



Key Trades

30th October 2007

We are mightily tempted to buy stocks – but are afraid of the volatility at these levels. Gold is tempting us to take profits – but we're hanging in there (with closer Stops) in case there's a big surge tomorrow in response to the Fed...

Open Positions

1. Gold

LONG Dec 07 Comex Gold at \$723 (18th September). **Stop raised to \$774.00**. Currently \$786.70. Running profit \$63.7.

The Technical Trader's View:



MONTHLY CHART:

The market has been driven up by the Continuation Triangle for years.

And though the minimum target is close, there is **massive impetus** and the **Prior High** looks within reach.

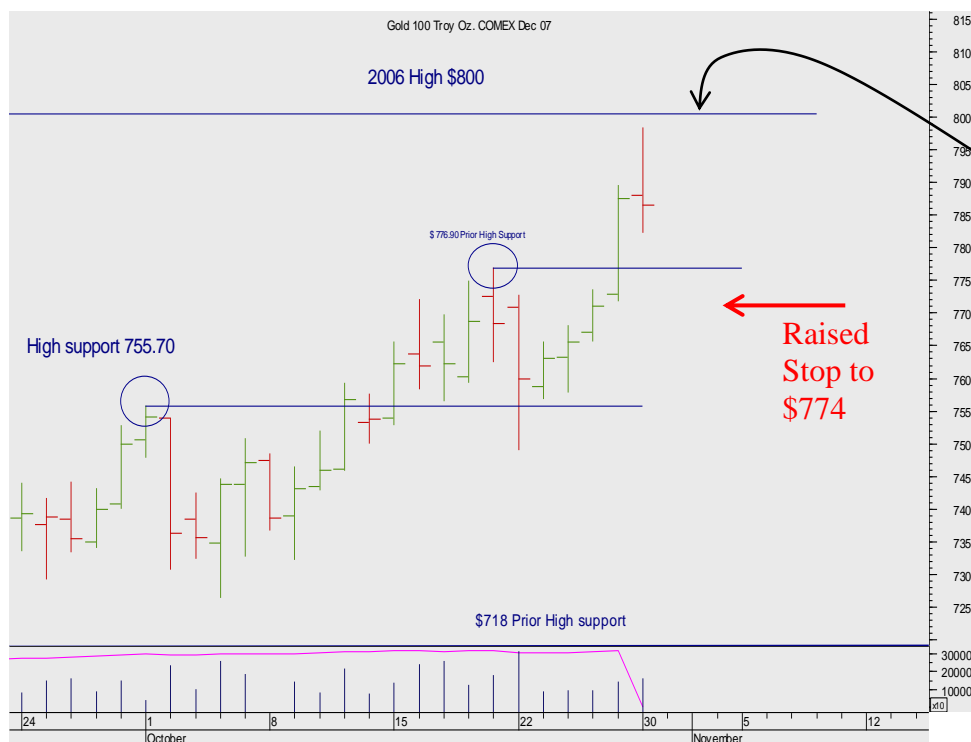


DAILY CHART:

The market's recent bull drive began with the breaking of the Trading range established from the beginning of 2007.

- The impetus has been impressive – breaking the parallel channel and forcing up through the Fibonacci resistance at \$770.

Look closer still.



DAILY CHART:

The market has closely approached the High of \$768.30.

Some uncertainty and hesitation at this level would be entirely in order.

Yet we want to secure
our profits.

So raise the Stop to
774.



The Macro Trader's View:

Last week we remained long of this market and after a short lived, but steep correction at the start of the week, Gold rallied to make new highs.

Traders continue to buy Gold as an alternative not only to the Dollar, but also the other major currencies. While it is the US economy that is making the headlines regarding the possibility of a recession, the other major economies could suffer a similar fate if a US slowdown was deep and prolonged.

The Dollar remained under pressure and sold off further last week after the release of another weak set of US home sales reports and with oil prices within sight of \$100.00 a barrel, traders also have one eye on inflation.

