WEEK 6 6th – 12th February 2007

THE *MACRO* TRADER'S GUIDE TO MAJOR MARKETS

JOHN LEWIS

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SEVEN DAYS AHEAD
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ABOUT SEVEN DAYS AHEAD

Seven Days Ahead publishes a variety of trading guides suitable for experienced market operators.

ABOUT THIS GUIDE

John Lewis's unique contribution is to bridge the gap between the trader and the economist by being acutely sensitive to the interplay of real world economic data with market expectations. Using his successful trading experience of 30 years, he studies the evidence in minute detail but tries never to lose sight of the big picture, or the day-to-day problems of running a position.
Each week the Macro Trader's Guide identifies the key economic releases of the previous week and explains why the markets reacted as they did. Then it anticipates the week ahead, emphasising the critical releases and predicts the likely market outcomes.
The Guide reveals money-making trading opportunities but includes a candid assessment of loss-making situations that can arise from trend less or too-volatile markets.

ABOUT JOHN LEWIS

John Lewis has worked in the London financial markets for 30 years.

He left the Stock Exchange and joined Standard Chartered Bank London in 1976 trading the Sterling money markets.

He then trained as a floor trader with Holco Trading on the London Commodity Exchange specialising in cocoa and oil futures.

He began to trade off the floor with Drexel Burnham Lambert becoming Deputy Manager of their Money Desk in Europe responsible for all funding, money market trading and FX hedging for the European operation.

He rose to become Deputy Global Head of Proprietary Trading with Skandinaviska Enskilda Banken and thence Head of Proprietary trading Svenska Handlesbanken London.

After 1998 he moved into the hedge fund business as a senior fund manager of Weavering Capital UK.
Now in association with Seven Days Ahead he works with a wide variety of financial institutions and independent traders, utilizing his long experience and successful trading record.

GLOBAL CALENDAR

WHAT HAPPENED LAST WEEK?

	Week of 29th January
Monday	UK CBI Distributive sales 30 STRONGER THAN EXPECTED
Tuesday	US Consumer conf 110.3 AS UK Nationwide hse prcs 0.3m, 9.3y LESS UK M4 STRLG LNDG 11.6 AS UK Net lndg on dwellgs 10.6B STRONGER UK Mrtge apprvls 113K WEAKER FR Unemplym't rate 8.6 LESS THAN EXPECTED
Wednesday	US GDP Q4A 3.5% STRONGER US Persnal consump 4.4% STRONGER US Employm't cost INDX 0.8% LESS US Chicago PMI 48.8 WEAKER US FOMC Rte UNCH AS UK GFK Cons conf -7 BETTER DM Retail sales 2.4m, 0.4y BETTER DM Unemploym't -106k BETTER DM Rate 9.5% BETTER FR Cons conf -24 BETTER FR PPI -0.1m, 2.7y LESS IT PPI 0.2m, 5.2y MORE EZ Unemploym't rate 7.5 BETTER EZ Economic conf 109.2 LESS EZ CPI 1.9y LESS THAN EXPECTED
Thursday	US Personal income 0.5 AS US Personal spndg 0.7 AS US PCE Core 0.1m, 2.2Y BETTER US PCE Deflator 2.3y WORSE US Jobless claims 307K LESS US ISM Mfg 49.3 WEAKER US ISM Prices 53.0 HIGHER UK PMI Mfg 52.8 STRONGER IT PMI Mfg 53.5 WEAKER FR PMI Mfg 52.5 WEAKER DM PMI Mfg 58.5 WEAKER EZ PMI Mfg 55.5 WEAKER THAN EXPECTED
Friday	US Non-farm payroll 111k LESS US Unemploym't rate 4.6% HIGHER US Avge Hrly earnings 0.2m LESS US Avge work week 33.8 LESS US Factory orders 2.4 STRONGER US Factory inventories 0.1 LESS US U. of Michigan conf 96.9 WEAKER EZ PPI 0.0m, 4.1y AS THAN EXPECTED

WHATS HAPPENING THIS WEEK?

	Week of 5th February
Monday	US ISM non-Mfg 57.0 US ISM Prices paid 58.0 UK PMI Services survey 60.0 IT PMI Services survey 54.8 FR PMI Services survey 57.2 DM PMI Services survey 57.0 EZ PMI Services survey 56.8 IT CPI 0.2m, 1.9y
Tuesday	UK BRC Retail sales 1.8 EZ Retail sales 1.1m, 2.3y DM Factory orders 0.5m, 7.4y
Wednesday	US Q4 non-farm productivity 1.8 UK Ind production 0.1m, 0.6y UK Mfg output 0.1m, 2.1y UK BRC Shop prices n/f DM Ind production 0.5m, 6.3y
Thursday	US Jobless claims 310k US Wholesale inventories 0.6 US Wholesale sales 1.0 UK NIESR GDP n/f UK Land reg hse prcs n/f UK MPC Interest rate decision UNCH DM C/A 10.5B DM Trade surplus 16.5B DM Factory orders 0.1m EZ ECB Interest rate decision UNCH
Friday	UK Trade deficit -6.9B UK Trade non-EU -4.25B DM WPI -0.2m, 3.2y FR Ind production 0.3m, 0.1y FR Mfg output 0.2, 1.3y FR Trade bal -2.9B IT Ind production 0.7m, 1.7y

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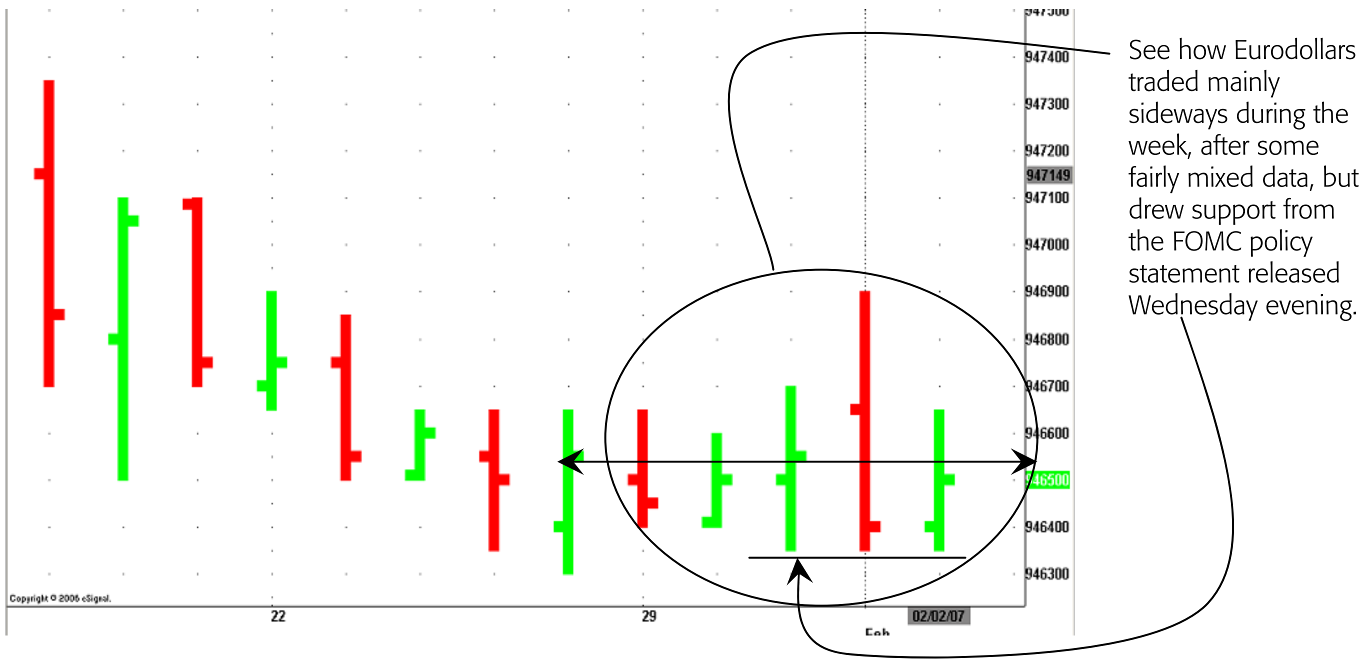
INTEREST RATE FUTURES

EURO DOLLARS

JUNE 07 EURO DOLLARS



THE MARKET EXPLAINED

OUR TRADING STANCE: SQUARE.

Last week we were bearish of June 07.
This week we are square of June 07.

Last week we remained bearish of June 07 Eurodollars after several weeks of stronger data, and ahead of a week packed with key data releases, which included the Feds FOMC interest rate decision on Wednesday.

