



Week 13

25th – 31st 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

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Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

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

Government Bonds

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

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

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

SQUARE short term, **BEARISH** medium & long term
BEARISH against the Euro
BULLISH against Sterling

Stocks

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

SQUARE short term, **BEARISH** medium & long term
SQUARE short term, **BEARISH** medium & long term
SQUARE short term, **BEARISH** medium & long term

Commodities

- + Gold
- + Oil

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



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	Week of 17 th March
Monday	US Q4 C/A Bal -\$172.9B BETTER US Empire mfg -22.2 WEAKER US Net lg trm TIC flows \$62.0B BETTER US Ind production -0.5 WEAKER US Capacity utilisation 80.9 WEAKER EZ Q4 Employ'm't 0.2q, 1.7y LESS IT C/A -564M WORSE THAN EXPECTED
Tuesday	US PPI 0.3m, 6.4y BETTER US PPI Core 0.5m, 2.4y WORSE US Housing strts 1.065M BETTER US Buildg permits 978K WEAKER US FOMC Rate decision 2.5% AS UK CPI 0.7m, 2.5y AS UK CPI Core 1.2m, BETTER UK RPI 0.8m, 4.1y BETTER UK RPI-X 3.7y AS IT Trade bal -4.219B WORSE IT Trade EU 125M LESS THAN EXPECTED
Wednesday	US MBA Mrtge apps -2.9 WORSE UK MPC Minutes 7/2 MORE BULLISH UK Unemploy'm't rate 2.5% AS UK Change -2.8k LESS UK Avge earnings 3.7 BETTER UK Avge ex-Bonus 3.7 BETTER UK ILO Rate 5.2 AS UK Mfg unit wage cost 1.7% WORSE UK CBI Ind trnds 7 BETTER IT Ind orders 2.6m, 6.9y STRONGER IT Ind sales 4.6m, 6.1y STRONGER EZ Trade bal -10.7B WORSE THAN EXPECTED

global calendar – macro trader

	Week of 24 th March
Monday	US Existing home sales 4.85M UK Rght mve Hse prces n/f
Tuesday	US Cons Conf 73.5
Wednesday	US MBA Mrtge apps n/f US Durable goods 0.8 US Ex- Transport -0.3 US New home sales 579k FR Bus conf 106.0 IT Bus conf 89.5 EZ C/A n/f DM IFO 103.5 EZ Ind new orders 0.2m, 3.3y

More



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	Week of 17 th March Cont'd
Thursday	US Jobless claims 378k WORSE US Philly Fed -17.4 BETTER UK Retail sales 1.0m, 5.5y STRONGER UK PSNCR 2.9B WORSE UK PSNB 2.7B WORSE UK M4 Strlg Indg 16.4B AS DM PPI 0.7m, 3.8y WORSE EZ PMI Composite 51.9 WEAKER THAN EXPECTED
Friday	FR Consumer spndg 1.2m, 3.7y STRONGER IT Cons conf 99.0 WEAKER IT Retail sales 0.2m, 1.0y STRONGER THAN EXPECTED

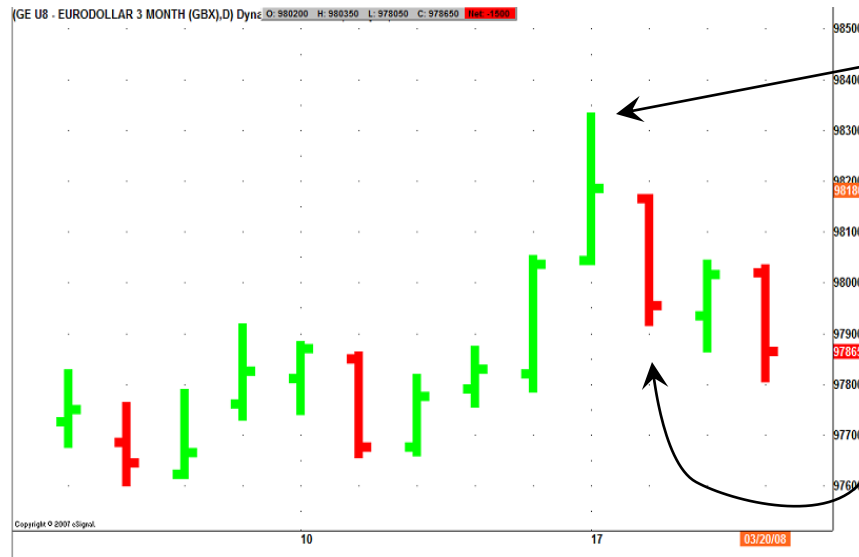
	Week of 24 th March Cont'd
Thursday	US Q4 GDP 0.6 US Q4 Persnl consump 1.9% US Q4 Core PCE 2.7% US Q4 GDP Price indx 2.7% US Jobless claims 370k UK Q4 Tot bus investmnt -0.5q, 1.7y UK BBA Hse purchase loans n/f UK CBI Distributive trdes n/f DM GFK Cons conf 4.4 IT Trade bal non-EMU -2.05B
Friday	US Persnl income 0.3% US Persnl spndg 0.1% US Core PCE 0.1m, 2.1y US PCE Deflator 3.5% US U. of Michigan conf 70.0 UK Nationwide hse prces -0.3m, 2.0%y UK Q4 GDP 0.6q, 2.9y UK Q4 C/A -18.3B DM CPI 0.3m, 2.9y DM Import prces 0.6m, 5.4y FR Cons conf -35 FR Q4 GDP 0.3q, 2.1y



Interest Rate Futures: Euro Dollars September 08

OUR TRADING STANCE: SQUARE.

Last week we were bullish September 08.



See how Eurodollars peaked on Monday as Bear Sterns all but collapsed, but then sold off over the rest of the week as the Fed delivered a 75bp rate cut on Tuesday that sparked a stock market recovery.

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Last week we remained bullish of this market following the dramatic rescue of Bear Sterns by J P Morgan Chase, aided by the NYK Fed, as market sentiment was driven fears of further Banks failing.

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

- On Monday; Q4 C/A data was better than expected, Empire mfg survey was weaker than expected, net long term TIC flows were better than expected, industrial production was weaker than forecast and capacity utilisation was weaker than forecast,
- On Tuesday; PPI was mixed, Housing starts were better than expected, Building permits

were weaker than expected and the FOMC cut interest rates 75bp,

- On Wednesday; MBA Mortgage applications were weaker than expected, and
- On Thursday; Jobless claims were worse than expected and the Philly Fed survey was a little better than forecast.

The market gave back all of Monday's gains as equities steadied following the Fed's rate cut, and although most of last week's data was bullish, apart from Core PPI, the Fed's cautionary remarks on inflation weighed on sentiment and accelerated the move lower.



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Commodities

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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; **existing home sales**,
- On Tuesday; **consumer confidence**,
- On Wednesday; MBA Mortgage applications, **durable goods and New home sales**,
- On Thursday; **Q4 GDP, Q4 Core PCE** and Jobless claims, and
- On Friday; **Personal income & spending, Core PCE and University of Michigan confidence**.

The key events this week are highlighted red, and this week that's nearly all of them, but we think the two home sales reports will be important as will personal income and spending. Unless Q4 GDP is substantially revised we judge it will be of limited importance.

The Macro Trader's view is; we were stopped out last week, on Tuesday, albeit with a decent profit, as the market reversed following the recovery in equity markets.

With many expecting a 100bp rate cut from the Fed, the sense of moderate disappointment together with

the rally in equities, proved too much and Eurodollars gave back much of their gains, which had largely resulted from fear that one or more Banks faced similar problems to Bear Sterns.

However, we remain bullish; several important data releases were weak last week and we expect the Fed to ease further, with Fed funds hitting 1.0% over the next couple of meetings.

