



Week 10

4th – 10th March 2008

Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

Commodities

- + Gold
- + Oil



the macro trader's guide to major markets

John Lewis

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summary – macro trader

Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

BULLISH short , medium & long term
BULLISH short, medium & long term
SQUARE short, medium & long term

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

BULLISH short, medium & long term
SQUARE short, medium & long term
SQUARE short, medium & long term

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

BEARISH short, medium & long term
BEARISH short, medium & long term
BULLISH short, medium & long term

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

BEARISH short, medium & long term
BEARISH short, medium & long term
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Commodities

- + Gold
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BULLISH short, medium & long term
SQUARE short term, medium & long term



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	Week of 25 th February
Monday	US Existing home sales 4.89M AS UK Home track Hse prcs -0.2m, 1.4y WORSE UK BBA Home loans 44.288k BETTER IT Retail sales 0.1m, -0.6y WORSE THAN EXPECTED
Tuesday	US PPI 1.0m, 7.4y WORSE US PPI Core 0.4m, 2.3y WORSE US Cons conf 75.0 WEAKER US Hse price index -1.3% WEAKER UK Total Bus investm't -0.5q, 1.7y WEAKER DM Q4 GDP 0.3q, 1.6y AS IT Business conf 89.8 WEAKER DM IFO 104.1 STRONGER THAN EXPECTED
Wednesday	US MBA Mrtge apps -19.2% WEAKER US Durable goods -5.3% WEAKER US EX-Transport -1.6% WEAKER US Bernanke @Hse on Monetary policy US New home sales 588k LESS UK Q4 GDP 0.6q, 2.9y AS UK Indx of services 0.6% LESS DM Import prcs -0.8m, 5.2y WORSE DM GFK Conf 4.5 BETTER EZ M3 Money supply 3mth 11.8% AS EZ M3 Money supply y/y 11.5% STRONGER THAN EXPECTED

global calendar – macro trader

	Week of 3 rd March
Monday	US ISM Mfg survey 48.5 US Construction spndg -0.7 UK PMI Mfg survey 51.0 IT PMI Mfg survey 50.2 FR PMI Mfg survey 53.4 DM PMI Mfg survey 54.0 EZ PMI Mfg survey 52.3 IT PPI 0.5m, 5.1y EZ CPI 3.2y
Tuesday	US Fed's Fisher on inflation & growth Feds Mishkin on economy UK PMI Construction 52.8 EZ PPI 0.8m, 4.9y EZ Q4 GDP 0.4q, 2.3y EZ Q4 Household consumpt'n 0.0q
Wednesday	US MBA Mrtge apps n/f US Q4 Non-farm productivity 1.8% US Q4 Unit labour costs 2.1 US Factory orders -2.5 US ISM Non-mfg survey 48.0 US Fed's beige book UK PMI Services survey 52.0 UK BRC Shop prices n/f IT PMI Services survey 49.3 FR PMI Services survey 57.0 DM PMI Services survey 51.0 EZ PMI Services survey 52.3 EZ Retail sales 0.3m, 0.1y

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	Week of 25 th February Cont'd
Thursday	US Q4 GDP 0.6% WEAKER US Q4 Prsnl consumpt'n 1.9% LESS US Q4 Core PCE 2.7% AS US Q4 GDP Price indx 2.7% MORE US Jobless claims 373k WORSE US Bernanke @ Senate on Monetary policy DM ILO Unemplm't 7.6% LESS DM Unemployment rate 8.0% AS DM Change -75k BETTER FR Cons conf -35% WEAKER FR PPI 0.5m, 4.9y WORSE THAN EXPECTED
Friday	US Personal income 0.3 STRONGER US Personal spndg 0.4 STRONGER US PCE Deflator 3.7y WORSE US PCE Core 0.3m, 2.2y AS US Chicago PMI 44.5 WEAKER US U. of Michigan conf 70.8 AS UK Nationwide hse prcs -0.5m, 2.7y WEAKER UK M4 Strlg Indg 21.8B MORE UK Net cons cr 0.9B HIGHER UK Net Indg on dwellings 7.4B LESS UK Mrtge apprvl 74k MORE UK BSA Mrtge Apprvls 4296M BETTER UK GFK Cons conf -17 WORSE DM CPI -0.4m, 2.8y HIGHER DM Retail sales 1.6% _m , 0.6% _y BETTER IT CPI 0.3m, 2.9y AS EZ CPI -0.4m, 3.2y AS EZ Unemplm't rate 7.1% BETTER EZ Bus climate indicator 0.72 LESS EZ Cons conf -12 AS EZ Economic conf 100.1 LESS THAN EXPECTED

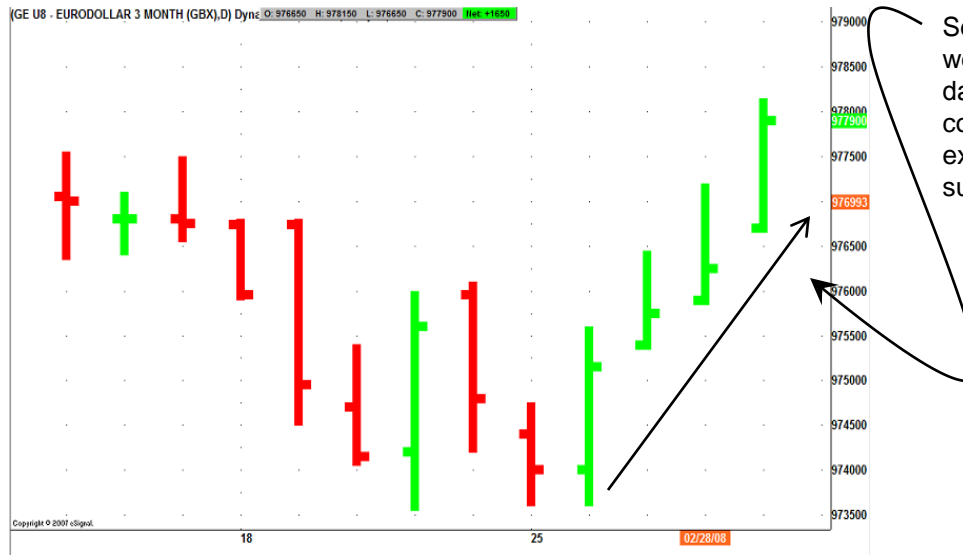
	Week of 3 rd March Cont'd
Thursday	US Jobless claims 360k US Pending home sales -0.8 UK MPC Rate decision 5.25 FR ILO Rate 8.2% FR Unemployment change -35k DM Factory orders -0.4m, 9.9y EZ ECB Rate decision 4.0% EZ Trichet news conference
Friday	US Non-farm payrolls 30k US Unemplm't rate 5.0% US Average hrly earn'gs 0.3m, 3.7y US Average wrk week 33.7 DM Industrial production 0.3m, 4.6y



Interest Rate Futures: Euro Dollars September 08

OUR TRADING STANCE: BULLISH.

Last week we were square September 08.



See how Eurodollars rallied last week after a string of weaker data and Bernanke's down beat comments, even a worse than expected PPI report could suppress the Bulls.

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Last week we remained square of September 08 Eurodollars after a worse than expected CPI report the previous week served as a reminder that inflation remains a stubborn problem, even as the economy cools.

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

- On Monday; Existing home sales were as expected,
- On Tuesday; PPI was worse than expected, consumer confidence and the house price index were both weaker than expected,
- On Wednesday; MBA Mortgage applications were weaker than expected, Durable goods were weaker than expected, and Bernanke delivered a downbeat assessment of the economy,

- On Thursday; Q4 GDP was weaker than forecast, Q4 Personal consumption was less than expected, Q4 Core PCE was as expected, Q4 GDP price index was worse than expected, Jobless claims were higher than forecast and Bernanke repeated Wednesday's message, and
- On Friday; Personal spending and income were stronger than expected, PCE deflator was worse than expected, Core PCE was as expected, Chicago PMI was weaker than forecast and U. of Michigan confidence was as expected.

The market rallied last week on a string of weak data and Bernanke's testimony that made further rate cuts highly likely at the expense of inflation.