We advised traders to focus on the following releases, with particular attention to the Fed:

- on Tuesday; Consumer confidence was as expected,
- on Wednesday; Q4 GDP was stronger than expected, the Employment cost index was less than expected, Chicago PMI was weaker than expected and the FOMC left interest rates unchanged and indicated in the policy statement that they were set to remain on hold for a further period,
- on Thursday; personal income and spending were as expected, the PCE deflator was worse than expected and PCE Core was less than expected the ISM Manufacturing survey surprised with a sub 50.0 reading for the 2nd time in the last 3 months, and
- On Friday; Non-farm payroll was mixed with a weak headline rate but substantial upward revisions to previous months data and the U. of Michigan confidence report was weaker than expected.

The market's reaction was a week of sideways trading, albeit with some large intra-day swings, especially on Thursday.

Looking ahead there are several key reports due this week and we advise traders to focus on the following:

- on Monday; the ISM non-manufacturing survey,
- on Wednesday; Q4 non-farm productivity, and
- On Thursday; Jobless claims and wholesale inventories.

Clearly the focus of attention this week will be the ISM non-manufacturing survey, and although this has maintained strong readings over recent months, after last week's soft manufacturing report, if this was to weaken the market would rally.

The Macro Trader's view is: the market certainly had much to consider last week, and as we anticipated Q4 GDP was stronger than expected, but other data was un-expectedly weaker, especially the ISM survey and the employment report which recorded an increase in the unemployment rate, leaving traders unsure where next to take the market.

Even the Fed offered no new direction as they noted data had improved, but so had some core measures of inflation, which left them firmly on the fence, where they are likely to remain for several more months yet.

Our expectation at the start of last week was for data to continue its recent improvement, but as ever, nothing to do with economics travels in a straight line.

For now we see little downside opportunity in this market as the better Q4 GDP report may prove transitory with Q1 maybe turning softer, but it is far too early to tell.

But from the tone of the Feds policy statement one conclusion is possible; interest rates don't appear to be going any where fast from current levels.

The prospect of a Fed ease remains remote, but there seems little enthusiasm among policy makers to take rates higher, at least for now.

Our reaction to last week is to square up and book our profit.

If this week's ISM non-manufacturing survey weakens, the market would probably experience a short covering rally, but based on Friday's non-farm payroll report, the service sector seems to be maintaining its recent performance.

We advise traders to square up and stand back from this market. A short period of re-appraisal seems appropriate.

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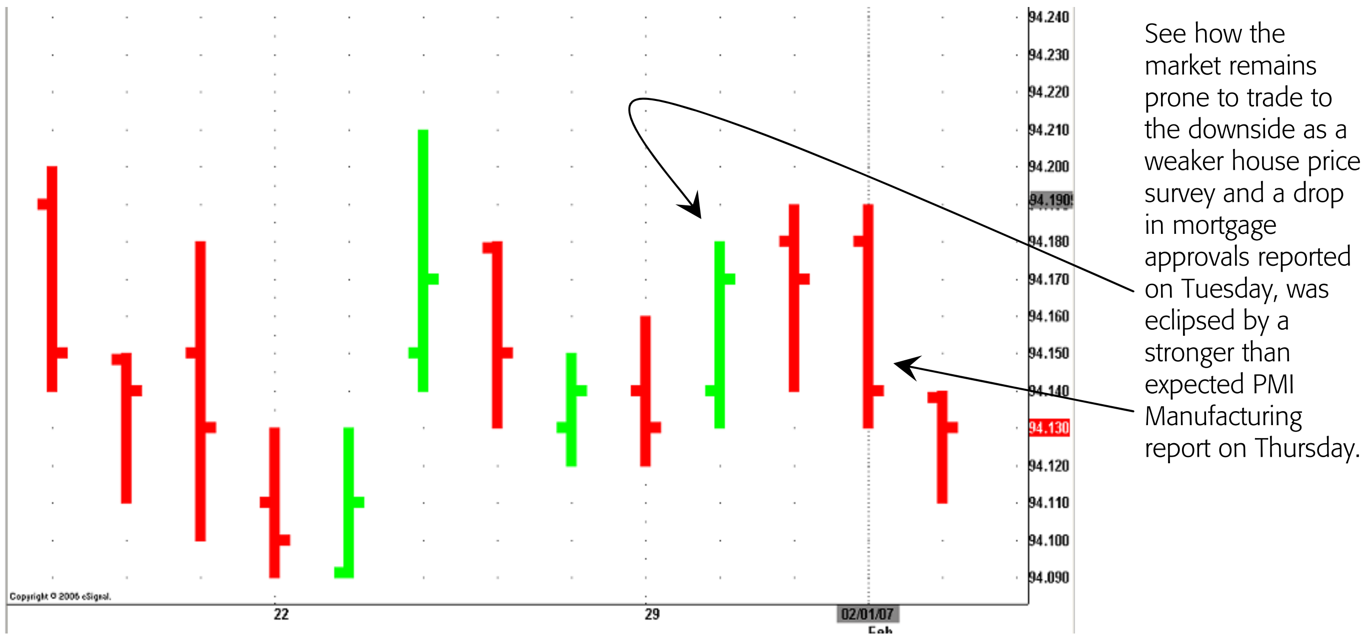
SHORT STERLING

JUNE 07 SHORT STERLING



THE MARKET EXPLAINED

OUR TRADING STANCE: SQUARE.

Last week we were square of June 07.
This week we remain square of June 07

Last week we remained square of June 07 Short Sterling as we continue to judge the market has the worst case scenario for UK interest rates almost fully priced in.

With several key data releases due last week we advised traders to monitor the following:

- on Monday; the CBI distributive trades survey was stronger than expected,
- on Tuesday; the Nationwide house price survey was weaker than expected, net lending secured on dwellings was stronger than expected but mortgage approvals were weaker than forecast, and
- On Thursday; the PMI Manufacturing survey was stronger than forecast.

We flagged the Nationwide house price survey as a key report and the market briefly rallied on its sub-consensus reading, but as traders continue re-assess after the surprise rate hike in January, the downside came back into focus after the PMI report.

Looking ahead there are several key releases this week and we advise traders to focus on the following:

- on Monday; the PMI Services survey,
- on Tuesday; the BRC retail sales monitor,
- on Wednesday; industrial production, manufacturing output and the BRC Shop prices monitor,
- on Thursday; the MPC interest rate decision, and
- On Friday; the Trade data.

Without doubt all eyes will be on this Thursday's MPC interest rate announcement. After the surprise move in January, followed by worse than expected inflation data and strong Q4 growth, traders will be wary of another hike to underline the MPC'S determination to bear down on inflation.

The Macro Trader's view is: although there is an outside chance of a rate hike this week, we don't think the Bank will push one through.

Another move now could smack of panic on the MPC'S behalf, and look as though rates are really going very much higher.

We think policy will be tightened further over the next few months, but we judge interest rates will probably peak at 5.75%, unless the current rally in the oil market is maintained, raising the spectre of another dose of energy induced inflation.

But for now we think the oil rally is likely to prove short lived as it is a response to increased tension centred on Iran, but with little prospect of military conflict between the US and Iran; at least in the short/medium term, we think the oil price should soon begin to drift lower.

For now we advise traders to remain square of this market as we see little opportunity for the bears, but with so much uncertainty surrounding UK policy, there is nothing obvious for and stubborn bulls either.

With the next inflation report due in the next week or so, we should get a clearer picture of what to expect from the MPC, but if the forecasts are as diverse as last months vote was tight, all we may be treated to is more uncertainty.

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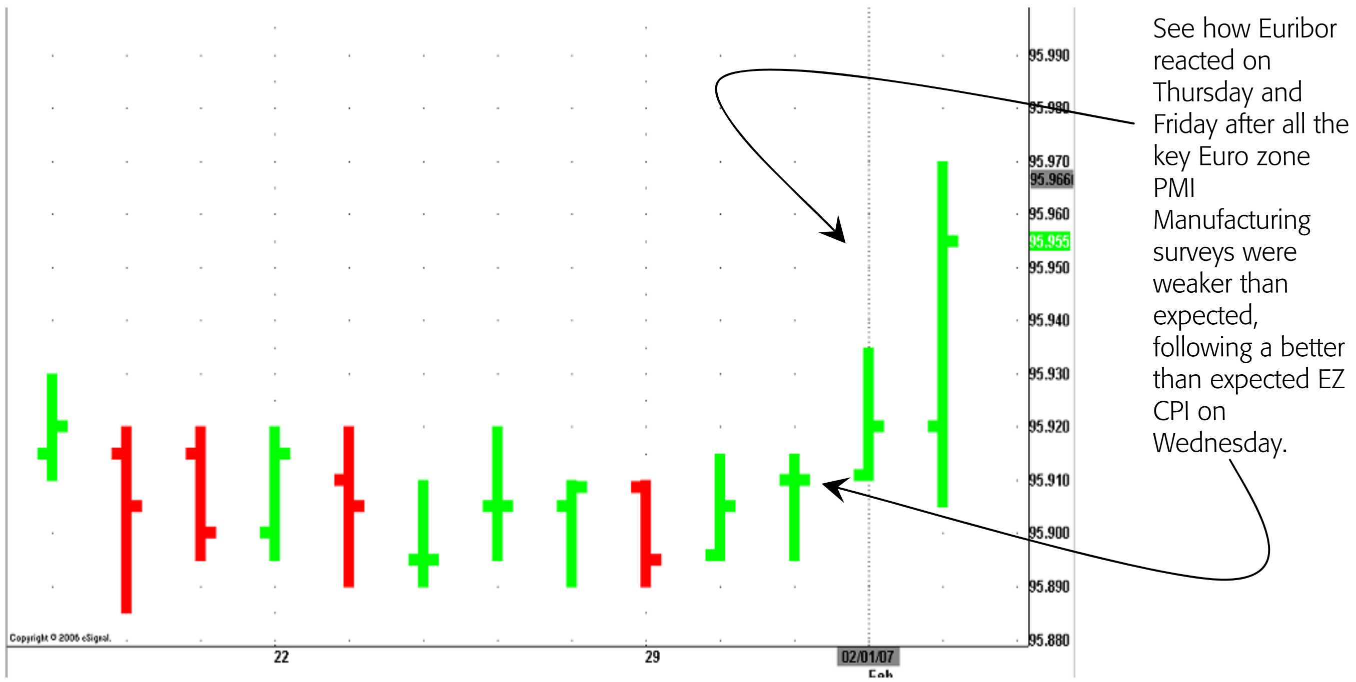
EURIBOR