And although we didn't follow our own rule of taking profit when markets meet our target very quickly, we judged the fears dominating the market early last week justified our holding the position.

But the correction is extending further as equities rally on the news J P Morgan Chase is significantly increasing its bid for Bear Sterns leading traders to hope that maybe the liquidity drought is close to an end; we doubt it.

Traders should be square for now, but be ready to buy when this correction exhausts.



Interest Rate Futures: Short Sterling September 08

OUR TRADING STANCE: SQUARE.

Last week we were bullish of September 08.

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Currencies

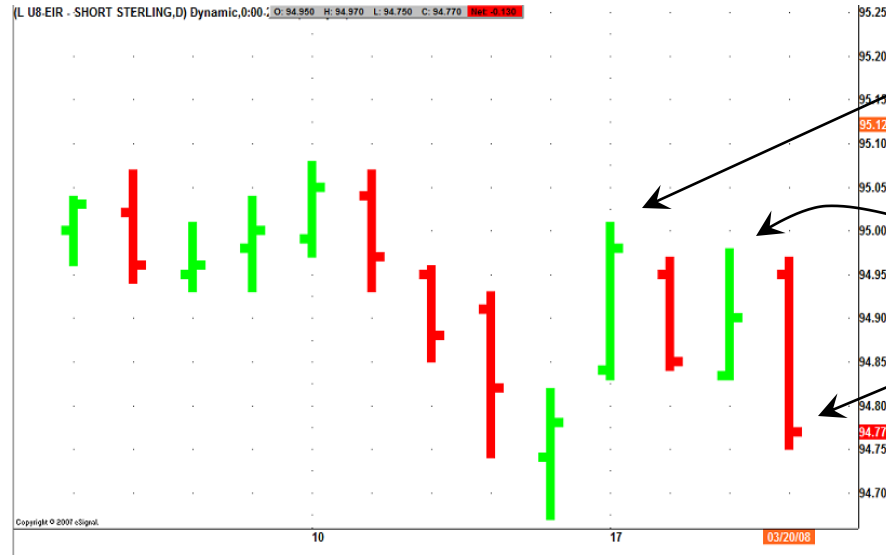
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Commodities

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See how Short Sterling rallied on Monday as stocks sold off globally on fears generated by the dramatic rescue of Bear Sterns and then traded erratically throughout the week as rumours that HBOS was in troubled sparked another panic rally on Wednesday, but much stronger than expected retail sales on Thursday sent the market sharply lower.

Last week we remained bullish of this market after a very weak RICS housing market survey the previous week which increased the risk of a sharp economic slowdown later in the summer.

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

- On Tuesday; CPI was as expected, RPI was better than expected & RPI-X was as expected,
- On Wednesday; the MPC minutes were a little more bullish than expected, the unemployment report was a little weaker than expected, average earnings were better than

expected and the CBI Industrial trends report was better than expected, and

On Thursday; retail sales were stronger than expected, PSNCR & PSNB were worse than expected and M4 Sterling lending was as expected.

The market was pulled around last week by several countervailing forces, which included fear over systemic risk, better than expected inflation and stronger than expected retail sales, with the latter ruling out an early rate cut even though much of the increase was due to stronger spending on food, with household goods spending well down.



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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; **Right move house price survey**,
- On Thursday; Q4 Total business investment, **BBA house purchase loans** and CBI Distributive trades survey, and
- On Friday; the **Nationwide house price survey**, Q4 GDP & Q4 C/A data.

This week's key releases are highlighted red, and they are all linked to reporting on the strength and health of the housing market which we judge will be the deciding factor of how serious a slowdown the UK economy experiences.

The Macro Trader's view is: Short Sterling is proving a tricky market to trade, and we judge it will remain so while we remain in the "phoney war" period.

By that we mean that economic weakness is widely forecast due to the events in the US and due to the UK'S own housing market correction, but so far broader economic data doesn't report economic weakness, at least not to the degree where large rate cuts seem warranted.

But the risks to the downside are real and considerable. With householders finding it increasingly difficult to remortgage their homes on favourable terms, as fixed rate deals expire due to very cautious

valuations, which in a significant number of cases have seen the value of the house fall below its purchase price (obviously on homes bought in the last year or two), it cannot be long before consumer demand begins to reflect the negative wealth effect.

And although retail sales were stronger than expected last week, the detail of the report shows food sales were the main source of strength with many other sectors displaying weakness.

Additionally the City of London is forecast to see significant job losses this year, while few outside the square mile will care, the reality is that London's financial services industry is the power house of the UK economy.

If that engine stalls the situation could change dramatically, and with the Bank of England still failing to offer help to wholesale money markets comparable to that offered by the Fed and ECB, credit could dry up sufficiently in the coming months to force a recession.

For now though we advise remaining square, we were stopped out again last week, and we judge it wiser to remain sidelined until evidence of weakness emerges. But the current situation requires a pragmatic approach and traders must be prepared to buy as soon as that evidence becomes available.



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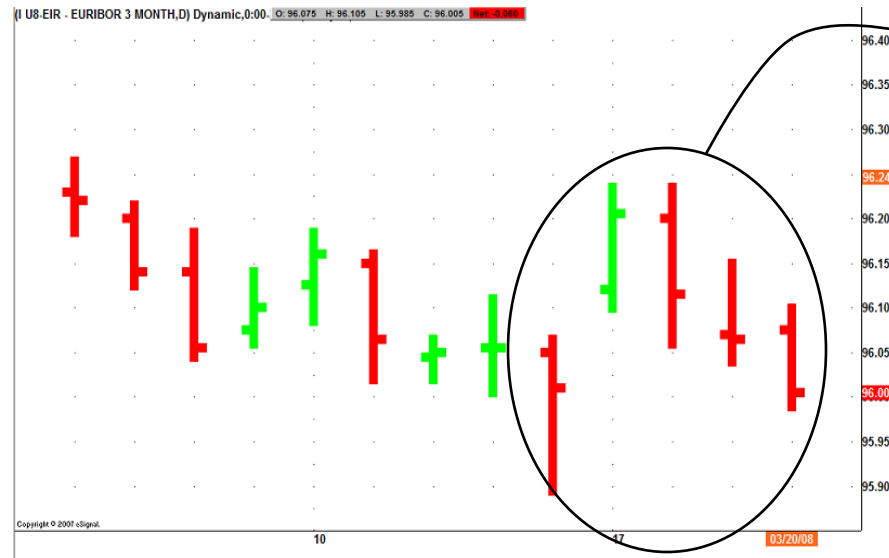
Commodities

- + Gold
- + Oil

Interest Rate Futures: Euribor September 08

OUR TRADING STANCE: SQUARE.

Last week we were square of September 08.



See how Euribor experienced the same roller coaster as both Short Sterling and Eurodollars, closing the week virtually unchanged in spite of some large moves driven by dramatic events.

Last week we remained square of September 08 Euribor after the market sold off the previous week on stronger growth and worsening inflation data which reinforced the view that the ECB would be in no rush to ease, which was the view expressed by Trichet at the recent ECB press conference.

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

- On Monday; Euro zone Q4 Employment data was less than expected and Italian C/A data was worse than forecast,
- On Tuesday; Italian trade data was mixed,
- On Wednesday; Italian industrial sales and orders were stronger than expected and Euro zone trade data was worse than forecast,

- On Thursday; German PPI was worse than expected and Euro zone PMI composite survey was weaker than expected and
- On Friday; French consumer confidence was stronger, Italian consumer confidence was weaker and retail sales were stronger than expected.

The market was driven not by economic data, but by events in the US and the price action in equity markets.

The Bear Sterns shock drove stocks lower and all short term interest rate futures markets higher, the equity rally which followed the Fed's rate cut caused this market to reverse.

