



Week 35

2nd – 8th September 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

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SQUARE short , medium & long term

BULLISH short , medium & long term

SQUARE short, medium & long term

Government Bonds

- + US 10yr Note
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SQUARE short, medium & long term

BULLISH short, medium & long term

BULLISH short , medium & long term

Currencies

- + US Dollar
- + Pound Sterling
- + Euro

BULLISH short, medium & long term

BEARISH v the Dollar

BEARISH short, medium & long term

Stocks

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

SQUARE short, medium & long term

SQUARE short, medium & long term

BEARISH short , medium & long term

Commodities

- + Gold
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BEARISH short, medium & long term

BEARISH short , medium & long term



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	Week of 25 th August
Monday	US Existing home sales 5.0M BETTER DM Import prices 0.6m, 9.3y WORSE THAN EXPECTED
Tuesday	US Case shiller hme prces 167.69 WEAKER US Cons conf 56.9 STRONGER US New Home sales 515k WEAKER US Hse prces indx 0.0% BETTER US FOMC Minutes ON HOLD UK BBA Loans 22.448 AS DM Q2 GDP -0.5q, 1.7y AS DM GFK Cons conf 1.5 WEAKER DM IFO 94.8 WEAKER THAN EXPECTED
Wednesday	US MBA Mrtge apps -1.5% WEAKER US Durable goods 1.3% STRONGER US Ex-transport 0.7 STRONGER IT Cons 99.5 STRONGER THAN EXPECTED

	Week of 1 st September
Monday	US HOLIDAY UK PMI Mfg 44.1 UK M4 Strlg Indg n/f UK Net cons Cr 0.8B UK Net Indg on dwellings 3.1B UK Mrtge apps 36k IT PMI Mfg 46.3 FR PMI Mfg 45.1 DM PMI Mfg 49.9 EZ PMI Mfg 47.5
Tuesday	US ISM Mfg 49.7 US ISM Prcs paid 82.5 US Construct'n spndg -0.5% UK PMI Construction 36.0 EZ PPI 1.3m, 9.1y
Wednesday	US MBA mrtge apps n/f US Challenger job cuts n/f US Factory orders 1.0% US Feds Beige bk UK PMI Services 47.0 UK BRC Shop prces n/f IT Business conf 84.0 IT PMI Services 46.5 FR PMI Services 48.5 DM PMI Services 50.6 EZ PMI Services 48.2 EZ Retail sales -0.1m, -2.1y EZ Q2 GDP -0.2q, 1.5y



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	Week of 25 th August Cont'd
Thursday	US Q2 GDP 3.3% STRONGER US Q2 Persnl consumpt'n 1.7% BETTER US Q2 PCE 2.1% AS US Q2 GDP Price indx 1.2% WORSE US Jobless claims 425k BETTER UK Nationwide Hse prces -1.9m, -10.5y WORSE UK CBI Distributive trdes -46 WEAKER UK GFK Cons conf -36 BETTER DM ILO 7.3 AS DM Unemploy'm't chge -40k BETTER DM Unemploy'm't rate 7.6% BETTER DM CPI -0.3m, 3.1y BETTER EZ M3 9.6% 3m/3m STRONGER EZ M3 9.3 y/y STRONGER IT PPI 0.5m, 8.3y BETTER EZ Cons conf -19 BETTER EZ Economic conf 88.8 BETTER THAN EXPECTED
Friday	US Persnl income -0.7 WEAKER US Persnl spndg 0.2 WEAKER US PCE Core 0.3m, 2.4y AS US PCE Deflator 4.5y WORSE US Chicago PMI Mfg 57.9 STRONGER US U. of Michigan conf 63.0 BETTER IT Retail sales -0.5m, -3.4y WEAKER IT CPI 0.1m, 4.0y AS EZ Unemploy'm't rate 7.3m, AS EZ CPI 3.8y BETTER THAN EXPECTED

	Week of 1 st September Cont'd
Thursday	US Q2 Non-farm productivity 3.0% US Q2 Unit labour costs 0.6% US Jobless claims 430k US ISM non-mfg 49.5 UK MPC Rate decision 5.0% FR ILO Unemploy'm't 7.2% FR ILO Chge -50k DM Factory orders 0.0m, -3.4y EZ ECB Rate decision 4.25%
Friday	US Non-farm payroll -71k US Unemploy'm't rate 5.7% US Avge hrly earnings 0.3%, 3.4%y US Avge weekly hrs 33.6 IT Trade bal n/f IT Trade EU n/f DM Industril prod -0.3%y, 0.9%y



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Interest Rate Futures: Euro Dollars March 09

OUR TRADING STANCE: SQUARE.

Last week we were square March 09.



See how Eurodollars rallied last week even though data came in mainly better than expected, but the benign tone of the FOMC minutes released on Tuesday, suggesting policy will remain on hold helped the market move higher.

Last week we remained square of this market as data remained mixed and Eurodollars continued to drift rather than trend.

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

- On Monday; Existing home sales; better than expected,
- On Tuesday; Case Shiller home price survey; weaker than expected, consumer confidence; stronger than expected, New Home sales; weaker than expected, House price index; better than expected and FOMC minutes for August 5 meeting; policy on hold,
- On Wednesday; MBA Mortgage applications; weaker than expected and Durable goods;

stronger than expected,

- On Thursday; Q2 GDP; stronger than expected, Q2 Personal consumption; better than expected, Q2 PCE; as expected, Q2 GDP Prices; worse than expected and Jobless claims; better than expected, and
- On Friday; Personal income & spending; weaker than expected, Core PCE; as expected, Chicago PMI Mfg; stronger than expected and University of Michigan confidence; better than expected.

The market rallied last week even though data was broadly better than forecast, especially Q2 GDP, but that quarter was driven by tax rebates, Q3 may look different.



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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 Tuesday; **ISM Mfg survey** and construction spending,
- On Wednesday; MBA Mortgage applications, Challenger job cuts, factory orders and the Feds Beige book,
- On Thursday; Q2 Non-farm productivity, Q2 Unit labour costs, **Jobless claims and ISM Non-mfg survey**, and
- On Friday; **Non-farm payroll, unemployment rate**, average hourly earnings and average work week.

The key events this week are highlighted red, and we advise watching both ISM surveys and the payroll report closely.

If the economy really is recovering, the two ISM reports will improve, even if the payroll number remains negative, but a much worse than expected non-farm payroll report would open up the whole debate.

The Macro Trader's view is; although Eurodollars

retreated from their highs after the stronger than expected GDP report, the market still managed to close up on the week.

This is likely due to two reasons:

1. The Fed remains concerned about the risks to growth and financial market stability, and although inflation is a concern, policy makers expect it to correct lower, and
2. It is by no means clear whether the strength seen in Q2 GDP can continue or is a blip bought by the tax rebate cheques.

