

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 Handelsbanken 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 21 st May
Monday	UK PSNCR -3.8B WORSE UK PSNB 1.1B LESS UK M4 STRLG LNDG 21.2B STRONGER UK Mrtge Indg 28.8B LESS THAN EXPECTED
Tuesday	IT Cons conf 109.5 STRONGER DM ZEW 24.0 STRONGER EZ Trade bal 7.4B BETTER THAN EXPECTED
Wednesday	UK MPC Minutes May meeting 9/0 AS IT Retail sales 0.5m, 2.6y STRONGER EZ Ind new orders 2.7m, 8.0y STRONGER IT C/A Bal -3.42B WORSE THAN EXPECTED
Thursday	US Durable goods 0.6 LESS US Durables ex- Transport 1.5 BETTER US Jobless claims 311k WORSE US New home sales 981k STRONGER UK CBI Ind trends srvy 5 STRONGER UK Tot bus investm't -1.3q, 9.6y LESS DM Q1 GDP 0.5q, 3.3y AS FR Bus conf 109.0 LESS IT Bus conf 96.2 LESS DM IFO 108.6 LESS THAN EXPECTED
Friday	US Existing home sales 5.99M WEAKER UK Q1 GDP 0.7q, 2.9y STRONGER DM GFK Cons conf 7.3 STRONGER FR Cons spndg -0.3m, 2.5y WEAKER IT Trade bal non-EU -1.34B WORSE THAN EXPECTED

WHATS HAPPENING THIS WEEK?

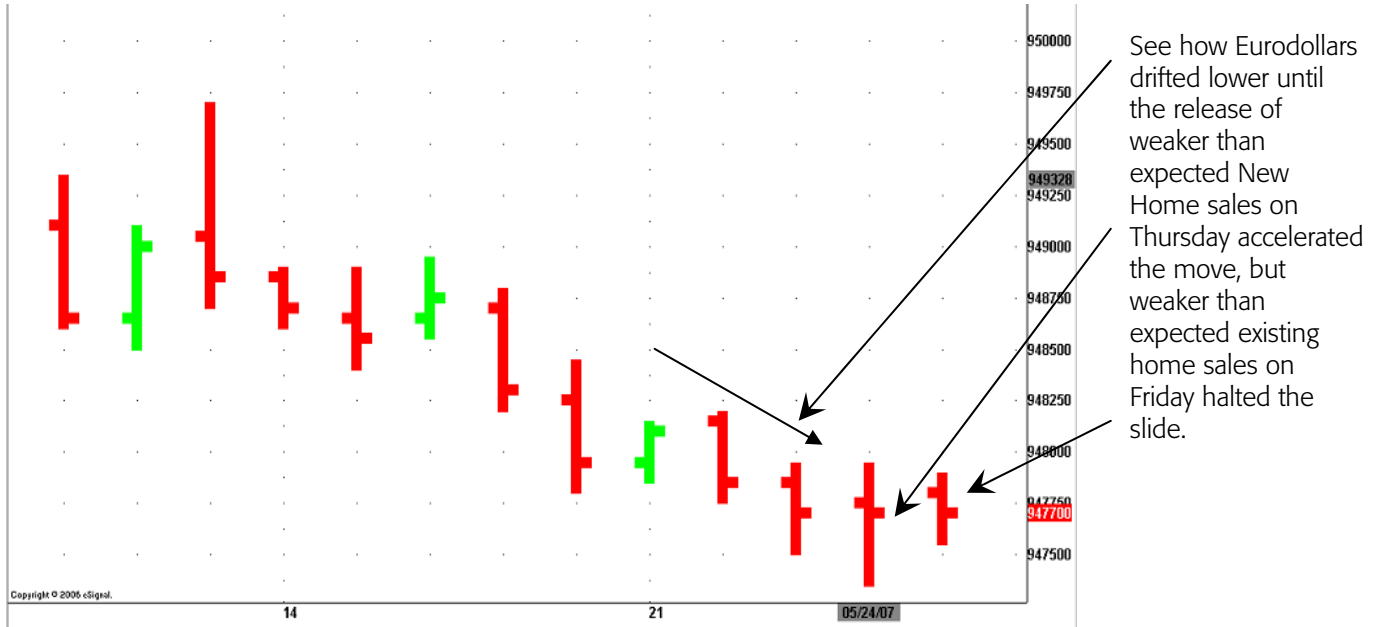
	Week of 28 th May
Monday	MARKETS CLOSED PUBLIC HOLIDAY
Tuesday	US Cons conf 105 UK BBA mrtge data 56.0k DM CPI 0.2m, 1.9y EZ C/A -4.0B
Wednesday	US FOMC Minutes May 9 th UK GFK Cons conf -7 IT PPI 0.3m, 3.1y EZ M3 10.5 3mthavge EZ M3 10.7y FR Unemploy'm't 8.2% FR Change -20k
Thursday	US Q1 GDP annualised 1.3 US Q1 GDP Price idx 4.0% US Core PCE 2.2q US Jobless claims 310k US Chicago PMI 54.0 US Construction spdg 0.0 UK Nationwide Hse prcs 0.6m, 10.4y UK M4 Strlg Indg 21.1B UK Net cons CR 0.9B UK Net Indg on dwellings 9.7B UK Mrtge approvals 110k UK CBI Distrib trades 38 DM ILO Unemploy'm't 6.7% DM Change -21k DM Unemploy'm't rate 9.1% FR PPI 0.3m, 1.7y FR Cons conf -19 EZ Cons conf -4 EZ Economic conf 111.0 EZ CPI 1.9y IT CPI 0.3m, 1.5y
Friday	US Persn'l income 0.3m, US Persn'l spndg 0.4m, US PCE Core 0.2m, 2.0y US PCE Deflator 2.2y US Non-farm payroll 135k US Unemploy'm't rate 4.5 US avge hrly earngs 0.3m, US avge wrk wk n/f US ISM Mfg 54.0 US U. of Michigan sentiment 88.0 UK PMI Mfg 53.7 DM Retail sales 1.0m, -0.8y IT PMI Mfg 54.0 FR PMI Mfg 54.0 DM PMI Mfg 57.2 EZ PMI Mfg 55.5 EZ Q1 GDP 0.6q, 2.4y EZ Unemploy'm't 7.1%

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INTEREST RATE FUTURES

EURO DOLLARS

DECEMBER 07 EURO DOLLARS



THE MARKET EXPLAINED

OUR TRADING STANCE: BEARISH.

Last week we were bearish of September 07.
This week we are bearish of December 07.

Last week we remained bearish of Eurodollars after a string of stronger data releases last week further eroded already fading hopes of easier policy later this year.

In a week with few key data releases, we advised traders to monitor the following:

- on Thursday; durable goods revealed a weaker headline number but a stronger than expected ex-transportation number, jobless claims were higher than expected and new home sales were stronger than forecast, and
- on Friday; existing home sales were weaker than expected.

The market reacted by extending the negative price action of the previous week which accelerated after Thursday's stronger new home sales report and although Friday's existing home sales data turned out weaker than expected; new home sales contributes to GDP; existing home sales doesn't.

Looking ahead this week's calendar is packed with data and we advise traders to monitor the following:

- on Wednesday; **the minutes for the May 9 FOMC meeting**,
- on Thursday; **Q1 GDP, Q1 GDP price index, Core PCE, Jobless claims, Chicago PMI and construction spending**, and
- on Friday; **Personal income, personal spending, Core PCE, PCE Deflator, non-farm payroll, unemployment rate, average hourly earnings, average work week, ISM Mfg survey and U. of Michigan sentiment.**

Traders should monitor the data highlighted in red very closely as these reports are all watched closely by the Fed as they continue to monitor the growth slowdown, but remain clearly focused on inflation.

And the FOMC minutes will give further important insight into the Fed's anxiety over inflation.

The Macro Trader's view is: the market traded towards our target last week, driven on by bearish sentiment arising from the previous week's stronger data and last week's stronger than expected New Home sales data.

The 16.0% jump in New home sales will have a positive impact on Q2 GDP, where as existing home sales, as a second hand market, aren't a GDP component, but still have an impact on general sentiment.

If this week's key data releases are stronger than expected, the selling pressure on Eurodollars will intensify as any faint lingering hopes for easier policy later this year are further eroded.

Moreover, if data continues to firm while inflation clings to elevated levels, the market will begin pricing in further rate hikes.

We have mentioned this as a possible outcome several times over recent weeks as we based our

analysis on close interpretation of recent Fed policy statements and other speeches.

And to enable us to better benefit from the further changes to sentiment that we see coming over the next few weeks, we have shifted our focus of attention from September to December 07 Eurodollars.

We remain bearish of this market and advise traders to move short positions from September into December 07.

Our target for the next 7 days is now 94.70 and our stop is set at 94.83 to protect profits.

SHORT STERLING

DECEMBER 07 SHORT STERLING



THE MARKET EXPLAINED

OUR TRADING STANCE: BEARISH.