More



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Commodities

- + Gold
- + Oil

Interest Rate Futures: Euribor

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

- On Wednesday; French business confidence, Italian business confidence, Euro zone C/A data, **German IFO** and Euro zone industrial new orders,
- On Thursday; German GFK consumer confidence and Italian trade data, and
- On Friday; **German CPI and import prices** and French consumer confidence and Q4 GDP.

This week's key releases are highlighted in red and they are all German. Clearly the one to monitor though is the German IFO report; its strength or weakness will set this markets short term direction.

The Macro Trader's view is: once again we judge our stance towards this market was right following another week of choppy price action.

As with other interest rate futures markets traders reacted to last weekends rescue of Bear Sterns which

caused wide spread panic as the market worried that other Banks and financial institutions could be in similar difficulties.

However the Feds rate cut and other liquidity injections led to a sharp rally in equity markets and this market gave back all of its gains, which given the ECB'S current stance and focus on inflation isn't surprising.

As a result we continue to judge this market offers very limited opportunity for either Bull or Bear.

The US is experiencing a real slowdown and rates are being aggressively cut, where as Euro zone growth **currently** requires limited policy stimulus.

However even here liquidity in wholesale money markets is prone to dry up and requires on going help from the ECB.

For now we advise remaining square.



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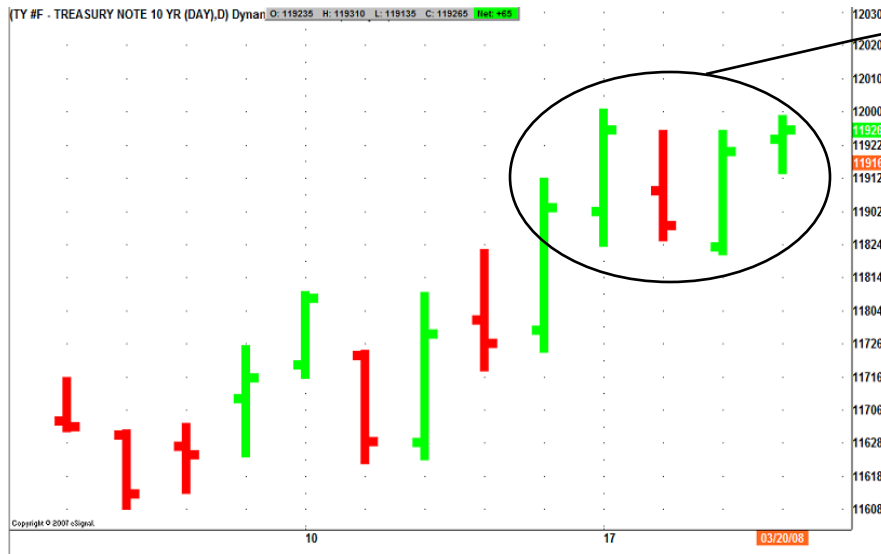
Commodities

- + Gold
- + Oil

Government Bonds: US Treasury Note (10yr)

OUR TRADING STANCE: SQUARE.

Last week we were bullish of the 10yr Note.



See how Treasuries held their gains as equity markets remained volatile despite Tuesday's Fed assisted rally, with investors preferring the relative security of the Treasury market, as traders increasingly expect the US to experience a severe recession.

Last week we remained bullish of this market following the news that Bear Sterns was bought by J P Morgan Chase with NYK Fed loans to prevent its collapse, which would have had serious domino effects on the Banking system.

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

- On Monday; Q4 C/A data was better than expected, Empire mfg survey was weaker than expected, net long term TIC flows were better than expected, industrial production was weaker than forecast and capacity utilisation was weaker than forecast,
- On Tuesday; PPI was mixed, Housing starts

were better than expected, Building permits were weaker than expected and the FOMC cut interest rates 75bp,

- On Wednesday; MBA Mortgage applications were weaker than expected, and
- On Thursday; Jobless claims were worse than expected and the Philly Fed survey was a little better than forecast.

The market rallied and held its gains last week as several data releases were weak prompting heightened speculation that the Fed will need to ease further in response to what many see as a looming deep US recession.



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+ FTSE 100
+ Dow Jones Eurostoxx50

Commodities

+ Gold
+ Oil

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; **existing home sales**,
- On Tuesday; **consumer confidence**,
- On Wednesday; MBA Mortgage applications, **durable goods and New home sales**,
- On Thursday; **Q4 GDP, Q4 Core PCE** and Jobless claims, and
- On Friday; **Personal income & spending, Core PCE and University of Michigan confidence**.

The key releases this week are highlighted in red, and we judge the housing market data as the most important, but Friday's personal spending and income releases are good indicators of consumer strength and should also be monitored closely.

The Macro Trader's view is; our target wasn't quite met last week, but the market closed on the highs which disguised the choppy intraday trading that included some sizeable ranges.

However we judge the rally in equities last week which reversed most of the gains in the Eurodollar market and had limited lasting impact on Treasuries, was likely a short covering rally in a bear market which we

don't expect to endure even though JPM Chase is upping its bid for Bear Sterns.

With several sensitive housing market reports due this week and consensus building in the market that the US is in for a long and deep recession, we judge Treasuries will prosper as inflation should eventually ease as growth weakens.

Additionally the Oil market suffered a significant correction last week which we have forecast and expect to extend.

If we are right, inflation will correct lower over the medium term, as inflation pressures globally, driven by the almost relentless rally in oil prices over the last 4 or 5 years abate.

But with stocks set to rally on the increased bid for Bear Sterns we have taken our profit and squared up and suggest other do likewise.

This week could prove choppy, but with several key reports due the following week we expect fresh buying opportunities to emerge.



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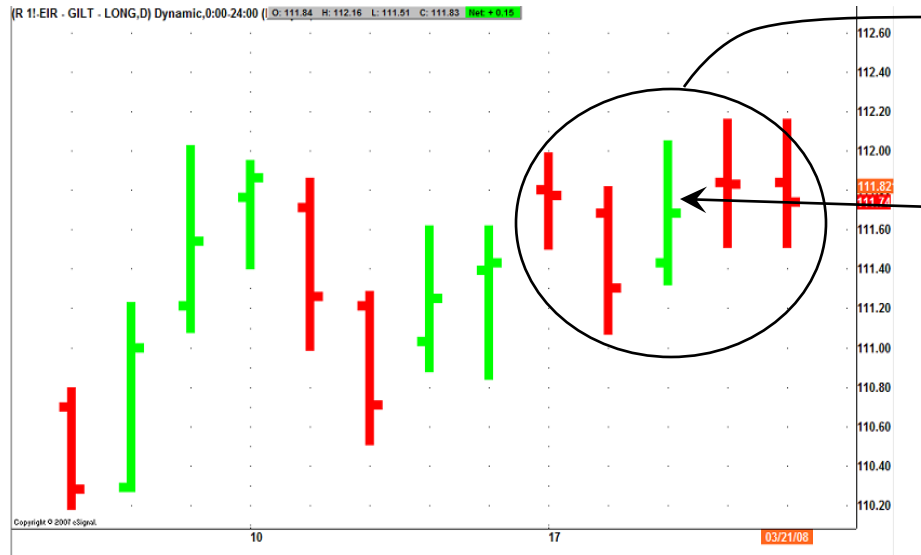
Commodities

- + Gold
- + Oil

Government Bonds: The Gilt

OUR TRADING STANCE: SQUARE.

Last week we were square of the Gilt.



See how the Gilt bucked the trend followed by other interest rate markets as traders continued to initially react negatively on Monday to the previous week's budget, only managing a rally on Tuesday after in line CPI with largely sideways trading thereafter.

Last week we were square of the Gilt as we sensed sentiment in this market was currently neutral to short term bearish, with the main support at the end of last week provided by developments in the US concerning Bear Sterns.