One piece of evidence released last week; personal spending and personal income, came in weak, especially income, so the economy may struggle to carry the Q2 momentum in Q3.

But policy makers indicated that the next move was likely to be a hike, and although that still seems several quarters off, we judge that makes this market un-interesting unless data develops unambiguously in one direction.

This leads us to advise remaining square.



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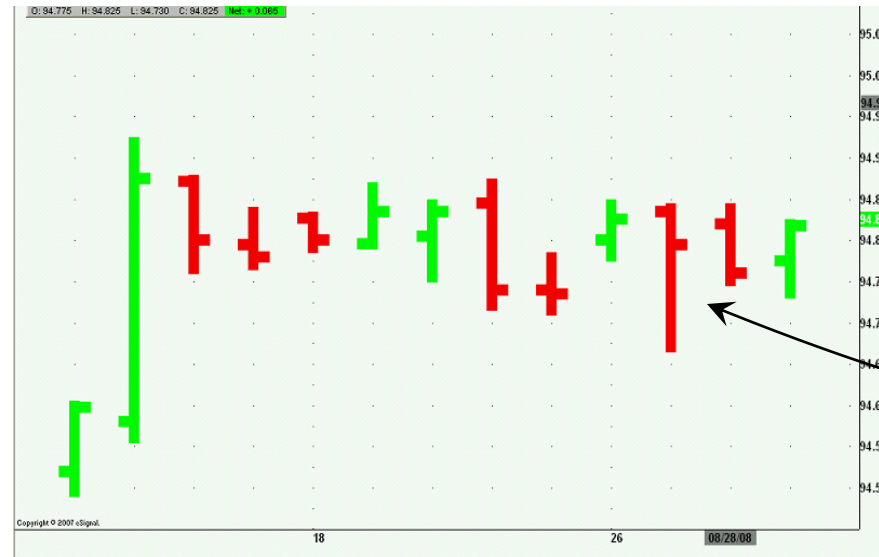
Commodities

- + Gold
- + Oil

Interest Rate Futures: Short Sterling March 09

OUR TRADING STANCE: BULLISH.

Last week we were bullish of March 09.



See how Short Sterling traded sideways last week, albeit with significant intra-day volatility on Wednesday.

Last week we remained bullish of March 09 Short Sterling as we doubted the accuracy of recent retail sales reports which have been unusually volatile for the last 3 months; contradicting other evidence reporting weakness.

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

- On Tuesday; BBA Loans; as expected, and
- On Thursday; Nationwide house price survey; weaker than expected CBI Distributive trades survey; weaker than expected and GFK consumer confidence; better than expected,

The market overcame Wednesday's sell off, rallying on another weak Nationwide house price report which was the only heavy weight data release of the week.

With Cable making new lows and oil threatening to rally on the tension with Russia, Short Sterling suffered a nervous days trading on Wednesday as fears of rising inflation were re-ignited until Thursday's house price survey steadied the market, and promptly re-focussed attention back to the risk of recession.



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Commodities

- + Gold
- + Oil

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**, M4 Sterling lending, **net consumer credit**, **net lending on dwellings and mortgage applications**,
- On Tuesday; PMI Construction survey,
- On Wednesday; **PMI Services** and BRC Shop prices, and
- On Thursday; **MPC interest rate decision**.

This week's key releases are highlighted red, and since no one expects policy to change at Thursday's MPC meeting we don't see that as the key event.

This week traders should monitor the two main PMI surveys and the lending data due on Monday.

The Macro Trader's view is: the MPC looks like its travelling with both eyes on the rear view mirror.

Ok inflation is a current risk, but David Blanchflower correctly warns that it will collapse as the economy goes into recession, and unless rates are cut that

recession will be worse than necessary.

But the Bank led by Mervin King, have been behind the curve since the credit crisis first struck; at first failing to provide emergency liquidity and when they did it was too restrictive causing Banks to turn off the lending taps and send the economy head long towards recession.

Lets not forget it was initially the lack of liquidity in the wholesale money markets that turned a drama into a crisis when LIBOR ran at levels way above the base rate for a prolonged period.

Now we judge policy will indeed be eased as this year concludes and due to the delay further than originally thought possible.

Traders should remain long of this market, our wide stop kept us in a market that we judge has much further to rally.

Our interim target remains set at 95.00 and our suggested stop is left at 94.58 for protection.



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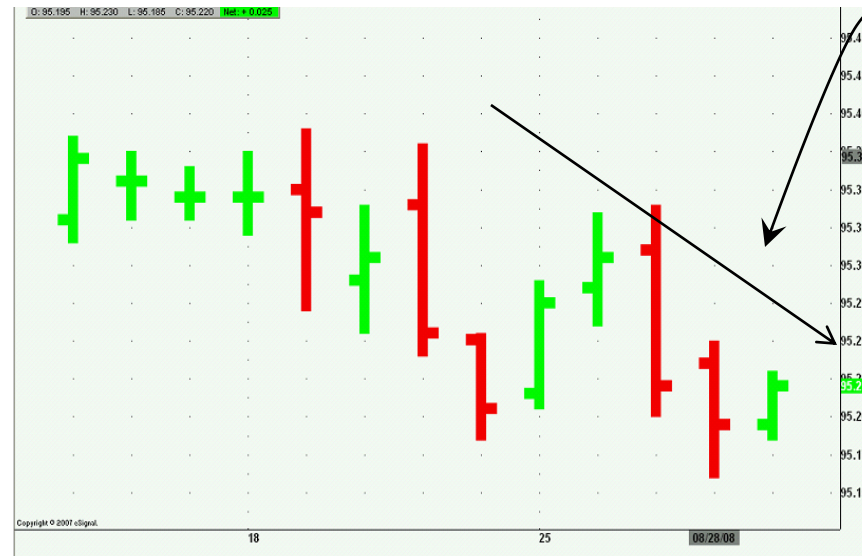
Commodities

- + Gold
- + Oil

Interest Rate Futures: Euribor March 09

OUR TRADING STANCE: SQUARE.

Last week we were bullish of March 09.



See how Euribor sold off further last week even though German IFO came in weaker than expected, driven by new mutterings on inflation from the ECB.

Last week we remained bullish of this market as we judged up coming data would help the market recover from the recent correction lower.

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

- On Monday; German import prices; worse than expected,
- On Tuesday; German Q2 GDP; as expected, GfK Consumer confidence; weaker than expected and IFO Survey; weaker than expected,
- On Wednesday; Italian consumer confidence; stronger than expected,
- On Thursday; German unemployment data;

better than expected, CPI; better than expected, Euro zone M3; stronger than expected, Consumer confidence & economic confidence; better than expected and Italian PPI; better than expected, and

- On Friday; Italian retail sales; weaker than expected & CPI; as expected and Euro zone unemployment rate; as expected and CPI; better than expected.