JUNE 07 EURIBOR



THE MARKET EXPLAINED

OUR TRADING STANCE: SQUARE.

Last week we were square of June 07.
This week we remain square of June 07.

Last week we remained square of June 07 Euribor as we held to our judgement that the market had already priced in everything the ECB is likely to deliver in the 1st half of this year and there still seemed very little to go for in the short/medium term.

With this in mind we advised traders to monitor the following key data releases:

- on Tuesday; French unemployment data was better than expected,
- on Wednesday; German retail sales were better than expected, German unemployment dropped by more than forecast, French PPI was less than expected and Euro zone CPI was better than forecast,
- on Thursday; all the Euro zones PMI Manufacturing surveys were weaker than expected, and
- On Friday; Euro zone PPI was as expected.

We flagged the inflation reports as the key events for the ECB and the market and these were generally better than expected, but the surprise was the weaker PMI reports which sparked a rally at the end of the week and will give the ECB pause for thought.

Looking ahead there are several key reports due this week and we advise traders to monitor the following:

- on Monday; all the key EZ PMI Services reports and Italian CPI,
- on Tuesday; EZ Retail sales and German factory orders,
- on Wednesday; German industrial production,
- on Thursday; German trade & C/A data, factory orders and the ECB interest rate decision, and
- On Friday; French Industrial production, manufacturing output and trade data, plus Italian industrial production.

After last week's weaker PMI reports, all eyes will be on Monday's PMI services reports and Thursday's ECB interest rate announcement, which we think will leave policy unchanged

The Macro Trader's view is: since manufacturing remains the mainstay of the Euro zone economy, the weaker PMI manufacturing reports are not to be taken lightly; especially after the weaker than expected IFO report the week previously.

With Euro zone inflation remaining contained, despite the ECB'S concerns over the growth of the money supply, we expect the ECB to leave interest rates at current levels, but advise paying attention to the post decision press conference for clues on the outlook for rates over the short/medium term.

We have noted over recent weeks that with the market already fully pricing in a worst case scenario for Euro zone rates, the market was likely to experience a short covering rally if data turned softer, and that occurred to a degree at the end of last week.

If this week's data surprisingly undershoots consensus we judge the rally could proceed a little further.

For now our presumption remains that growth is likely to continue at a level that will lead the ECB to hike rates further over the coming months, so we judge a square position is the most logical response to recent events; the market may have everything priced in, but any rally is likely to prove brief within the big picture.

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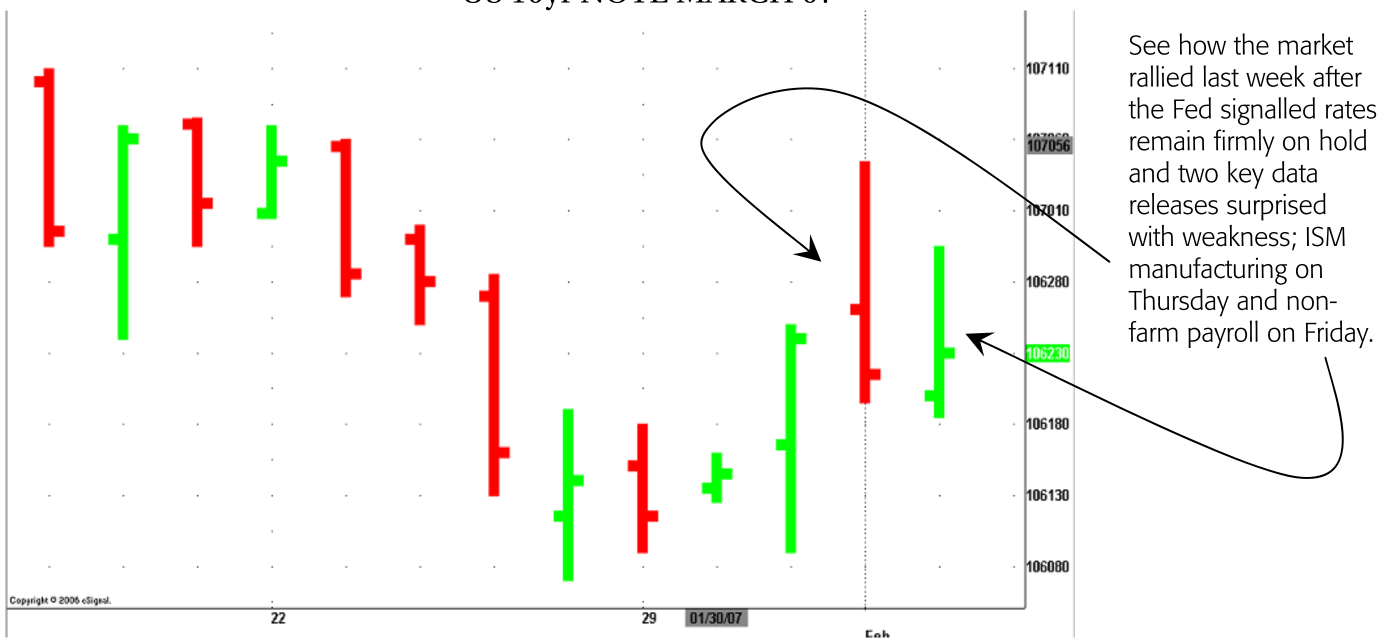
GOVERNMENT BONDS

US TREASURY NOTE (10 yr)

OUR TRADING STANCE: SQUARE.

Last week we were bearish of the 10yr Note.

US 10yr NOTE MARCH 07



This week we are square of the 10yr Note.

Last week we remained bearish of this market after several weeks of improving data led us to question the Feds ongoing commitment to maintaining its pause.

With several important data releases due we advised traders to monitor the following:

- on Wednesday; Q4 GDP was stronger than expected and the FOMC left interest rates unchanged, but more important the policy statement conveyed a message that rates are set to remain unchanged for the next few months,
- on Thursday; the PCE data was mixed and ISM Manufacturing survey was surprisingly week, and
- On Friday; non-farm payroll conveyed a mixed message; the headline data was weaker but there were upward revisions to previous months data, however the increase in the unemployment rate moved the market.

The market reacted by correcting higher as the immediate anxiety over short term interest rates has temporarily abated.

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Looking ahead there are several releases to monitor this week:

- on Monday; the ISM non-manufacturing survey,
- on Wednesday; Q4 non-farm productivity, and
- on Thursday; Jobless claims and wholesale inventories

Of these the ISM non-manufacturing survey is the most important. So far it has maintained its strength but if this were to weaken the market would correct a little higher.

The Macro Trader's view is: we have squared our position as last week's data placed something of a short term floor under the market. Short term interest rates aren't going up in the near term as the Fed sees better growth data balanced by gradually improving core inflation.