Last week we were bearish of September 07.
This week we remain bearish of December 07

Last week we remained bearish of September 07 Short Sterling after the Bank of England quarterly inflation report released the previous week, sounded a hawkish tone, flagging further rate hikes were to be expected.

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

- on Monday; the PSNCR was worse than expected, PSNB was less than expected, M4 Sterling lending was stronger than expected and mortgage lending was less than expected,
- on Wednesday; the MPC minutes were hawkish,
- on Thursday; total business investment was less than expected and the CBI Industrial trends survey was stronger than expected, and
- on Friday; a 2nd look at Q1 GDP was revised up.

The market reacted to the MPC minutes by selling off further as it was revealed that policy makers discussed a 50bp move but opted for a 25bp move because the market expected the

smaller move, but stronger than expected Q1 GDP on Friday saw the market retest the lows.

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

- on Tuesday; BBA mortgage data,
- on Wednesday; GFK Consumer confidence,
- on Thursday; Nationwide house price survey, M4 Sterling lending, net consumer confidence, net lending on dwellings, mortgage approvals and the CBI distributive trades survey, and
- on Friday; PMI manufacturing survey.

The most important events this week are Thursday's nationwide house price report and Friday PMI Manufacturing survey.

The Macro Trader's view is: the MPC minutes supported the tone of the previous week's quarterly inflation report and added weight to our own analysis that UK interest rates will increase further; in our judgement, to 6.0% by year end.

The Bank of England and its monetary policy committee are clearly biased to tightening policy further, as the minutes revealed they discussed a 50bp rate hike.

It seems the only reason they demurred was the market was expecting 25bp and they didn't want to unsettle the market.

But clearly further hikes are on the agenda, and as we previously argued, given the profile of the inflation forecast, beyond the two year horizon the risks are skewed to the upside and this alone argues for higher interest rates, but also, given the continued strength of the economy and signs businesses are increasingly more able to force through price increases at a time when the

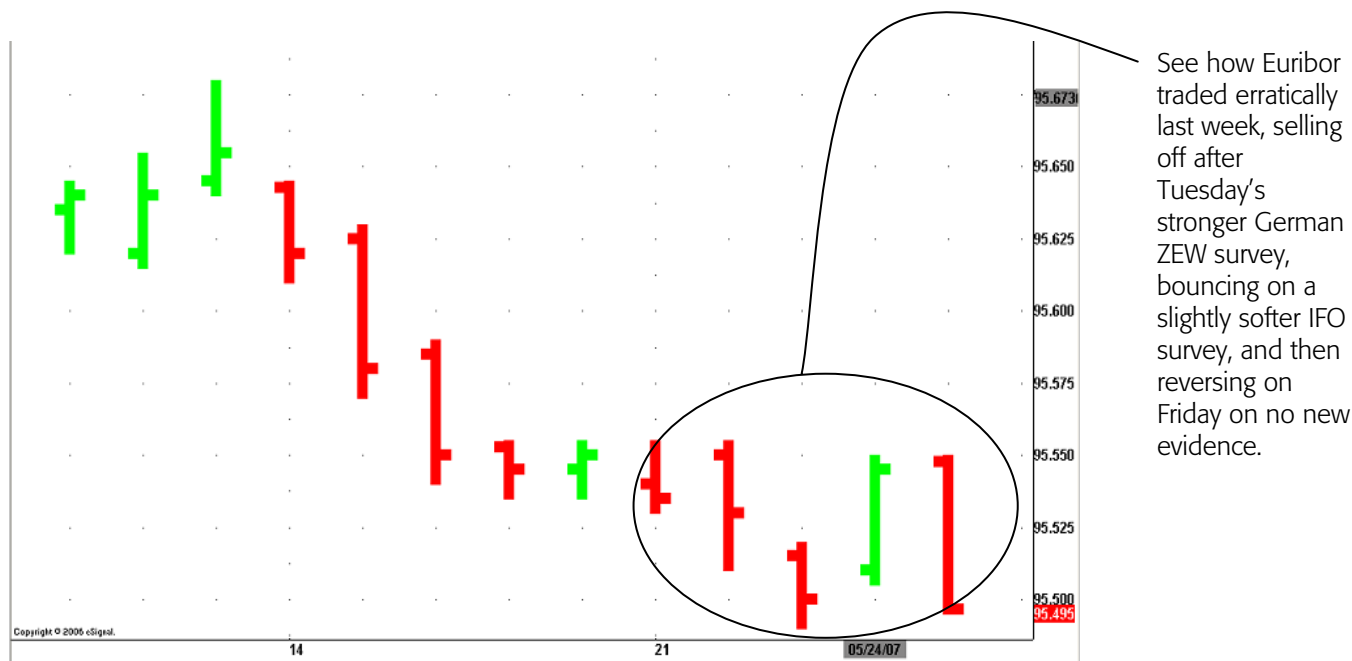
strength of Sterling is its self improving profit margins, shows the degree to which inflationary expectations have begun to creep back into the UK economy, and this is what the MPC are anxious to stamp out.

Traders should remain short of this market and we advise switching from September to December 07 to better benefit from the continuing shifts in sentiment that we expect over the coming weeks and months after our target in September 07 was convincingly met.

Our target over the next 7 days is 93.80, and our stop is set at 94.00 to protect profits.

EURIBOR

DECEMBER 07 EURIBOR



THE MARKET EXPLAINED

OUR TRADING STANCE: SQUARE.

Last week we were square of September 07.
This week we remain square of December 07.

Last week we remained square of September 07 Euribor, as we held to our view that the ECB were likely to tighten policy by a further two 25bp moves over the rest of 2007. And market levels more than adequately reflected that view.

But in a week with several important data releases due we advised traders to monitor the following:

- on Tuesday; Italian consumer confidence was stronger than expected, German ZEW survey was stronger than expected and Euro zone trade data was better than expected,
- on Wednesday; Italian retail sales were stronger than forecast, the C/A data was worse than forecast and Euro zone new industrial orders were stronger than expected,
- on Thursday; German Q1 GDP was as expected and the IFO survey was unchanged from last month, but less than expected, French business and Italian business confidence were both less than expected, and

- on Friday; German GfK confidence was stronger than consensus, French consumer spending was weaker than consensus and Italian non-EU trade data was worse than expected.

The market reacted re-acted to the stronger German ZEW survey and continued strength of the German IFO survey and tested new lows.

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

- on Tuesday; **German CPI**, and Euro zone C/A data,
- on Tuesday; Italian PPI, **Euro zone M3** and French unemployment report,
- on Wednesday; **German unemployment data**, **French PPI**, Consumer confidence, Euro zone consumer confidence, economic confidence and Italian CPI, and
- on Friday; **German retail sales and PMI Mfg survey**, **Italian PMI Mfg survey**, **French PMI Mfg survey**, **Euro zone PMI**

Mfg survey, Q1 GDP and unemployment report.

The key events this week are highlighted in red but we regard the most important release of all as the Euro zone M3 report.

The Macro Trader's view is: we have now switched focus from September 07 to December 07 as September is soon to become the front month and more a reflection of cash market levels.

But as with September, we see little here to recommend a trade. The market is pricing in 4.5% which represents three 25bp rate hikes; currently we expect two.

But given the shifts in sentiment currently taking place globally, with regards to inflation and short term interest rates, we are not anticipating a corrective rally anytime soon.

Our current best analysis leads us to maintain our long standing square stance and we advise others to act similarly.

In our view the Bund currently represents the best vehicle to take a bearish position; not Euribor, as although the ECB has repeatedly sounded alarm bells over the outlook for Euro zone inflation, it is slow to act, and this indecision is weighing on the Bund.