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Interest Rate Futures: Euro Dollars

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

- On Monday; **ISM Mfg survey** and construction spending,
- On Tuesday; the Fed's Fisher & Mishkin on the economy,
- On Wednesday; MBA mortgage applications, Q4 Non-farm productivity, Q4 unit labour costs, factory orders, **ISM non-mfg survey and the Feds beige book**,
- On Thursday; Jobless claims and pending home sales, and
- On Friday; **Non-farm payroll, unemployment rate** etc,

The key events this week are highlighted red, and we judge if any or all of these are worse than expected the market will rally further.

The Macro Trader's view is: Bernanke set the stage for further rate cuts last week as he sounded decidedly downbeat about the economy's growth prospects, and

even though he noted that inflation was indeed higher than in 2001 as a result of higher oil prices, it was clear that policy makers regard the threat to growth as the greater danger.

He summed up the situation with these words, "the economic situation has become distinctly less favourable since the time of our July report". And he lay the blame on financial market strains and the still correcting housing market that could yet lead to greater weakness in the labour market.

Traders reacted very bullishly and we our selves now advise a long position as policy could possibly go as low as 1.0% in an attempt to support the economy.

Traders should be long of this market, if non-farm payroll undershoots consensus on Friday, the bulls will take the market higher.

Our target over the next 7 days is 97.90, with a stop at 97.53 for protection.



Interest Rate Futures: Short Sterling September 08

OUR TRADING STANCE: BULLISH.

Last week we were bullish of September 08.

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Government Bonds

- + US 10yr Note
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Currencies

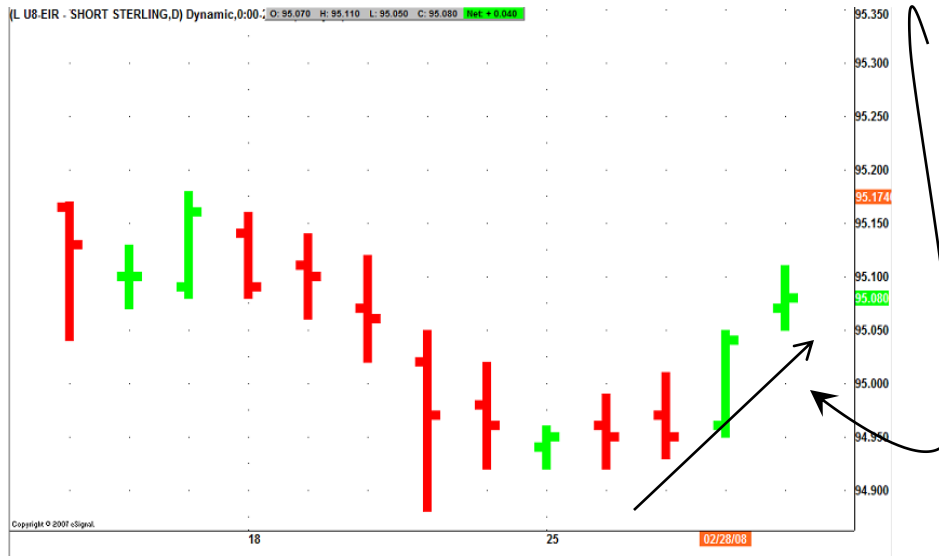
- + US Dollar
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Stocks

- + S&P 500
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Commodities

- + Gold
- + Oil



See how Short Sterling rallied last week on a combination of weaker housing market data and bullish sentiment from the US as the Fed set the stage for more rate cuts.

Last week we remained bullish of this market as we judged the recent sell off to be a correction in a bull market that would resolve to a resumption of the rally.

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

- On Monday; BBA Home loans were better than expected, but Home track house price index was worse than expected,
- On Tuesday; Total business investment was weaker than expected,
- On Wednesday; Q4 GDP was as expected and Index of Services was less than expected, and
- On Friday; Nationwide house price index was

weaker than forecast, M4 Sterling lending was more than forecast, Net consumer credit was more than consensus, net lending on dwellings was weaker than expected, mortgage approvals were stronger than expected, BSA Mortgage approvals were better than expected and GFK Consumer confidence was worse than expected.

The market rallied last week as a result of weaker housing market data and bullish sentiment coming from the US. And although UK Q4 GDP came in as expected, the strongest component was of the report was an inventory build up, rather than personal consumption.



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Commodities

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Interest Rate Futures: Short Sterling

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

- On Monday; **PMI Manufacturing survey**,
- On Tuesday; PMI Construction survey,
- On Wednesday; **PMI Services survey** and BRC Shop prices, and
- On Thursday; the **MPC interest rate decision**.

This week's key releases are highlighted red, and we judge the PMI manufacturing and Services reports as the ones to watch; we don't expect a rate cut from the MPC this time so the event is not our main point of interest.

But if the PMI reports are below consensus, an April cut could become a greater probability.

The Macro Trader's view is: our decision to maintain a long position in this market paid off last week as a good deal of the previous week's losses were recovered.

The two housing market reports released last week

showed increasing weakness with the widely respected Nationwide report revealing only a 2.7% annual increase in house price inflation.

If the current pace of the correction is maintained, house prices will soon begin to decline on a year on year basis.

The other main release last week was the Q4 GDP report; although this recorded a healthy 2.9% year on year, growth rate, the inventory component was a major contributor, this is negative, as it was likely involuntary and a function of softening demand.

We again advise traders to be long of September 08 Short Sterling as we judge the recent correction may be in its final stages, and although a rate cut isn't expected this week, we think the MPC will fall behind the curve resulting in a frantic catch up later this year..

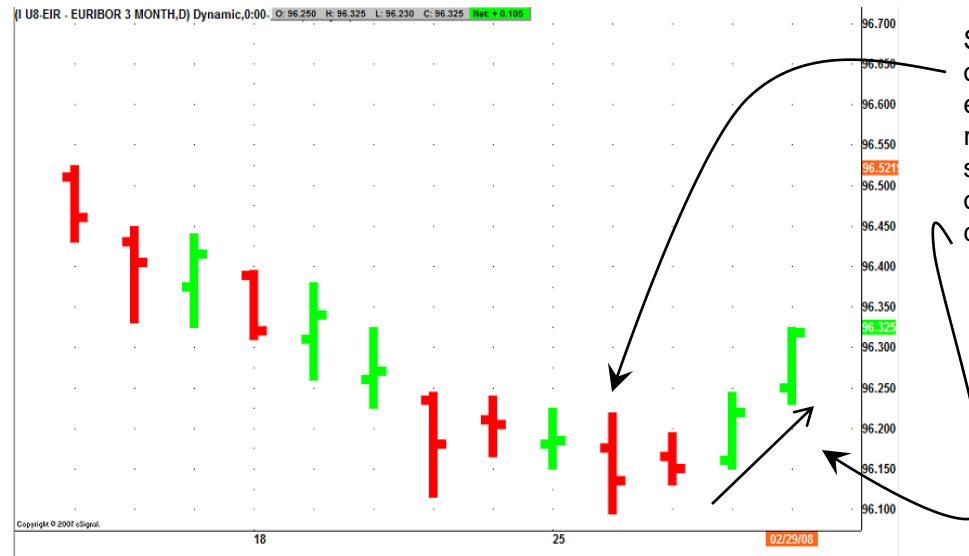
Our interim target is now set at a modest 95.20, and our stop is raised to 94.90 to offer closer protection.



Interest Rate Futures: Euribor September 08

OUR TRADING STANCE: SQUARE.

Last week we were square of September 08.



See how Euribor tested the lows on Tuesday after a stronger than expected German IFO report, but rallied later in the week on bullish sentiment from the US as the outlook for the US economy continues to worsen.

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Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

Commodities

- + Gold
- + Oil

Last week we were square of September 08 Euribor after being stopped out the previous week on a selloff driven by overseas sentiment, even though domestic data was weaker.

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

- On Monday; Italian retail sales were worse than expected,
- On Tuesday; German Q4 GDP was as expected and the IFO report was better than expected and Italian business confidence was weaker than forecast,
- On Wednesday; German import prices were worse than expected and GfK consumer confidence was better than forecast and Euro zone M3 money supply broadly stronger,

- On Thursday; German ILO and unemployment data was mainly better than expected and French consumer confidence was weaker than expected and PPI was worse than expected, and
- On Friday; German CPI was higher than forecast and retail sales were better, Italian CPI and Euro zone CPI were as expected, unemployment report was better, business climate report was weaker, consumer confidence was as expected and economic confidence was weaker.