The market sold off from Wednesday on the combination of briefly higher oil prices and inflation rhetoric from the ECB even though inflation data released during the week was broadly better than expected.



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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 Monday; **Italian, French, German & Euro zone PMI Manufacturing surveys**,
- On Tuesday; **Euro zone PPI**,
- On Wednesday; **Italian business confidence, PMI Services, French PMI Services, German PMI Services and Euro zone PMI Services**, retail sales and **Q2 GDP**,
- On Thursday; French unemployment data, German factory orders and the **ECB interest rate decision**, and
- On Friday; Italian trade data and German industrial production.

This week's key releases are highlighted in red, and we advise monitoring the various PMI reports, Thursday's ECB meeting and Trichet's press conference.

We don't expect the ECB to change interest rates, but what Trichet has to say will be interesting, especially

after the hawkish remarks last Thursday.

The Macro Trader's view is; we were stopped out last week as the market corrected lower, driven by a brief spike in oil prices on Russian tension and comments from the ECB which rang fresh alarm bells on inflation, even though Euro zone CPI receded.

When we went long last week we were aware that the position could prove a strategic rather than immediate trade.

In the absence of a near term rate cut, the market would have required a run of weak data to sustain it; paradoxically that occurred but traders got the wind up when the ECB started warning about inflation.

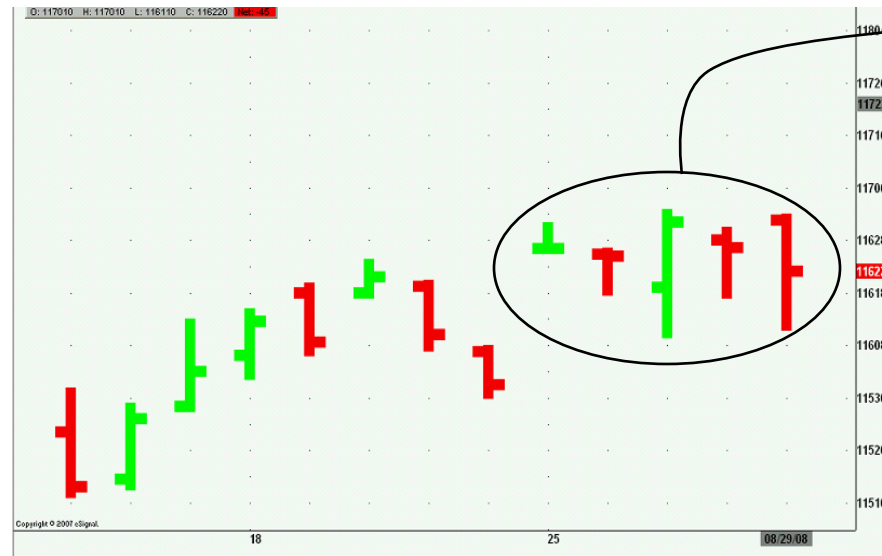
For now we advise staying square of this market, but the current environment works for a long position in the Euro Bund.



Government Bonds: US Treasury Note (10yr)

OUR TRADING STANCE: SQUARE.

Last week we were square of the 10yr Note.



See how The 10Yr Note appeared to rally last week, but the move had more to do with the roll over from the September to December contract.

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Commodities

- + Gold
- + Oil

Last week we remained square of this market as we judged data too mixed to justify a position. With the Fed concerned about inflation but worried about growth, inertia makes us cling to the sidelines.

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

- On Monday; Existing home sales; better than expected,
- On Tuesday; Case Shiller home price survey; weaker than expected, consumer confidence; stronger than expected, New Home sales; weaker than expected, House price index; better than expected and FOMC minutes for August 5 meeting; policy on hold,
- On Wednesday; MBA Mortgage applications; weaker than expected and Durable goods;

stronger than expected,

- On Thursday; Q2 GDP; stronger than expected, Q2 Personal consumption; better than expected, Q2 PCE; as expected, Q2 GDP Prices; worse than expected and Jobless claims; better than expected, and
- On Friday; Personal income & spending; weaker than expected, Core PCE; as expected, Chicago PMI Mfg; stronger than expected and University of Michigan confidence; better than expected.

The market moved sideways last week when the effects of the rollover are removed, but with the Fed on hold traders need a clear run of data in one direction or another.

More



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Government Bonds: US Treasury Note (10yr)

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

- On Tuesday; **ISM Mfg survey** and construction spending,
- On Wednesday; MBA Mortgage applications, Challenger job cuts, factory orders and the Feds Beige book,
- On Thursday; Q2 Non-farm productivity, Q2 Unit labour costs, **Jobless claims and ISM Non-mfg survey**, and
- On Friday; **Non-farm payroll, unemployment rate**, average hourly earnings and average work week.

The key events this week are highlighted red and we sense that Friday's non-farm payroll report will have the last word.

The PMI surveys were better than expected last month, can that continue, if it does and payrolls aren't too negative this market will struggle.

The Macro Trader's view is; the market continues to behave in a way that encourages us to remain sidelined.

With data mixed and the Fed still struggling to reconcile the diametrically opposed forces vying for its attention, we judge US fixed income markets are still best left alone.

While the potential exists for the US economy to suffer a fresh bout of weakness, the mixed nature of data is more consistent with a turning point, but this seems to lack sufficient credibility due to the continued weakness of the housing market and the stresses still evident in financial markets, with the Central Bank still required to offer large regular tranches of liquidity.

Quite literally, until the situation becomes clearer, we see no need to get involved when other major markets seem more straight forward.



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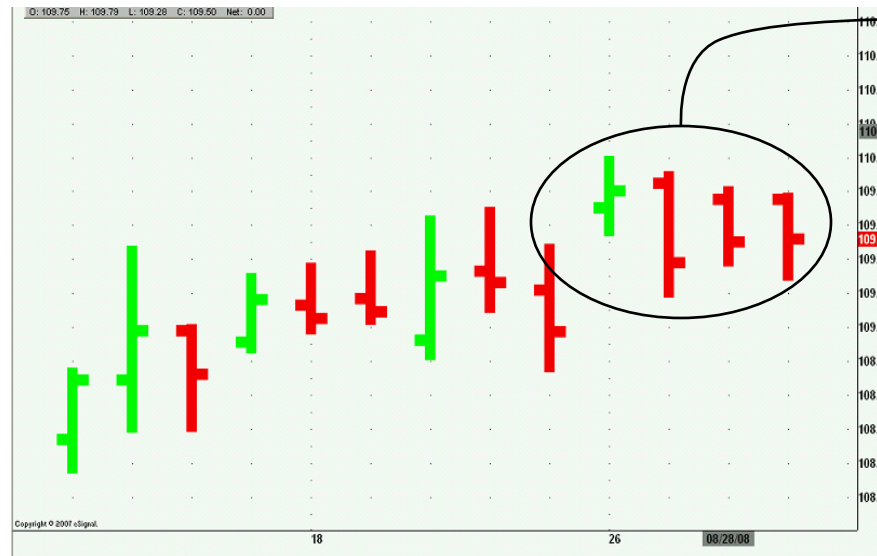
Commodities

- + Gold
- + Oil

Government Bonds: The Gilt

OUR TRADING STANCE: BULLISH.