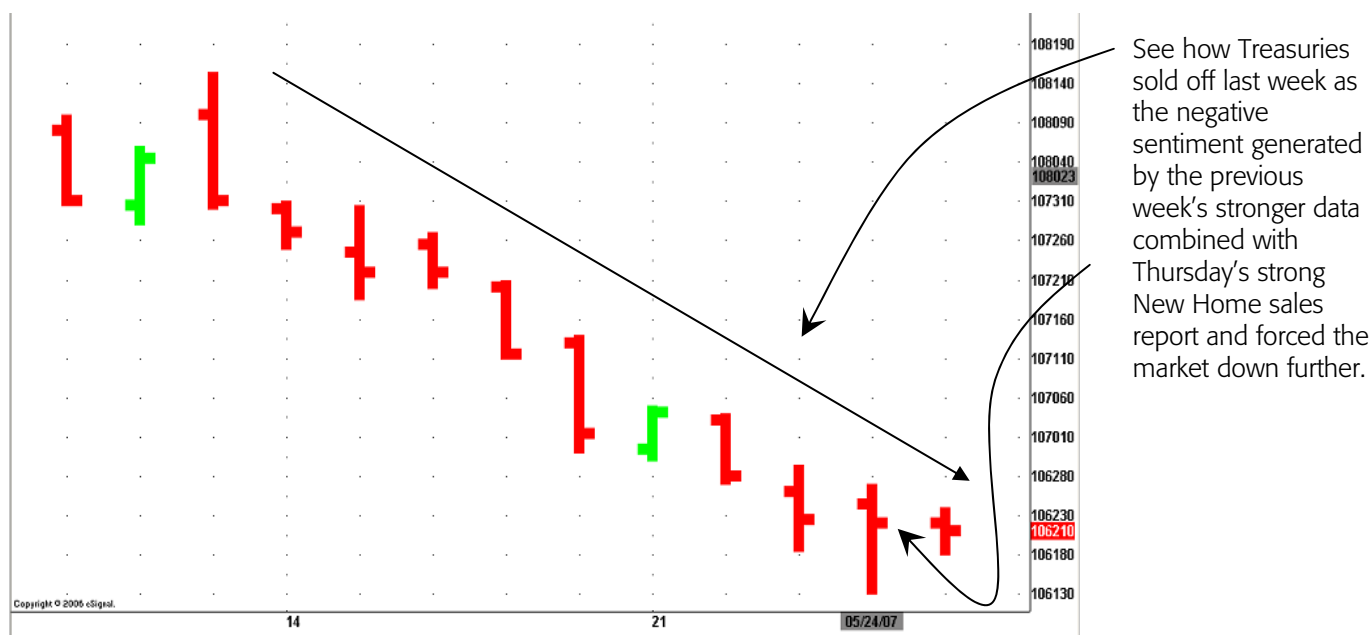
GOVERNMENT BONDS

US TREASURY NOTE (10 yr)

OUR TRADING STANCE: BEARISH.

Last week we were bearish of the 10yr Note.

US 10yr NOTE



This week we remain bearish of the 10yr Note.

Last week we remained bearish of this market after the release of stronger data the previous week, which further eroded optimism that the Fed might yet cut interest rates later this year.

And in a week with several key data releases, we advised traders to focus on the following:

- on Thursday; durable goods revealed a weaker headline number but a stronger than expected ex-transportation number, jobless claims were higher than expected and new home sales were stronger than forecast, and
- on Friday; existing home sales were weaker than expected.

The Market reacted most to the strong New Home sales data which was 16.0% up on the previous month, and even though existing home sales on Friday were a little weaker, Thursday's data took precedence.

Looking ahead this week's calendar is heavy, and we advise traders to monitor the following releases:

- on Wednesday; **the minutes for the May 9 FOMC meeting**,

- on Thursday; **Q1 GDP, Q1 GDP price index, Core PCE**, Jobless claims, Chicago PMI and construction spending, and
- on Friday; Personal income, personal spending, **Core PCE, PCE Deflator, non-farm payroll, unemployment rate**, average hourly earnings, average work week, **ISM Mfg survey** and U. of Michigan sentiment.

This week traders should focus on those reports highlighted in red. The FOMC minutes have the potential to push this market lower if the focus of the Fed's discussion is mainly inflation, but other data too, particularly non-farm payroll on Friday, will have an important part to play in where this market goes next.

The Macro Trader's view is: much as we suspected last week, the market drifted lower, even in the absence of fresh bearish data; such is the negativity of sentiment now driving this market.

The release on Thursday of stronger than expected new home sales only served to re-

enforce the current mood and accelerate the move.

This week with several heavyweight data releases and the FOMC minutes due, we expect this market to test new lows as fears of higher interest rates later this year begin to intensify.

After the recent stronger than expected industrial production and capacity utilisation data, we would expect the ISM manufacturing survey to continue its recent recovery, and although Jobless claims have been a little volatile lately, non-farm payroll correlates badly with that

report, which means the usual 1.30 lottery on Friday.

With our target of 106.23 convincingly met last week, we advise traders to remain short of this market.

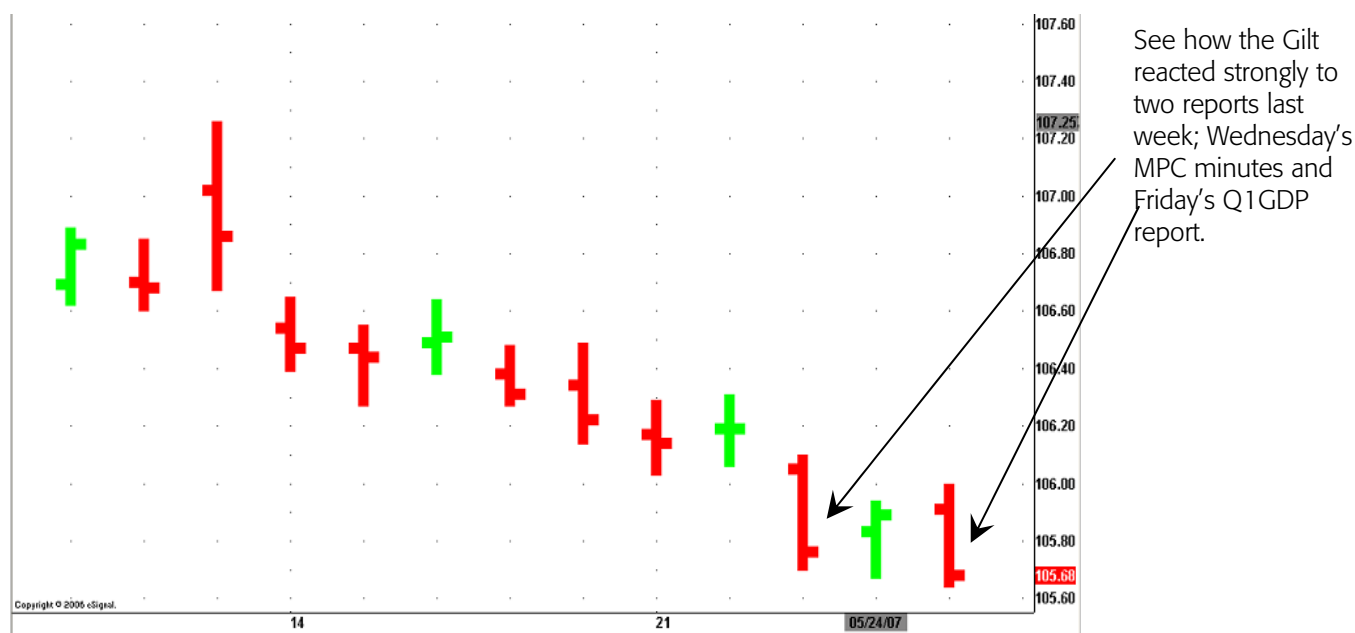
Our target over the next 7 days is now 106.08, and our stop is further reduced to 107.10 to protect profits, but allow for the expected ongoing volatility that was absent last week, but could re-emerge at anytime.

THE GILT

OUR TRADING STANCE: SQUARE.

Last week we were square of the Gilt.

THE GILT



This week we remain square of the Gilt.

Last week we remained square of this market after the Bank of England Quarterly inflation report the previous week clearly flagged further rate increases were likely this year.

And in a week with several key reports due, we advised traders to monitor the following:

- on Monday; the PSNCR was worse than expected, PSNB was less than expected, M4 Sterling lending was stronger than expected and mortgage lending was less than expected,
- on Wednesday; the MPC minutes were hawkish,
- on Thursday; total business investment was less than expected and the CBI Industrial trends survey was stronger than expected, and
- on Friday; a 2nd look at Q1 GDP was revised up.

The market drifted sideways last week until the release on Wednesday of the MPC minutes which were hawkish and Friday's Q1 GDP report which was revised up from the earlier preliminary release.

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

- on Tuesday; **BBA mortgage data**,
- on Wednesday; GfK Consumer confidence,
- on Thursday; **Nationwide house price survey**, M4 Sterling lending, net consumer confidence, **net lending on dwellings**, mortgage approvals and the **CBI distributive trades survey**, and
- on Friday; **PMI manufacturing survey**.

This week traders should monitor the releases highlighted in red, but we think any housing market related data that reveals ongoing strength will have a negative impact on this market.