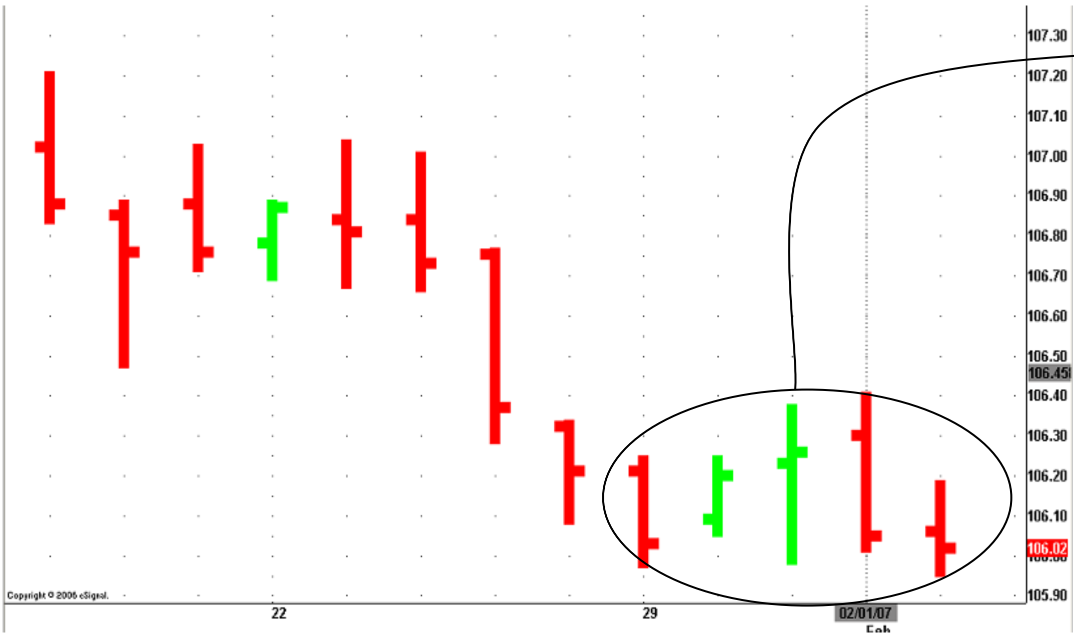
As the market could rally further we advise traders to take their profit and stand back. We think fresh opportunity will arise later.

THE GILT

OUR TRADING STANCE: SQUARE.

Last week we were bearish of the Gilt.

GILT MARCH 07



See how the Gilt traded sideways last week as the market digested a mixed bag on data but found support from international bond market sentiment.

This week we are square of the Gilt.

Last week we remained bearish of the Gilt as we judged it remained vulnerable to the down side and offered a target of 105.75 which wasn't met.

And as speculation over UK policy continued we advised traders to monitor the following releases:

- on Tuesday; the Nationwide House price survey was weaker than expected, M4 Sterling lending was as expected and net lending secured on dwellings was stronger than expected, and
- On Thursday; the PMI Manufacturing survey was stronger than expected.

The market reacted by probing the down side but with the Fed re-confirming its policy outlook and US Treasuries staging a corrective rally the Gilt drew support from international sentiment.

Looking ahead there are several releases to watch this week as follows:

- on Monday; the PMI Services survey,
- on Tuesday; the BRC retail sales monitor,
- on Wednesday; industrial production, manufacturing output and the BRC Shop prices monitor,
- on Thursday; the MPC interest rate decision, and
- On Friday; the Trade data.

But we judge Monday's PMI Services report and Thursday's MPC interest rate decision the most important. On balance we think the MPC will hold rates unchanged and this is likely to allow the Gilt to correct a little higher.

The Macro Trader's view is: although we remain bearish of the Gilt longer term, we are taking profit as we think an unchanged rate announcement from the MPC on Thursday will send the market higher.

Additionally US Treasuries look set to correct further after last week's mixed US data. This will offer an opportunity to go short later at better levels.

We advise traders to square up and book their profits.

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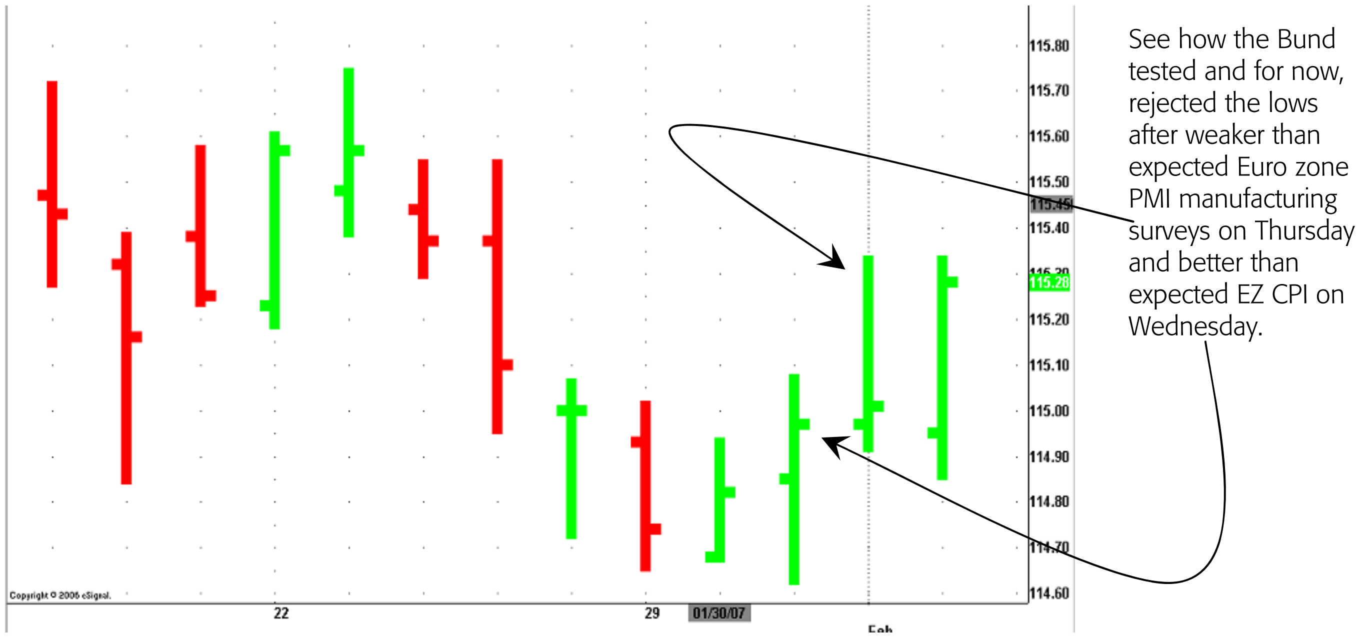
THE BUND

OUR TRADING STANCE: SQUARE.

Last week we were bearish of the bund.

THE BUND MARCH 07



This week we are square of the Bund.

Last week we remained bearish of the Bund as Euro zone data remained solid leading us to expect the Bund would make fresh lows, which it did.

And we advised traders to monitor the following key data releases for additional evidence:

- on Tuesday; French unemployment data was better than expected,
- on Wednesday; German retail sales were better than expected, German unemployment dropped by more than forecast, French PPI was less than expected and Euro zone CPI was better than forecast,
- on Thursday; all the Euro zones PMI Manufacturing surveys were weaker than expected, and
- On Friday; Euro zone PPI was as expected.

The market reacted by rejecting the lows as inflation remained benign and manufacturing activity softened.

Looking ahead we advise traders to closely monitor the following:

- on Monday; all the key EZ PMI Services reports and Italian CPI,
- on Tuesday; EZ Retail sales and German factory orders,
- on Wednesday; German industrial production,
- on Thursday; German trade & C/A data, factory orders and the ECB interest rate decision, and
- On Friday; French Industrial production, manufacturing output and trade data, plus Italian industrial production.

The key event is Thursday's ECB rate decision which we expect to be unchanged and send the Bund a little higher.

The Macro Trader's view is: although our target wasn't met, we have locked in a good profit and given the price action and pattern of data releases last week, we think it prudent to temporarily stand back and re-evaluate this market, and we advise others to follow suite.

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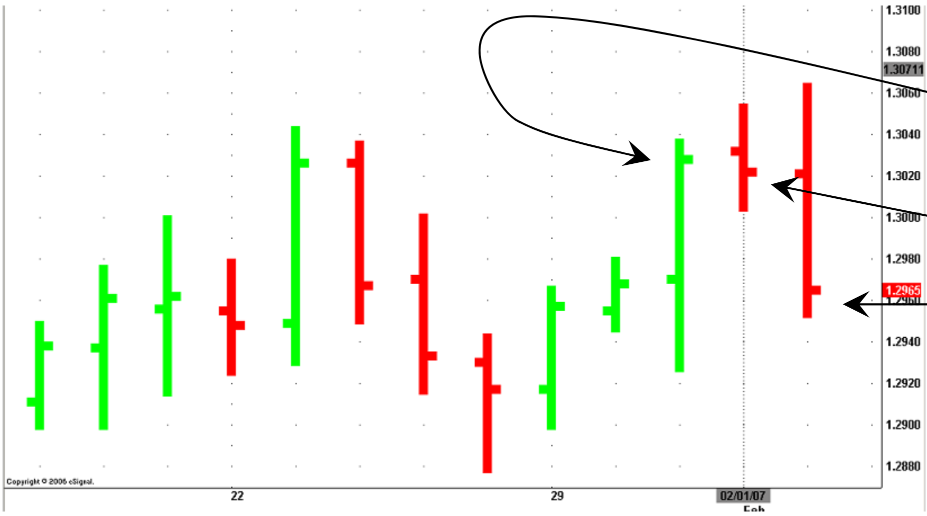
CURRENCIES

THE DOLLAR

OUR TRADING STANCE: BEARISH v THE POUND.