Last week we were bullish of the Gilt.



See how the Gilt drifted lower last week as Sterling suffered against the Dollar and Euro and the FTSE enjoyed a good week, helped by take over rumours surrounding J Sainsbury's.

Last week we remained bullish of the Gilt as we judged interest rates would be held for a further period, even if a recession loomed, due to the Bank's ill ease over inflation, with Gilt yields driven lower by the rapidly slowing economy.

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

- On Tuesday; BBA Loans; as expected, and
- On Thursday; Nationwide house price survey; weaker than expected CBI Distributive trades survey; weaker than expected and GFK consumer confidence; better than expected,

The Gilt traded sideways last week as the only major data release; Nationwide house price index, showed further stress in the housing market.

But with Sterling under pressure and Stocks looking buoyant, we judge the market held up well and looks set for further gains.



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Government Bonds: The Gilt

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

- On Monday; **PMI Manufacturing survey**, M4 Sterling lending, **net consumer credit**, **net lending on dwellings and mortgage applications**,
- On Tuesday; PMI Construction survey,
- On Wednesday; **PMI Services** and BRC Shop prices, and
- On Thursday; **MPC interest rate decision**.

This week's key releases are highlighted in red, and we expect fresh evidence of the gathering gloom from the PMI surveys.

But with the Bank of England still worried about inflation, no help from monetary policy is likely this week, which should see the Gilt advance on a yield curve move.

The Macro Trader's view is: our target wasn't met last week, but we judge the Gilt is poised to go higher.

With even the Chancellor predicting the worst downturn seen for 60 years, the Bank of England's inactivity on short term interest rates will drive long term yields lower as traders judge inflation over the medium/long term will collapse to well below target as growth turns negative.

So even though the governments finances are set to deteriorate during this period, that takes second place to the prospect of recession.

Traders should remain long of this market, our interim target remains 110.30 and our stop stays at 108.55 for closer protection.



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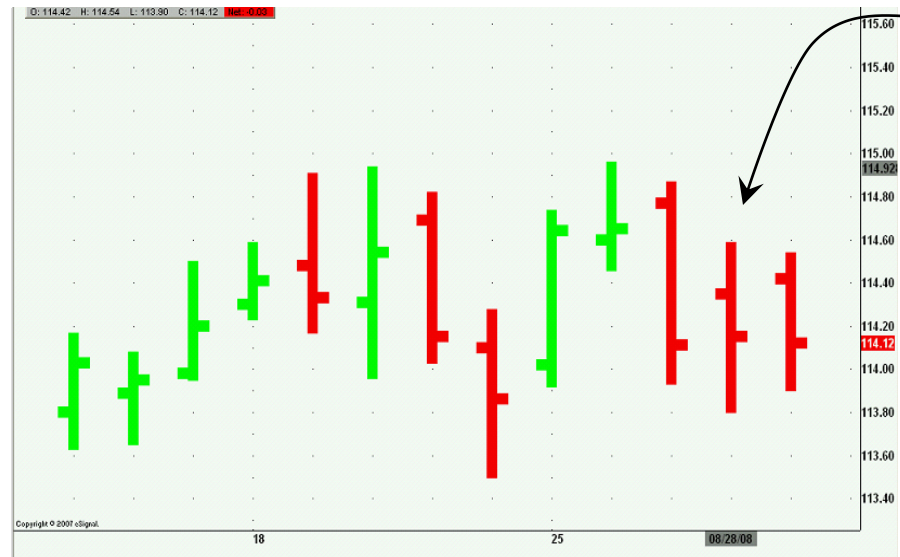
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Government Bonds: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were bullish of the Bund



See how the Bund gave back its gains late last week as the ECB once again rang alarm bells over inflation on Thursday which coincided with a brief spike in oil prices that day.

Last week we remained bullish of this market as Euro zone data continued to weaken, and with a rate cut some months off due to inflationary pressures, the Bund is driven higher by growing evidence of economic weakness.

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

- On Monday; German import prices; worse than expected,
- On Tuesday; German Q2 GDP; as expected, GFK Consumer confidence; weaker than expected and IFO Survey; weaker than expected,
- On Wednesday; Italian consumer confidence; stronger than expected,

- On Thursday; German unemployment data; better than expected, CPI; better than expected, Euro zone M3; stronger than expected, Consumer confidence & economic confidence; better than expected and Italian PPI; better than expected, and
- On Friday; Italian retail sales; weaker than expected & CPI; as expected and Euro zone unemployment rate; as expected and CPI; better than expected.

The Bund ignored the weaker IFO report and better than expected CPI report and traded down on the ECB'S remarks on inflation and temporarily rising oil prices.



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Government Bonds: The Bund

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

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- On Wednesday; **Italian business confidence, PMI Services, French PMI Services, German PMI Services and Euro zone PMI Services**, retail sales and **Q2 GDP**,
- On Thursday; French unemployment data, German factory orders and the **ECB interest rate decision**, and
- On Friday; Italian trade data and German industrial production.

This week's key events are highlighted in red, and we judge the various PMI reports should be closely watched.

But we judge Trichet's press conference on Thursday will prove the main event for this market.

Traders will be seeking greater clarity from the ECB after Trichet led traders to believe, at last month's press conference, policy wouldn't rise any further.

The Macro Trader's view is: despite a weak German IFO report and slight reduction in CPI the Bund was unable to build on its earlier gains.

The oil market spike on tension with Russia was likely the main reason, although untimely remarks on inflation from the ECB didn't help.

However, we judge the ECB remarks were designed to prevent Euribor traders from taking the market too far to soon and we expect the Bund to rally further.

Traders should remain long of this market, our interim target remains 115.50 and our stop remains at 113.50 for protection, but allow for wide intra day ranges.