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

- On Tuesday; CPI was as expected, RPI was better than expected & RPI-X was as expected,
- On Wednesday; the MPC minutes were a little more bullish than expected, the unemployment report was a little weaker than expected, average earnings were better than expected

and the CBI Industrial trends report was better than expected, and

- On Thursday; retail sales were stronger than expected, PSNCR & PSNB were worse than expected and M4 Sterling lending was as expected.

The market found support from Tuesday's CPI and Wednesday's MPC minutes which with a 7/2 vote led to speculation of an April rate cut. This faded though after the release of stronger than expected retail sales data on Thursday, but ongoing volatility in equity markets limited the downside and the Gilt closed the week little changed from the previous week's close.



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Government Bonds: The Gilt

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

- On Monday; **Right move house price survey**,
- On Thursday; Q4 Total business investment, **BBA house purchase loans** and CBI Distributive trades survey, and
- On Friday; the **Nationwide house price survey**, Q4 GDP & Q4 C/A data.

This week's key releases are highlighted in red, and the evolution of the housing market correction is the main interest, but traders will continue to react to events in the US and equity market volatility which we see as remaining a feature of stocks for some time to come.

The Macro Trader's view is: last week's CPI was a source of support for this market as it was driven higher by the inclusion of price increases from the energy utilities.

Interestingly retail sales on Thursday had limited impact and we judge traders noted the part food sales had in this report.

However we remain square of this market. UK Government borrowing is forecast to rise and could turn out worse than expected if the economy cools in response to a weak housing market.

At the current rate we will likely see year on year house price declines in the next few months and as credit tightens further and repossessed homes hit the market, the situation could turn ugly.

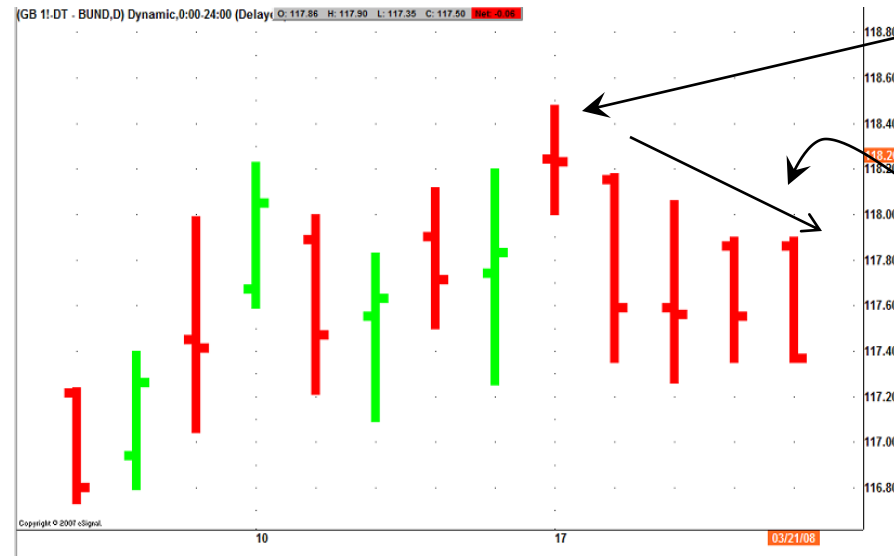
For now we judge the UK markets are best avoided as the Central Bank continues to adopt, what we see as a dangerously detached approach, and although weekend press flags a change is coming, we remain stunned that so far Bank of England liquidity help has been so insignificant given the economic and systemic risks.



Government Bonds: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were square of the Bund



See how the Bund had only a limited reaction to the Bear Sterns event last week, and not only gave back those gains quickly but weakened throughout the week, as Euro zone data continued to support the ECB'S hawkish stance on inflation.

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

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

- On Monday; Euro zone Q4 Employment data was less than expected and Italian C/A data was worse than forecast,
- On Tuesday; Italian trade data was mixed,
- On Wednesday; Italian industrial sales and orders were stronger than expected and Euro zone trade data was worse than forecast,

- On Thursday; German PPI was worse than expected and Euro zone PMI composite survey was weaker than expected and
- On Friday; French consumer confidence was stronger, Italian consumer confidence was weaker and retail sales were stronger than expected.

Last week's data was mainly bearish for the Bund as German PPI came in worse than expected, Italian industrial performance improved and Euro zone trade data worse than expected.

This resulted in the Bund largely ignoring the drama in the US as domestic data held sway over the market.



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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 Wednesday; French business confidence, Italian business confidence, Euro zone C/A data, **German IFO** and Euro zone industrial new orders,
- On Thursday; German GfK consumer confidence and Italian trade data, and
- On Friday; **German CPI and import prices** and French consumer confidence and Q4 GDP.

This week's key events are highlighted in red, and we judge the IFO report will prove to be the main event.

Weakness will add support to the Bund, but this report has held up very well and we don't expect it to be too far away from consensus, which will leave it under pressure.

The Macro Trader's view is: last week we said... "If today's panic subsides the Bund will quickly give back its gains, so we advise focussing on the US Treasury market where there are very valid reasons to go

long"...

And that was exactly what happened; the Fed cut rates on Tuesday, stocks staged a recovery and bonds eased lower, but the Bund was the weakest as the US 10Yr Note later recovered and closed near the highs.

After last week's price action we see little reason to change our stance. The Euro zone economy isn't displaying any signs of distress, but inflation is a problem for the ECB.

However the oil market suffered a big correction last week and we expect that to continue as a weak US economy depresses demand for energy. The result would be a general easing of inflationary pressures, which would be bullish for bonds.

For now we advise remaining square of this market, unless IFO is much weaker than expected, then the ECB would find its self faced with a set of tougher choices as growth would be at greater downside risk.



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Stocks

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

Commodities

- + Gold
- + Oil

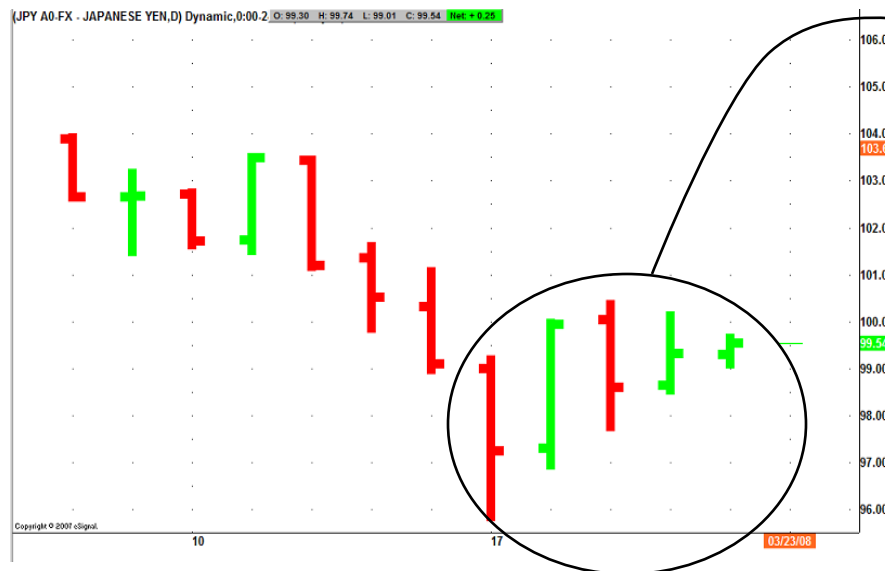
Currencies: The Dollar

OUR TRADING STANCE: SQUARE

Last week we were bearish of the dollar



See how the Dollar rallied last week as equities rallied following the Feds 75bp rate cut and commodities, especially Gold, came in for some heavy profit taking.



See how the Yen gave back its recent gains as the Bank of Japan was left without a leader and rumours circulated that the BOJ could soon cut rates by 25bp; they are currently 50bp.



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 bullish of the Dollar as growth data remained weak, but CPI showed moderation, but with Bear Sterns bought over the weekend, before it collapsed, we judged the Dollar looked set to weaken further.