The market sold off after the stronger IFO report, but rallied on bullish sentiment from the US as a worsening outlook heightened US rate cut expectations

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Commodities

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- + Oil

Interest Rate Futures: Euribor

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

- On Monday; **PMI Mfg for Italy, France, Germany and the Euro zone** and Italian PPI plus **Euro zone CPI**,
- On Tuesday; **Euro zone PPI, Q4 GDP** and Q4 Household consumption,
- On Wednesday; **PMI Services for Italy, France Germany and the Euro zone** and Euro zone retail sales,
- On Thursday; French unemployment data, German factory orders, **the ECB interest rate decision**, and
- On Friday; German industrial production.

This week's key releases are highlighted in red, and we judge the PMI reports and the ECB'S rate decision as the most important.

We don't expect a rate cut, but if the Manufacturing PMI reports undershoot consensus the prospects of a cut in the coming months will improve.

The Macro Trader's view is: we remained square last

week, and although the market rallied we see no reason to alter our stance this week.

The main reason for last week's Euribor rally was the very strong rally in Eurodollars driven by Fed chairman Bernanke's downbeat assessment of the US economy which affected sentiment in many markets.

But with German IFO coming in above consensus and M3 clinging to elevated levels we see no rate cut either this month or next.

This leaves the market vulnerable to frequent correction and we prefer to remain sidelined for now.

However weak manufacturing PMI reports would affect our decision as this is the mainstay of the Euro zone economy, unlike the US and UK where services (retail sales) are a far more important component.

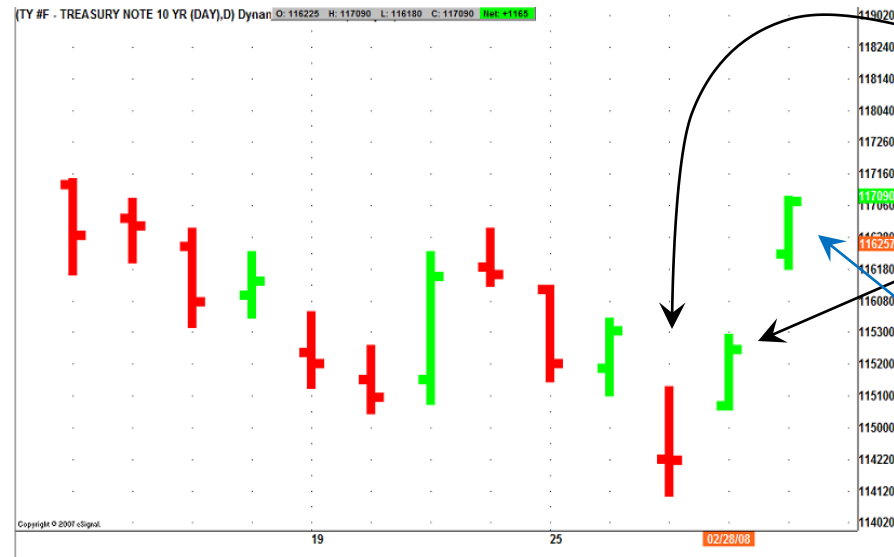
For now we advise a square position, but in a very rapidly changing environment; pragmatism and fleetness of foot is a necessary requirement in this and many other markets.



Government Bonds: US Treasury Note (10yr)

OUR TRADING STANCE: BULLISH.

Last week we were square of the 10yr Note.



See how Treasuries sold off on Wednesday as traders continued to digest Tuesday's worse than expected PPI report and the Fed's willingness to tolerate higher inflation, but rallied strongly on Thursday after a weaker than expected Q4 GDP report and on Friday after a weaker than expected Chicago PMI survey.

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Government Bonds

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Commodities

- + Gold
- + Oil

Last week we remained square of this market as we judged lingering inflationary concerns and a deteriorating fiscal environment made this market seem more inclined to react negatively to further bad news on inflation.

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

- On Monday; Existing home sales were as expected,
- On Tuesday; PPI was worse than expected, consumer confidence and the house price index were weaker than expected,
- On Wednesday; MBA Mortgage applications & Durable goods were weaker than expected, and Bernanke was bearish on the economy,
- On Thursday; Q4 GDP & Q4 Personal

consumption was weaker than expected, Q4 Core PCE was as expected, Q4 GDP price index was worse than expected, Jobless claims were higher than forecast and Bernanke repeated Wednesday's message, and

- On Friday; Personal spending and income were stronger than expected, PCE deflator was worse than expected, Core PCE was as expected, Chicago PMI was weaker than forecast and U. of Michigan confidence was as expected.

The market tested the lows on a worse than forecast PPI, but rallied as Q4 GDP came in below consensus and Friday's data pointed to yet more weakness, which vindicated Bernanke's growth priority.

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Government Bonds: US Treasury Note (10yr)

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

- On Monday; **ISM Mfg survey** and construction spending,
- On Tuesday; the Fed's Fisher & Mishkin on the economy,
- On Wednesday; MBA mortgage applications, Q4 Non-farm productivity, Q4 unit labour costs, factory orders, **ISM non-mfg survey and the Feds beige book**,
- On Thursday; Jobless claims and pending home sales, and
- On Friday; **Non-farm payroll, unemployment rate** etc,

The key releases this week are highlighted in red, and frankly we expect them to be weak. Crucially though, if Friday's non-farm payroll report is below consensus we expect this market to rally further.

The Macro Trader's view is; last week we continued to advise a square position as we judged bond traders would prove less tolerant of inflation than their short term interest rate market cousins, and broadly speaking that held true for the 1st part of last week.

The release of a worse than expected PPI report on Tuesday and Bernanke's apparent willingness to at least tolerate sticky inflation during the current downturn led this market to the lows on Wednesday.

But we agree with the bullish price action on Thursday and Friday that occurred after the release of a very weak Q4 GDP report on Thursday which allowing for errors could easily be at zero.

Moreover, the weak Chicago PMI report on Friday underlined the weakness already seen in the national surveys last month and if, as more than likely, repeated this coming week will justify the Feds stance on inflation.

Further more we think non-farm payroll could be weak on Friday and if so will confirm the Feds fears for the economy, which would help bonds rally, as a recession would eventually cap and then reverse, albeit gradually, inflation.

Traders should be long of this market, our target over the next 7 days is 117.31 and our stop is placed at 115.25 for protection.



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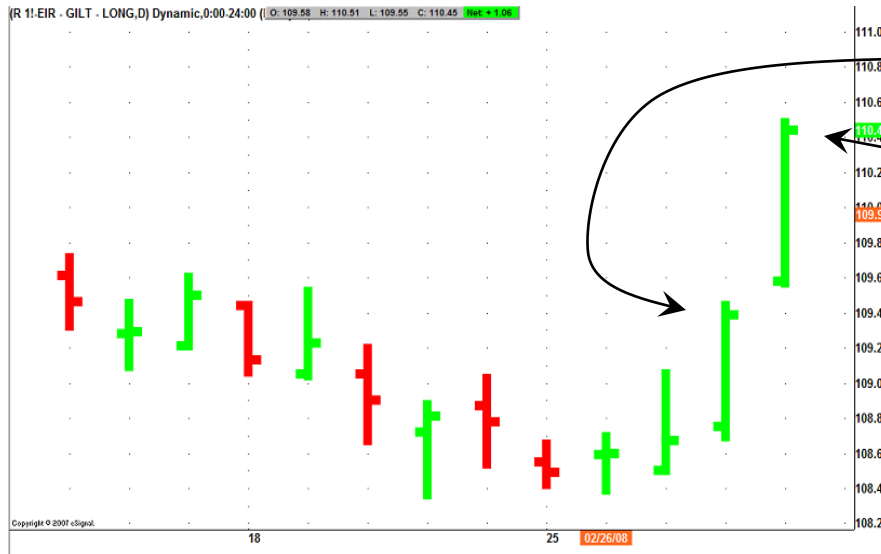
Commodities

+ Gold
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Government Bonds: The Gilt

OUR TRADING STANCE: SQUARE.

Last week we were bearish of the Gilt.