But apart from the economic woes which support this market, geopolitical concerns are not only lingering, but intensifying; Russia continues to flex its muscles with fresh warnings to the EU over Kosovo and Iran. Not too long ago Russia was an impoverished former giant, but after several years of high and rising oil prices, it now has the resources to re-kit its military and it is letting the world know its views and wants them to be heeded.

That's all very well but because of Russia's interest in a high oil price; they are increasingly conflicting with the interests of the leading western powers, especially over Iran's drive to master nuclear technology.

All of these factors combined makes gold a powerful long term market and although we contemplated taking profit today, as a round of profit taking has resulted from a Wall Street Journal article questioning whether the Fed will indeed cut, we advise traders to remain long. A cut as expected will weaken the Dollar and traders will refocus back to geopolitical concerns.

The flip side is, if the Fed doesn't cut Gold could fall further as the Dollar gains temporary support, but that's why we have raised our stop; on balance we advise remaining long.

Cont'd

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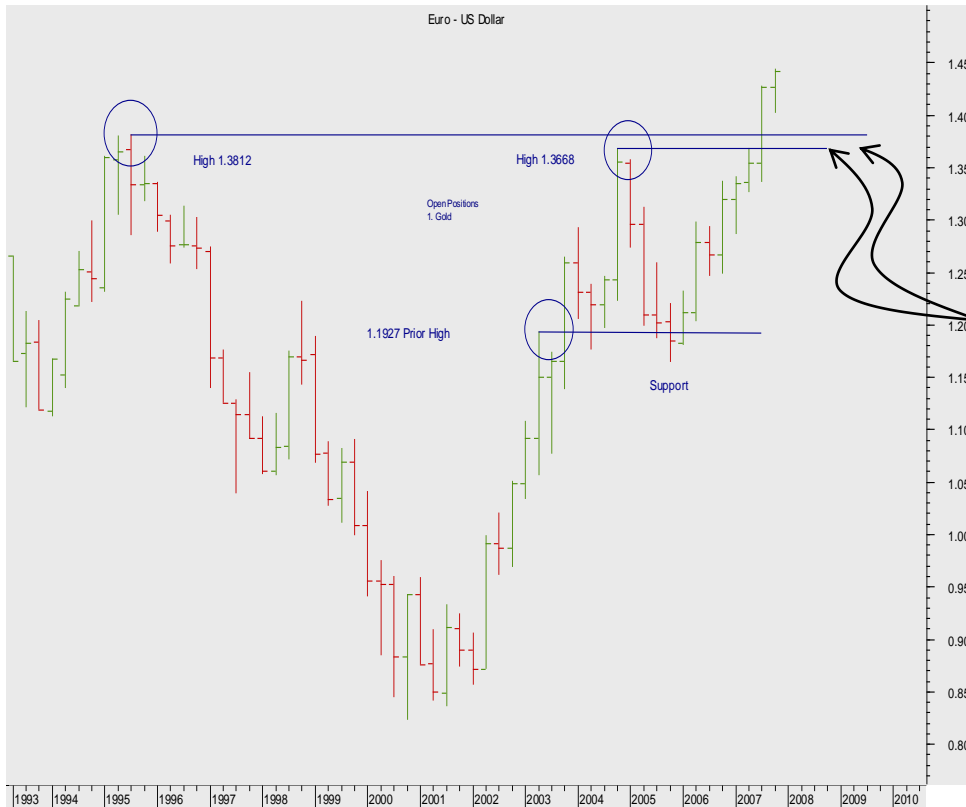
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New Positions