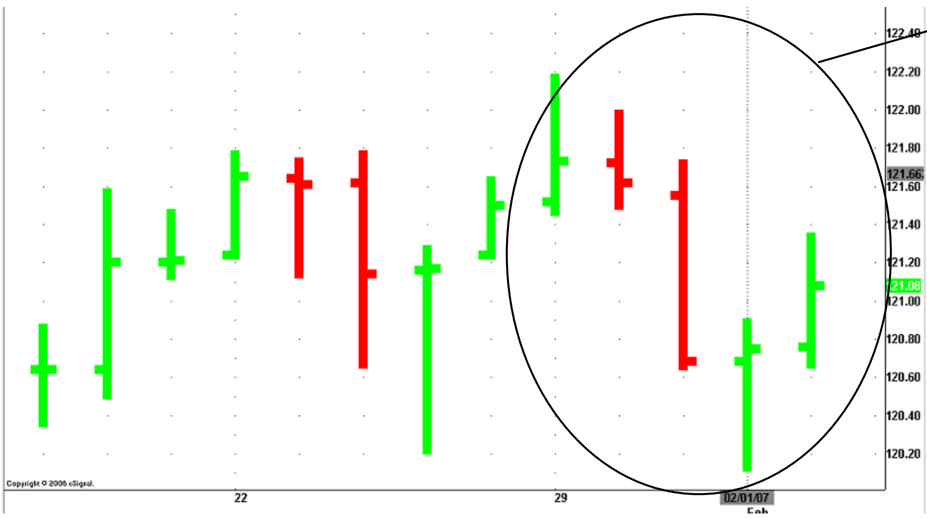
Last week we were bearish of the Dollar v the Pound.

EURO/DOLLAR CHART



See how the Dollar weakened against the Euro on Wednesday after the FOMC announcement, but recovered after some weaker Euro zone data on Thursday, with Friday's mixed non-farm payroll report leaving traders unsure.

DOLLAR/YEN CHART



See how the Yen recovered against the Dollar last week after the US Treasury Secretary voiced concern over the Yen's weakness and traders eyed the looming G7 meeting.

This week we remain bearish of the Dollar v the Pound.

Last week we remained bearish of the Dollar against the Pound but square against the Euro, and in a week with several heavy weight data releases and an FOMC meeting, we advised traders to monitor the following:

- on Tuesday; Consumer confidence was as expected,
- on Wednesday; Q4 GDP was stronger than forecast, the Q4 Employment cost index was less than expected, Chicago PMI was weaker than expected and the FOMC left interest rates unchanged and issued a statement that led traders to conclude the Fed was in no hurry to act,

- on Thursday; personal income and spending were as expected, the PCE deflator was worse than expected but PCE Core was better than expected and the ISM Manufacturing survey surprised with a sub 50.0 read, and
- On Friday; Non-farm payroll was a mix of weak headline data, upward revisions to previous months data and a surprise rise in the unemployment rate and the U. of Michigan confidence report was weaker than expected.

The Dollar's reaction was mixed; against the Euro it initially weakened but softer Euro zone data undermined the single currency and the Dollar recovered.

The price action was the reverse against the Pound; at first the Dollar rallied on the stronger Q4 GDP report, but gave back its gains after the Fed announcement with the move compounded by a weak ISM report.

Looking ahead the key release this week is the ISM non-manufacturing survey. If this were to weaken the Dollar would come under renewed pressure but it has held up well over recent months.

Traders should monitor the global calendar for other data releases.

The Macro Trader's view is: our stop was hit last week, but so was our target. After the Fed we bought back in, and the Pound looked set to rally against the Dollar as the US currency was hit by several weaker than expected reports.

The Manufacturing sector continues to struggle and the sub-50.0 read on the ISM survey highlighted this.

The employment report wasn't as bad as it seemed; true the headline number was weaker than expected, but there were strong upward revisions to the previous months data which made the report look much better.

Indeed these revisions have become a feature of this report as several releases that originally appeared weak, were subsequently revised higher.

The market though was most surprised by the increase in the unemployment rate, but this seems to be a function of the BLS changing the way it accounts for the impact of immigrants into the labour force, rather than an outright deterioration in the data.

For now we advise traders to remain long of Cable, with an MPC meeting this week in the UK, there is an out side chance of a rate hike, we don't think it will happen, but if one occurred the Pound would rally against the Dollar.

Our target over the next 7 days remains 1.9675 and our protective stop is now 1.9400.

Against the Euro we remain square; there seems little direction in this pair currently so stand aside, the ECB may provide direction on Thursday but we don't expect a rate hike from them this time.

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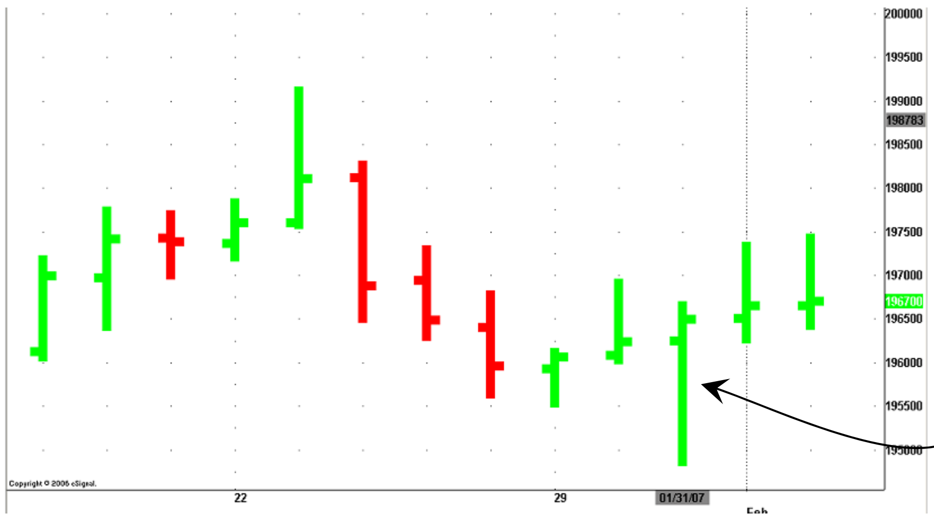
THE POUND STERLING

OUR TRADING STANCE: BULLISH.

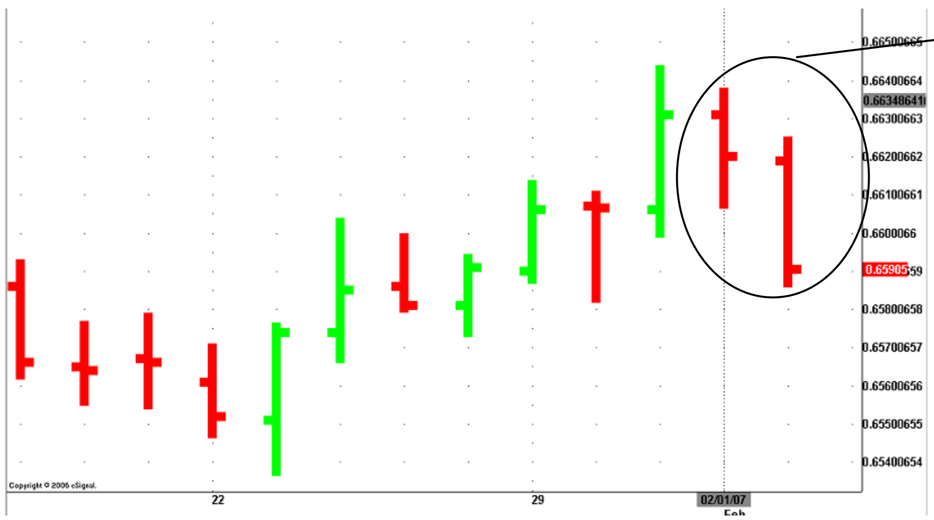
Last week we were bullish of Sterling.

THE CABLE CHART



See how the Pound sold off briefly on Wednesday after the US Q4 GDP report before recovering on the FOMC decision later that day.

THE STERLING/EURO CHART



See how the Pound recovered against the Euro on Thursday and Friday after weaker than expected Euro zone PMI manufacturing data on Thursday.

This week we remain bullish of Sterling.

Last week we remained bullish of Sterling as we expected the Pound to retain its strength against the Dollar in a week likely dominated by US data.

With this in mind we advised traders to focus on the following data releases:

- on Monday; the CBI distributive trades survey was stronger than expected with retailers recording a strong performance,
- on Tuesday; the Nationwide house price survey was weaker than forecast, net lending secured on dwellings was stronger than expected and mortgage approvals were weaker than expected, and
- On Thursday; the PMI Manufacturing survey was stronger than consensus.

The market reacted by sending the Pound higher, but on Wednesday traders sold Sterling briefly after a strong US Q4 GDP report, but the move faded after the Fed held policy steady and signalled they were in no hurry to end their current pause.

