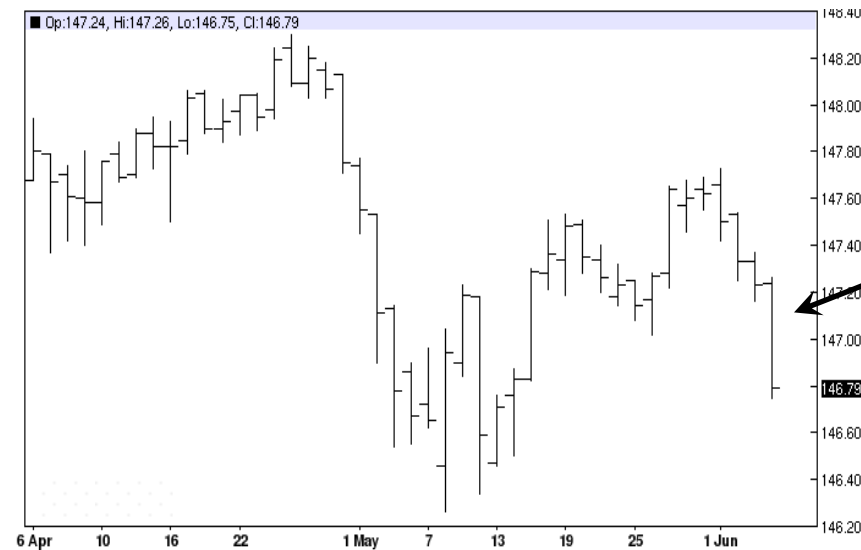
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JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB sold off with other bond markets on strong US Payroll data.

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

...“Looking ahead the two PMI Surveys are due, but recent reports have shown only minimal growth, if that repeats this week the JGB could drift higher”...

In the event the PMI surveys were better than expected and combined with strong US non-farm payroll data, bonds, including the JGB were under selling pressure.

Looking ahead this week sees the release of several important data releases. The Q1 GDP report is already known and was stronger than expected, given the negative sentiment internationally currently surrounding bonds, this market looks vulnerable.

For now stay square.

If Greece comes to her senses and agrees a deal with her creditors there could be a relief rally in Bonds.



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- + S&P 500

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- + SHORT STERLING
- + GILT
- + STERLING
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- + EURIBOR
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- + EURO
- + DJ EURO STOXX 50

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- + YEN
- + NIKKEI

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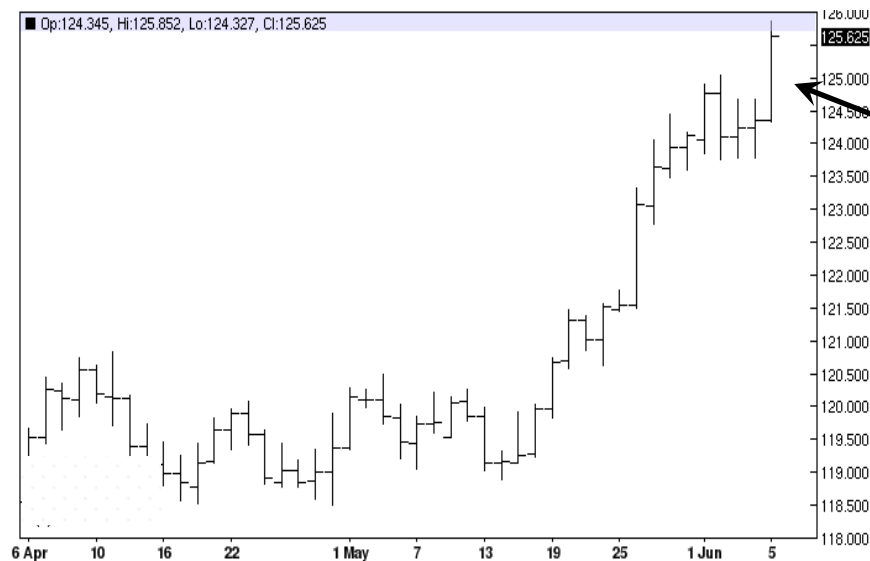
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JAPANESE MARKETS: Yen

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

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



The Yen weakened further after strong US non-farm payroll.