See how the Gilt rallied on Thursday driven by bullish sentiment from the US and again on Friday after the release of weaker than expected housing market related data.

Last week we remained bearish of the Gilt as we judged inflation concerns would continue to dominate bond markets after worse than expected PPI data released in recent week's.

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

- On Monday; BBA Home loans were better than expected, but Home track house price index was worse than expected,
- On Tuesday; Total business investment was weaker than expected,
- On Wednesday; Q4 GDP was as expected and Index of Services was less than expected, and
- On Friday; Nationwide house price index was weaker than forecast, M4 Sterling lending was

more than forecast, Net consumer credit was more than consensus, net lending on dwellings was weaker than expected, mortgage approvals were stronger than expected, BSA Mortgage approvals were better than expected and GFK Consumer confidence was worse than expected.

The market weakened into Wednesday as traders remained concerned over inflation, but the mood changed on Thursday as a weak Q4 US GDP report sent all bond markets higher. The move continued on Friday after the release of a weak Nationwide house price report which showed house price inflation cooling rapidly.



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Government Bonds: The Gilt

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- On Monday; **PMI Manufacturing survey**,
- On Tuesday; PMI Construction survey,
- On Wednesday; **PMI Services survey** and BRC Shop prices, and
- On Thursday; the **MPC interest rate decision**.

This week's key releases are highlighted in red and we judge the PMI Surveys the most important with a very low probability of the MPC delivering a rate cut this Thursday, but if the PMI Services report is weak, speculation of a cut in April will build.

The Macro Trader's view is: the market missed our target last week, as attention swung from fears over inflation to concerns over growth, and we were stopped out.

Although the outlook for inflation hasn't improved, either in the UK or globally in recent weeks and if anything with oil prices now above US\$100.00 a barrel, has probably deteriorated, at least short term. The market has refocused its attention back to growth.

This is likely due to several factors:

- The still deteriorating outlook for the US economy as illustrated by Bernanke during his twin testimony in Congress last week,
- Confirmation of the very weak US Q4 GDP report which showed US growth all but stalled at the end of last year,
- A clutch of weak UK housing market data releases last week which saw the slowdown in the market intensify, and
- Renewed fears over the likely success of the Bond insurers rescue bid.

Additionally last week's UK Q4 GDP report was flattered by what is likely an involuntary inventory build up which if so will prove negative for Q1 GDP data as producers scale back production in an attempt to adjust to weaker demand.

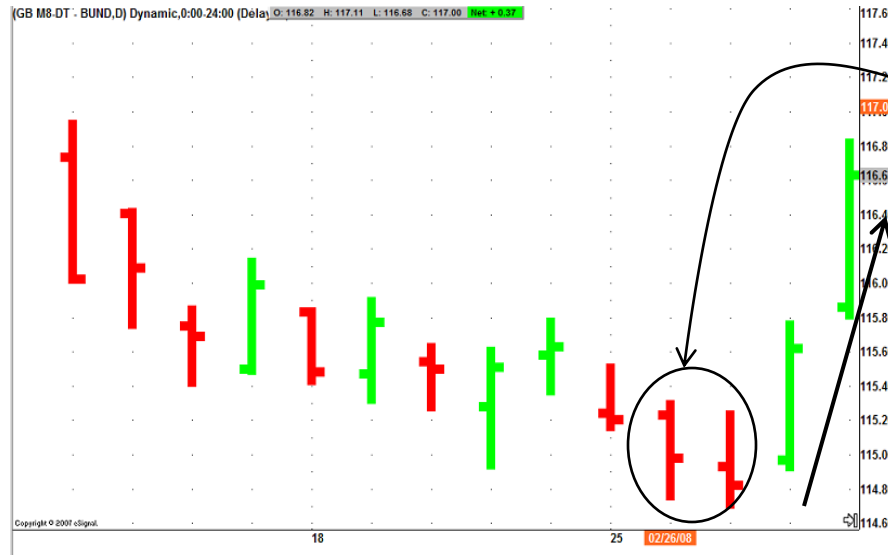
For now we advise remaining square of this market as sentiment from the US is likely to be a major influence on the price action in government bond markets generally, as US data is likely to reveal fresh evidence to support the recession theory over there.



Government Bonds: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were square of the Bund



See how the Bund tested the lows on Tuesday and Wednesday after the release of stronger than expected German IFO data and Euro zone M3, but rallied on Thursday and Friday along with other leading government bond markets as traders shift their attention to the deteriorating outlook for the US economy.

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Last week we remained square of this market as we held to our view the inflation environment in the Euro zone would delay the ECB from delivering an early interest rate cut even allowing for the growing concerns over growth.

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

- On Monday; Italian retail sales were worse than expected,
- On Tuesday; German Q4 GDP was as expected and the IFO report was better than expected and Italian business confidence was weaker than forecast,
- On Wednesday; German import prices were worse than expected and GfK consumer confidence was better than forecast and Euro

zone M3 money supply broadly stronger, On Thursday; German ILO and unemployment data was mainly better than expected and French consumer confidence was weaker than expected and PPI was worse than expected, and On Friday; German CPI was higher than forecast and retail sales were better, Italian CPI and Euro zone CPI were as expected, unemployment report was better, business climate report was weaker, consumer confidence was as expected and economic confidence was weaker.

Last week's data drove the market up to Wednesday then sentiment from the US took over and the market rallied strongly.

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Government Bonds: The Bund

Looking ahead there are several key reports due this week, and we advise monitoring the following:

- On Monday; **PMI Mfg for Italy, France, Germany and the Euro zone** and Italian PPI plus **Euro zone CPI**,
- On Tuesday; **Euro zone PPI, Q4 GDP** and Q4 Household consumption,
- On Wednesday; **PMI Services for Italy, France Germany and the Euro zone** and Euro zone retail sales,
- On Thursday; French unemployment data, German factory orders, **the ECB interest rate decision**, and
- On Friday; German industrial production.

This week's key events are highlighted in red, and we advise paying attention to the various PMI reports and the ECB press conference hosted by Trichet on Thursday; we don't expect a rate cut, but he may drop clues on the potential timing of a first move.

The Macro Trader's view is: Bonds continue to prove volatile markets, even though the risks to growth are well known and even where in the Euro zone, the next

interest rate change is set to be an ease; possibly in April.

The dilemma facing all Central Banks remains unchanged; which is the greater threat; inflation or recession? The Fed has decided in the US growth is the bigger risk.

And even though the ECB has begun to change its focus from outright concern over inflation towards the expected weakening of growth, policy makers will be hard pressed to ease policy while inflation remains at current levels.

The Bund is afflicted by this development and remains robbed of clear direction, although it put in a solid rally last week despite stronger than expected German IFO readings and still elevated M3.

In the current environment we advise remaining square of this market. Although there exists an underlying faintly detectable bull trend, it remains weak and we would prefer to see a break out of the recent range before committing to a trade.



