Week 16

21st – 27th April 2009

the macro trader's guide to major markets

John Lewis

summary – macro trader

Summary	
Global Calendar	
Interest Rate Futures	
+ Euro Dollars	**SQUARE** short, medium & long term
+ Short Sterling	**SQUARE** short, medium & long term
+ Euribor	**SQUARE** short, medium & long term
Government Bonds	
+ US 10yr Note	**BEARISH** short, medium, long term
+ Gilt	**SQUARE** short term, **BEARISH** medium & long term
+ Euro Bund	**BEARISH** short , medium & long term
Currencies	
+ US Dollar	**SQUARE** short term, **BEARISH** medium & long term
+ Pound Sterling	**SQUARE** short, medium & long term
+ Euro	**SQUARE** short term, **BULLISH** medium & long term
Stocks	
+ S&P 500	**BEARISH** short, medium & long term
+ FTSE 100	**SQUARE** short, medium & long term
+ Dow Jones Eurostoxx50	**SQUARE** short , medium & long term
Commodities	
+ Gold	**SQUARE** short term, **BULLISH** medium & long term
+ Oil	**BEARISH** short, medium & long term

	Week of 13th April
Monday	Bank Holiday Easter
Tuesday	US Retail sales -1.1m, **WORSE** US RS Ex-Autos -0.9m, **WORSE** US PPI -1.2m, -3.5y **LOWER** US PPI Ex f&e 0.0m, 3.8y **LESS** US Bus inventories -1.3% **WEAKER** UK RICS Hse prce bal -73 **BETTER** FR C/A Bal -2.2B **BETTER** **THAN EXPECTED**
Wednesday	US MBA Mrtge apps -11% **WEAKER** US CPI -0.1m, -0.4y **LESS** US CPI Ex f&e 0.2m, 1.8y **MORE** US Empire mfg -14.65 **BETTER** US Net lg term TIC $22.08B **LESS** US Ind production -1.5% **WEAKER** US Capacity utilisation 69.3% **WEAKER** US Feds beige book **WEAK** UK DCLG Hse prces -12.3% **WORSE** UK BRC Retail sales -1.2% **WORSE** DM WPI -0.9m, -8.0y **WEAKER** **THAN EXPECTED**

	Week of 20th April
Monday	
Tuesday	UK CPI 0.2m, 2.9y UK RPI -0.4m, -0.6y UK RPI-X 2.2y DM PPI -0.3m, 0.1y IT Trade bal n/f IT Trade bal EU n/f DM ZEW Survey 2.0
Wednesday	US MBA Mrtge apps n/f US House price idx n/f UK MPC Minutes 9/0 UK Unemployment chge 100k UK Unemplym't rate 4.6% UK ILO 6.7% UK PSNCR 16.5B UK PSNB 15.2B UK Avge earngs 1.5% UK Avge EX-Bonus 3.4% UK Budget statement

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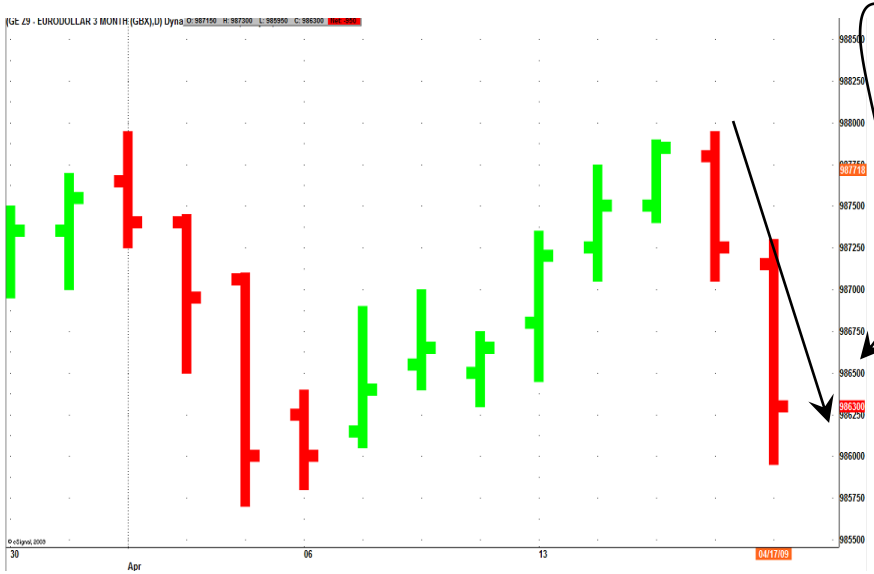
	Week of 13th April Cont'd
Thursday	US Housing strts 510k **WEAKER** US building permits 513k **WEAKER** US Jobless claims 610K **LESS** US Philly Fed -24.4 **BETTER** IT CPI 0.1m, 1.2y **AS** EZ CPI 0.4m, 0.6y **AS** EZ Industrial production -2.3m, -18.4y **WEAKER THAN EXPECTED**
Friday	US U. of Michigan Conf 61.9 **BETTER** IT Ind orders -1.5%m, -32.7y **WORSE** IT Ind sales -3.1m, -23.9y **WORSE** EZ Trade bal -2.0B **BETTER** EZ Construction output -1.8m, -11.8y **WORSE THAN EXPECTED**

	Week of 20th April Cont'd
Thursday	US Jobless claims n/f US Existing home sales 4.68M UK CBI Qrtly ind trends survey n/f FR Bus conf 69 EZ PMI Composite 38.9 EZ C/A -10.7B EZ Industrial new orders -2.2m, -34.8y
Friday	US Durable goods -1.5% US Durables ex-transport -0.8% US New home sales 340k UK Q1 GDP -1.5q, -3.8y UK Retail sales -0.5m, 1.3y UK Indx of services n/f FR Consumer spndg 0.3m, -0.4y DM IFO 82.6

Interest Rate Futures: Euro Dollars December 09

OUR TRADING STANCE: SQUARE.

Last week we were square of December 09.



See how Eurodollars sold off on Thursday and Friday after J P Morgan and Citi Group announced better than expected Q1 profits, sending equities higher and raising hopes of recovery.

Last week we remained square of this market as we judged the Eurodollar market was likely to remain range bound over the medium term.

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

- On Tuesday; Retail sales; worse than expected, PPI; lower than expected and business inventories; weaker than expected,
- On Wednesday; MBA mortgage applications; weaker than expected, CPI; headline better, core higher than expected, Empire manufacturing; better than expected net long term TIC flows; weaker than expected, industrial production, capacity utilisation; both weaker than expected and the Feds Beige book; weak,
- On Thursday; housing starts, building permits; weaker than expected, jobless claims; less than expected and the Philly Fed survey; better than expected, and
- On Friday; University of Michigan confidence; better than expected.

The market rallied on the worse than expected retail sales and industrial production data which together with the building permits and starts data saw a reversion to the under lying trend of weakness.

But all these gains were quickly lost after J P Morgan and Citi Group announced better than expected Q1 profits which had traders focusing on the prospects for economic recovery.

More

Interest Rate Futures: Euro Dollars

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

- On Wednesday; MBA mortgage applications and house price index,
- On Thursday; jobless claims and existing home sales, and
- On Friday; Durable goods and new home sales.

The key events this week are highlighted red, and they all report on the state of the housing market.

Last month saw an unexpected bounce in both new and existing home sales data, leading to heightened expectations of an earlier recovery, but if these series resume their long run trend, uncertainty will return and with it a limited rally in the market.