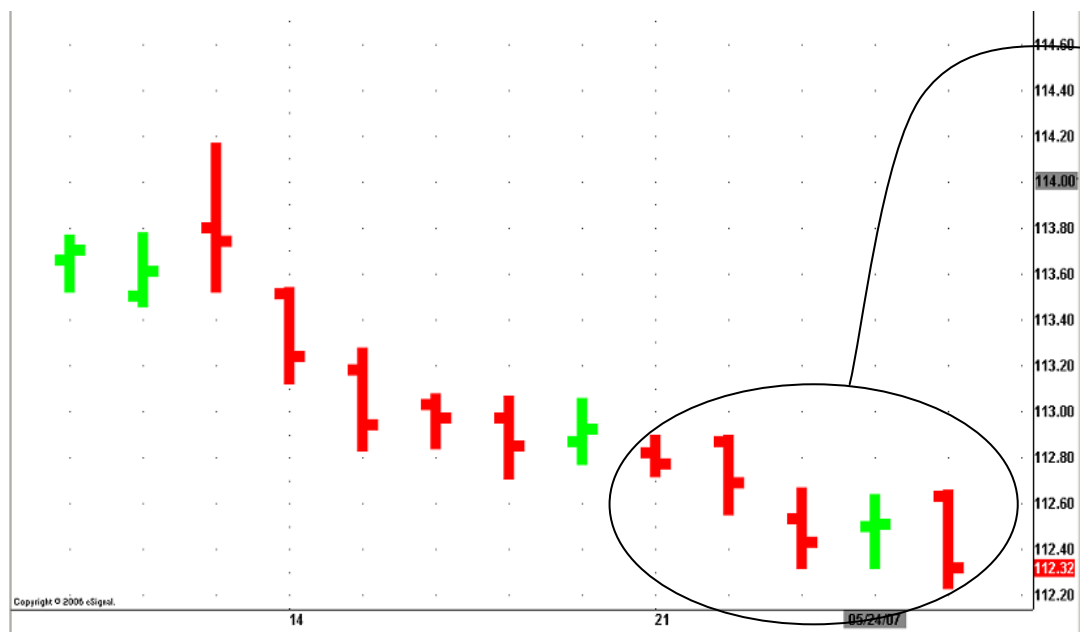
The Macro Trader's view is: Bond markets generally are bearish as inflation occupies the thinking of most Central Banks, but we judge the Gilt the least interesting of the markets we follow and continue to direct our resources elsewhere and advise others to do the same.

THE BUND

OUR TRADING STANCE: BEARISH.

Last week we were bearish of the bund.

THE BUND



See how the Bund tested new lows last week after the release of a stronger than expected ZEW survey on Tuesday, strong Euro zone new industrial orders on Wednesday, and a robust IFO report on Thursday.

This week we remain bearish of the Bund.

Last week we remained bearish of the Bund and offered a target of 112.45 which was convincingly met, and on Thursday we took profit after a very long and profitable run.

In a week with several key reports due we advised traders to monitor the following:

- on Tuesday; German ZEW survey was stronger than expected and Euro zone trade data was better than expected,
- on Wednesday; Italian retail sales and Euro zone new industrial orders were both stronger than expected,
- on Thursday; German Q1 GDP was as expected and the IFO survey was unchanged from last month, but below consensus, French business confidence was less than expected, and
- on Friday; German GfK confidence was stronger than consensus, French consumer spending was weaker than consensus and Italian non-EU trade data was worse than expected.

The market reacted as we had expected and traded lower on the ZEW and IFO reports which remain consistent with a strong, broad based economic expansion.

Looking ahead we advise monitoring the following:

- on Tuesday; **German CPI**,
- on Tuesday; Italian PPI, **Euro zone M3** and French unemployment report,
- on Wednesday; **German unemployment data**, **French PPI**, Consumer confidence, Euro zone consumer confidence, economic confidence and Italian CPI, and
- on Friday; **German retail sales and PMI Mfg survey**, **Italian PMI Mfg survey**, **French PMI Mfg survey**, **Euro zone PMI Mfg survey**, **Q1 GDP** and unemployment report.

The key events this week are highlighted in red, but we advise close attention to M3 as this is a key indicator for the ECB and is expanding faster than they like.

The Macro Trader's view is: although we took profit last week in anticipation of a short covering rally which we thought might be forced by weaker US housing data, it never materialised, and the Bund closed the week on the lows.

Given our long term bearish outlook for the Bund and Government bond markets generally, we have today re-established our short position, albeit at the lower level of 112.30, but we see this as a weak market and are anxious not to miss further bearish price action, which could follow if this week's Euro zone M3 report hits new highs and US data releases are better than expected.

Traders should remain short of this market, and if like us you took profit, we advise re-establishing a short position soon.

Our target over the next 7 days is now 111.75 and our stop is now set at 113.15 as protection.

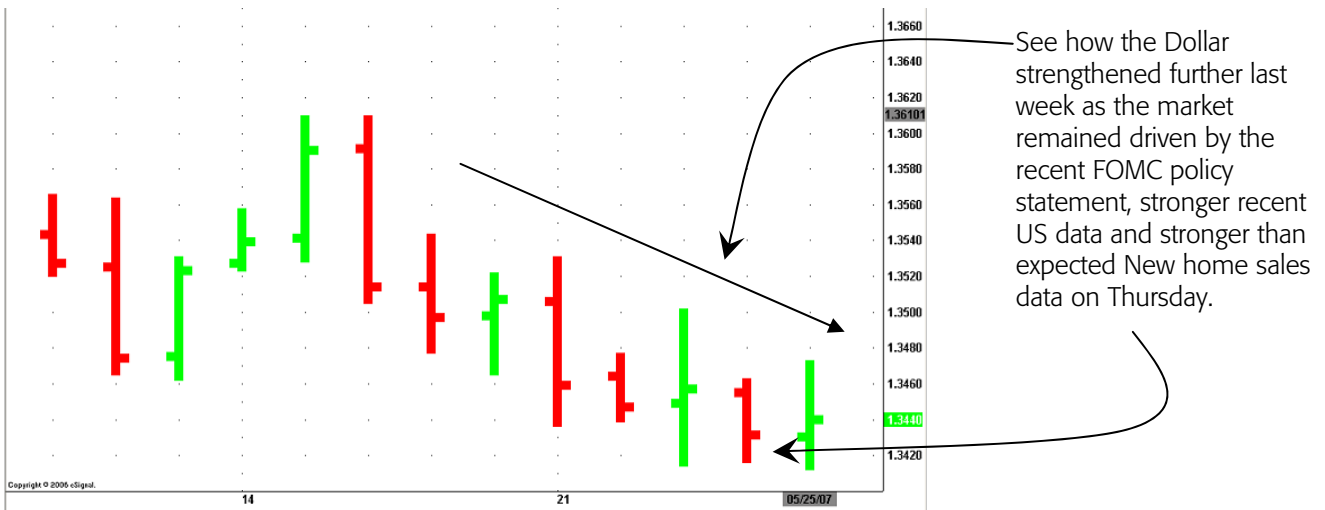
CURRENCIES

THE DOLLAR

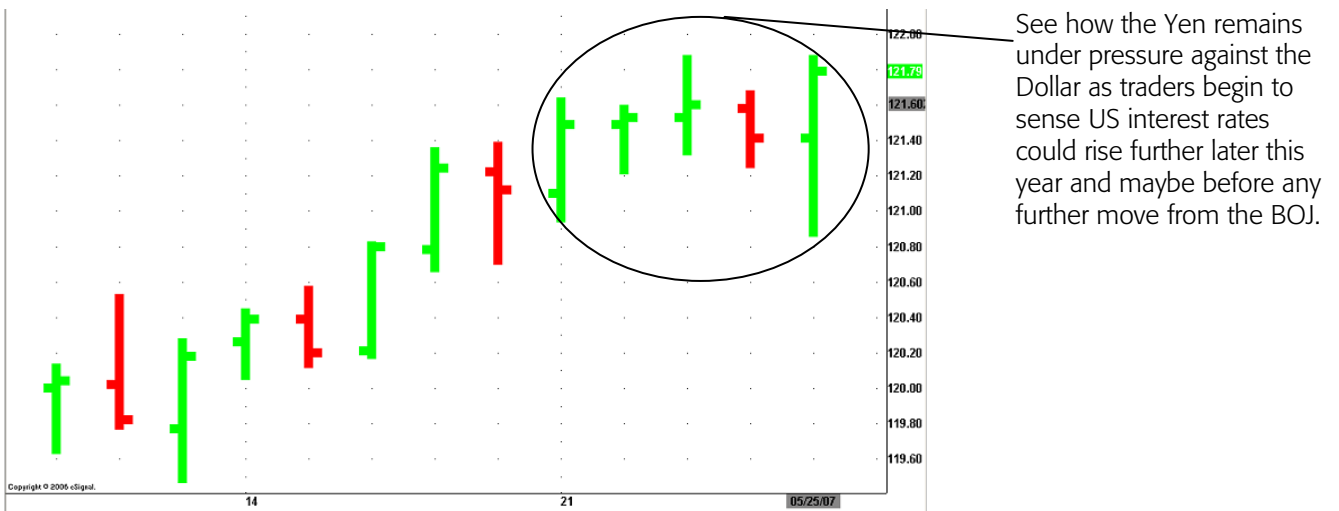
OUR TRADING STANCE: SQUARE.

Last week we were square of the Dollar.

EURO/DOLLAR CHART



DOLLAR/YEN CHART



This week we remain square of the Dollar.

Last week we remained square of the Dollar as we judged the recent correction showed little sign of ending, following the recent release of stronger than expected data.

And in a week with few key data releases we advised traders to monitor the following:

- on Thursday; durable goods revealed a weaker headline number but a stronger than expected ex-transportation number, jobless claims were higher than expected and new home sales were stronger than forecast, and
- on Friday; existing home sales were weaker than expected.

The Dollar took strength from the New Homes sale report and tested the recent highs, but with Euro zone data remain strong, the Dollar was unable to make significant progress.