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

- On Monday; Q4 C/A data was better than expected, Empire mfg survey was weaker than expected, net long term TIC flows were better than expected, industrial production was weaker than forecast and capacity utilisation was weaker than forecast,
- On Tuesday; PPI was mixed, Housing starts were better than expected, Building permits were weaker than expected and the FOMC cut interest rates 75bp,
- On Wednesday; MBA Mortgage applications were weaker than expected, and
- On Thursday; Jobless claims were worse than expected and the Philly Fed survey was a little better than forecast.

The Dollar staged a recovery last week even though several key reports were worse than expected. But equity markets recovered after the Fed cut rates and with the Fed's policy statement showing policy makers remain concerned with inflation leading two committee members to vote for a smaller ease, the Dollar rallied.

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

- On Monday; **existing home sales**,
- On Tuesday; **consumer confidence**,
- On Wednesday; MBA Mortgage applications, **durable goods and New home sales**,
- On Thursday; **Q4 GDP, Q4 Core PCE** and

Jobless claims, and

- On Friday; **Personal income & spending, Core PCE and University of Michigan confidence.**

This week's key events are highlighted red, and we advise monitoring both existing and new home sales closely, additionally Friday's personal spending and income offer an important insight to future demand.

The Macro Trader's view is: although several reports were clearly weaker:

- Industrial production,
- Capacity utilisation,
- Building permits, and
- Jobless claims.

The Dollar staged a recovery.

This was due in part to:

- the Fed cutting by 75bp when the market was seeking 100bp,
- The policy statement retaining a warning about inflation, and
- Two committee members voting against the 75bp option, preferring a smaller 50bp ease.

This together with the better performance of equities, which we see as a short covering rally, led to a general profit take in currencies and commodities as traders realised slow growth was the wrong reason to bid up energy and raw materials.

However we remain long term Dollar bears, but after being stopped out we are now content to remain sidelined, as this correction could go further, and we advise traders to stay square during this week. Next week all the heavy weight reports are due and the Dollar could experience renewed selling.

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

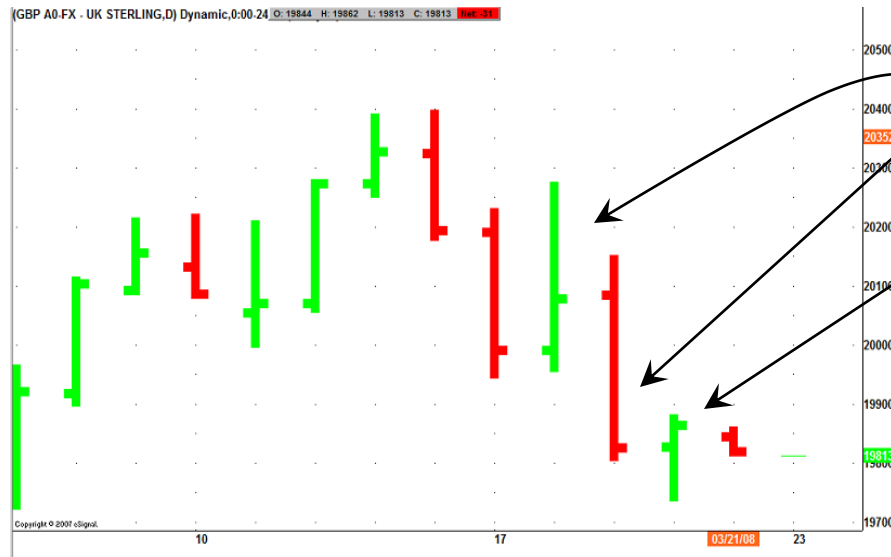
Commodities

- + Gold
- + Oil

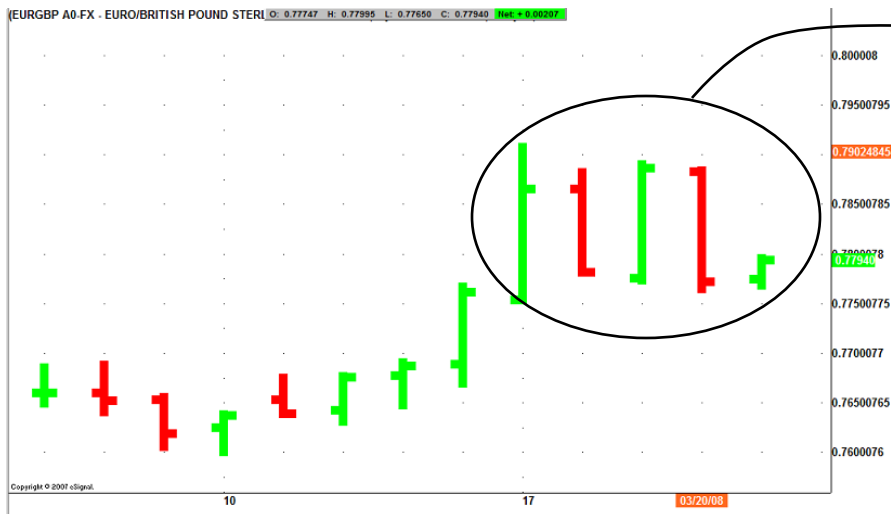
Currencies: The Pound Sterling

OUR TRADING STANCE: BEARISH V THE EURO.

Last week we were bearish of Sterling v the Euro and bullish of Cable.



See how Cable suffered a sharp correction last week as Tuesday's in line CPI report and Wednesday's MPC minutes rekindled hopes of an April rate cut from the MPC, but Thursday's stronger than expected retail sales halted the decline.



See how Sterling recovered from last week's lows against the Euro as a stronger Dollar helped to drag the Pound higher against the Euro.



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 were bearish of Sterling against the Euro, but square of Cable as we judged the Pound the weakest of the three currencies we follow.

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

- On Tuesday; CPI was as expected, RPI was better than expected & RPI-X was as expected,
- On Wednesday; the MPC minutes were a little more bullish than expected, the unemployment report was a little weaker than expected, average earnings were better than expected and the CBI Industrial trends report was better than expected, and
- On Thursday; retail sales were stronger than expected, PSNCR & PSNB were worse than expected and M4 Sterling lending was as expected.

The data last week wasn't bullish for Sterling as CPI met consensus, which in a month that included price hikes from the energy utilities was a big relief and even though retail sales was stronger than expected the gains were mainly driven by food sales, with other categories weaker.

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

- On Monday; **Right move house price survey**,
- On Thursday; Q4 Total business investment, **BBA house purchase loans** and CBI Distributive trades survey, and
- On Friday; the **Nationwide house price survey**, Q4 GDP & Q4 C/A data.

This week's key data releases are highlighted red, and they are focussed on the housing market which we see as the key to whether or not the UK economy experiences a mild slowdown or flirts with recession.

The Macro Trader's view is: our decision to take profit in Cable last week was timely as the Dollar staged a sharp recovery against most of the majors as traders took profit.

Against the Euro we expect the Pound to weaken further, but it has been dragged better short term, by the recovering Dollar.

Over all we remain bearish of Sterling against the Euro as we expect the UK Housing market to slow further and begin recording year on year price declines by mid year, as tighter credit and lack of confidence leads to a period of weakness.

This will, in our opinion feed through into slower consumer demand. The housing market in the UK has been "hot" for several years and a downturn will leave recent buyers with their homes being worth less than the purchase price.

Together with tighter lending conditions making remortgaging difficult, home owners coming to the end of fixed rate deals are facing sharply higher interest rate payments, the combination of rising interest payments and declining prices will prove toxic and will hit growth in the wider economy.

Traders should remain short of Sterling/Euro, our interim target is now 0.7900, but our stop remains at 0.7745 to protect profits.