The Macro Trader's view is; last week's price action graphically underscored our current view of this market; range bound and volatile.

Last week saw the release of three important reports, and they all came in weaker than expected, with retail sales arguably the most important of all.

And even CPI's drop into negative territory is a signal of weakness, since if demand was strong prices would be rising.

However we have said before that the key to a sustainable recovery is to get the Banks back into profit and the announcements from J P Morgan and Citi Group held out a real hope that things might start to get back to normal.

But with house prices still failing, unemployment still rising and mortgage delinquencies starting to climb again, the return to profit might prove short lived.

And if this week sees New and Existing home sales resume their slide, thoughts of recovery will be put on the back burner.

Though a rally would ensue, we judge it would remain constrained by the recent range, since any signs of greater economic weakness could lead LIBOR rates higher as worries resurface over the asset quality of the major Banks.

For now we advise remaining square, since there isn't a clear cut trade to recommend.

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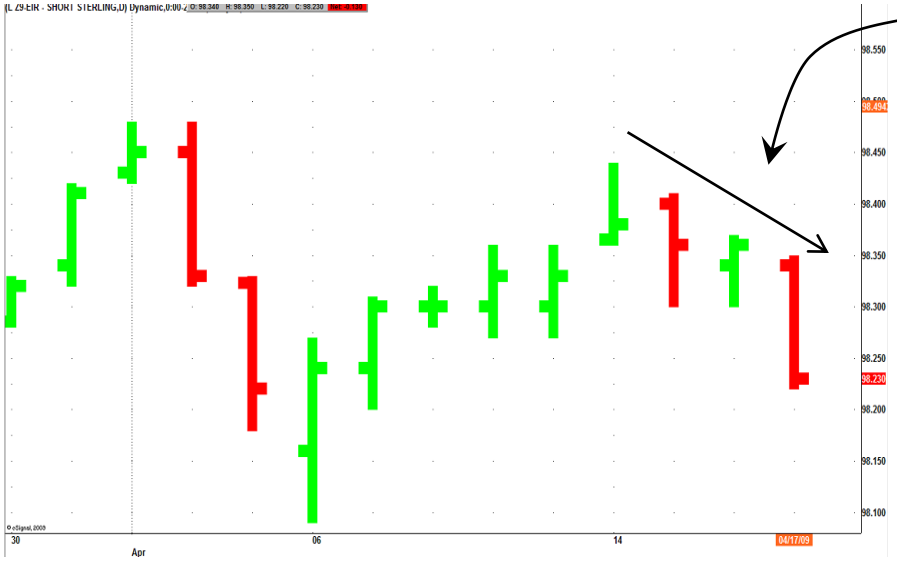
Interest Rate Futures: Short Sterling December 09

OUR TRADING STANCE: SQUARE.

Last week we were square of December 09.



See how Short Sterling traded towards the lows last week as several analysts said they detected very early signs of recovery, which were helped by an improved RICS report and news that some Banks are offering mortgage incentives again.

Last week we remained square of this market as we judged Short Sterling would endure an extended period of range trading before the next big move, a bear trend, emerged late this year.

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

- On Tuesday; the RICS house price survey; better than expected, and
- On Wednesday; the DCLG House price report; weaker than expected and BRC Retail sales; worse than expected,

The market remains range bound. There was little heavy weight news out last week, and although the RICS Survey was better than expected, the BRC retail sales survey was weak.

Those claiming sight of green shoots must have good eye sight, since manufacturing and industrial production remain weak, with only the merest hint of a slowdown in the rate of decline.

But sentiment from the US helped send Short Sterling lower as better US Bank profits helped equities and gave rise to optimism the worst may be over; maybe or maybe not!

More

Interest Rate Futures: Short Sterling

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

- On Tuesday; CPI, RPI and RPI-X,
- On Wednesday; unemployment change, unemployment rate, ILO unemployment rate, PSNCR, PSNB, average earnings and the budget,
- On Thursday; CBI Quarterly industrial trends survey, and
- On Friday; Q1 GDP, Retail sales and index of Services.

This week's key releases are highlighted red, and there is a whole raft of important data for traders to monitor.

The Budget is likely the most eagerly awaited event as the market expects the Chancellor to come clean about the state of the economy and more crucially, government debt.

But retail sales and the unemployment reports are very important as the Q1 GDP report.

In short there will be much to ponder this week and we don't expect much good news.

The Macro Trader's view is: the Short Sterling market, much like Eurodollars, has now no where to go over the short/medium term.

The economy remains in recession, albeit there are tentative signs that the rate of decline might be easing, but unemployment continues to climb and that trend is likely to be confirmed this week.

The Bank sees CPI falling away sharply in the coming months, and this week we will see if that process is at last underway.

And although the Chancellor will try to put the best gloss he can on a grim situation, he has little room to manoeuvre. He may pre-announce more tax hikes, but on the other hand may decide not to as this will play to the oppositions claims that the spending splurge will result in sharply higher taxes later, and since the government is trailing the Conservatives in every opinion poll, their prospects would hardly be enhanced by such a tactic.

In short we judge this market is likely to remain range bound for a further period and see no value in trading it in the current environment.

However our view is increasingly turning bearish, but the time isn't yet right to place bearish trades, so stay square.

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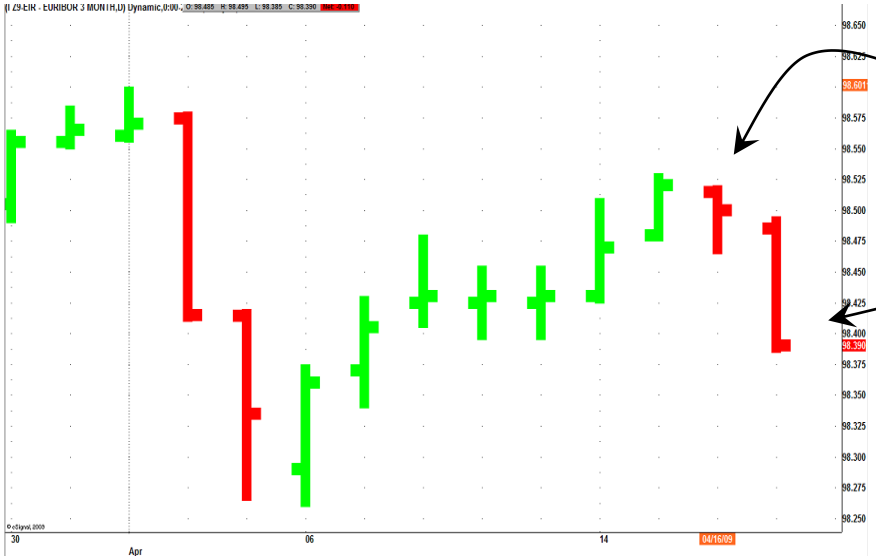
Interest Rate Futures: Euribor December 09

OUR TRADING STANCE: SQUARE.

Last week we were square of December 09.



See how Euribor failed to hold any gains despite weak industrial production on Thursday and yet more bad news on Friday.

Last week we remained square of this market as we judged Euribor was likely to remain essentially range bound for an extended period.

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

- On Tuesday; French C/A balance; better than expected,
- On Wednesday; German WPI; weaker than expected,
- On Thursday; Italian CPI; as expected, Euro zone CPI; as expected and industrial production; weaker than expected, and
- On Friday; Italian Industrial orders & sales; both worse than expected, Euro zone trade balance; better than expected and construction output; worse than expected.