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

...“Looking ahead two PMI surveys due in Japan, but we judge the market moving data for Dollar/Yen will be US”...

In the event that proved the case. The Japanese data was mildly positive, but eclipsed by the strong US non-farm payroll report.

Looking ahead another week of important data both in

the US and Japan. The Japanese Q1 GDP report was released earlier and revised much higher, but although this is Yen positive, traders will remain focussed on the US where retail sales is due. A strong report will make a US rate hike even more likely later this year and that will be Bullish for the Dollar.

Traders should be long The Dollar/Short the Yen.

Our suggested target is 126.10 and our suggested Stop set at 122.0 for protection.

More



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- + GILT
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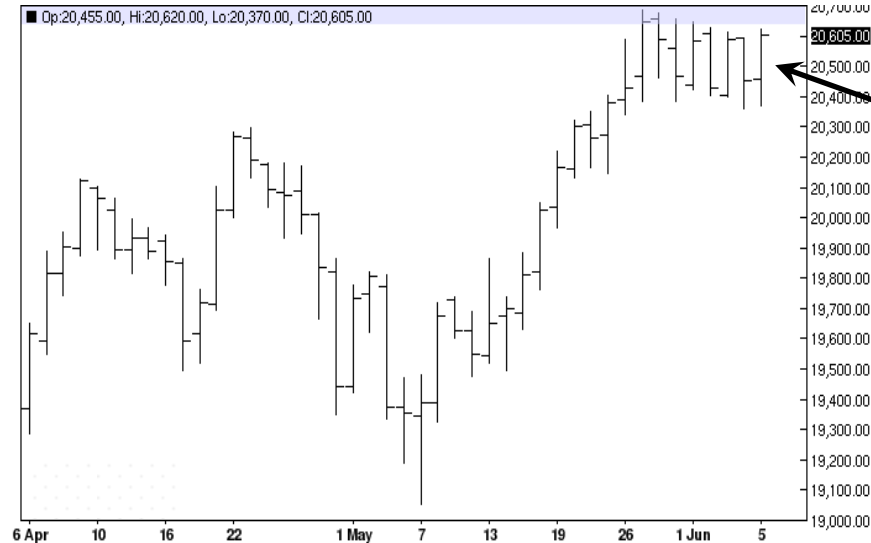
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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of the Nikkei.



The Nikkei bucked the trend in equity markets globally and held up well.

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

..."Looking ahead we judge the data releases due in the US and Japan are more likely to be Dollar positive rather than Yen positive"...

..."A weak Yen is historically positive for stocks as it helps manufactured exports"...

In the event we judge that was the outcome and although Japanese Q1 GDP was released earlier and

was revised much stronger than expected, a strong US retail sales report should be sufficient to extend the trend in Dollar/Yen and combine with the better domestic Q1 GDP data to drive the Nikkei higher.

We judge this market can extend the rally, especially if the Yen continues the current weakening trend.

Traders should be long the Nikkei. Our target remains 20800.00 and our suggested stop continues at 20100.00 for protection.

More



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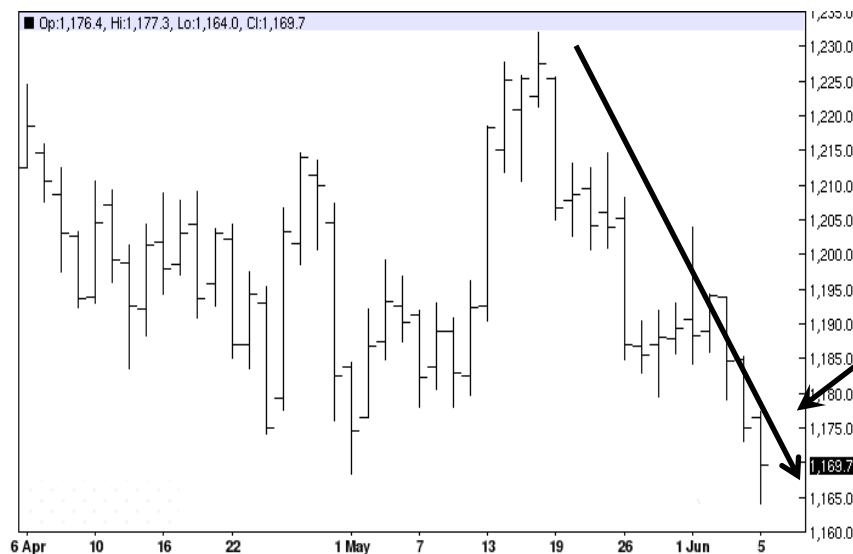
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COMMODITIES: Gold