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

- on Wednesday; **the minutes for the May 9 FOMC meeting**,
- on Thursday; **Q1 GDP, Q1 GDP price index, Core PCE**, Jobless claims, Chicago PMI and construction spending, and
- on Friday; Personal income, personal spending, **Core PCE, PCE Deflator, non-farm payroll, unemployment rate**, average hourly earnings, average work week, **ISM Mfg survey** and U. of Michigan sentiment.

We have highlighted in red the data regarded as most important, and of these we would recommend paying close attention to the FOMC minutes, the Q1 GDP report; for any upward revisions and Friday's non-farm payroll report for any fresh developments in the labour market.

The Macro Trader's view is: the Dollar held up well against the Euro last week as traders are becoming nervous that the Fed may need to tighten policy further later this year, and this has temporarily put the Dollar bears on the back foot.

Against the Pound the Dollar fared less well as the MPC minutes released last Wednesday

clearly indicated UK rates had further to go on the upside.

This week as the market's attention is firmly focused on the US the Dollar will likely consolidate further as the Fed releases its May 9th FOMC minutes which will likely dwell on inflationary developments at the expense of concerns over slow growth.

But if the Fed shows any signs that it sees inflation beginning to evolve in the direction it desires, market sentiment will switch towards expecting a prolonged spell with the Fed on hold, and this will undermine the Dollar.

Further if Q1 GDP is materially different from the initial estimate, this too will impact on the Dollar.

For now we advise remaining square a little longer, but the price action in Cable last week, and the developments behind it, are focusing our interest back towards going short of the Dollar long of Sterling; but not just yet.

We judge it worth sitting tight just a little while longer to see if Sterling has the necessary strength to put the Dollar under new pressure.

As we have said in the past, we see Sterling moving above the 2.0000 Dollar mark and once there, making significant progress higher, so further patience will cost little long term, but could save a lot short term.

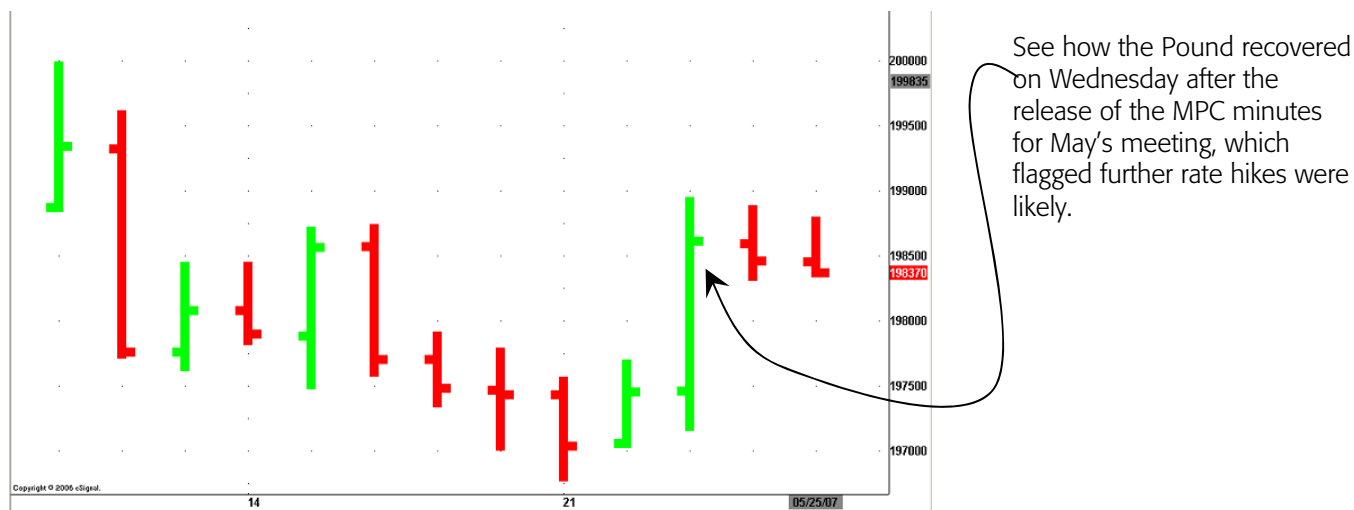
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THE POUND STERLING

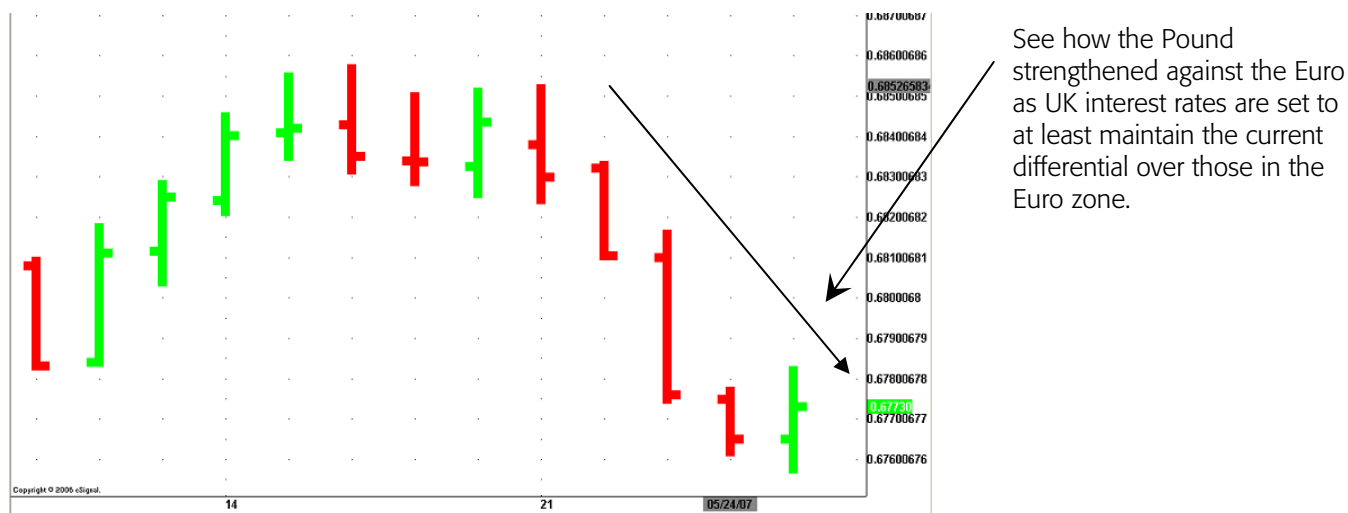
OUR TRADING STANCE: SQUARE.

Last week we were square of Sterling.

THE CABLE CHART



THE STERLING/EURO CHART



This week we remain square of Sterling.

Last week we remained square of the Pound after the Bank of England inflation report flagged policy is likely to be tightened further, but with the Dollar staging one of its now familiar corrections, we elected to stay square until after the release of the MPC minutes on Wednesday.

And in a week with several key releases we advised traders to monitor the following:

- on Monday; the PSNCR was worse than expected, PSNB was less than expected, M4 Sterling lending was stronger than expected and mortgage lending was less than expected,
- on Wednesday; the MPC minutes were hawkish,
- on Thursday; total business investment was less than expected and the CBI

- Industrial trends survey was stronger than expected, and
- on Friday; a 2nd look at Q1 GDP was revised up.

The Pound reacted to the MPC minutes released on Wednesday and rallied against both the Dollar and Euro as traders weighed the near certainty of further UK interest rate hikes against the unknown of current US interest rate policy.

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

- on Tuesday; **BBA mortgage data**,
- on Wednesday; GFK Consumer confidence,
- on Thursday; **Nationwide house price survey**, M4 Sterling lending, net consumer confidence, **net lending on dwellings**, mortgage approvals and the **CBI distributive trades survey**, and
- on Friday; **PMI manufacturing survey**.

The key events this week are highlighted in red and of these we judge the housing market related data to be the most significant.

If the UK economy continues to grow at current rates and the housing market maintains a growth rate of 10.0% or a little higher, policy makers will maintain a bias to hike further, and this will in the longer term support the Pound.

The Macro Trader's view is: we remained square last week judging the Dollar correction had yet to resolve its self, and broadly speaking that was right.

But the Pound has begun to test the Dollar's strength once more after last week's MPC minutes and we expect this to continue. And although the Pound continues to test the highs we are not yet ready to go long.

There are several important US data releases due this week. We think the FOMC minutes for the Feds May 9th meeting out on Wednesday could prove significant.

If the Fed reveals it is in any way less anxious about inflation not evolving as they desire, traders will back away from expecting higher US interest rates.

But given the Fed has so far failed to sound in any way worried about the current spell of slow growth, the Dollar will suffer as traders deduce a prolonged spell of US policy inactivity is most likely.

As this view increasingly contrasts with the reality of tighter UK policy over the coming months, the Pound should start to make new highs against the Dollar.

But for now we are remaining square until we see the US FOMC minutes, as an outcome materially different from what we have postulated will short term support the current Dollar correction.