Summary

Global Calendar

Interest Rate Futures

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- + Short Sterling
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- + Gilt
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Currencies

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- + Euro

Stocks

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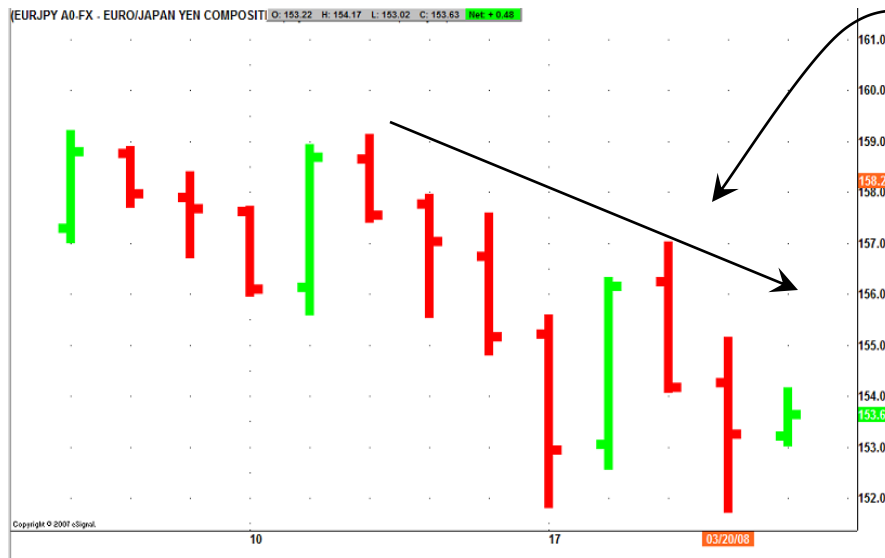
Commodities

- + Gold
- + Oil

Currencies: The Euro

OUR TRADING STANCE: BULLISH V STERLING

Last week we were bullish of the Euro



See how the Yen continued its recent recovery against the Euro as the Far East economies continue to be viewed as less at risk from the credit crisis and downturn facing the US and Europe.



See how the Euro weakened against the Dollar as traders took profit in currency and commodity positions as the 1st quarter draws to a close and amid a strong short covering rally in equities driven by the Fed's 75bp rate cut.



Summary

Global Calendar

Interest Rate Futures

+ Euro Dollars
+ Short Sterling
+ Euribor

Government Bonds

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+ 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 remained long of the following the rescue of US Bank Bear Sterns over the previous weekend which led to stocks selling off heavily as traders feared yet more bad news from the US.

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

- On Monday; Euro zone Q4 Employment data was less than expected and Italian C/A data was worse than forecast,
- On Tuesday; Italian trade data was mixed,
- On Wednesday; Italian industrial sales and orders were stronger than expected and Euro zone trade data was worse than forecast,
- On Thursday; German PPI was worse than expected and Euro zone PMI composite survey was weaker than expected and
- On Friday; French consumer confidence was stronger, Italian consumer confidence was weaker and retail sales were stronger than expected.

The Euro took little support from last week's data even though it was mainly supportive. The main dynamic driving currencies last week was the equity markets reaction to the Fed's rate cut and the sell off that hit commodity markets, that fed a wider round of profit taking in currencies.

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

- On Wednesday; French business confidence, Italian business confidence, Euro zone C/A data, **German IFO** and Euro zone industrial

new orders,

- On Thursday; German GfK consumer confidence and Italian trade data, and
- On Friday; **German CPI and import prices** and French consumer confidence and Q4 GDP.

The key releases due this week are highlighted in red, but we the one to watch is the German IFO report. This continues to hold up well and has proved to be a reliable indicator of economic strength in both the German and broader Euro zone economies.

The Macro Trader's view is: we were stopped out of our Dollar/Euro position by yet another Dollar correction which has been a repetitive feature in the Dollars decline.

The reasons for the move are understood but unlikely to endure as the US economy remains weak and showed fresh signs of weakness last week as both Industrial production and Capacity utilisation significantly under shot consensus.

However with equities still enjoying the after glow of the Fed's rate cut and J P Morgan considering a better offer for Bear Sterns as other bidders emerge, the Dollar's correction could continue through this week.

We advise traders to stay square of Dollar/Euro and await the following week's key US reports which we think will re-establish the Dollar's bear trend.

As for Sterling/Euro we advise traders to hold the position, and our interim target is now 0.7900, but our stop remains at 0.7745 for close 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

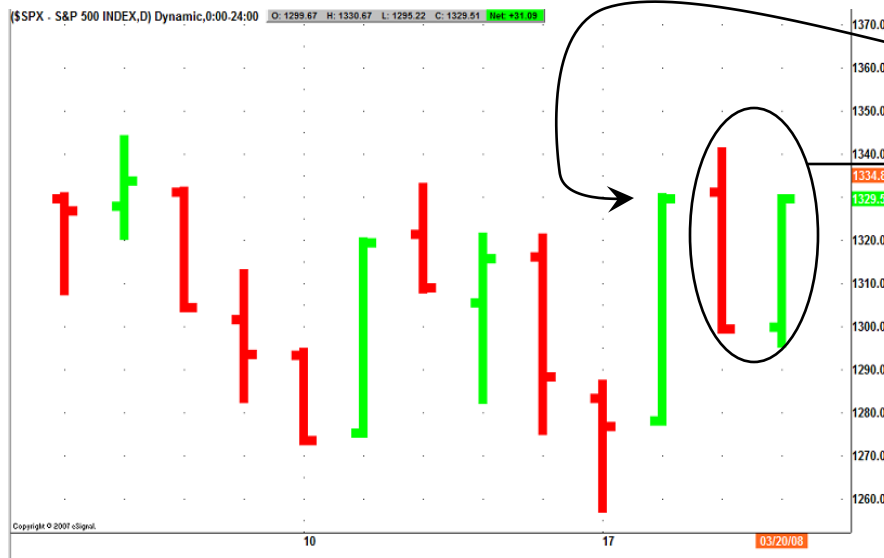
Commodities

- + Gold
- + Oil

Stocks: S&P 500

OUR TRADING STANCE: SQUARE.

Last week we were bearish of the S&P 500



See how stocks recovered on Tuesday after the Fed cut interest rates by 75bp, but note the volatility over the next two days as traders remained concerned that the liquidity drought which drove Bear Sterns to the Wall could be hurting other Banks.

Last week we remained bearish of this market following the news that J P Morgan Chase had bought Bear Sterns over the weekend in a deal put together at lightening speed with the aim of preventing Bears collapse which would have inflicted serious damage on markets generally and possibly posed a systemic risk.

And even though the Fed was set to ease policy at the regular FOMC meeting on Tuesday, we judged any rally would be a brief short covering correction.

In the event the market bounced hard and then experienced two days of high volatility culminating in stocks closing near their highs.

This move is largely born out of hope and faith:

- Hope that the end of the liquidity squeeze may be in sight, and
- Faith that the Fed will keep cutting rates to support the markets.

But the fundamentals are excluded from this scenario; the economy remains weak as evidenced by last week's release of Industrial production and capacity utilisation, and labour markets look set to deteriorate further as seen in last week's Jobless claims report.

This week all eyes will be on new and existing home sales and personal income and spending, so volatility is likely to remain a feature a while longer.



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: we were stopped out last week, but our close stop did its job and limited the impact.

And after J P Morgan Chase announced they were increasing their offer for Bear Sterns five fold as other bids emerged, with shareholders threatening to challenge the forced fire sale of the Bank, the S&P looks set to rally a little further.

Additionally several other investment Banks have beat profit forecasts and this too helps support the market.

But with home foreclosures increasing, today's better than expected existing home sales report may be a function of repossessed homes being sold off quickly and cheaply so that the lender:

- A. doesn't get saddled with an unwanted property in a weakening market, and
- B. recovers much of the original mortgage advance.