The market appeared to ignore the run of domestic data and reacted to two dynamics which were inter connected:

1. News that two leading US Banks had returned to profit, and
2. A rally in equities driven by the above.

So desperate are traders for any good news, and so used to bad news have they become, that the markets reaction has become distorted.

More

Interest Rate Futures: Euribor

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

- On Tuesday; German PPI, Italian trade data and German ZEW survey,
- On Thursday; French business confidence, Euro zone PMI composite survey, C/A and Industrial new orders, and
- On Friday; French consumer spending and German IFO.

This week's key releases are highlighted in red, and we advise traders to monitor them closely, but we judge the main event this week is likely to be the Euro zone Industrial New Orders report, unless German IFO is materially different from consensus.

The Macro Trader's view is; the market isn't focussed on domestic data, if it were it would have closed higher on the week, not barely unchanged from the previous week's close.

It is becoming clearer that traders are focussed on the US economy and hopes of an early recovery.

As an economic area largely dependent on exports, an early revival in the US and UK economies would help drag the Euro zone out of recession, hence last week's price action in Euribor, as US Banks J P Morgan and Citi Group reported better profits with Goldman Sachs too showing a profit and saying it intended paying back the governments hand out as quickly as possible.

And with the ECB all but at the end of its easing cycle, traders increasingly judge there is little value in the Bull tact.

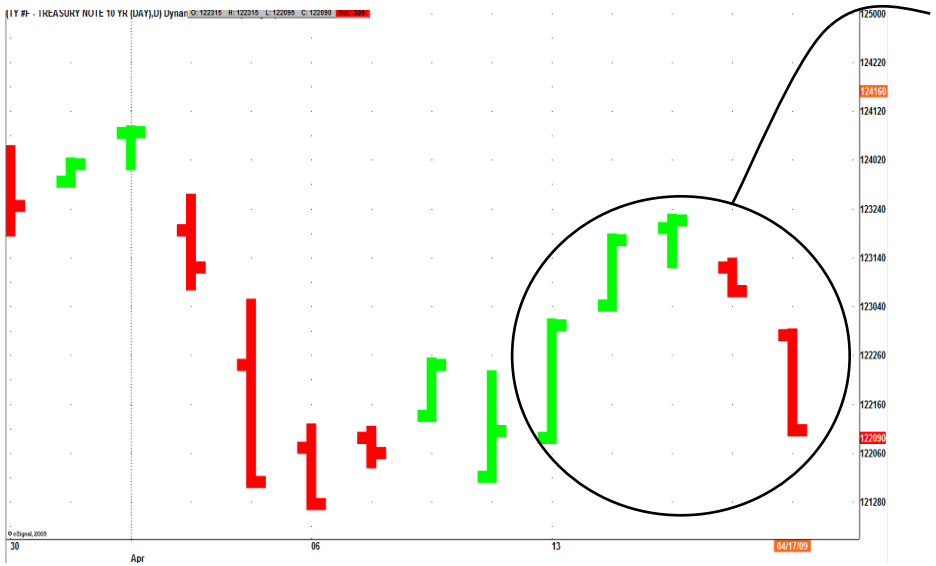
However with the Euro zone economy clearly still in distress there is nothing important to be gained from going short either.

For now we continue to judge that a square position makes the best sense in this market.

Government Bonds: US Treasury Note (10yr)

OUR TRADING STANCE: BEARISH.

Last week we were bearish of the 10yr Note.



See how the 10 yr note failed to hold its gains despite weak retail sales, industrial production, capacity utilisation and negative headline CPI, as traders reacted to the profitability of three leading US Banks.

Last week we were bearish of this market, as we held to our judgement that the expected further sharp deterioration of the fiscal position would out weigh anxiety over economic weakness.

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

- On Tuesday; Retail sales; worse than expected, PPI; lower than expected and business inventories; weaker than expected,
- On Wednesday; MBA mortgage applications; weaker than expected, CPI; headline better, core higher than expected, Empire manufacturing; better than expected net long term TIC flows; weaker than expected, industrial production, capacity utilisation; both weaker than expected and the Feds Beige book; weak,
- On Thursday; housing starts, building permits; weaker than expected, jobless claims; less than expected and the Philly Fed survey; better than expected, and
- On Friday; University of Michigan confidence; better than expected.

The market had good reason to rally last week as data turned negative again, especially retail sales, but still traders clung to hopes of recovery this time based on the profit announcement of three Banks and sold off.

More

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 Wednesday; MBA mortgage applications and house price index,
- On Thursday; jobless claims and existing home sales, and
- On Friday; Durable goods and new home sales.

This week's are key events are marked red and we advise traders to monitor them carefully, as they are all linked to the housing market which caused the recession and will ultimately lead the recovery.

The Macro Trader's view is; the market increasingly looks vulnerable to the downside. If weak data such as last week's is unable to offer support, traders are focussed on something else.

We judge it to be a combination of fear over the size of the Nation's budget deficit and build up of debt, combined with a growing hope that a recovery is just around the corner.

But what if recovery remains much further off, will this market recover; we judge not since the fiscal deterioration will become even more pronounced and in an environment such as currently exists, the fear is where are the buyers for all the debt issued by the developed economies.

The Usual investors are in trouble themselves.

We advise remaining short of this market and our interim target is now set at 120.20, with our stop remaining at 123.30 for protection.

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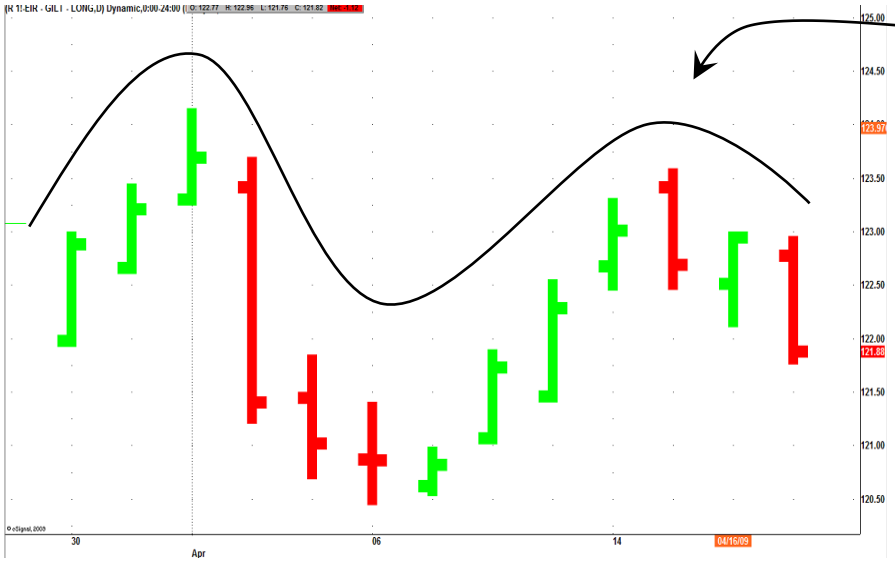
Government Bonds: The Gilt

OUR TRADING STANCE: SQUARE.

Last week we were square of the Gilt.



See how the Gilt continues in a directionless pattern as traders await the up coming Budget speech.

Last week we were square of the Gilt, as we were stopped out the previous week in a volatile yet trendless period of price action.