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

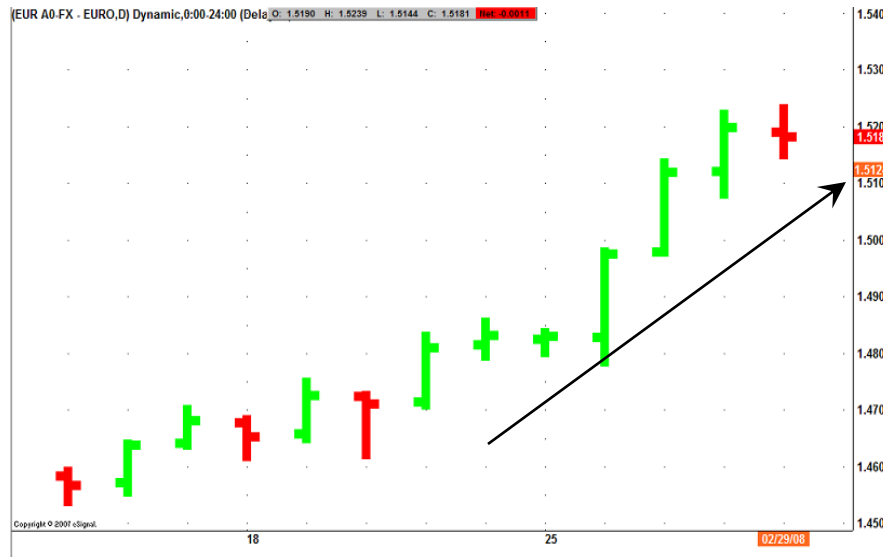
Commodities

- + Gold
- + Oil

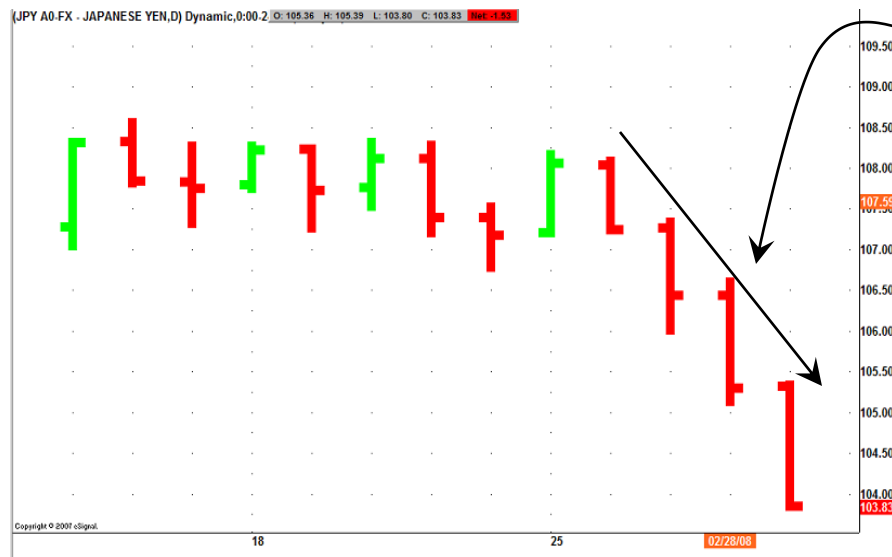
Currencies: The Dollar

OUR TRADING STANCE: BEARISH

Last week we were square of the dollar



See how the Dollar weakened further last week as the main word on currency traders lips was stagflation



See how the Yen rallied last week as stocks came under renewed selling pressure and the Dollar succumbed to the spectre of stagflation as US Q4 GDP showed the economy virtually at a standstill.



Summary

Global Calendar

Interest Rate Futures

+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds

+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies

+ US Dollar
+ Pound Sterling
+ Euro

Stocks

+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities

+ Gold
+ Oil

Currencies: The Dollar

Last week we remained square of the Dollar as we were suspicious the recent rally may have eventually ended like several other recent moves, leaving this pair trapped within a well defined range.

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

- On Monday; Existing home sales were as expected,
- On Tuesday; PPI was worse than expected, consumer confidence and the house price index were weaker than expected,
- On Wednesday; MBA Mortgage applications & Durable goods were weaker than expected, and Bernanke was bearish on the economy,
- On Thursday; Q4 GDP & Q4 Personal consumption was weaker than expected, Q4 Core PCE was as expected, Q4 GDP price index was worse than expected, Jobless claims were higher than forecast and Bernanke repeated Wednesday's message, and
- On Friday; Personal spending and income were stronger than expected, PCE deflator was worse than expected, Core PCE was as expected, Chicago PMI was weaker than forecast and U. of Michigan confidence was as expected.

The Dollar weakened further last week and broke free from the established range as data revealed inflationary pressures remain, even as growth weakens further and this was the message traders took from Bernanke's testimony last week in Congress.

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

- On Monday; **ISM Mfg survey** and construction spending,
- On Tuesday; the Fed's Fisher & Mishkin on the economy,
- On Wednesday; MBA mortgage applications, Q4 Non-farm productivity, Q4 unit labour costs, factory orders, **ISM non-mfg survey and the Feds beige book**,
- On Thursday; Jobless claims and pending home sales, and
- On Friday; **Non-farm payroll, unemployment rate** etc,

This week's key events are highlighted red, but we regard Friday's non-farm payroll report as the key event.

Bernanke warned last week that a weak labour market would be bad news for the economy, if Friday's report develops in that direction the Dollar will sell off further.

The Macro Trader's view is: after a period of sitting on the fence, as we judged currencies lacked a short term trigger to resume the under lying trend, one presented last week.

Although PPI was much worse than expected, Q4 GDP was weak and unrevised from the preliminary estimate. At 0.6% annualised this equates to 0.15% on the quarter, which is very weak and allowing for a margin for error could easily be revised flat or even negative.

With the Fed confirming its focus is growth, even at the risk of temporarily higher inflation, we are now short of Dollar/Euro and advise others to be likewise. Our medium term target is 1.5500 and our stop is set at 1.4950 for protection.

More



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

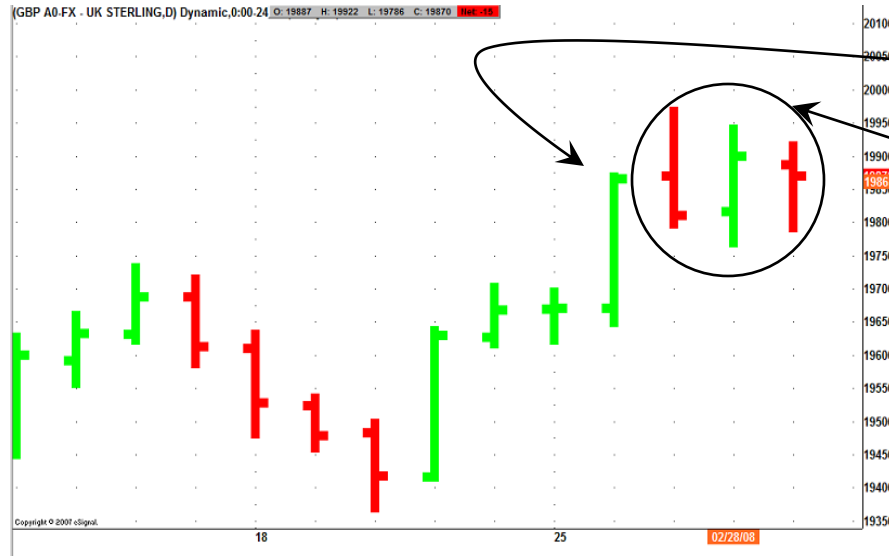
Commodities

- + Gold
- + Oil

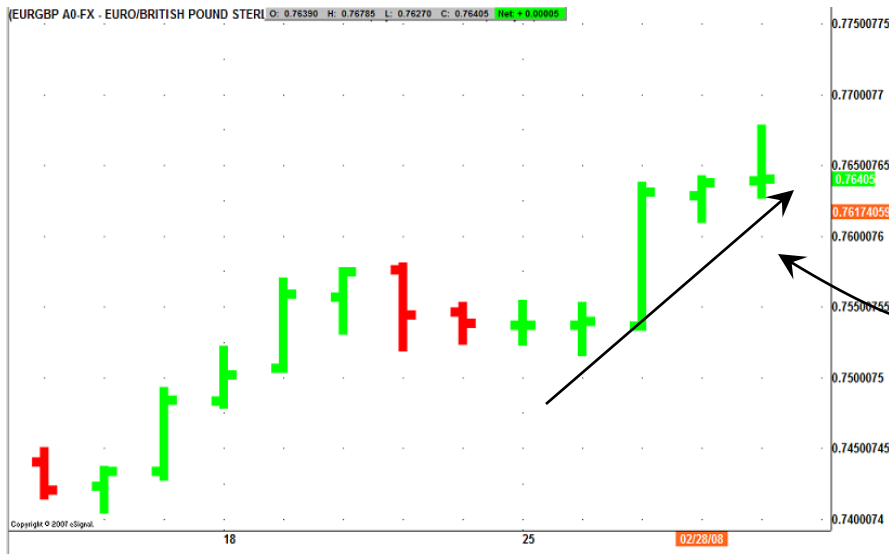
Currencies: The Pound Sterling

OUR TRADING STANCE: BEARISH V THE EURO.

Last week we were square of Sterling



See how Cable rallied on Tuesday after a speech from Fed deputy chairman Khon raised the spectre of US Stagflation, but the Pound failed to advance as UK data flagged future weakness here.



See how Sterling weakened further against the Euro as weak UK housing market data contrasted unfavourably with stronger German IFO data, with fears of US stagflation also weighing on Sterling.