A more accurate picture will likely emerge with the release on Wednesday of the New Home Sales report which we expect to confirm housing market weakness.

For now we advise remaining square of this market, a high degree of uncertainty has arisen and makes risk reward look unfavourable.

Over the medium/long term we remain bearish and expect next week's heavy weight data to re-establish the bear trend.



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
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Currencies

- + US Dollar
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Stocks

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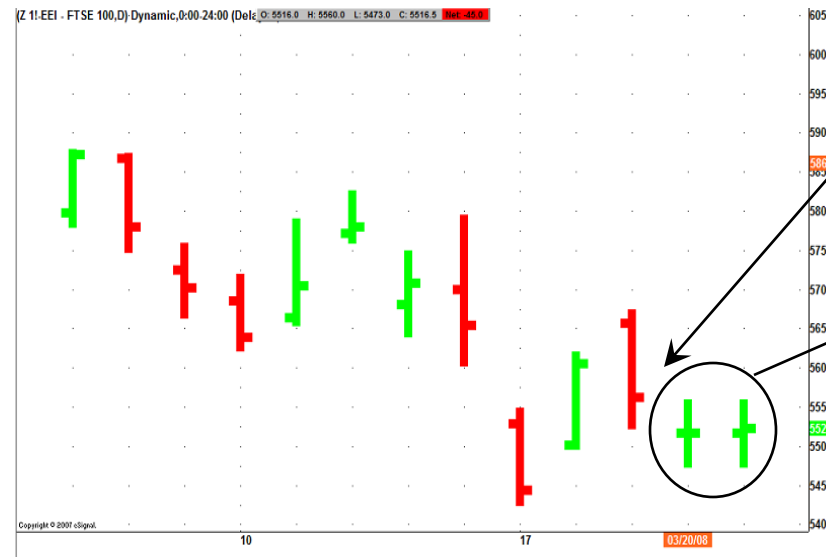
Commodities

- + Gold
- + Oil

Stocks: FTSE 100

OUR TRADING STANCE: SQUARE.

Last week we were bearish of the FTSE 100



See how the market the FTSE attempted a rally on Tuesday but couldn't hold the gains with a weak performance on Wednesday caused by rumours that HBOS was in trouble, and even though they were strenuously denied by HBOS and the authorities the market failed to follow US stocks higher.

Last week we held to our bearish view of this market ahead of several key releases due throughout the week:

- On Tuesday; CPI relaxed the traders nerves when it met consensus,
- On Wednesday; the MPC minutes showed a slightly more bullish 7/2 vote with John Gieve defecting to the doves, and
- On Thursday; retail sales were stronger than expected which was good news for retailers profitability, but not so good news for interest rates.

But the market was driven last week initially by the Bear Sterns story and then by the Feds rate cut, but the

FTSE was high jacked by rumours that HBOS was in trouble, which at one point on Wednesday saw an 18% drop in the Bank's share price before denials from HBOS, the B of E and the FSA finally convinced the market there wasn't any truth to the rumour.

Looking ahead this weeks key releases are again related to the housing market, and given the FTSE's failure to hold its higher levels last week we judge disappointing news will weigh heavily on the market.

And although Friday sees the final estimate of Q4 GDP we don't expect much market impact unless there are significant revisions.



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: FTSE 100

The Macro Trader's view is: our stop was hit last week, and even though the market promptly reversed and held near its lows, we remained sidelined.

Events in the US and the general volatility in the market led us to conclude that the risk reward in equities is currently unattractive.

Although we retain our medium/long term bearish view of stocks and the FTSE in particular, large intra-day ranges and volatility are making it very difficult to hold positions.

Either positions must be small to allow for a large stop; making gains small, or if a closer stop is used in anticipation of catching a large move, the position seems too easily stopped out.

However frustrations aside it is worth remembering the "big picture". The housing market in the UK continues to correct and if the current pace is maintained prices will begin to record year on year declines, which will make consumers and Bankers nervous.

For now we advise remaining square and watching the data.

Bear markets are always more frustrating than bull markets; there are usually short sharp sell offs followed by prolonged periods of short covering which makes it more difficult to build and hold a position, where as bull markets tend to experience prolonged steady spells of upward progression punctuated by short sharp corrections.



Summary

Global Calendar

Interest Rate Futures

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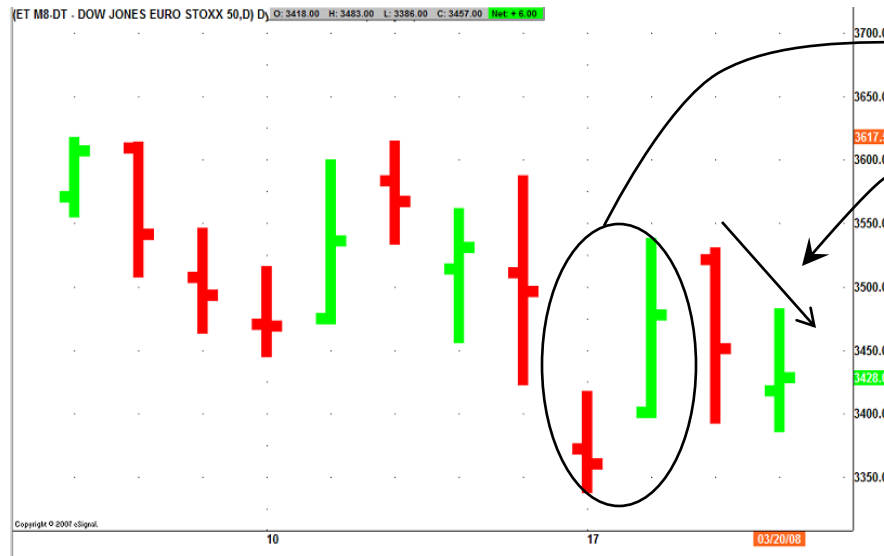
Commodities

- + Gold
- + Oil

Stocks: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were bearish of the DJ Euro Stoxx 50



See how the market recovered from Monday's sell off which was induced by events in the US as was Tuesday's rally, but note how the market drifted lower over the remainder of the week as Euro zone data continued to rule out any chance of a rate cut from the ECB.

Last week we remained bearish of this market as trader sentiment focussed squarely on the US economy which is now widely seen as in recession.

And events over the previous weekend involving Bear Sterns seemed to confirm that view as an evaporation of liquidity almost drove that Bank into failure before J P Morgan Chase, backed by Fed loans announced a rescue.

But unlike the US equity markets, the highs were not held and as data throughout the week confirmed the Euro zone economy remained well supported, with the ECB avoiding the need for emergency rate cuts, this

market found few reasons to rally.

Looking ahead this week's data is dominated by in the Euro zone by Wednesday's release of the German IFO report which has held up well throughout the recent months of turmoil in the markets, and at levels comfortably above 100, indicates future solid growth prospects for both Germany and the Euro zone.

Other data to watch this week is the German CPI report, needless to say further upward drift will alarm the ECB and push back further any chance of a rate cut.



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: last week we said ... “the long period of consolidation is over as the market retested the lows. And we expect the market to continue the journey down, albeit if not in a straight line”...

Those comments now appear a little premature based on the subsequent price action, but not without relevance as the market failed to hold the highs and closed the week lower.

But after our stop was missed during Tuesday's Fed induced rally, and because we were stopped out of our other two equity positions, we took profit when our

target was hit the 2nd time on Wednesday.

Given the general uncertainty and volatility in these markets we are in no hurry to re-enter and advise a square position.

We continue to view this market as bearish and intend re-establishing a short position as soon as market sentiment allows, which wont occur until the US short covering rally runs out of steam.

For now patience is required.