Looking ahead there several reports to watch and we advise monitoring the following:

- on Monday; the PMI Services survey,
- on Tuesday; the BRC retail sales monitor,
- on Wednesday; industrial production, manufacturing output and the BRC Shop prices monitor,
- on Thursday; the MPC interest rate decision, and
- On Friday; the Trade data.

Apart from Mondays PMI Services report all eyes will be on Thursday's MPC meeting.

Most analysts, like us, think the MPC will hold policy steady but there is an out side chance they will hike again to ram home their message on containing inflation.

The Macro Trader's view is: although our stop was hit on Wednesday before the FOMC decision, we subsequently bought back in, but the market has done very little.

Given the mixed nature of US data last week and the message from the Fed that policy is unlikely to change soon, we would have expected a better showing from the Pound, as UK data remain firm.

Although we do not expect a rate hike this week, we do think the MPC will hike twice more this year, based on the current strength of data, and this should support the Pound moving forward.

There is a G7 meeting looming and traders are uneasy about moving currencies too far ahead of it in case an unexpected initiative wrong foots them.

For now we continue to advise a long Cable position.

Our target over the next 7 days remains 1.9675 but we have lowered our stop to 1.9400 to allow a little more flexibility.

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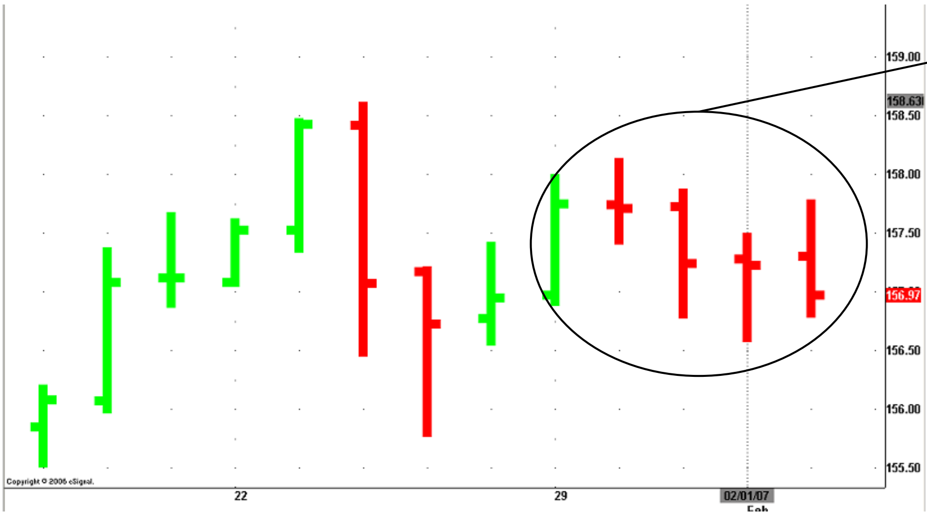
THE EURO

OUR TRADING STANCE: SQUARE.

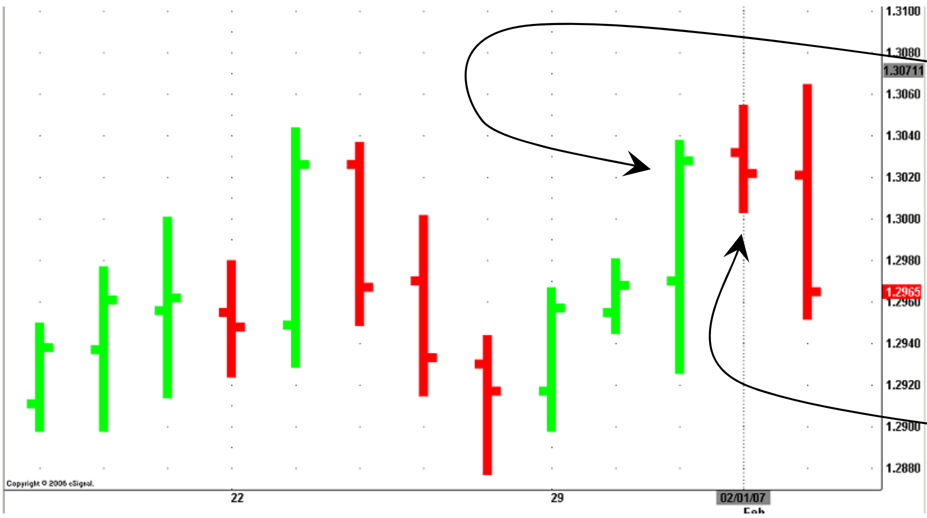
Last week we were square of the Euro.

EURO/YEN CHART



See how the Yen traded sideways against the Euro as the Japanese currency received support from comments made by the US Treasury Secretary, and trader apprehension ahead of the upcoming G7 meeting.

THE EURO/DOLLAR CHART



See how the Euro tried to rally against the Dollar after the FOMC statement, but the move faltered after weaker than expected Euro zone PMI Manufacturing surveys on Thursday.

This week we remain square of the Euro.

Last week we remained square of the Euro as we judged the pair would continue to drift sideways, and after last week's price action we were happy to remain on the sidelines.

Once again the Euro lacked any clear direction against the Dollar and managed to make only the slimmest of gains on the week.

But with several key data releases due we advised traders to monitor the following:

- on Wednesday; German retail sales were better than expected, German unemployment was also better than expected, French PPI was less than

expected and Euro zone CPI remained below the ECB'S 2.0% target,
- on Thursday; all the Euro zones PMI Manufacturing surveys were weaker than consensus, and
- On Friday; Euro zone PPI was as expected.

The markets reaction to the above was consistent with the data, and with US data also weaker than expected, this pair had little to move it in either direction.

Looking ahead there are several key releases due this week and we advise traders to monitor the following:
- on Monday; all the key EZ PMI Services reports and Italian CPI,
- on Tuesday; EZ Retail sales and German factory orders,
- on Wednesday; German industrial production,
- on Thursday; German trade & C/A data, factory orders and the ECB interest rate decision, and
- On Friday; French Industrial production, manufacturing output and trade data, plus Italian industrial production.

Clearly the main event this week is the ECB rate decision on Thursday but Monday's PMI Services reports will be closely watched after last week's disappointing PMI Manufacturing data.

The Macro Trader's view is: we have been, and continue to remain sidelined from this market as we see economic data from the US and Euro zone still likely to balance each other out for the time being.

Both the Fed and the ECB remain concerned about inflation, but in the Euro zone it is still below the ECB'S target as confirmed by last week's data.

Now too in the US the Fed balanced the recent improvements in growth against what it sees as better core inflation readings.

Traders should remain square of this market as it lacks clarity and direction and after last week's heavy weight US data traders are really none the wiser.

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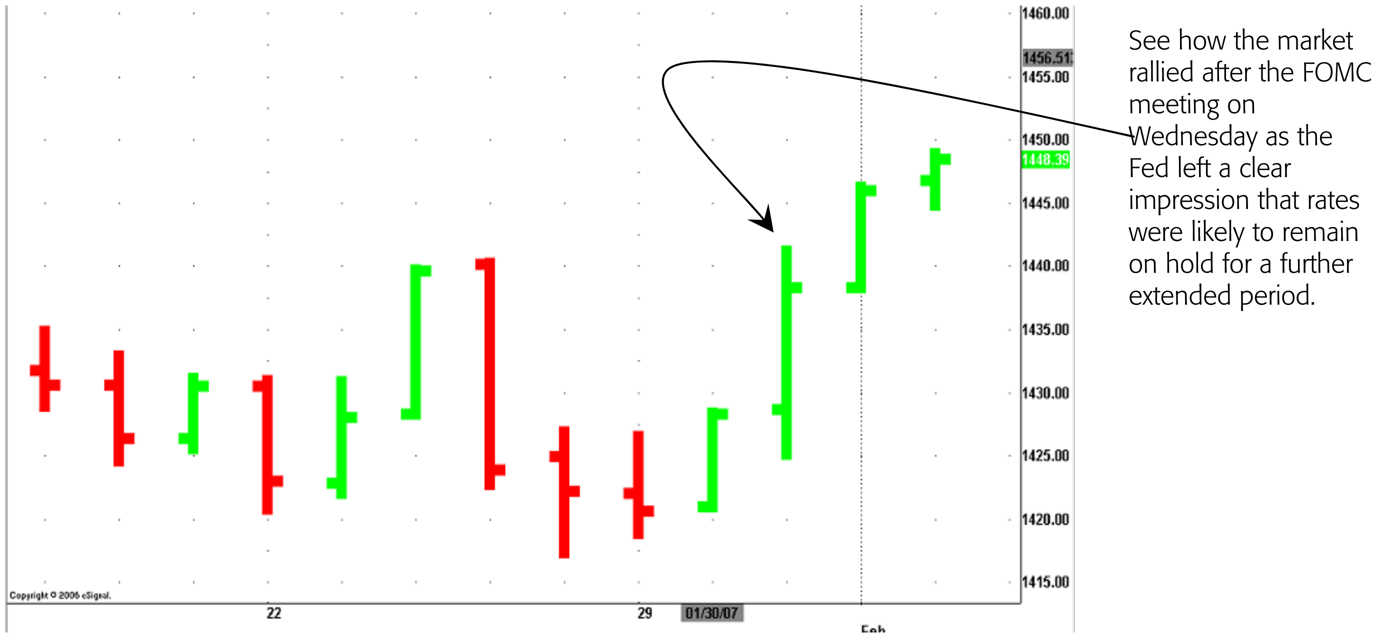
STOCKS

S&P 500

OUR TRADING STANCE: BULLISH.