Summary

Global Calendar

Interest Rate Futures

+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds

+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies

+ US Dollar
+ Pound Sterling
+ Euro

Stocks

+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities

+ Gold
+ Oil

Currencies: The Pound Sterling

Last week we remained square of Sterling as we maintained our view that the Pound remained weakened by the fall out from the Northern Rock affair which continues to sap confidence in the City and in the Brown government.

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

- On Monday; BBA Home loans were better than expected, but Home track house price index was worse than expected,
- On Tuesday; Total business investment was weaker than expected,
- On Wednesday; Q4 GDP was as expected and Index of Services was less than expected, and
- On Friday; Nationwide house price index was weaker than forecast, M4 Sterling lending was more than forecast, Net consumer credit was more than consensus, net lending on dwellings was weaker than expected, mortgage approvals were stronger than expected, BSA Mortgage approvals were better than expected and GFK Consumer confidence was worse than expected.

The Pound suffered mixed fortunes last week as it rallied against the Dollar, but weakened against the Euro and Yen. Against the Dollar UK data compared favourably, but against the Euro less so as UK housing market data looked weak against a strong German IFO report.

Looking ahead there are several key releases due this

week, and we advise traders to monitor the following:

- On Monday; **PMI Manufacturing survey**,
- On Tuesday; PMI Construction survey,
- On Wednesday; **PMI Services survey** and BRC Shop prices, and
- On Thursday; the **MPC interest rate decision**.

This week's key data releases are highlighted red, and we advise watching the PMI reports closely as we do not expect the MPC to ease this time, but the Pound is likely to be led this week, by events in both the US and Euro zone.

The Macro Trader's view is: we remain square of Cable as we judge Sterling's prospects are currently little better than those of the Dollar; ok stagflation doesn't look like a problem here, but other comparisons stand up; we are just perhaps 6 months behind developments in the US.

Against the Euro though, the Pound looks increasingly weak. Although Euro zone data indicates that economy could cool, the threat looks different to that in the UK with the latter's reliance on the housing market and the consumer as the principle engines of growth.

And as traders already have a model to compare the UK to, in a worst case scenario; the US, the Pound looks vulnerable to all except the Dollar.

Traders should be short of Sterling/Euro, and our target over the next 7 days is 0.7735, but as always run a stop which we suggest as 0.7580 for protection.



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

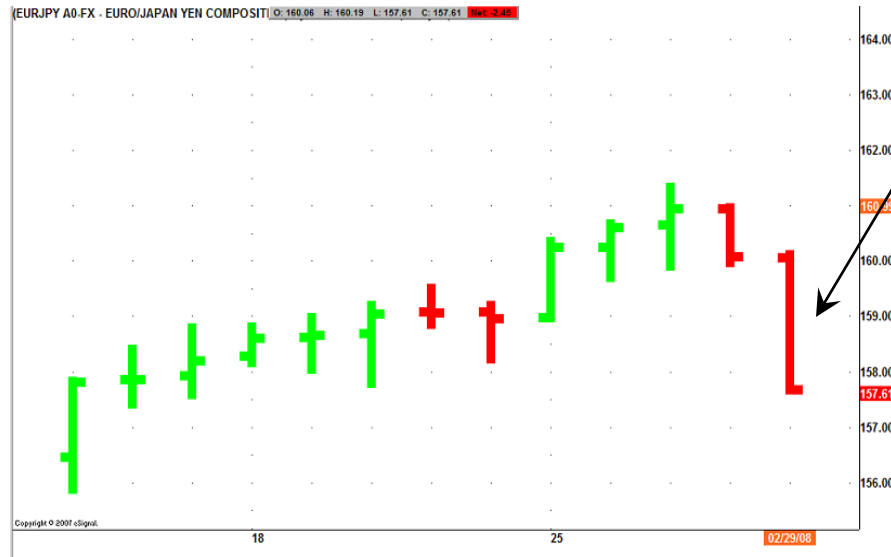
Commodities

- + Gold
- + Oil

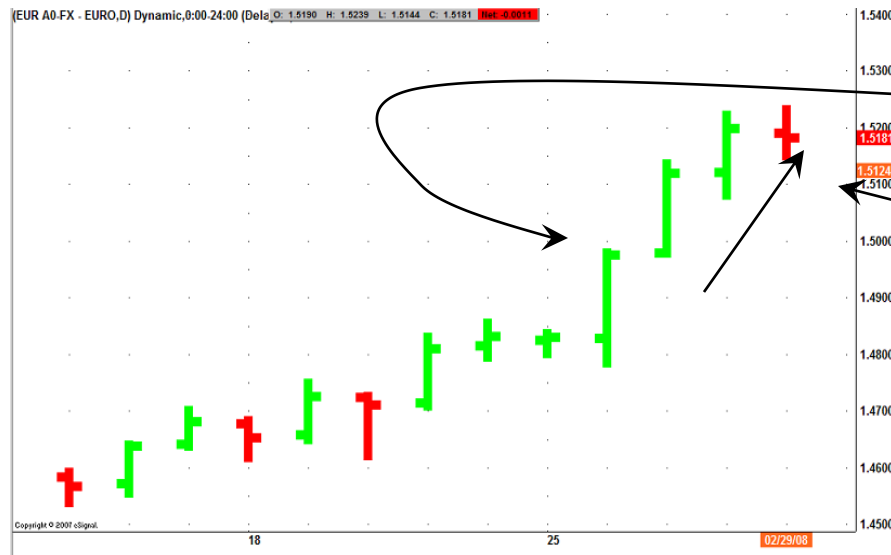
Currencies: The Euro

OUR TRADING STANCE: BULLISH

Last week we were square of the Euro



See how the Yen snapped back against the Euro last Friday as equities sold off globally and they yen received a boost from unravelling carry trades.



See how the Euro rallied last week as a key German report; IFO, released on Tuesday came in stronger than expected, and fears mounted later in the week, that the US economy could be in for a spell of stagflation.



Summary

Global Calendar

Interest Rate Futures

+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds

+ US 10yr Note
+ Gilt
+ Euro Bund

Currencies

+ US Dollar
+ Pound Sterling
+ Euro

Stocks

+ S&P 500
+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities

+ Gold
+ Oil

Currencies: The Euro

Last week we remained square of the Euro amid a prolonged period of range trading and confused response to several key data releases.

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

- On Monday; Italian retail sales were worse than expected,
- On Tuesday; German Q4 GDP was as expected, the IFO report was better than expected and Italian business confidence was weaker than forecast,
- On Wednesday; German import prices were worse than expected, GfK consumer confidence was better than forecast and Euro zone M3 money supply broadly stronger,
- On Thursday; German ILO and unemployment data was mainly better than expected, French consumer confidence was weaker than expected and PPI was worse than expected, and
- On Friday; German CPI was higher than forecast, retail sales were better, Italian CPI and Euro zone CPI were as expected, unemployment report was better, business climate report was weaker, consumer confidence was as expected and economic confidence was weaker.

The Euro strengthened last week on better IFO and M3 data and growing concern over stagflation hitting the US economy.

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

- On Monday; **PMI Mfg for Italy, France,**

Germany and the Euro zone and Italian PPI plus **Euro zone CPI**,

- On Tuesday; **Euro zone PPI, Q4 GDP** and Q4 Household consumption,
- On Wednesday; **PMI Services for Italy, France Germany and the Euro zone** and Euro zone retail sales,
- On Thursday; French unemployment data, German factory orders, **the ECB interest rate decision**, and
- On Friday; German industrial production.

The key releases due this week are highlighted in red, and we advise monitoring the various PMI surveys and the ECB news conference, but a rate cut isn't expected.

The Macro Trader's view is: following the Fed chairman's testimony last week which coincided with a worse than expected PPI report and weak Q4 GDP report, the market interpreted Bernanke's remarks as pro-growth at the expense of temporarily ignoring inflation. This had a rapid impact on the Dollar as the ingredients for stagflation appear to be slipping into place.

By contrast the better than expected German IFO report gave the Euro zone economy a sense of resilience.

The stage is now set for a resumption of the Euros rally, and we advise traders to be long of the Euro v the Dollar and Sterling.