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

- On Tuesday; the RICS house price survey; better than expected, and
- On Wednesday; the DCLG House price report; weaker than expected and BRC Retail sales; worse than expected,

The Gilt remains a range bound market, with economic weakness and rising government debt currently balancing each other out and resulting in a market that doesn't know where to go.

More

Government Bonds: The Gilt

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

- On Tuesday; CPI, RPI and RPI-X,
- On Wednesday; unemployment change, unemployment rate, ILO unemployment rate, PSNCR, PSNB, average earnings and the budget,
- On Thursday; CBI Quarterly industrial trends survey, and
- On Friday; Q1 GDP, Retail sales and index of Services.

This week's key releases are highlighted in red, we advise traders to monitor them closely.

With the budget due this week the governments financial plight is likely to be centre stage and with the PSNCR and PSNB data due, there will be no where to hide for Chancellor Darling, who to be fair has inherited rather than created this mess.

But any attempt to put a positive glow on the UK'S prospects, are likely to be immediately placed under the microscope as several key data series are released this week leading most likely to ongoing volatility.

The Macro Trader's view is; the Gilt remains a market in denial. Apart the weak economy, the finances are in a mess.

This Government's policies have led the Nation there and they are unlikely to be the instrument of salvation.

Talk of higher taxes, especially on the higher paid are a blind alley which this country got lost in until Thatcher fixed a rudderless ship.

What is needed is a commitment to cut public spending as a means of fixing the fiscal mess. Raising taxes as a **supporting** role is ok if well focussed, but relying on tax hikes will scupper the recovery and drive creators of wealth away.

This government has relied on public spending and sucking the unemployed into non-jobs, the game is up, give the private sector room to breathe and create real wealth, while at the same time putting in place a regulatory environment that not only works, but isn't un-necessarily draconian, just to assuage perceived public anger.

For now we advise remaining square of this market, but given current policies we are bearish and continue to seek selling opportunities.

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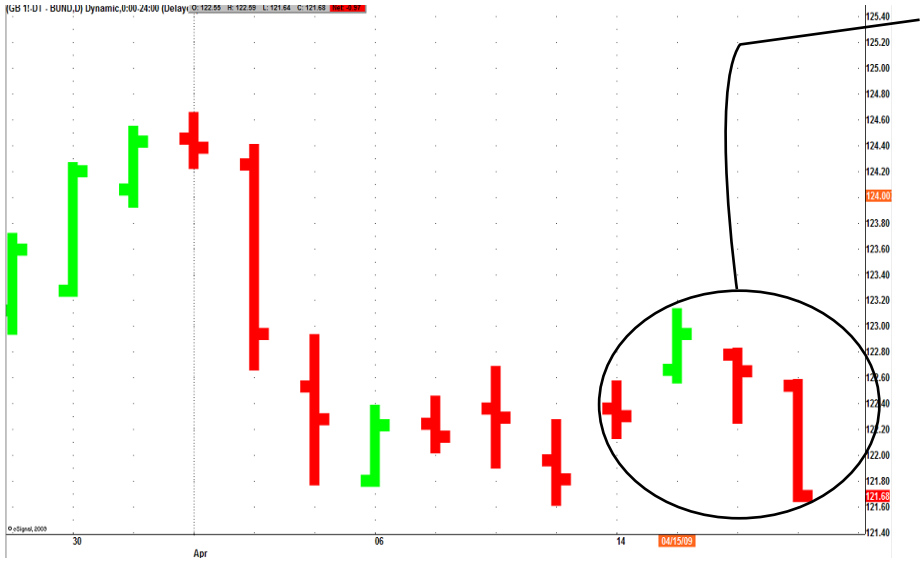
Government Bonds: The Bund

OUR TRADING STANCE: BEARISH.

Last week we were bearish of the Bund



See how the Bunds' attempted rally ran out of steam as the market revealed its vulnerability to the downside, despite another period of weak data.

Last week we were bearish of the Bund as we held to our view that bond markets lacking Central Bank support could underperform those with it.

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

- On Tuesday; French C/A balance; better than expected,
- On Wednesday; German WPI; weaker than expected,
- On Thursday; Italian CPI; as expected, Euro zone CPI; as expected and industrial production; weaker than expected, and
- On Friday; Italian Industrial orders & sales; both worse than expected, Euro zone trade balance; better than expected and construction output; worse than expected.

The Bund took nothing from last week's run of weak data as traders closed long positions in response to a week long rally in equities driven by sentiment from the US.

Three leading US Banks found themselves back in profit and talk of recovery grew louder forcing Bond traders to consider the current mix of fiscal and monetary stimulus which if not removed in a timely manner, albeit not now, inflation will likely result, even though the current risk is a flirt with deflation.

More

Government Bonds: The Bund

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

- On Tuesday; German PPI, Italian trade data and German ZEW survey,
- On Thursday; French business confidence, Euro zone PMI composite survey, C/A and Industrial new orders, and
- On Friday; French consumer spending and German IFO.

This week's key events are highlighted in red, and we advise traders to monitor them closely, but we judge the Euro zone industrial new orders report is likely to prove the key event for this week.

The Macro Trader's view is: the Bunds price action last week was again encouraging for the Bears since despite several reports which ordinarily would have proved bullish for the market, the Bund aborted a brief rally and retested the lows.

We judge this is due to:

1. On going trader anxiety over future inflation, even though Euro zone CPI is at all time lows,
2. The Lack of a Euro zone quantum easing program, and
3. A sense of growing Bullishness, albeit premature, among equity traders, especially after last week's profit reports from Goldman, Morgan and Citi.

Although the Euro zone authorities have stood back from additional fiscal stimulus, we judge they may yet need to provide further support before the current downturn is over.

We remain bearish of the Bund and advise traders to remain short.

Our interim target remains at 121.10 and our stop continues at 123.40 for protection.