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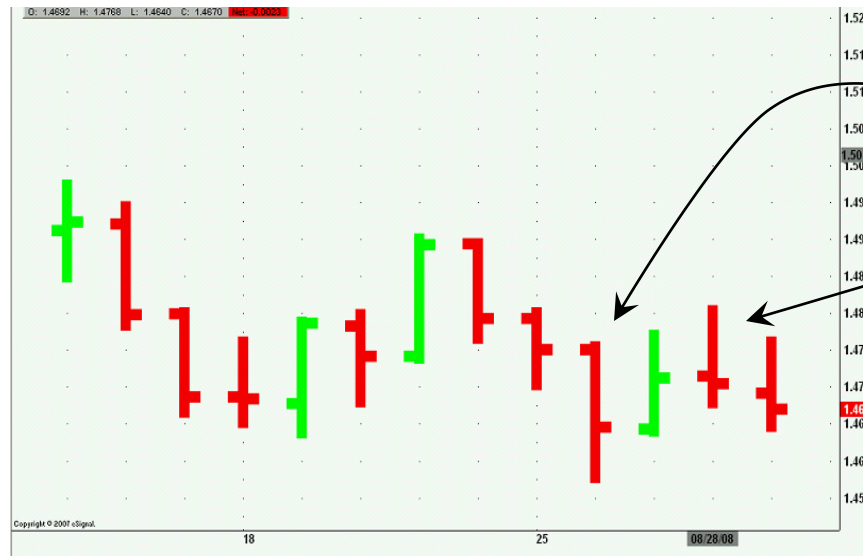
Commodities

- + Gold
- + Oil

Currencies: The Dollar

OUR TRADING STANCE: BULLISH

Last week we were bullish of the dollar



See how the Dollar added to its gains as the FOMC minutes released on Tuesday, indicated the Fed remains on hold and Q2 GDP released on Thursday came in better than expected.



See how the Dollar slipped against the Yen as tension with Russia worked in the Japanese currency's favour.



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Currencies: The Dollar

Last week we remained bullish of the Dollar as traders continued to focus on economic weakness abroad, and with last week's PPI worse than expected, the Dollar was supported by the view that the next policy move would eventually be up.

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

- On Monday; Existing home sales; better than expected,
- On Tuesday; Case Shiller home price survey; weaker than expected, consumer confidence; stronger than expected, New Home sales; weaker than expected, House price index; better than expected and FOMC minutes for August 5 meeting; policy on hold,
- On Wednesday; MBA Mortgage applications; weaker than expected and Durable goods; stronger than expected,
- On Thursday; Q2 GDP; stronger than expected, Q2 Personal consumption; better than expected, Q2 PCE; as expected, Q2 GDP Prices; worse than expected and Jobless claims; better than expected, and
- On Friday; Personal income & spending; weaker than expected, Core PCE; as expected, Chicago PMI Mfg; stronger than expected and University of Michigan confidence; better than expected.

The Dollar generally traded better over the week as US data contrasted favourably with reports from other major economies, re-enforcing the view that things can only improve with the US economy, while the others are still weakening.

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

- On Tuesday; **ISM Mfg survey** and construction spending,
- On Wednesday; MBA Mortgage applications, Challenger job cuts, factory orders and the Feds Beige book,
- On Thursday; Q2 Non-farm productivity, Q2 Unit labour costs, **Jobless claims and ISM Non-mfg survey**, and
- On Friday; **Non-farm payroll, unemployment rate**, average hourly earnings and average work week.

This week's key events are highlighted red and we judge the ISM reports and non-farm payroll are the ones to watch. Traders expect another weak payroll report, but after last months stronger ISM data a set back here could rattle the Dollar.

The Macro Trader's view is: the Dollar largely consolidated its recent gains last week, but after a stronger than expected Q2 GDP report, the current rally should extend further, and although we are suspicious that Q2 strength may not repeat, the other major economies look in worse shape than the US and that will help the Dollar moving forward.

Traders should stay long of the Dollar against the Euro and Sterling:

- Against the Euro, our interim target remains 1.4500 and our stop stays at 1.4800 for closer protection, and
- Against Sterling, our interim target is reduced to 1.7900 and our stop is reduced to 1.8520 for closer 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

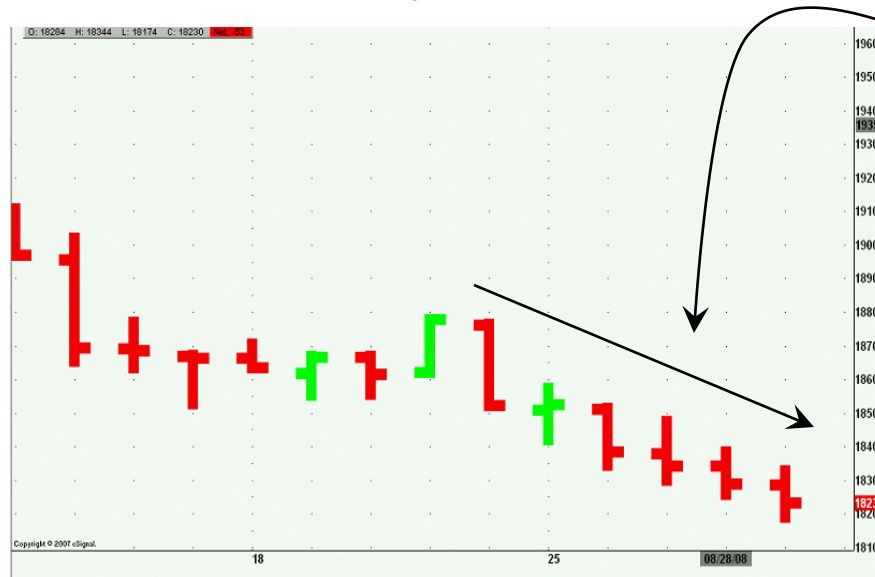
Commodities

- + Gold
- + Oil

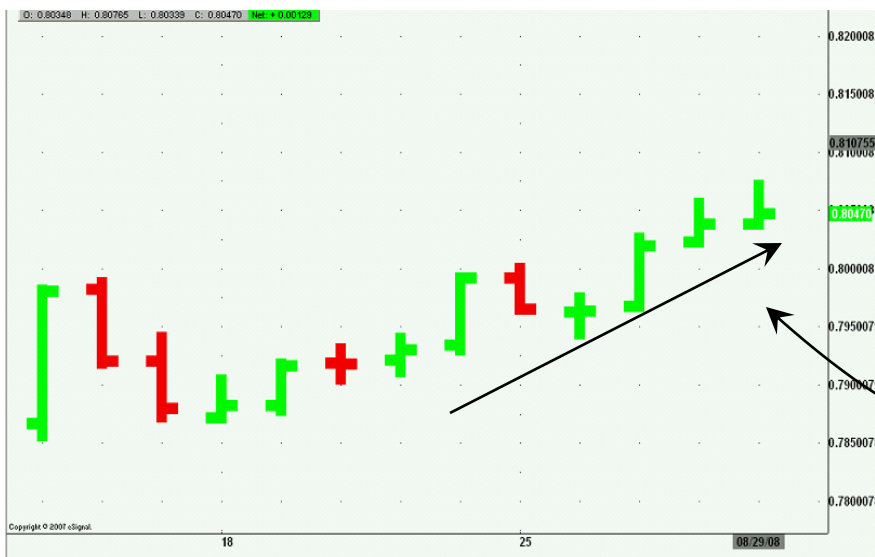
Currencies: The Pound Sterling

OUR TRADING STANCE: BEARISH V THE DOLLAR.