Our interim targets are; Dollar/Euro 1.5500, stop at 1.4950, and v the Pound; 0.7735, stop at 0.7580.

More



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

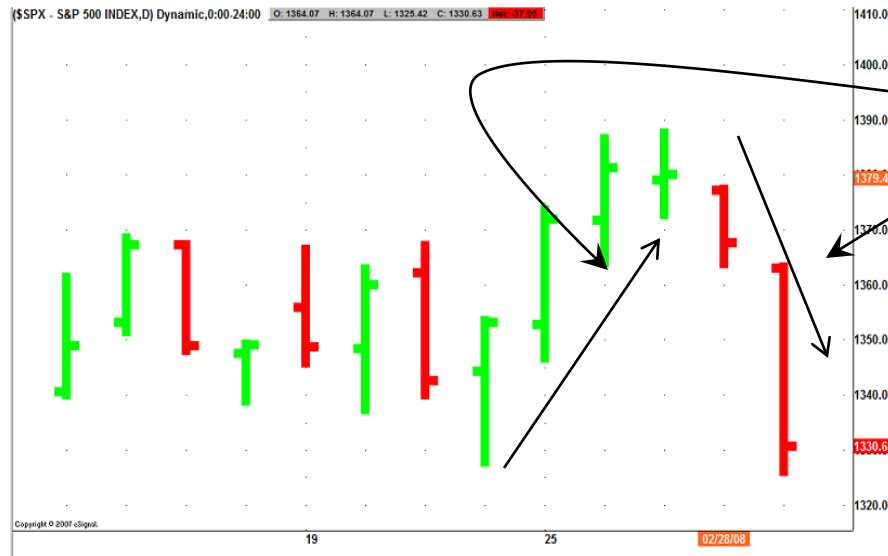
Commodities

- + Gold
- + Oil

Stocks: S&P 500

OUR TRADING STANCE: BEARISH.

Last week we were square of the S&P 500



See how stocks experienced a week of two halves; 1st the rally as Standard & Poor's affirmed the AAA rating of Bond insurers MBIA and AmBac, and then the sell off driven by Bernanke's testimony in Congress which heightened fears over stagflation.

Last week we remained square of this market following a period of choppy trading, which in the absence of a short term trigger capable of breaking the recent trading range, led us to conclude looked set to continue a while longer.

The market began the week in bullish form as ratings agency Standard & Poor's affirmed the AAA status of several beleaguered bond insurers, and a worse than expected PPI report was brushed aside, as the market tested the highs into Wednesday, initially reading Bernanke's testimony in the House as bullish.

But after the release of worse than expected Q4 GDP data on Thursday and a weak Chicago PMI

Manufacturing report on Friday, traders took Bernanke's testimony on Thursday a different way, even though the Senate and House received the same message.

The Fed appeared ready to at least temporarily tolerate higher inflation as a necessary evil to allow it to effectively tackle the threats to growth, and the market closed the week near the recent lows.

Looking ahead there are three key reports due this week, but we judge Friday's non-farm payroll as the main event. If as we suspect it is weaker than expected, the S&P will look very vulnerable to further bearish price action.



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

Commodities

- + Gold
- + Oil

Stocks: S&P 500

The Macro Trader's view is: Stagflation was a term coined in the 1970's when the industrial powers faced a collapse of growth caused by sky rocketing oil prices. A similar situation is now in play.

Recent CPI and PPI reports show inflationary pressures remain, but because they are driven primarily by high oil prices, and to a lesser extent, dearer food prices, they are difficult to control.

But apart from sending inflation higher, growth is suffering too. While the main cause of the current weakness is undoubtedly the Sub-prime mortgage crisis/credit crunch, the fact consumers are having to

also divert resources towards higher energy bills doesn't help.

In time the weak economy should, through softer demand, lead to an easing of inflationary pressures, but in the meantime it provides a toxic cocktail for equity traders, and this market looks ripe for a renewed bear run.

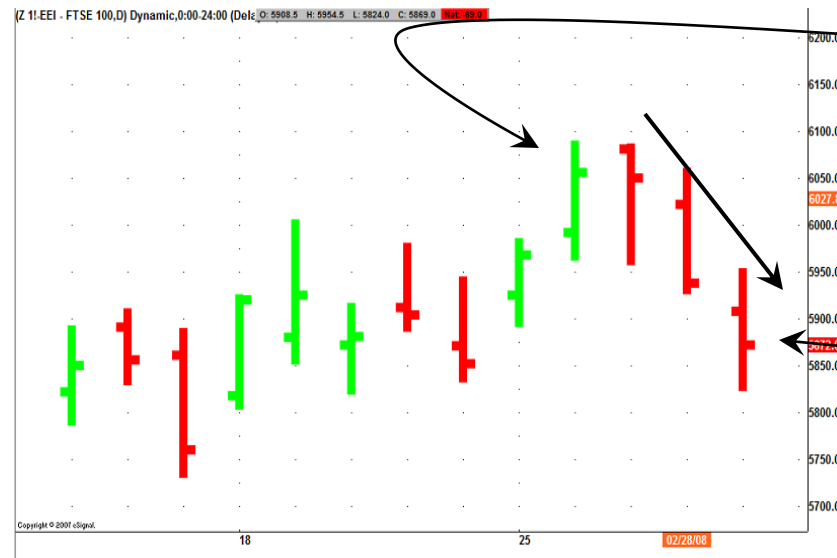
Traders should be short of this market, our target over the next 7 days is 1330.0, but as always run a protective stop; we suggest 1375.0, a little close but these markets are volatile and have experienced big ranges.



Stocks: FTSE 100

OUR TRADING STANCE: BEARISH.

Last week we were bearish of the FTSE 100



See how the market extended the recent rally into Tuesday as traders reacted to news that Standard & Poor's had affirmed the credit rating of two troubled US Bond insurers, but the market turned lower as fears increased that the US was heading for stagflation and with UK housing data showing the correction gathering momentum, the market closed Friday near the lows.

Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

Commodities

- + Gold
- + Oil

Last week we held to our bearish view of this market as we judged a cooling housing market and slowing consumer demand would weigh on equities and lead the FTSE lower.

In the event the Home track house price survey released last Monday was worse than expected, but the market rallied into Wednesday on relief that two troubled US Bond insurers had had their AAA rating affirmed by Standard & Poor's.

But there the rally ended as traders turned increasingly bearish throughout the rest of the week. Even though UK Q4 GDP released on Wednesday was in line with

consensus, the number was flattered by what appears an involuntary inventory build up that will need working off.

Other key data on Friday released by Nationwide, showed the UK Housing market correction gathering speed as annual inflation fell to just 2.7%

Looking ahead this week's key events are the PMI surveys and the MPC interest rate announcement. We expect unchanged from policy makers this time and expect the FTSE to take a lead from sentiment coming from the US as fears of US stagflation continue to grow.



Stocks: FTSE 100

Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

Commodities

- + Gold
- + Oil

The Macro Trader's view is: equities have proved frustrating in recent week's and none more so than last week as our stop was hit, but as the week progressed we re-entered the market determined not to be left behind by the bear move we are expecting.

Although UK data isn't yet uniformly weak, as evidenced by the recent retail sales report, many data releases are pointing to the arrival of the expected slowdown.

The leading indicator here is clearly the housing market and it has undeniably slowed, and quicker than many, including us, would have expected, meaning in a few months we could be seeing house prices beginning to contract.

Additionally the Q4 GDP report seems to have been flattered by an inventory build and the recent retail sales report was obviously assisted by discounting, hence the better than expected CPI report seen a few weeks earlier.

In short we advise remaining short of this market, being stopped out is tiresome, but can also provide space for though, and an opportunity to re-enter.