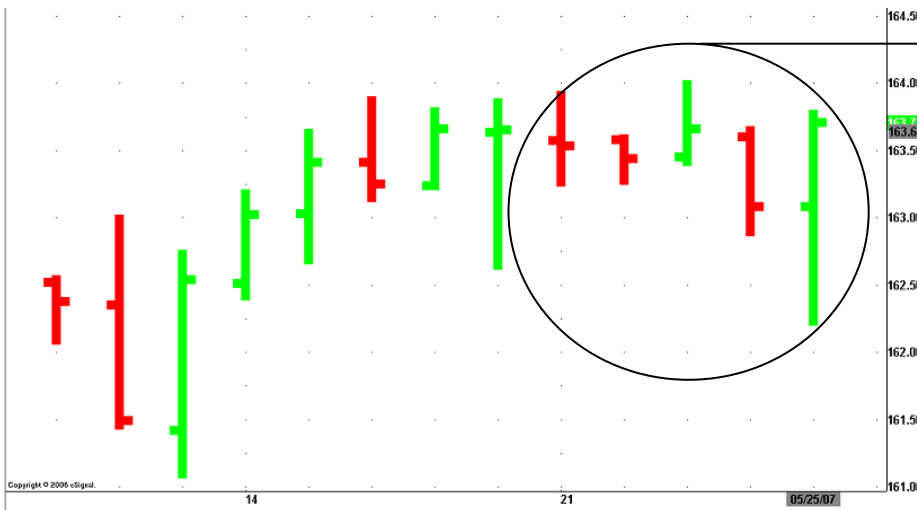
Traders should remain patient and square a little longer.

THE EURO

OUR TRADING STANCE: SQUARE.

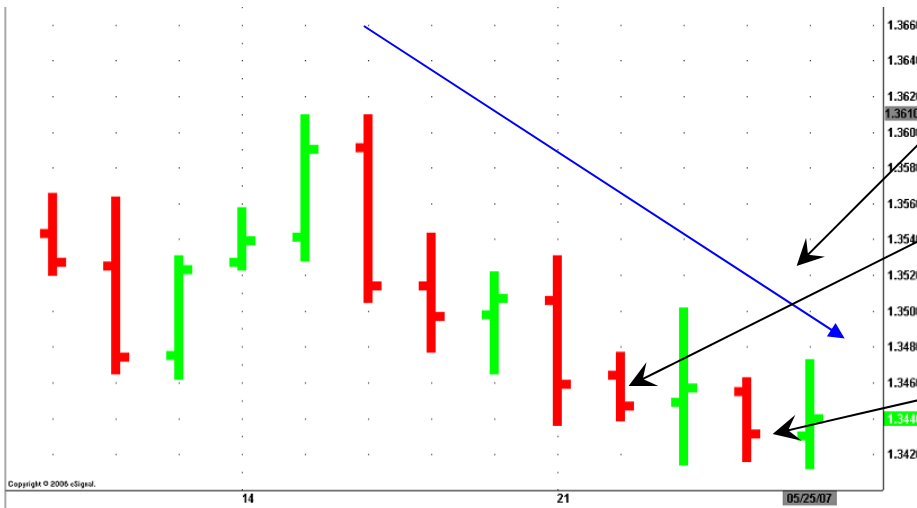
Last week we were square of the Euro.

EURO/YEN CHART



See how the Yen remained under pressure against the Euro as Euro zone data continues to support the view that Euro zone interest rates will be moving higher quite soon.

THE EURO/DOLLAR CHART



See how the Euro continued to trade lower against the Dollar in spite of some supportive Euro zone data, especially the German ZEW survey on Tuesday and the IFO report on Thursday.

This week we remain square of the Euro.

Last week we remained square of the Euro after the release of some stronger than expected US data the previous week indicated the current Dollar correction was yet at an end.

But in a week with several key releases due, we advised traders to monitor the following:

- on Tuesday; Italian consumer confidence was stronger than expected, German ZEW survey was stronger than expected and Euro zone trade data was better than expected,
- on Wednesday; Italian retail sales were stronger than forecast, the C/A data was worse than forecast and Euro zone new

- industrial orders were stronger than expected,
- on Thursday; German Q1 GDP was as expected and the IFO survey was unchanged from last month, but less than expected, French business and Italian business confidence were both less than expected, and
- on Friday; German GfK confidence was stronger than consensus, French consumer spending was weaker than consensus and Italian non-EU trade data was worse than expected.

The Euro remained under pressure last week, but German ZEW and IFO were supportive, but traders were driven by stronger than expected US New Home sales released on Thursday.

Looking ahead this week's calendar offers some key data releases and we advise traders to monitor the following:

- on Tuesday; **German CPI**,
- on Tuesday; Italian PPI, **Euro zone M3** and French unemployment report,
- on Wednesday; **German unemployment data**, **French PPI**, Consumer confidence, Euro zone consumer confidence, economic confidence and Italian CPI, and
- on Friday; **German retail sales and PMI Mfg survey**, **Italian PMI Mfg survey**, **French PMI Mfg survey**, **Euro zone PMI Mfg survey**, **Q1 GDP** and unemployment report.

Traders should monitor with particular interest those releases highlighted red, but of these Euro zone M3 stands out as the ECB remains uncomfortable with the rate of expansion of the Euro zone money supply.

The Macro Trader's view is: the Dollar continued to defy gravity last week even though Euro zone data was generally bullish for the Euro.

But after the US released some stronger than expected data the previous week, and the Fed is clearly focussing on inflation, last week's better than expected US New Home sales helped the Dollar strengthen a little further.

The Fed had already poured cold water on the markets hopes for easier monetary policy, now that some growth data is showing signs of improvement the chances of the Fed resuming its rate hiking cycle seems to be increasing.

But although New home sales in the US grew by 16.0% last month, they are still way below year ago levels so the economy still has a long way to go before this slowdown is over.

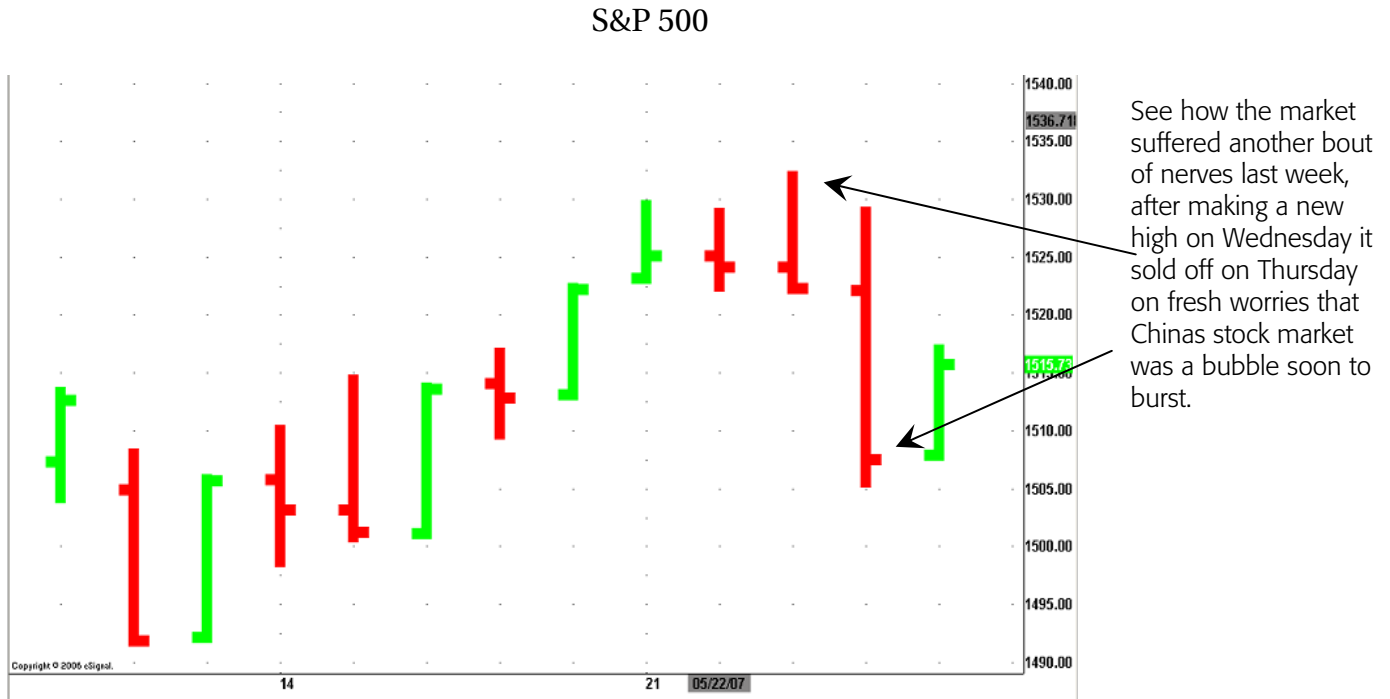
Traders need to keep their eye fixed on US data again this week as there are many key reports due, but ultimately we expect the Dollar to resume its decline against the Euro and other major currencies.