OUR TRADING STANCE: **BEARISH.**

Last week we were Square of Gold.



See how Gold sold off further on a strong US non-farm payroll report.

The Macro Trader's view of the Gold is: Last week's price action fitted with our long held view that once the Fed made the decision to hike, gold would begin a long slide lower.

And that point was under lined by last week's strong US non-farm payroll report which will strengthen the Fed's position and make a US rate hike ever more likely this year.

Add in the US retail sales report due later this week, when a strong show of consumer demand would almost guaranty the Fed hikes in Q3 and this market will find it difficult to resist the downside.

Traders should be short of this market.

Our long term target is US\$400.00 and our stop is set at 1220.0 for protection..

More



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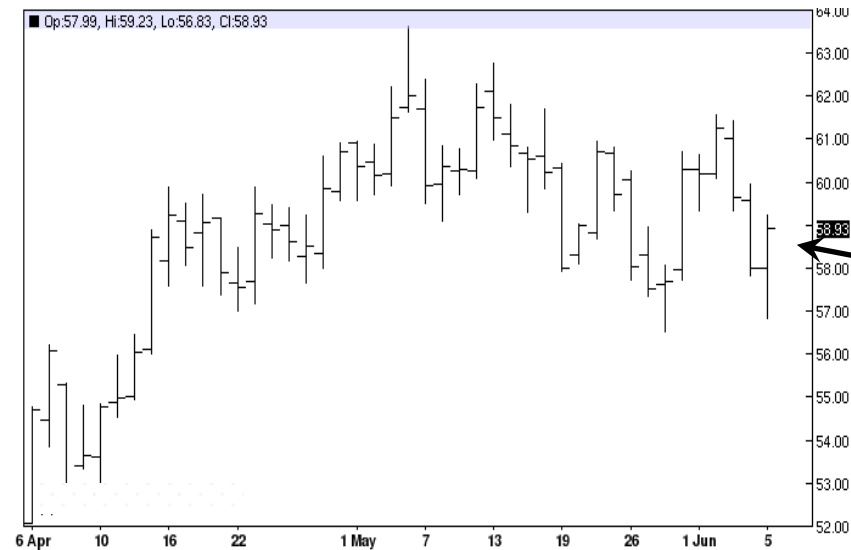
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COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil is settling into a trading range.

The Macro Trader's view of oil is: the market remains supported by fighting in the Middle East that holds the potential to disrupt oil supplies.

Iran, Iraq and Saudi Arabia all remain involved in conflict, not against each other, as they struggle with various groups of fundamentalists intent on overthrowing the Status Quo.

Since oil remains an essential commodity to the global economy, these struggles are of more than passing interest to the West, especially since the "Jihadists" are hostile to the secular/Christian western democracies.

Our expectation is that oil will range trade around current levels, but if US Shale producers decide to re-

start shelved production, the price could slide.

But for now US oil producers seem undecided about whether or not to restart mothballed production facilities, but OPEC at a meeting in Vienna last week agreed to maintain current production levels, no doubt sensing that the market had reached something of an equilibrium level balanced between Middle East unrest and the oil glut, but at level that keeps much of the shale out put off line and prices at a level the cartel can live with.

For now stay square we judge this market will likely range trade a while longer, but if and when Iran's oil enters the market the dynamics are likely to change.

More



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- + DJ EURO STOXX 50

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- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
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