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

S&P 500



This week we remain bullish of the S&P 500.

Last week we remained bullish of this market as we judged once the FOMC meeting was out of the way, traders would focus on the fundamentals for this market and take it higher.

In the event that is what occurred. The Fed left policy unchanged as universally expected, but the policy statement left a clear sense that rates were unlikely to change in the near term.

Although they noted an improvement in growth, they balanced this with an acknowledgement that some core measures of inflation had also improved.

Further more the ISM manufacturing report slipped below 50.0 and non-farm payroll was a mixed report which further helped the market rally.

Looking ahead there are several releases due this week and we advise traders to monitor the global calendar, but Monday's ISM Services report stands out; if it suddenly weakened the market would conclude rate hikes as well as rate cuts were for now well and truly off the agenda.

The Macro Trader's view is: last week our target was met and the market looks well set to make further gains.

Aside from the Fed Q4 GDP was stronger than expected, as a result of stronger retail sales and a narrower trade deficit. This should add support to the market moving forward.

We advise traders to remain long of this market. Our target over the next 7 days is now 1465.0, and our stop is raised to 1420.0 to protect profits

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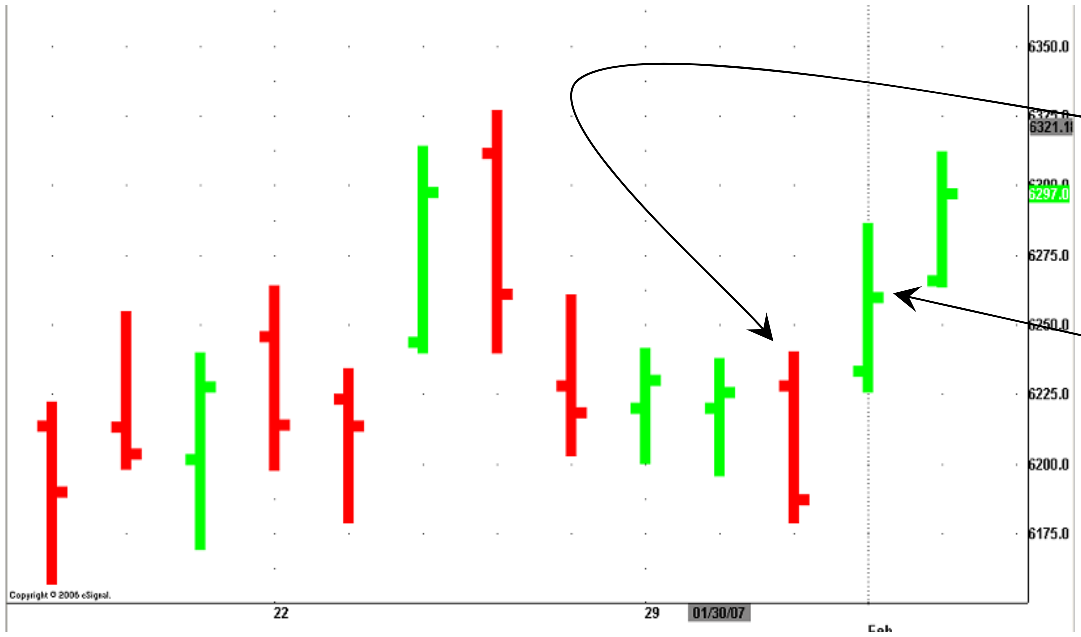
FTSE 100

OUR TRADING STANCE: BULLISH.

Last week we were bullish of the FTSE 100.

FTSE 100



See how the market dipped on Wednesday, led lower by US markets after stronger than expected US Q4 GDP, but before the Fed announcement, but note too the rally on Thursday after the market digested the Feds message.

This week we remain bullish of the FTSE 100.

Last week we remained bullish of the FTSE as we judged the economy's underlying strength would support this market and lead it higher over time.

However the main feature of last week's price action was the impact felt from US data.

Stronger than expected Q4 GDP data on Wednesday, weighed on stocks generally and the FTSE traded lower and closed weak before the FOMC announcement later in the evening.

After the Fed decision, US stocks bounced and this followed through into Europe on Thursday.

Even a stronger than expected UK PMI manufacturing survey failed to restrain the market as traders focused on a rally in the Oil market that lent additional support.

The Macro Trader's view is: although we saw our target met last week and expect to see the FTSE rally further, we sense the recent pattern of choppy price action will persist.

Traders will be anxious to see if the MPC hike rates this week and that may hold the market back temporarily. We think they will pass this time to allow this month's quarterly inflation report to out in greater detail the MPC'S collective thinking more clearly.

Traders should remain long of this market, the economic fundamentals continue to support the rally and even though we eventually see rates going up again in the coming months, we do not see this as a reason to be negative of stocks.

Our target over the next 7 days is now 6350.00 and our stop is raised to 6200.00 to allow enough room for short term swings which are still frequent in this market.

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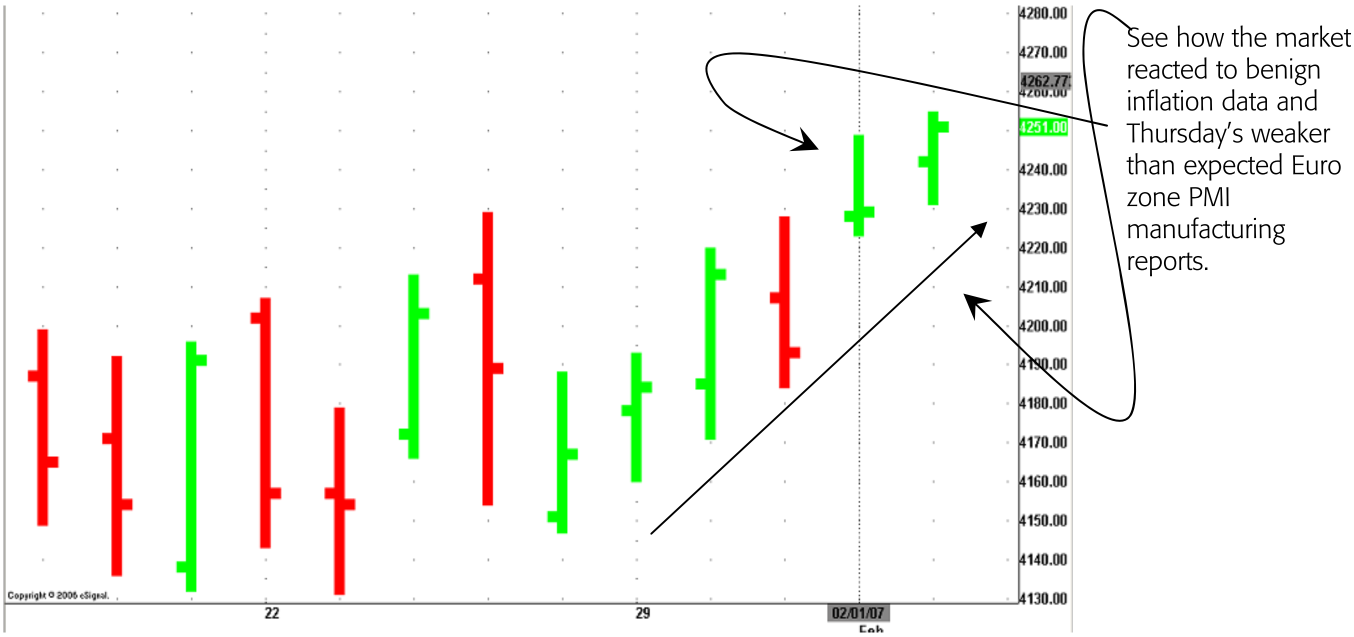
DJ EURO STOXX 50

OUR TRADING STANCE: BULLISH.

Last week we were bullish of the DJ EURO STOXX 50.

DJ EURO STOXX 50



This week we remain bullish of the DJ EURO STOXX 50.

Last week we remained long of this market as we optimistically anticipated the week's Euro zone inflation data which has been benign over recent months.

Again last week's data showed inflation under control and will give the ECB space, if it chooses to use it, to justify holding off from hiking rates at this week's rate setting meeting.

Additionally traders were relieved by the tone of the Feds policy statement which was more balanced than many feared.

The market sentiment earlier in the week was for a policy statement that softened the market up for further US rate hikes if the Fed ultimately deemed it necessary, due to better growth data and stubborn inflation.