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
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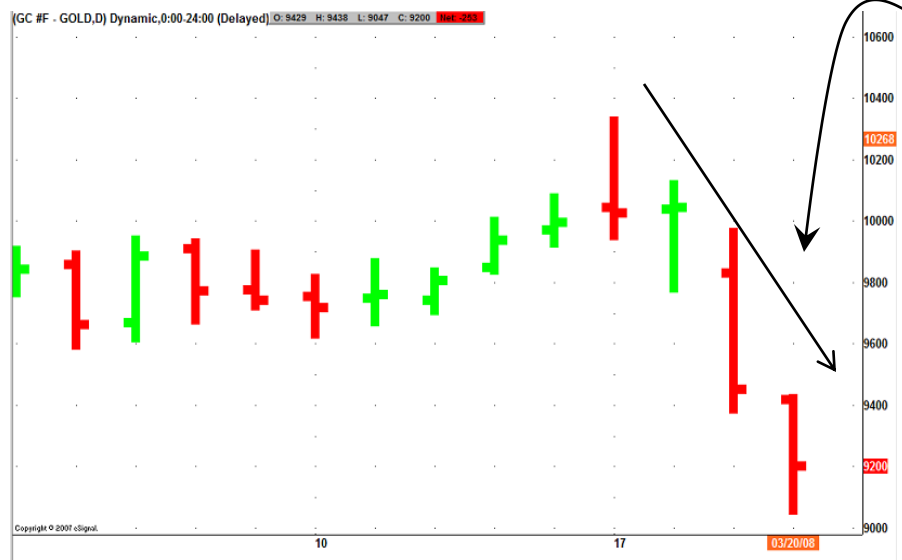
Commodities

- + Gold
- + Oil

Commodities: Gold

OUR TRADING STANCE: BULLISH

Last week we were bullish of Gold



See how Gold sold off heavily last week as a correction hit most commodity markets as the Dollar staged a recovery, stocks rallied and traders rushed to book profits.

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.

And with several important data releases due in the US we judged the market had further to go on the upside, especially when news broke over the weekend that Bear Sterns had been acquired by J P Morgan Chase with help from the NY Fed due to fears it was close to collapse after the previous Friday's injections of emergency liquidity, risked sending equity markets

sharply lower.

As we know the sell off on Monday, although steep, was reversed on Tuesday by the Fed's rate cut. The Dollar too recovered on hope the authorities might be able to end the credit squeeze which led to profit taking in commodities that saw the Gold price collapse in excess of US\$100.00 an ounce from Monday's highs.

With few heavy weight data releases due this week from the US we judge this market is likely to consolidate. But where it goes from here depends on events in the US. When liquidity dries up in mature markets, it's usually due to a collapse of confidence, if it can be restored liquidity will return.



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
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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; amid a turbulent week our stop was hit, but it protected a good proportion of the accumulated profit so it did its job.

From here we think the market will need time to consolidate. If the Dollar continues its correction, which we think it will throughout this week, gold will find it difficult to begin a fresh rally, and may test the lows further.

Longer term we remain bullish. Leaving last week's events aside, which we see as confirming the US economy's weakness rather than flagging an end to the crisis, there was enough fresh data out last week to confirm the economy is still slowing:

- Industrial production was well below consensus,
- Capacity utilisation recorded a large

contraction,

- Jobless claims continue to move higher towards a level consistent with recession, and
- PPI on the core measure was worse than expected, which contradicted the benign CPI report seen earlier.

On balance the economic reasons that led gold higher are still in play, but short term events are to the fore. Further more, although the crisis with Iran isn't currently centre stage, it hasn't been resolved and a new US President will have to tackle it upon taking office.

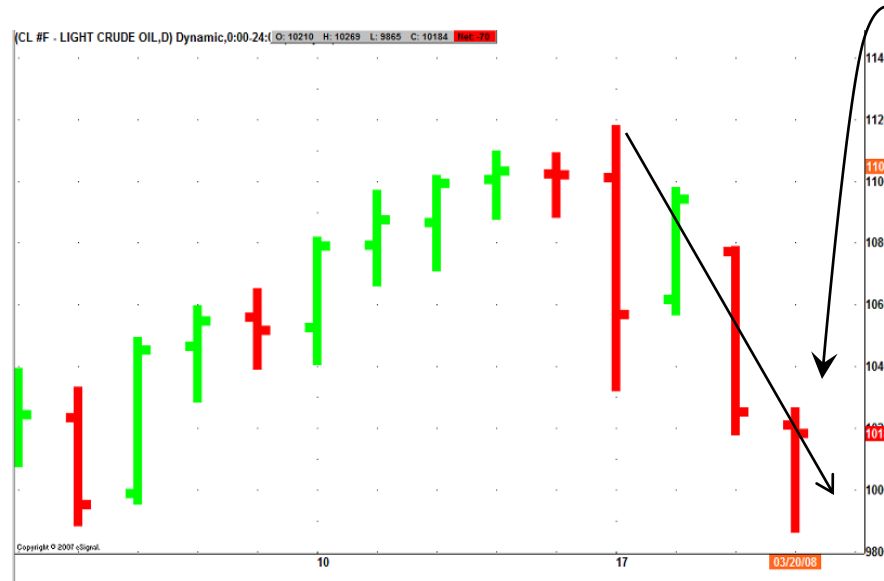
For now we advise remaining square; we don't think gold is a sell from here, but now doesn't look like the right time to buy.



Commodities: Oil

OUR TRADING STANCE: SQUARE

Last week we were bearish of Oil



See how oil traded lower last week as sentiment in all commodity markets turned leading traders to take profit. This might have been linked to the crisis with Bear Sterns forcing hedge funds to shrink their positions as lenders to highly leveraged firms re-assessed their risk exposure.

Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
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Government Bonds

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Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

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

Commodities

- + Gold
- + Oil

Last week we went short of oil as we held to our view that weaker economic growth, especially in the US the world's largest economy and energy consumer, would ultimately see the oil price ease lower.

And that occurred in a quite dramatic sell off that saw heavy selling in many commodity markets. With US economic data continuing weak last week, and as rumours circulated that the Bank of Japan may itself soon reduce interest rates in Japan from 0.50bp to 0.25bp, the oil price looked unsustainably high and collapsed; briefly trading below US\$100.00 a barrel for the 1st time in weeks.

However with equity markets in the US holding their gains on hopes of the end of the credit crunch might be in sight and with the Dollar enjoying a short covering rally, the oil price could struggle to go any lower from here short term.

The lack of heavy weight data in the US this week, will likely leave markets directed by sentiment and currently it has turned positive.

And if traders begin to judge the Feds several large rate cuts will quickly revive the economy, oil prices could begin to recover.



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Stocks

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- + FTSE 100
- + Dow Jones Eurostoxx50

Commodities

- + Gold
- + Oil

Commodities: Oil

The Macro Trader's view is; after the developments of last week, especially those in the US over the previous weekend that saw the NYK Fed provide J P Morgan Chase with assistance in purchasing Bear Sterns at roughly a sixth of its last listed market value, under pressure from the US Treasury, we judge the US economy remains on track for a major economic contraction.

The fact that JPM Chase has now upped its bid has nothing to do with a sudden turn round in the economy, but everything to do with other bidders emerging due to the fire sale price and threats of litigation from Share holders.

The UK although smaller, but still a major economy, is travelling in the same direction and by contagion due to the globalisation of economies and credit markets the other leading economies are unlikely to escape unharmed, and indeed rumours went through markets

last week that the BOJ was about to ease.

In this environment we judge the current market level of oil remains unsustainable over the longer term; even after last week's sell off.

But the market may struggle short term to make fresh lows from here and after our target was materially surpassed we have taken profit.

For now we advise a square position, but given our views we expect to re-establish a short position in the near future.

That may well be next week when the US releases a whole batch of heavy weight data that is likely to confirm the US economy continues to weaken with the bottom currently out of sight, which should weigh further on the oil price.



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