Last week we were bullish of Sterling v the Euro/ Bearish v the Dollar.



See how Cable weakened further last week as sentiment darkened further driven by another weak Nationwide house price survey and a speech from MPC member Blanchflower calling for rates to be slashed to prevent a serious economic downturn.



See how Sterling weakened against the Euro last week as UK economic data worsened further, MPC member Blanchflower called for rate cuts and the ECB rang the alarm bell over Euro zone inflation.



Summary

Global Calendar

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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 Pound Sterling

Last week we were bearish of Sterling against the Dollar, as Q2 GDP came in weaker than expected and although retail sales were better than forecast, volatility in the series places a question mark over its reliability.

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

- On Tuesday; BBA Loans; as expected, and
- On Thursday; Nationwide house price survey; weaker than expected CBI Distributive trades survey; weaker than expected and GFK consumer confidence; better than expected,

The Pound weakened last week on a combination of more bad news from the housing market, calls from an MPC member for sharply lower rates and a stronger than expected US Q2 GDP report.

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

- On Monday; **PMI Manufacturing survey**, M4 Sterling lending, **net consumer credit**, **net lending on dwellings and mortgage applications**,
- On Tuesday; PMI Construction survey,
- On Wednesday; **PMI Services** and BRC Shop prices, and
- On Thursday; **MPC interest rate decision**.

This week's key data releases are highlighted red, and since we expect unchanged rates from the MPC at their Thursday meeting, we advise monitoring the PMI surveys and housing market data closely.

The Macro Trader's view is: the Pound had to contend with several negatives last week:

1. The worse than expected Nationwide report,
2. A monetary policy maker sounding alarm bells on the economy and calling for lower rates, and
3. More importantly, the Chancellor warning that this could be the worst recession for 60 years.

Apart from that all is well.

After a brief period when the UK seemed to be fairing better than the Euro zone, after the release there of negative Q2 GDP, the focus is firmly back on the UK and the lack of imagination on the part of both monetary policy makers and politicians that led the economy into this mess further than necessary, and now appear clueless about getting it out.

Traders should remain long of the Dollar/short of Sterling, and our interim target is now 1.7900; our stop is reduced to 1.8250 for closer 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

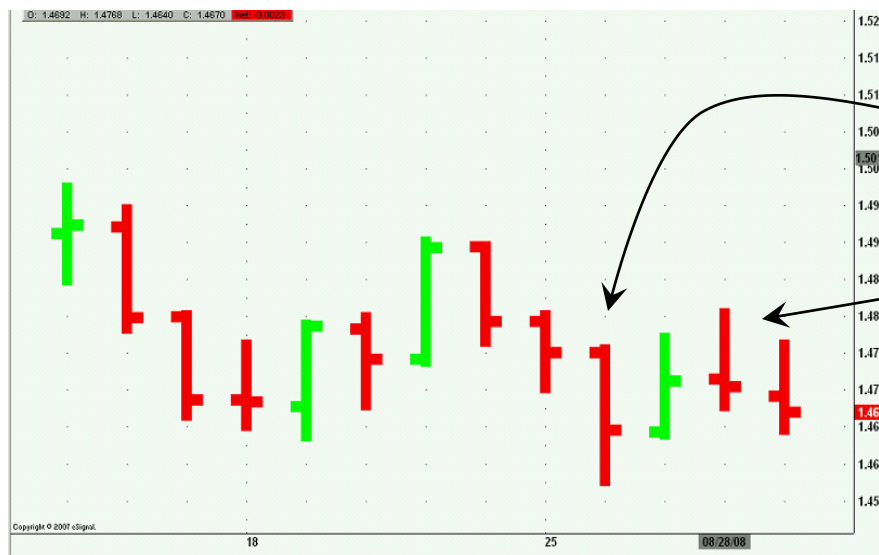
Commodities

- + Gold
- + Oil

Currencies: The Euro

OUR TRADING STANCE: BEARISH.

Last week we were square of 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 Euro

Last week we remained bearish of the Euro as the stage seemed set for a period of inactivity on interest rates, at a time when the Euro zone economy was set to weaken.

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

- On Monday; German import prices; worse than expected,
- On Tuesday; German Q2 GDP; as expected, GfK Consumer confidence; weaker than expected and IFO Survey; weaker than expected,
- On Wednesday; Italian consumer confidence; stronger than expected,
- On Thursday; German unemployment data; better than expected, CPI; better than expected, Euro zone M3; stronger than expected, Consumer confidence & economic confidence; better than expected and Italian PPI; better than expected, and
- On Friday; Italian retail sales; weaker than expected & CPI; as expected and Euro zone unemployment rate; as expected and CPI; better than expected.

The Euro held up the Dollar's recent rapid advance thanks to ECB rhetoric on inflation, but the contrast of data between the Euro zone and US helped the Dollar make gains over the course of the week.

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

- On Monday; **Italian, French, German & Euro**

zone PMI Manufacturing surveys,

- On Tuesday; **Euro zone PPI,**
- On Wednesday; **Italian** business confidence, **PMI Services, French PMI Services, German PMI Services and Euro zone PMI Services,** retail sales and **Q2 GDP,**
- On Thursday; French unemployment data, German factory orders and the **ECB interest rate decision,** and
- On Friday; Italian trade data and German industrial production.

The key releases due this week are highlighted in red, but we judge Trichet's press conference on Thursday could prove the main domestic event, but with heavy weight US data due, we think developments in the US will drive this market and we expect the Dollar to add to its gains.

The Macro Trader's view is: the ECB'S remarks last week slowed the Euros decline, but the difference between Euro zone and US data is clearly visible and in the Dollars favour.

While we think US Q2 GDP was flattered by the tax rebates received in May/June and Q3 may struggle to match up to Q2 strength; that's currently conjecture; traders are focused on the emerging facts, and we judge they should remain Short of the Euro/long of the Dollar.

Our interim target against the Dollar remains 1.4500, and our stop is held at 1.4800 for protection.



Summary

Global Calendar

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Government Bonds

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Currencies

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- + 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 square of the S&P 500



See how stocks rallied last week buoyed by the FOMC minutes that confirmed the Fed is on hold and by stronger than expected Q2 GDP data.

Last week we remained square of this market ahead of a key week for data and sentiment. The FOMC minutes revealed the Fed continued to worry about inflation, even though they judge it will correct of coming quarters, and although they conceded their next move was likely a hike, they were clearly in no hurry to act as they judge considerable downside risks to growth remain, with the financial sector still suffering stress.

This removed the fear of tighter policy, so when better than expected Q2 GDP was announced on Thursday, traders took the market higher, with only Friday's weaker personal spending and income denting the euphoric mood.

Looking ahead this week sees the release of both ISM reports and non-farm payroll.