In the event that didn't occur; the Fed balanced better growth against improving US inflation and most major stock indices rallied.

The Macro Trader's view is: with the Fed out of the way and the ECB likely to remain on hold again this week, traders will take this market higher as a slight easing in the pace of growth recently combined with inflation remaining below the ECB'S target of 2.0% fosters a sense of a benign growth environment.

We advise traders to remain long of this market and our target over the next 7 days is 4270.0.00. Our stop is now set at 4150.00 to protect profits and allow for volatility.

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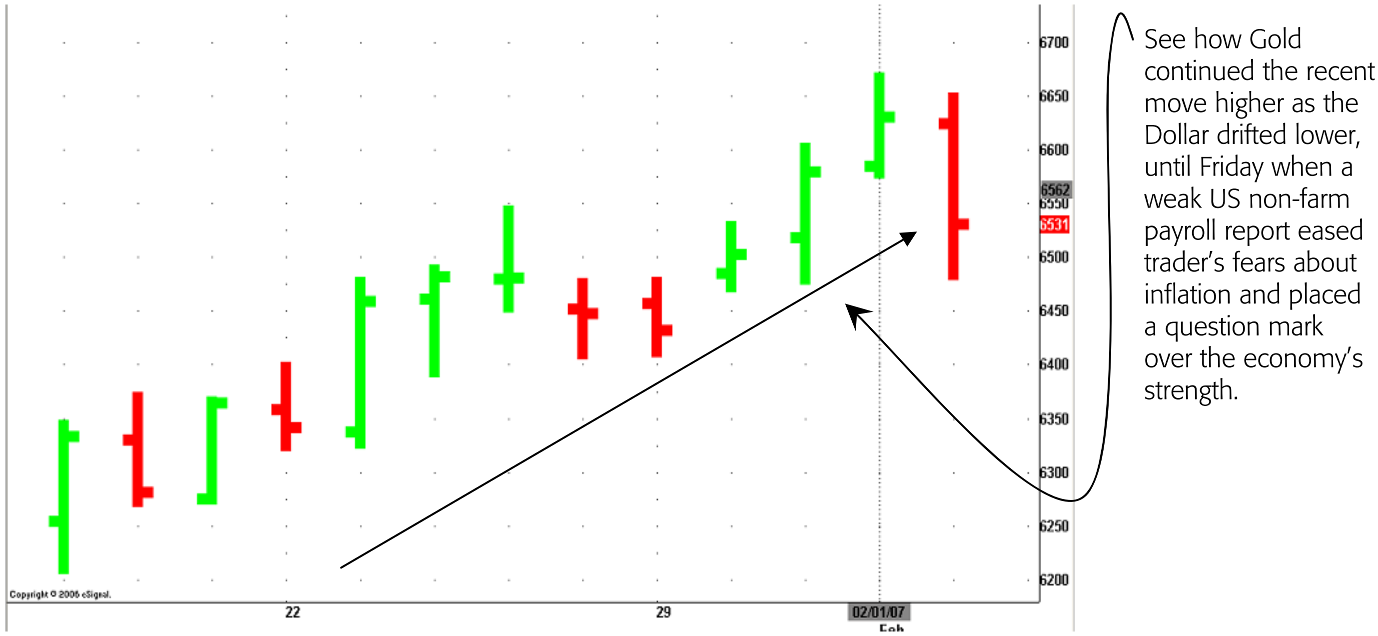
COMMODITIES

GOLD

OUR TRADING STANCE: BULLISH

Last week we were square of gold.

THE GOLD CHART



This week we are bullish of Gold.

Last week we remained square of Gold as we judged the reasons behind the recent rally were miss-placed. Traders were buying Gold due to lingering concerns over inflation and in response to the weakness of the US Dollar.

But last week the Dollar broadly held its levels and the Fed announced it saw some improvement in certain measures of core inflation.

Yet still Gold moved higher, but this time driven by heightened tension centred on Iran's dogged pursuit of its nuclear technology program, which it maintains is for the peaceful generation of electricity.

However the Bush administration remains clear that this is a cover for a nuclear weapons program and with the deployment of two US Carrier groups in the Gulf and renewed warnings from the US to Iran over its support for insurgents in Iraq, traders are growing anxious about the possibility of some type of military engagement.

The Macro Trader's view is: we have remained square of Gold for a long time, but have always maintained that although we see no economic reason for its rally, any escalation, perceived or real, to the crisis with Iran, would see Gold begin to move much higher.

Over the last week or so we no believe that criteria are closer to being fulfilled and we are now convinced Gold can move higher.

Traders should be long of this market as the US seems determined to turn up the volume in this dispute to the degree that not to act may be seen as weakness.

Our target over the next 7 days is US$675.00 an ounce but as always run a stop at US$637.00 an ounce as protection.

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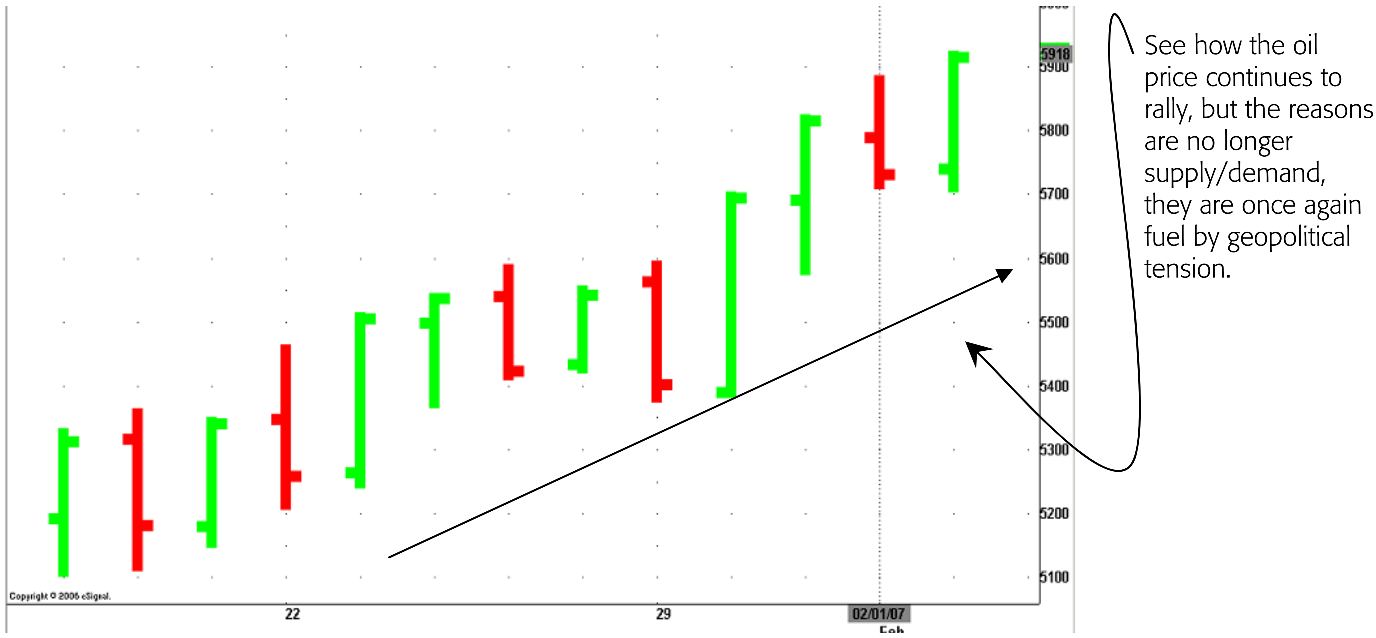
OIL

OUR TRADING STANCE: SQUARE.

Last week we were bearish of oil.

THE CRUDE OIL CHART



This week we are square of oil.

Last week we were short of oil but we were stopped out. We viewed the recent rally as ill founded but the market thought otherwise and pressed ahead.

Although US Q4 GDP was stronger than expected last week, other data was weaker, holding out the prospect of Q1 GDP being a little softer.

The implications of this for Oil are that as we move further through the north hemisphere winter, demand for oil is unlikely to materially deviate from its current levels.

So what is driving this market? We conclude the crisis with Iran is once again behind recent moves.

The Iranians have announced they are about to move nuclear fuel production to an industrial scale, the Americans are horrified and have two Carrier groups in or around the Gulf.

Additionally they have warned Iran over the support it is giving to insurgents in Iraq that are daily killing US soldiers.

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Traders fret that with reports Israel may yet act alone, continuing to circulate, Oil may yet be used as a weapon and the price creeps higher.

The Macro Trader's view is: not withstanding what we have just said, we are not convinced that America wants to tackle Iran militarily; at least not yet.

This means oil supplies are not actually under threat but traders remain nervous of the situation.

However with Bush's proposed increase in defence spending, maybe he is laying the ground work to facilitate a future attack if the west's worst fears concerning Iran building a nuclear bomb prove correct.

For now we are square but still judge oil prices are likely to trade lower over the course of this year.