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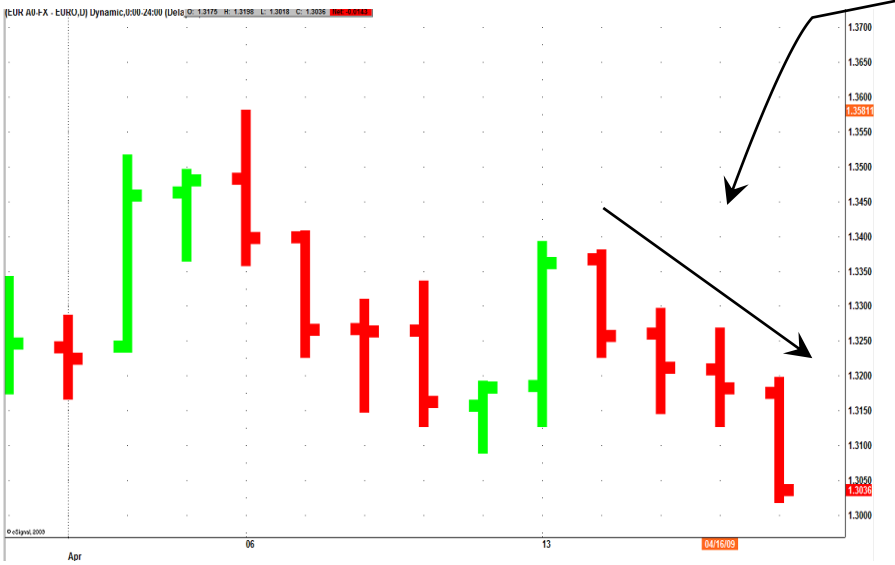
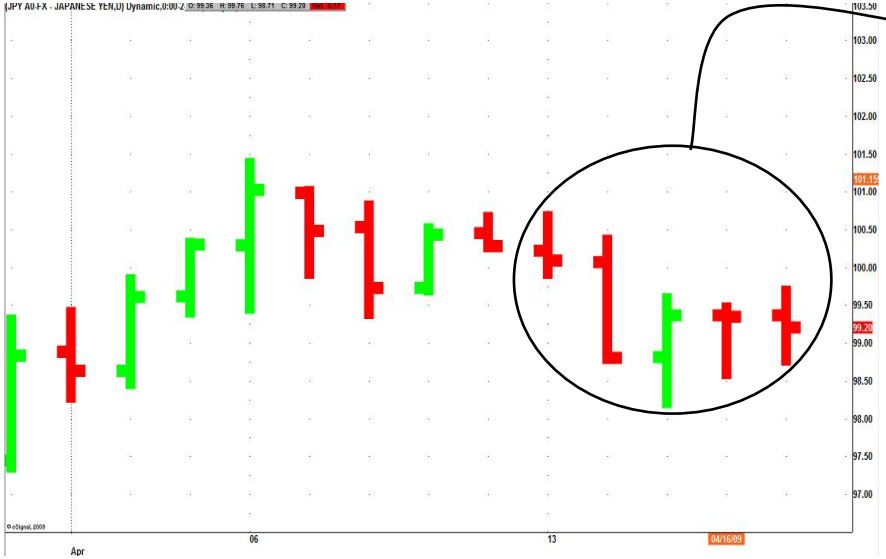
Currencies: The Dollar

OUR TRADING STANCE: SQUARE.

Last week we were bearish of the Dollar



See how the Dollar strengthened last week after the release of negative CPI data and stronger than expected profit reports from three leading Banks.



See how the Dollar lost ground against the Yen, as the weak US retail sales report proved more important than other news and data.

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Currencies: The Dollar

Last week we were bearish of the Dollar, as the Dollar's status of global reserve currency had recently come into question for the 1st time ever.

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

- On Tuesday; Retail sales; worse than expected, PPI; lower than expected and business inventories; weaker than expected,
- On Wednesday; MBA mortgage applications; weaker than expected, CPI; headline better, core higher than expected, Empire manufacturing; better than expected net long term TIC flows; weaker than expected, industrial production, capacity utilisation; both weaker than expected and the Feds Beige book; weak,
- On Thursday; housing starts, building permits; weaker than expected, jobless claims; less than expected and the Philly Fed survey; better than expected, and
- On Friday; University of Michigan confidence; better than expected.

The Dollar had several good reasons to weaken last week as retail sales, industrial production and capacity utilisation all came in worse than expected, but better profit reports from three leading Banks grabbed the agenda and the Dollar rallied, as traders even read the headline CPI report as a plus rather than another sign of the economy's weakness.

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

- On Wednesday; MBA mortgage applications and house price index,
- On Thursday; jobless claims and existing home sales, and
- On Friday; Durable goods and new home sales.

This week's key events are highlighted red, and we advise monitoring them closely.

After signs of improvement last month, traders will want to see how the New and Existing home sales data reports this time; a return to the underlying trend of weakness is expected, but improvement would further help the Dollar.

The Macro Trader's view is: the Dollar performed well last week as traders focussed on the profit reports from Goldman Sachs, J P Morgan and Citi Group.

The fact that retail sales fell heavily had no measurable impact and neither did the other weak reports seen throughout the week.

As a result we were stopped out. Over recent week's we have voiced our bearish view of the Dollar, but market sentiment is currently facing the other way.

Whether or not it is powerful enough to carry the currency further is unclear, but if the Banking sector were to return to and remain profitable, the economy would find itself on a more solid footing.

But house prices continue to fall, unemployment continues to rise and mortgage delinquencies and foreclosures are said to be rising as the moratorium comes to an end. This could even now have a negative impact on the asset quality of the Banks and render last week's good news no more than a blip.

For now we advise remaining square, but we are still hold our bearish view of the Dollar.

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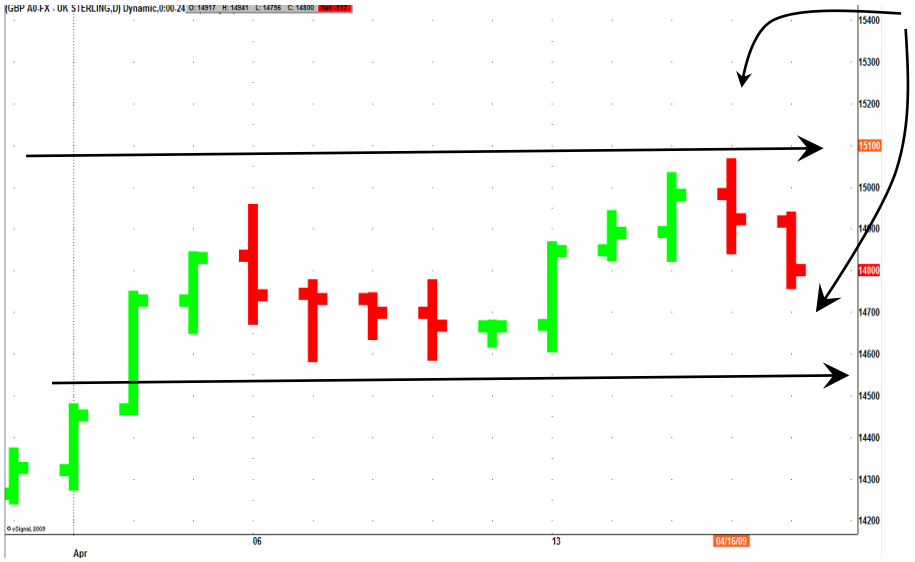
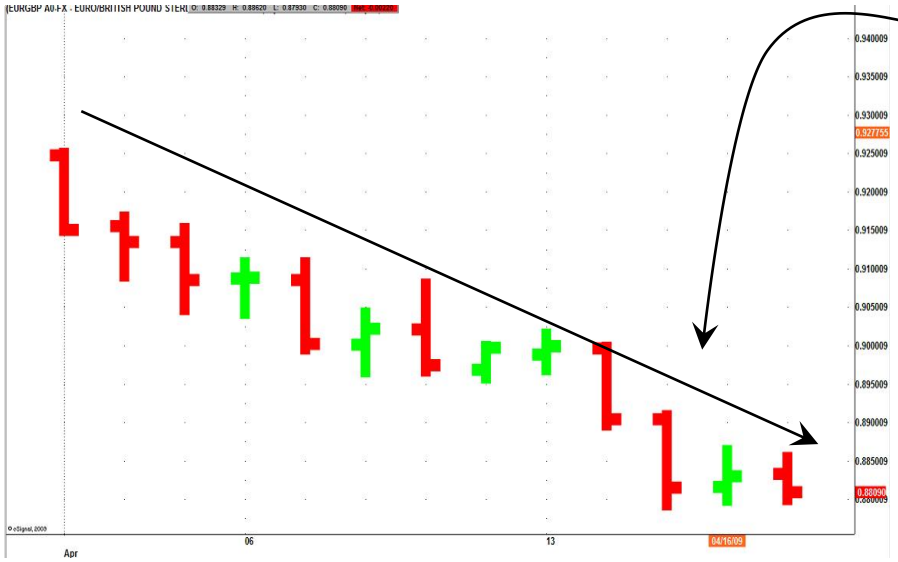
Currencies: The Pound Sterling

OUR TRADING STANCE: SQUARE.