The payroll report will likely remain negative, but it is the ISM surveys, especially the non-manufacturing one due on Thursday, which we judge will determine the outlook for this market going forward.

After showing improvement last month, traders are expecting that to continue this time, if not sentiment could again turn bearish as last week's news of more trouble at Freddie Mac and Fannie Mae remains simmering in the back ground.



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 continue to see the S&P as a bear market experiencing a corrective rally which has clearly lost its way over recent weeks.

And the price action during that period graphically supports our view.

The market has gone mainly sideways over the period in question within a clearly definable range.

If this week's data disappoints, the bearish news from

last week; conveniently ignored, will resurface. The announcement by J. P. Morgan Chase that their holdings in Freddie and Fannie will lead to a \$600M loss, shows that all is far from well in the financial sector, and until the Banking industry has cleaned up its act, the economy will struggle to fully recover in an environment of restrictive credit.

For now we advise remaining square of this market. We remain bearish, but timing of the next move down is unclear.



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Global Calendar

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- + Euro

Stocks

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

Commodities

- + Gold
- + Oil

Stocks: FTSE 100

OUR TRADING STANCE: SQUARE.

Last week we were square of the FTSE 100



See how the FTSE benefitted from rumours of takeover interest centred on J Sainsbury's, which helped the market brush of the conveyor belt of negative data emerging from the economy.

Last week we remained square of this market as we judged the price action was likely to remain volatile making this an unattractive market for us to trade.

With economic data continuing to deteriorate and an MPC member and the Chancellor separately warning about the perils facing the economy and drawing comparisons to periods of weakness well before the living memory of most people currently struggling to pay off debt and a mortgage, with the threat of job loss looming, the price action of the FTSE seems divorced from current UK economic reality.

The only noteworthy data release; the Nationwide house price survey, showed the housing market correction gathering pace, but a bid rumour managed to send traders scrambling to buy.

Looking ahead there are several key releases this week, the MPC meeting not the most important since unchanged rates is almost certainly the outcome. Traders should focus on the PMI Services report due on Wednesday, if this declines further than the FTSE may relinquish its recent gains.



Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
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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

Stocks: FTSE 100

The Macro Trader's view is: the FTSE continues with the current correction, but for how much longer?

Even oil prices have resumed their slide on fear of global economic weakness, now that the main threat from hurricane Gustav appears to have passed.

And although David Blanchflower publicly called for his colleagues on the MPC to begin slashing rates, his public pleas are likely to have fallen on deaf ears; even the candid assessment of economic conditions from the Chancellor are unlikely to force a rate cut in the

near term.

For now we advise remaining square of equities, we judge economic conditions in the UK are set to get much worse.

The Euro zone economy too is looking weak, and the US isn't yet out of the woods, despite the Q2 GDP report.

In short remain square.



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Currencies

- + US Dollar
- + Pound Sterling
- + Euro

Stocks

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

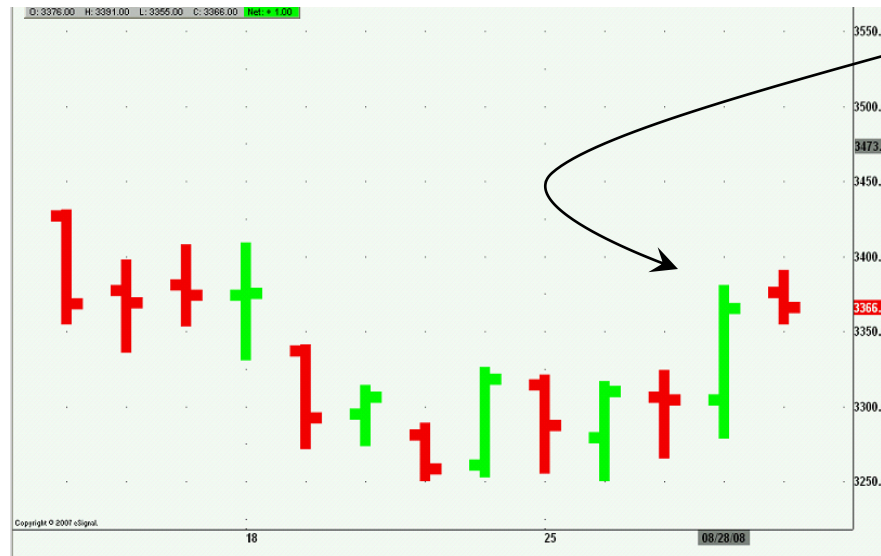
Commodities

- + Gold
- + Oil

Stocks: DJ Euro Stoxx 50

OUR TRADING STANCE: BEARISH.

Last week we were bearish of the DJ Euro Stoxx 50



See how the market rallied on Thursday in response to better than expected German CPI and on sentiment emanating from the US after a stronger than expected Q2 GDP report.

Last week we were bearish of this market as we judged the Euro zone economy was set to experience a further period of economic weakness likely involving recession.

And in a week when German IFO fell further than expected indicating more weakness to come, we were surprised by the ECB'S renewed rhetoric on inflation, especially when German and Euro zone CPI both came in better than expected.

However far from driving this market lower, traders latched onto the better CPI news and stronger US GDP data and took the market higher, albeit well within the

recent range.

Looking ahead there are several key reports due this week and we advise traders to monitor the various PMI reports due through out the week, and although we do not expect a change of interest rates at Thursday's ECB policy meeting, Trichet's press conference may illuminate the meaning behind last week's inflation warning when earlier in August he seemed more concerned about growth; what's changed since then?

From our perspective any changes are negative towards growth.



Stocks: DJ Euro Stoxx 50

Summary

Global Calendar

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- + 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: the Euro zone economy is clearly weakening.

The German IFO report flags future weakness and GDP is already contracting. The ECB has done its usual and sought to muddy the waters, issuing fresh warnings about inflation.

If this was prompted by the Russian crisis and fears it would drive oil prices back towards their highs, look at today's price action.

The hurricane threat seems past its worse and traders are more worried about the strength of demand for energy rather than the impact Russia's actions might have.

We continue to remain bearish of this market and advise remaining short. We said last week it could prove a tricky trade, but we think the pain will be worth the result.

Our interim target remains 3200.0 and our stop is still at 3425.0 for protection in volatile trading conditions.