STOCKS

S&P 500

OUR TRADING STANCE: BULLISH.

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



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

Last week we remained bullish of the S&P after recent better than expected data releases, and strong M&A activity looked set to keep the Bulls charging ahead.

And with two Home sales reports due last week we were anxious that they were broadly in line with consensus.

In the event, New home sales were up 16.0% on last month, but this failed to support the market as traders once again lost their nerve over reports and rumours emanating from China.

Alan Greenspan was again a culprit as he commented that China's stock market could fall a long way, funny I seem to remember him saying something about irrational exuberance back in 1994 when describing US stocks; not only did they keep on rallying, but in the case of the Dow Jones its valued nearly trebled before suffering a meaningful correction, which was sparked by a terrorist attack.

Looking ahead this week's data should support this market as we expect the key releases to remain within current trends.

The Macro Trader's view is: our target was almost hit last week before the brief sell off, but our stop remained in tact and we remain bullish.

Gradually the market will begin to ignore Greenspan's remarks; he is doing what many retired high profile public servants do, trying to make some real money after years policing the market while others got rich.

Already the Chinese and South Korean stock markets have shaken off his remarks with the Chinese market making a new all time high yesterday.

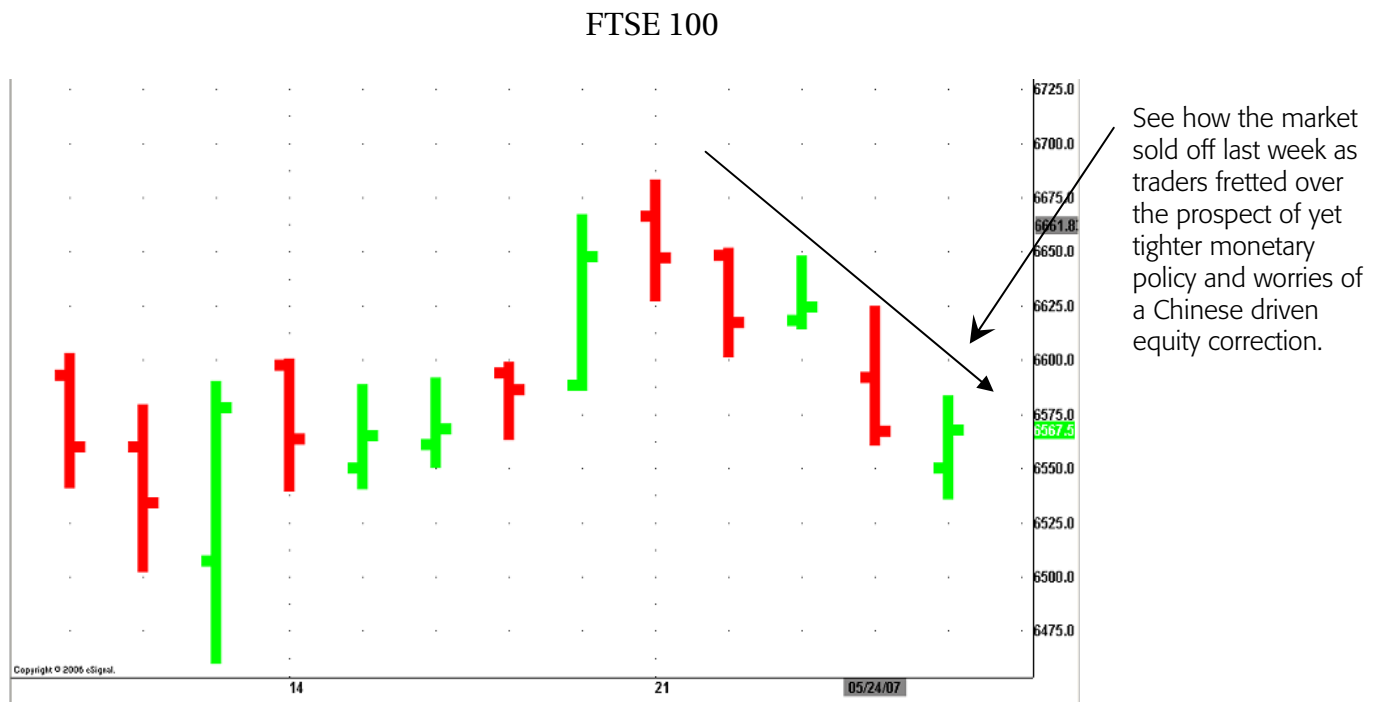
In our opinion traders should stay long, the fundamentals remain favourable. Our target over the next 7 days remains 1540.00 and our stop is still set at 1490.0 to protect profits.

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FTSE 100

OUR TRADING STANCE: BULLISH.

Last week we were bullish of the FTSE 100.



This week we remain bullish of the FTSE 100.

Last week we remained long of this market expecting it to rally further, but cautioned that the MPC minutes could cause a set back if some members voted for a 50bp rate hike.

In the event the vote was unanimously in favour of 25bp, but a bigger move was discussed and it seems only discarded for fear of upsetting the money markets which unanimously expected a 25bp move.

However the intent was clear; interest rates have further to rise and traders took profit.

Towards the end of the week the market suffered a further set back when ex-Fed Chairman Alan Greenspan prophesied a major correction for Chinese equities, but this time the effects of his comments were not long lasting.

Looking ahead we expect this week's data to underpin the market. The UK economy remains strong as revealed by Friday's GDP report which showed an upwardly revised expansion of 2.9% in Q1.

The Macro Trader's view is: once again we have miss-judged our stop in this market. Already yesterday Chinese and South Korean equities made new highs and western markets are again rallying.

And as traders increasingly learn to live with the lecture tour comments from Alan Greenspan, these sharp sell offs should become less frequent.

Chinese stocks maybe hitting all time highs but are they over valued? The Chinese economy is expanding apace and there are many companies in China yet to list.

Traders should remain long of this market and we have today bought back in at 6575.0 with only a small loss of profit.

Our target over the next 7 days is now 6650.0 and our stop is set at 6515.0 to offer protection, but hopefully allow for volatility too.

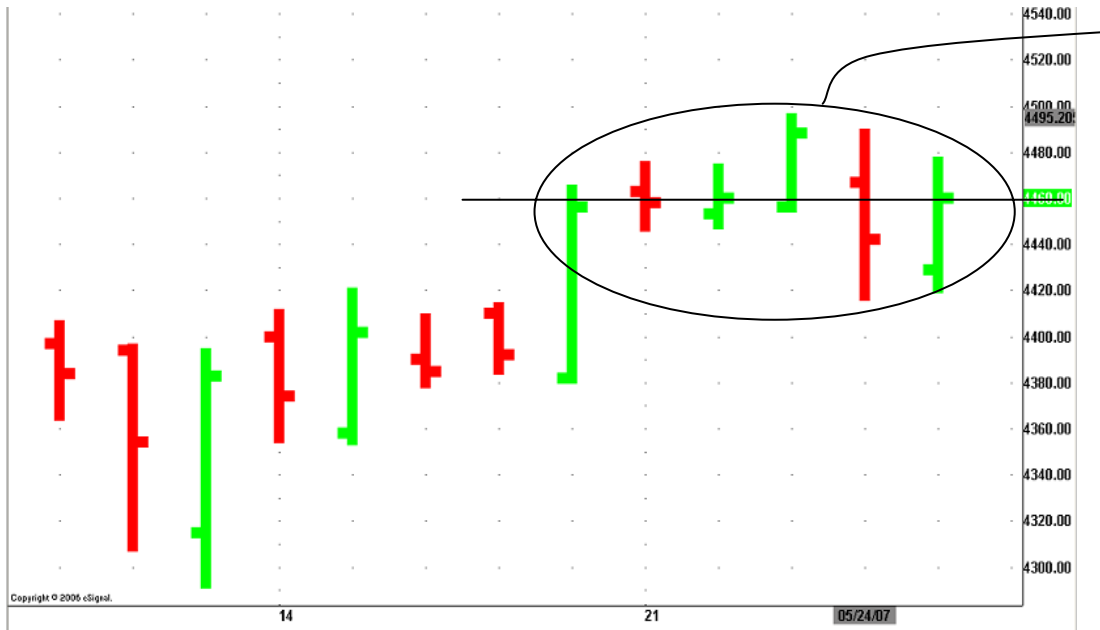
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DJ EURO STOXX 50

OUR TRADING STANCE: BULLISH.

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

DJ EURO STOXX 50



See how the market closed the week virtually unchanged after experiencing a degree of intra-week volatility.

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

Last week we went long of this market ahead of some key data releases from the German economy which we expected to further support the market.

In the event the ZEW survey was stronger than expected, Q1 GDP was as expected and the IFO report was unchanged on the previous month.

The market did try to rally on this data but comments from Alan Greenspan suggesting Chinese equities were set for a major correction led most western equity markets lower, including this one, but unlike the S&P and especially the FTSE the move was brief and shallow and the lows were quickly rejected.