1. Dollar Euro

BUY Dollar Euro at current levels 1.4392. **Stop loss raised to 1.43.**



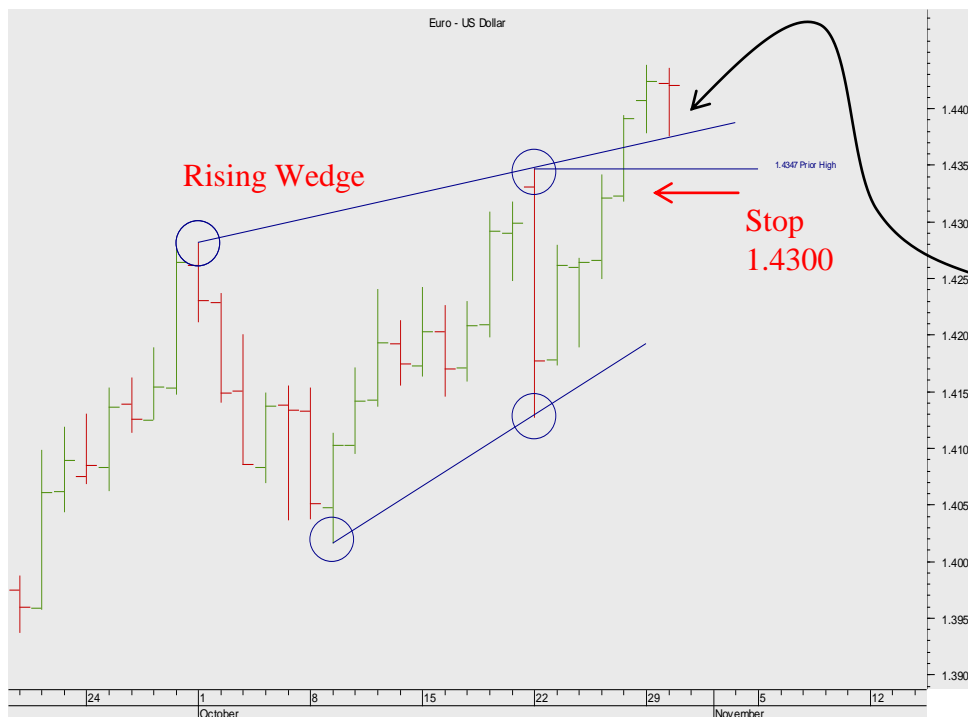
MONTHLY CHART:

The market has unequivocally broken up through the Prior Highs of 1.3668 and 1.3812 and they should act as powerful support beneath the market – **helping ratchet it better from these levels.**



WEEKLY CHART:

The market's acceleration through that level has been spectacular.



DAILY CHART:

And more recently there is no sign of a pull-back.

The rising wedge has broken to the up-side and so conveniently offers a useful support line – the rising diagonal – as well as the Prior High Pivot at 1.4347 is a useful focus for our Stop-Loss at 1.4300.



The Macro Trader's View:

The Euro performed well last week, overcoming a considerable set back last Monday caused by another equity correction, to go on and make new highs by Friday.

The dynamics of this market are clear:

- the ECB has one more rate hike left to deliver, where as
- the Fed will almost certainly cut rates again at this week's meeting and may feel the need to repeat the move at their December meeting, as they try to protect the economy from the ongoing housing market correction.

And this in a nut shell is what drives this currency pair.

Looking ahead there are several key reports due this week in the Euro zone and US, and we advise traders to monitor the following:

In the Euro zone:

- on Tuesday; German **ILO Unemployment report, unemployment rate**, French quarterly manufacturing survey and Italian PPI,
- on Wednesday; **French PPI** and consumer confidence, Italian CPI and **Euro zone Consumer confidence, CPI and unemployment rate** and German retail sales, and
- on Friday; **Italian, French, German and Euro zone PMI manufacturing surveys**.

And in the US:

- on Tuesday; **Consumer confidence**,
- on Wednesday; MDA Mortgage applications, **Q3 GDP, Q3 Personal consumption, Q3 Core PCE, Q3 Employment cost index, Chicago PMI**, Construction spending and the **FOMC interest rate decision**,
- on Thursday; Jobless claims, Personal income & spending, **Core PCE and ISM Mfg survey**, and
- on Friday: **non-farm payroll, unemployment rate, average hourly earnings, average work week** and factory orders.

The key releases due this week are highlighted in red, and the Feds FOMC interest rate decision is obviously the most important, but non-farm payroll at the week's end may be weaker than expected as the weekly jobless claims report has slowly deteriorated over the last few weeks, if employment in the States does slow, the Dollar will really come under selling pressure and we advise being Long Euro/Short the Dollar.

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