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

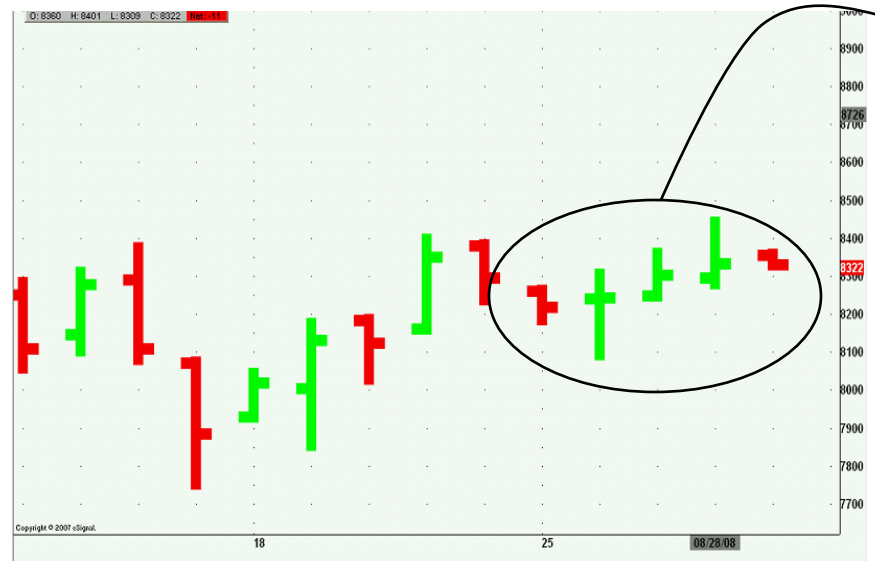
Commodities

- + Gold
- + Oil

Commodities: Gold

OUR TRADING STANCE: BEARISH.

Last week we were bearish of Gold



See how Gold failed to add to what looked like a rally driven by geopolitical tension and now looks set to move lower.

Last week we were bearish of Gold as we judged the rally which did occur after the Russian invasion of Georgia, lacked the vigour necessary to carry it very much further.

All the level of rhetoric coming from both the West and Russia seemed reminiscent of the cold war, the reality is very different.

The Russian population are not only freer than under communism, but they are now use to the luxuries enjoyed by the west. The also enjoy foreign travel, but most importantly have grown richer on selling energy to the EU.

So while Russia could use the EU'S dependence as a political weapon, in the medium/long term it would damage its own economy.

What apart from gas and oil does Russia produce that the West either wants or needs?

Nothing.

And they know that too. The leadership there also knows that as soon as they start tampering with the energy exports to the EU, their wealth will be in decline as their client looks in earnest for alternatives.



Summary

Global Calendar

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- + Short Sterling
- + Euribor

Government Bonds

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Currencies

- + US Dollar
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- + Euro

Stocks

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

Commodities

- + Gold
- + Oil

Commodities: Gold

The Macro Trader's view is; nearly stopped out, but in the end still in the game, as the gold market has sold off on renewed Dollar strength and some faint mutterings from Russia that appears to indicate they understand how they could be a financial loser if they are to pursue an old fashioned imperialist policy of expansion.

In a world of Globalisation, Russia isn't immune to the impact of lost investment and foregone revenues. China for all of its faults understands that the way to win, is to be a reliable partner delivering what the customer wants.

As the last "communist" regime of size left, the Chinese have negotiated successful contracts for the

supply of raw materials with their manufactured products in great demand.

They see no need to invade their neighbours to guarantee their security; we want to trade with them, not wage war, why can't the Russians recognise that simple truth.

After a bit of a ramble the summary is stay short, we judge gold has much further to fall as the Dollar rallies in the coming months.

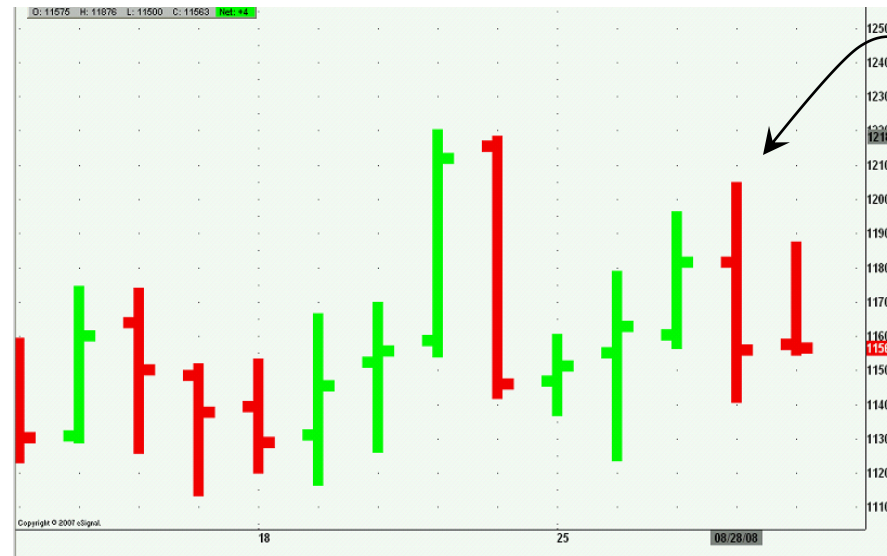
Our interim target remains US\$800.0, and our stop continues at US\$847.00 for protection.



Commodities: Oil

OUR TRADING STANCE: BEARISH

Last week we were bearish of Oil



See how oil spiked on tension on Thursday, driven by the tension with Russia and the approaching Hurricane in the gulf of Mexico, but couldn't sustain the move as growth fears led it lower.

Summary

Global Calendar

Interest Rate Futures

- + Euro Dollars
- + Short Sterling
- + Euribor

Government Bonds

- + US 10yr Note
- + Gilt
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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 were bearish of this market as we judged growing fears of global recession were likely to drive this market lower.

And although recent events in Georgia and the threat of a hurricane in the gulf of Mexico produced an other short covering rally, it proved brief, and unless the Russian's begin interfering with the energy supplies the west buys from them the market should weaken further.

While this is a possibility we judge the Russian's understand where the wealth they are using to modernise their economy and armed forces is coming

from; energy sales to western Europe, so unless their intension is a full blown confrontation with NATO possibly leading to war, we judge they will resist walking down that route.

Looking ahead we judge data due in the leading economies will confirm the view that the outlook for growth remains weak and we expect oil to struggle to trade much higher from here.

Indeed with the EU, UK and Japan looking ever weaker, with the US alone showing moderate stability, we see this market as remaining bearish.



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Stocks

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

Commodities

- + Gold
- + Oil

Commodities: Oil

The Macro Trader's view is; the crisis with Russia doesn't look like the main concern of this market; economic weakness does.

And even if the Russians attempt to engineer a period of price volatility due to interruptions of supply, which currently appears unlikely, it will only serve to further weaken the global economy, including Russia's leading ultimately to a steeper decline in the price.

Although we were nearly stopped out on Thursday, our stop wasn't hit and we are happy to remain short of a

market that we judge has further to fall.

And now that the worst of the threat from hurricane Gustav appears to have passed, traders have liquidated long positions and refocused onto growth.

Traders should stay short of this market, our interim target remains US\$110.0 and our suggested stop stays at \$123.50, generous but in a still volatile market that could correct down to as far as US\$85.0 a barrel; necessary.



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