Looking ahead we expect the many data releases due, as detailed in the Global Calendar, to support this market.

The Macro Trader's view is: of all the major equity markets we follow, this one held up well and although our target wasn't met, anxiety levels here were much lower than elsewhere.

The Chinese equity market made another all time high yesterday and due to the holiday in Europe and the US western stocks are today catching up.

What is noticeable though is the waning impact Greenspan's comments are having on the market. In early March it took two weeks for a recovery now a couple of days, soon the market will largely ignore his remarks.

Traders should stay long of this market as we expect it to rally much further over the coming weeks and months.

Our target over the next 7 days is now 4520.0 but our stop remains at 4387.0 for protection.

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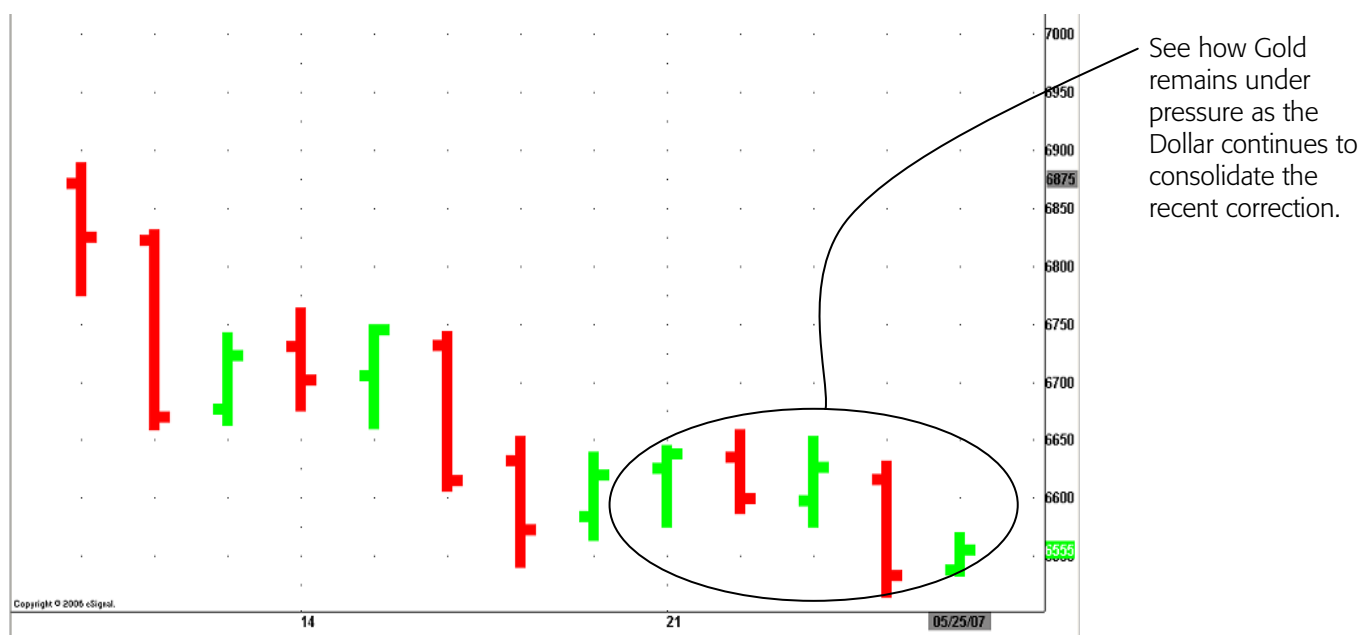
COMMODITIES

GOLD

OUR TRADING STANCE: SQUARE

Last week we were square of gold.

THE GOLD CHART



This week we are square of Gold.

Last week we remained square of Gold as we continued to see no compelling reason to buy it.

The Dollar continued to resist the Bears supported by some stronger data, with the current correction advancing further against the Japanese Yen and the Euro, with only Sterling offering resistance supported by the MPC minutes on Wednesday.

And our judgement that Gold would struggle to move higher proved correct as the market again moved lower.

Looking ahead we see little reason to change our view this week as the geopolitical tension with Iran has for now quietened down. The US and Iran held historic talks over the security situation in Iraq, and although tension could increase again at short notice, without it Gold is an unattractive investment.

The Macro Trader's view is: the market sold off again last week driven by the correcting Dollar and the ripple effects of the Fed's recent hawkish policy statement which were supported by some better than expected data releases, especially last Thursday's US New Home sales.

This together with the current lull in the crisis with Iran has led to further position squaring sending the market lower.

We continue to see no compelling reason to be involved with this market and advise remaining square.

But we are unable to advise a bear trade either, given the bigger picture driving this market over the long term:

- the expectation that the Dollar will resume its sell off, and
- the lurking threat from Iran's nuclear program.

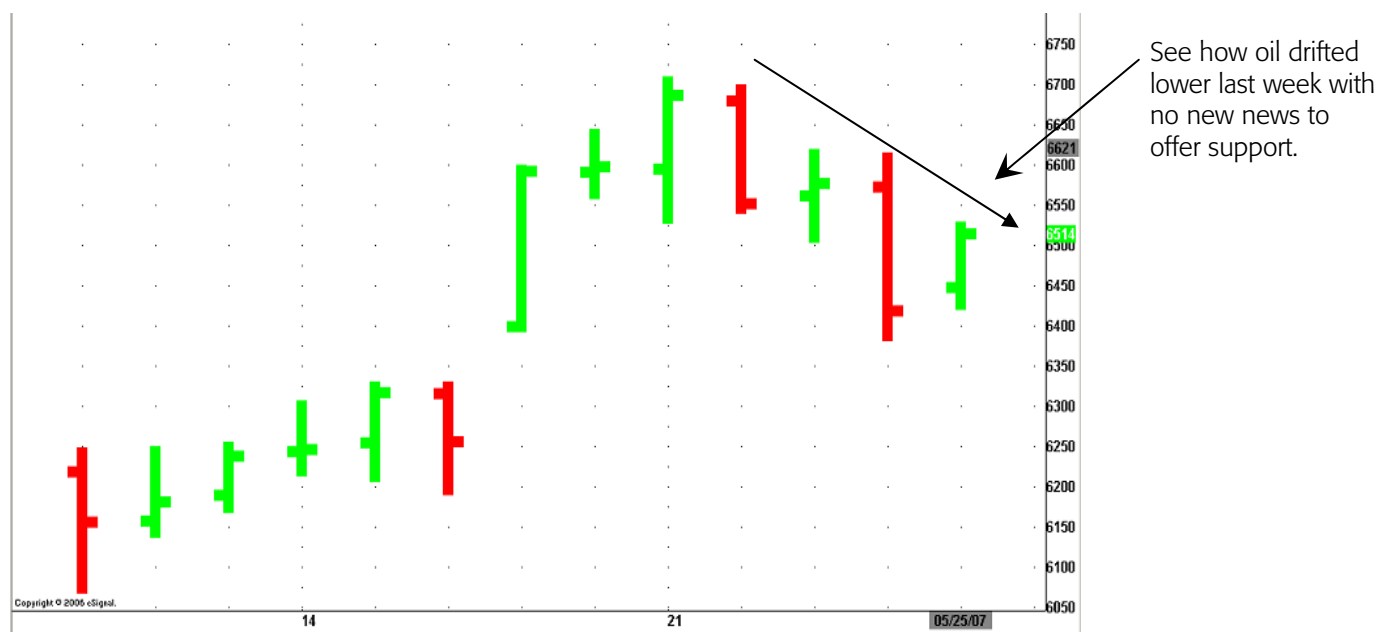
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OIL

OUR TRADING STANCE: SQUARE.

Last week we were square of oil.

THE CRUDE OIL CHART



This week we remain square of oil.

Last week we remained square of oil as we judged it lacked the dynamism to rally further and given last week's price action our stance proved correct, as the market gave back most of the previous week's gains.

Although the oil price has gained support from a shortage of refinery capacity in the US over recent weeks, clearly this remains a local issue and isn't a global structural concern.

The only event likely to move this market materially higher in the medium/long term is a significant increase of tension between the West and Iran.

The Macro Trader's view is: for now we are staying out of this market. The supply/demand situation doesn't seem a problem, only the shortage of US refinery capacity is causing a local US difficulty as noted last week.

Now the US and Iran have spoken directly to each other for the 1st time in 30 years, albeit concerning the security situation in Iraq, rather

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than Iran's nuclear program, a dialogue between these two is after all possible.

If that dialogue can be extended to cover the more pressing issue of the west's concerns over the purpose of that nuclear program, then the oil price would be placed on a path lower.

But we sense talks on the nuclear issue maybe much harder to arrange. The US is currently pressing for tough UN Security Council sanctions, while staging war games in the waters close to Iran.

Iran for its part continues to press ahead with plans for industrial scale enrichment of uranium.

In short the world and the oil market is holding its breath; hoping for the best.

Until the situation resolves one way or other, we expect this market to mark time, and traders should remain square.