Last week we were square of Sterling.



See how Sterling remains largely in a sideways pattern against the Dollar as recent positive news from two leading UK Banks; HSBC and Barclays offered Sterling similar support as the Dollar derived from better than expected profit reports from three leading US Banks.



See how Sterling extended its recovery against the Euro last week against a back ground of few UK reports, and several weaker than expected Euro zone releases.

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Currencies: The Pound Sterling

Last week we remained square of Cable as we held to our view that Sterling's recent strength against the Dollar was likely due to a Dollar correction and could prove transitory.

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

- On Tuesday; the RICS house price survey; better than expected, and
- On Wednesday; the DCLG House price report; weaker than expected and BRC Retail sales; worse than expected,

The Pound gained support more from talk of the worst of the recession being in the past rather than from any actual economic data, but with Euro zone data remaining weak the Pound firmed against the Euro.

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

- On Tuesday; CPI, RPI and RPI-X,
- On Wednesday; unemployment change, unemployment rate, ILO unemployment rate, PSNCR, PSNB, average earnings and the budget,
- On Thursday; CBI Quarterly industrial trends survey, and
- On Friday; Q1 GDP, Retail sales and index of Services.

This week's key events are highlighted red, and we advise traders to monitor them closely as they report on inflation, retail sales/consumer demand and GDP, but we judge the main event this week will be the Budget on Wednesday, which is preceded by the latest government borrowing data that morning.

We judge the Chancellor has little room to pump money into the economy, the Pound is likely to react more to how he admits to the current dire state of the public finances and whether traders derive any confidence from his forecasts for growth and borrowing over the medium/long term.

The Macro Trader's view is: the Pound performed well again last week, but we remain sceptical of its ability to maintain its strength.

The Chancellor admits he underestimated the severity of the recession and so his debt and borrowing forecasts are wrong, and he will get a chance to tell by how much on Wednesday.

Ultimately the Pounds strength or otherwise rests on how confident traders/investors are that the Government will implement policies that will restore growth and fix the current fiscal mess.

With an election about one year away and the popularity of the ruling party and Prime minister trailing the opposition badly, the government is unlikely to take the measures needed for fear of handing victory, in advance to the Conservatives.

The markets will understand this to a degree, but won't accept reckless blatant electioneering.

For now we advise remaining square of the Pound until after the budget.

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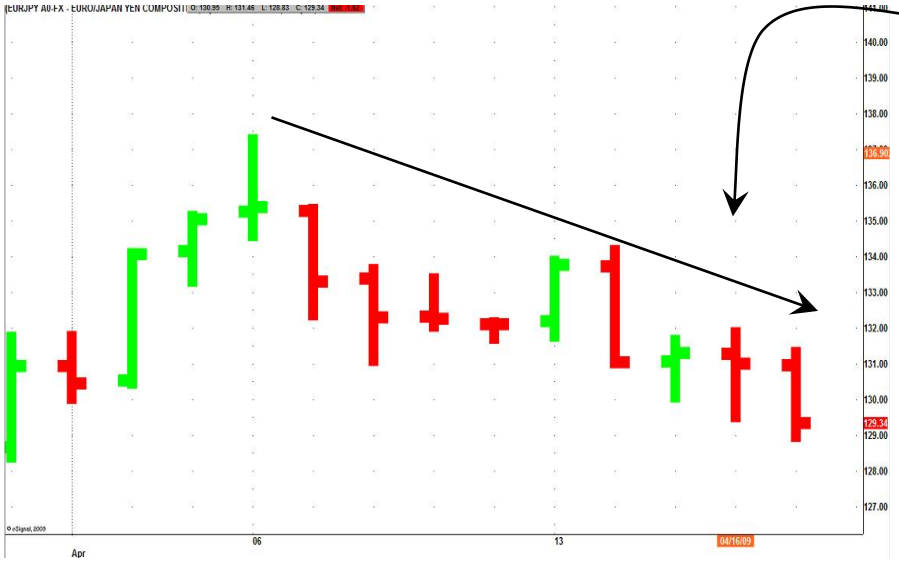
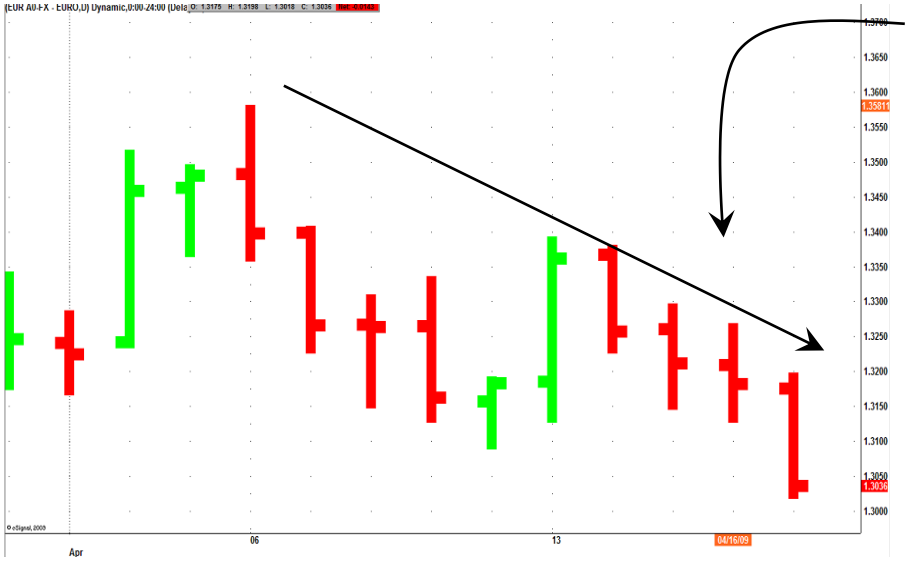
Currencies: The Euro

OUR TRADING STANCE: SQUARE.

Last week we were bullish of the Euro.



See how the Euro extended its drift lower against the Yen, as a stream of relentlessly bad news from the Euro zone deprives the Euro of its recent strength.



See how the Euro weakened against the Dollar as a combination of weak Euro zone data and better than expected profit reports from three leading US Banks lead the Dollar higher against the single currency.

More

Currencies: The Euro

Last week we were bullish of the Euro following Chinas recent criticism of the Dollar's role as global reserve currency, due to concerns over the rapidly deteriorating US fiscal position.

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

- On Tuesday; French C/A balance; better than expected,
- On Wednesday; German WPI; weaker than expected,
- On Thursday; Italian CPI; as expected, Euro zone CPI; as expected and industrial production; weaker than expected, and
- On Friday; Italian Industrial orders & sales; both worse than expected, Euro zone trade balance; better than expected and construction output; worse than expected.

The Euro was hobbled by yet more weak economic data, and although key US reports were weaker than expected too, traders focussed on positive profit reports from US banks as an early indicator of economic recovery.

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

- On Tuesday; German PPI, Italian trade data and German ZEW survey,
- On Thursday; French business confidence, Euro zone PMI composite survey, C/A and Industrial new orders, and
- On Friday; French consumer spending and German IFO.

The key releases due this week are highlighted in red, and we judge the German IFO report, Euro zone PMI composite survey and industrial new orders report as the main domestic events of the week.