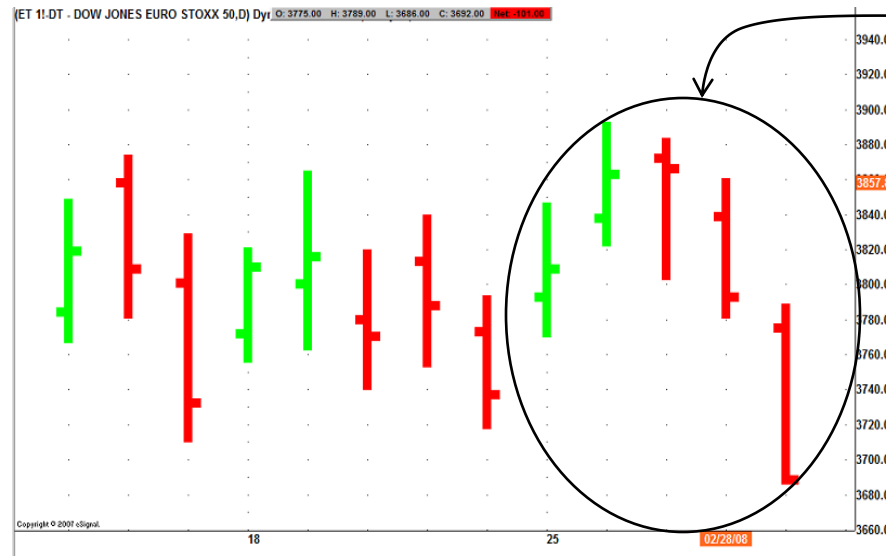
Our target over the short term remains 5725.00 and our stop is set at 6000.0 to offer protection, but these markets are volatile with large intra-day ranges so position size should reflect this.



Stocks: DJ Euro Stoxx 50

OUR TRADING STANCE: BEARISH.

Last week we were bearish of the DJ Euro Stoxx 50



See how the market sold off last week in line with other leading equity markets as traders became increasingly focused on the possibility of the US economy experiencing stagflation.

Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

Commodities

- + Gold
- + Oil

Last week we remained bearish of this market ahead of two key Euro zone reports:

- German IFO which came in stronger than expected, and
- Euro zone M3 money supply which was broadly stronger than expected.

The market rallied on the IFO report which coincided with news that US rating agency Standard & Poor's had affirmed the AAA rating of several troubled US Bond insurers which combined with expectations of a rescue package helped stocks higher.

By the end of the week the optimistic mood had

evaporated as traders saw heighten risk of US stagflation and doubts emerged over the chances of actually launching the expected Bond insurers rescue.

Looking ahead there are several key reports due this week as detailed in the global calendar. And although the ECB interest rate decision is one of them, we do not expect any change to Euro zone interest rates this time.

But traders should monitor Trichet's comments for clues on the timing of the 1st ease which many expect in April; now only a month away, but Euro zone inflation levels will doubtless be instrumental in that decision.



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

Commodities

- + Gold
- + Oil

Stocks: DJ Euro Stoxx 50

The Macro Trader's view is: despite last week's gyrations, broadly speaking stocks have so far done nothing since the middle of January when the sharp sell off gave way to a solid bounce as the lows were rejected.

The price action that has followed has seen the market trapped in a range, which we eventually expect to be resolved to further bearish price action.

This is typical of a bear market, but the intraday volatility makes holding a position frustrating, as we again experienced last week when we narrowly avoided being stopped out before our target was finally met today.

However we are, in our opinion, in a bear market and we judge it important to remain involved in order to catch the expected move which would see the lows of January passed.

Last week may have just provided the trigger we have been awaiting; the markets increasing pre-occupation with the possibility of a period of US stagflation and disappointment over the apparently faltering Bond insurers rescue bid.

Traders should remain short of this market, our interim target is now 3600.0 and our stop is reduced to 3800.0 for closer protection, and quite frankly after recent events if this is hit we shall be pleased to be out of what would have then been proved as a more uncertain market than we currently think.



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

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Currencies

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- + Pound Sterling
- + Euro

Stocks

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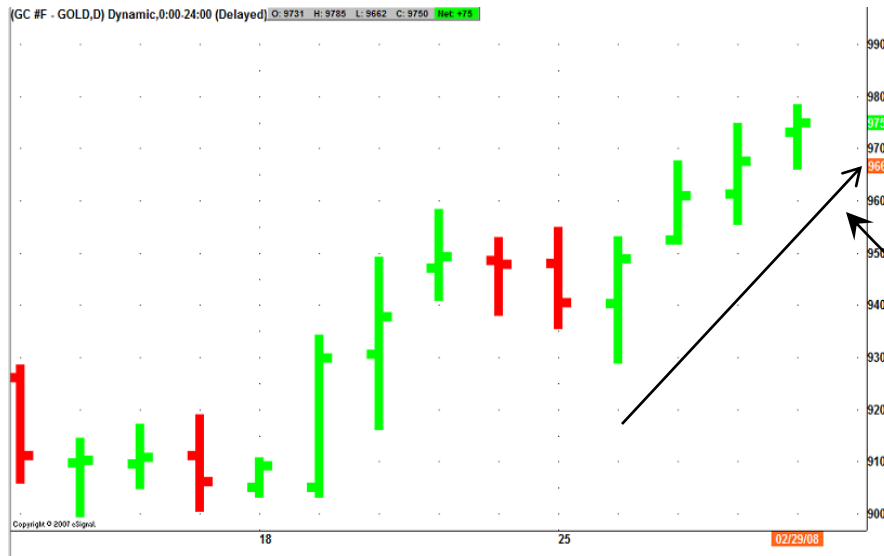
Commodities

- + Gold
- + Oil

Commodities: Gold

OUR TRADING STANCE: BULLISH

Last week we were bullish of Gold



See how Gold made new highs last week as traders continued to focus on weak US growth and persistent inflation, in other words the key ingredients of deflation.

Last week we remained long of Gold as we judged the outlook for the US economy:

- Weakening growth,
- Stubborn inflation,
- A rising US budget deficit, and
- A weakening Dollar.

Were compelling reasons to buy Gold.

With several important data releases due in the US we judged the market had further to go on the upside, and a worse than expected PPI report should have provided the reason, but Standard & Poor's announcement that

they had affirmed the AAA rating of several US Bond insurers lead to profit taking and we were stopped out.

However the release of worse than expected US Q4 GDP and Bernanke's admission that the Fed would act to support growth and temporarily turn a blind eye to inflation, weighed heavily on the Dollar and drew us quickly back into this market.

This week sees several key US releases, Friday's payroll report being the most important. If as we expect it shows increasing weakness the Dollar will fall further and provide gold with further bullish momentum.



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
- + Euro Bund

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

Commodities

- + Gold
- + Oil

Commodities: Gold

The Macro Trader's view is; although this market has again gone further than we expected, the reasons behind the move are clear; fear of global inflation and weaker growth and more specifically US stagflation.

In this environment gold could rally further yet as traders are basically registering a vote of no confidence in the way policy makers have handled this crisis to date.

Combine those factors with the still present geopolitical tensions in the Middle East, with Iran sounding increasingly more belligerent despite the threat of stronger UN Sanctions and gold remains a clear buy.

We advise remaining long of this market, our interim target is now set at US\$1,000.00, and our stop is raised to US\$950.0 to offer closer protection.

More



Summary

Global Calendar

Interest Rate Futures

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- + Short Sterling
- + Euribor

Government Bonds

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- + Gilt
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Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

- + S&P 500
- + FTSE 100
- + Dow Jones Eurostoxx50

Commodities

- + Gold
- + Oil

Commodities: Oil

The Macro Trader's view is; we remain square of this market despite last week's rally as we still judge the next material move to be a drop in oil prices.

The US is either in, or on the brink of recession; a recession that many, including former Fed Chairman Alan Greenspan thinks will be difficult to recover from.

Moreover the US isn't the only economy on the edge of slower growth:

- The UK is already experiencing a housing correction which is developing faster than most thought and looks set to deepen further with wider economic consequences,
- Japan is close to recession its self, and
- The Euro zone too is posting increasingly weak data, last week's IFO report notwithstanding.

And even the Chinese expect growth to be a couple of per cent slower this year.

However there is always an on the other hand, and as ever it is Iran; they continue to develop a nuclear program which the major powers suspect isn't just for domestic energy needs, and are trying to organise harsher UN sanctions aimed at forcing Iran to comply with the will of the international community.

Iran for its part has threatened to retaliate if stronger sanctions are passed; that can only mean disruption to oil exports.

But Iranian Presidential elections are looming, the current incumbent is increasingly unpopular as the economy is in poor shape, so in reality Iran may be just making hollow threats.

We judge this will likely blow over in the short term where as the problems facing the US economy wont and that is why we are bearish of Oil.

But timing is currently against us so we advise remaining square for now.



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