But we judge traders will continue to be guided by bullish sentiment from the US, unless US Existing and New home sales turn out weaker than expected and lead the Dollar lower.

The Macro Trader's view is: the Euro zone economy's relative weakness came back last week to undermine the Euro against all the other major currencies; even the Pound.

However will much of last week's move due to an upsurge in positive sentiment towards the Dollar due to improved profit reports from three leading US Banks, we question the sustainability of last week's movements.

Even now the asset quality of the US Banks could again deteriorate if mortgage foreclosures begin to rise sharply once more, unemployment continues to surge as over recent months and consumer demand remains subdued and this week's New and existing home sales reports from the US will give some insight into this.

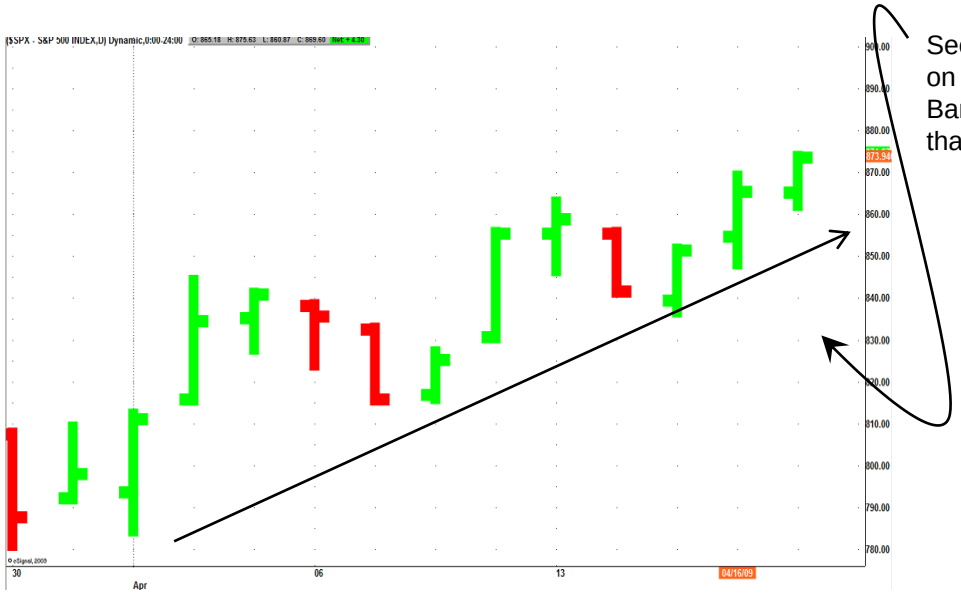
For now we are advising a square position; we have voiced our underlying bearishness of the US economy, but the recent range in currency markets, for now, remains in tact acting as a source of frustration for traders including us.

More

Stocks: S&P 500

OUR TRADING STANCE: BEARISH.

Last week we were bearish of the S&P 500



See how stocks rallied last week on better news from three leading Banks which announced larger than expected pr

Last week we were bearish of this market as we judged the rally driven by Wells Fargo's up beat profit report was likely a short term event.

However the market rallied further as first Goldman Sachs and then J P Morgan Chase and finally Citi group also announced solid Q1 profits, in the case of Citi the first for 6 quarters.

However while the market was focussed on the Banks, the economy was continuing to slow with retail sales, industrial production, capacity utilisation, housing starts and building permits all weaker than expected.

While the improving Banking environment is a pre-requisite for sustaining a recovery, the deteriorating real economy could yet have further negative impact on asset quality and hand the banks another dose of misery.

Looking ahead there are several key reports due this week but we judge New and Existing Home sales will be the two to watch, they showed improvement last time and generated much of the recent optimism, fresh signs of weakness will weigh on equities as traders question the hoped for recovery.

More

Stocks: S&P 500

The Macro Trader's view is: equities rallied again last week essentially on the profit reports already mentioned, but all was not good news, as GE announced a 40% drop in Q1 profits.

Moreover we judge the weak retail sales report a significant event; demand remains weak, as unemployment soars, which is also causing mortgage foreclosures to rise as a period of moratorium comes to an end.

In our opinion it is perfectly possible that the negative loop back effect could yet cause a fresh deterioration in asset quality and see the banks back in trouble; it is noticeable how the administration has slapped down comments from the likes of Goldman who are eager to repay their government aide, the Treasury is talking of imposing a set of conditions.

Although we were almost stopped out last week, we remain bearish of the market and continue to expect the recent rally to resolve to a fresh sell off.

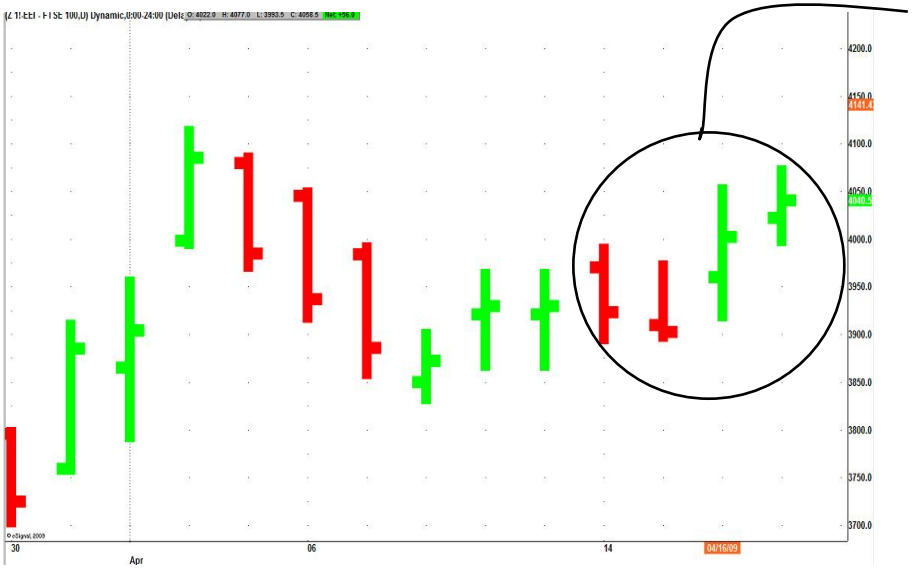
We advise traders to remain short of this market, our interim target remains at 827.0 and our stop continues at 878.0 for protection in still volatile markets.

More

Stocks: FTSE 100

OUR TRADING STANCE: SQUARE.

Last week we were square of the FTSE 100



See how the FTSE drew support from the positive US sentiment generated by improved Bank profits in a weak with few UK data releases, with only the RICS report showing limited improvement.

Last week we remained square of this market as we judged the weight of recent economic evidence showed the economy still in the grip of a deep recession, with optimists sighting a slower pace of deterioration, as shown in the previous week's manufacturing output and industrial production reports, as supporting evidence, even though the data remained deeply negative.

Additionally HSBC'S successful rights issue offered another source of hope despite unemployment rising at an alarming rate with an increasing number of house holders falling into negative equity.

Looking ahead there are several key reports due this week, as detailed in the global calendar, but with the budget due Wednesday and retail sales and Q1 GDP due on Friday, this market could be in for a volatile week.

And even the better profit reports released by the US Banks in recent days, which fuelled the rally on Wall street, seems to have given way to fresh fears about asset quality as the economy continues to contract.

More

Stocks: FTSE 100

The Macro Trader's view is: the FTSE had another week of two halves which resolved to a rally on Thursday and Friday driven by better news from the US Banking industry.

But beneath this optimism lies reality and it still looks grim.

In the US, Euro zone and UK data remains week, people are losing jobs, house prices continue to fall and in the US especially, demand is very week, as evidenced by last week's retail sales report.

For the market to consolidate the recent rally and progress further, traders should require more than optimism; hard evidence should be seen, but we doubt that will be forthcoming this week and Q1 GDP on Friday is set to be grim and if retail sales, also due Friday, comes in worse than expected, this market should correct lower.

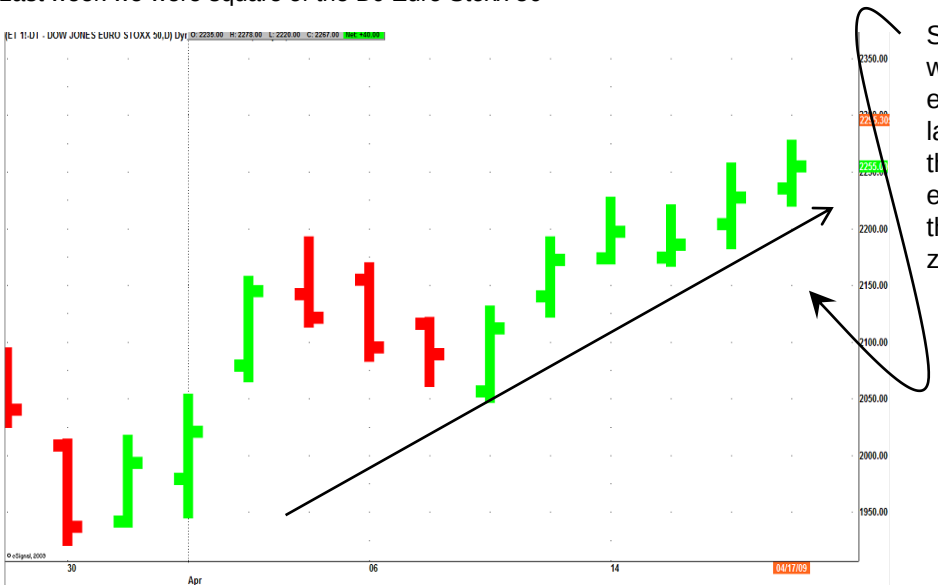
For now we remain sidelined, as we judge intra-day ranges and volatility to great.

More

Stocks: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were square of the DJ Euro Stoxx 50



See how the market rallied last week despite more weak economic data, as traders latched onto better bank profits in the US as a sign the US economy could be improving with the hope it would drag the Euro zone better.

Last week we remained square of this market as we judged timing the end of what we consider to be a rally in a bear market, too much of a lottery to trade off.

In the event the market rallied further as last week saw three more Banks in the US report better than expected profits which generated positive sentiment towards stocks generally.

And although Euro zone industrial production, released on Thursday, came in worse than expected, traders paid little attention.

Looking ahead the key releases this week are German IFO, Euro zone PMI Composite survey and Industrial New Orders, all of which we expect to remain weak.

However as we write, the markets attention has already switched from Bank profitability to concerns over whether the still weak economy will mean these figures could prove no more than a "flash in the pan" as asset quality on the Banks balance sheets once again begins to deteriorate further due to the affects of the negative feed back loop.

More

Stocks: DJ Euro Stoxx 50

The Macro Trader's view is: once again the Dow Jones Eurostoxx performed better than either the S&P or the FTSE last week, which remains a puzzle given the Euro zone economy is currently looking weaker than either the US or UK.

However with intra-day ranges remaining quite large, and optimism rather than reality continuing to drive this market, we were happy to remain square.

The current period is one of directionless trading, not just in equities, but in several other asset classes too. This is likely a product of traders using previous periods of economic weakness as a template for the current recession.

And although today's price action has already erased much of last week's gains we are wary of the market's ability to suddenly and violently change direction, giving rise to the large intra-day ranges which have been a persistent feature of equity markets.

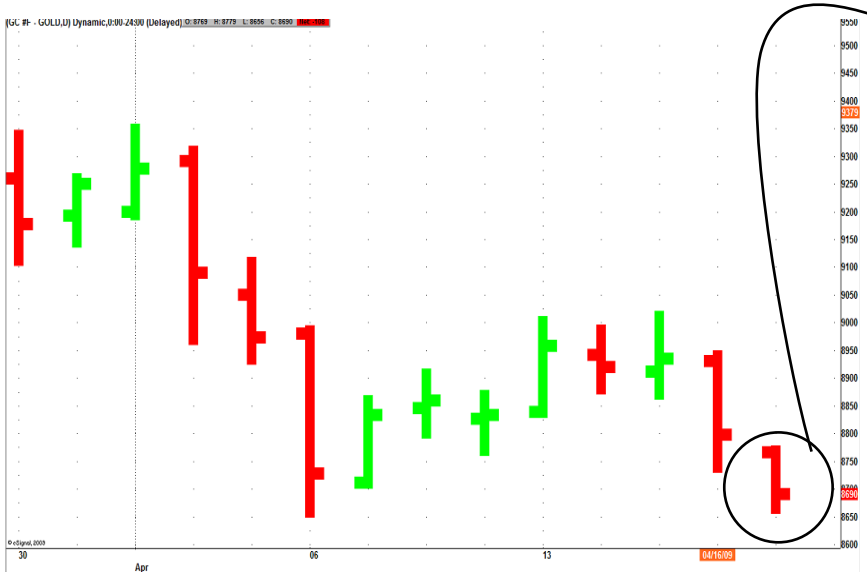
For now we advise remaining square of this market, but we retain our long term bearish view and continue to seek selling opportunities.

More

Commodities: Gold

OUR TRADING STANCE: SQUARE.

Last week we were square of Gold



See how Gold retested the recent lows last week as equities rallied along with the Dollar as traders became increasingly optimistic about recovery.

Last week we remained square of Gold as we judged the market was engaged in a major correction which had the potential to extend a little further.

In the event the gold price did indeed retest the lows as equity markets continued to rally on a feed of improved US Bank profits.

This also helped the Dollar which received additional support from headline CPI going negative. But other key data releases were not so positive with retail sales and industrial production weaker than expected. While traders ignored this data last week, it reveals economic activity remains weak and that will re-emerge as a force to drive gold higher longer term.

Looking ahead there are several key releases due this week, and we are focussed on US New and Existing home sales.

These two reports were better than expected last month and helped fuel the optimism that has under pinned several markets in recent weeks, but were those reports to resume there slide, traders would become concerned once more about the economic outlook.

More

Commodities: Gold

The Macro Trader's view is while we remain long term bulls of gold, the current economic situation remains highly fluid, with many struggling to get a handle on just how bad this down turn is likely to get.

For many it is now the worst recession since the 1930's, but after better than expected data in the US over the last few weeks some are saying the end is in sight, with optimism having been fuelled during the last week by improved profit reporting from several leading US Banks.

But with retail sales falling by 1.1% last week can the Bank maintain those positive results or are they a product of the governments intervention, which could prove all to transitory if asset quality starts to deteriorate once more; highly possible.

If the down turn continues as we expect with falling home sales and prices and rising unemployment, current optimism could quickly give way to a sense of despair leading to a resumption of the bear market in equities, resumed Dollar weakness and a renewed rally in Gold.

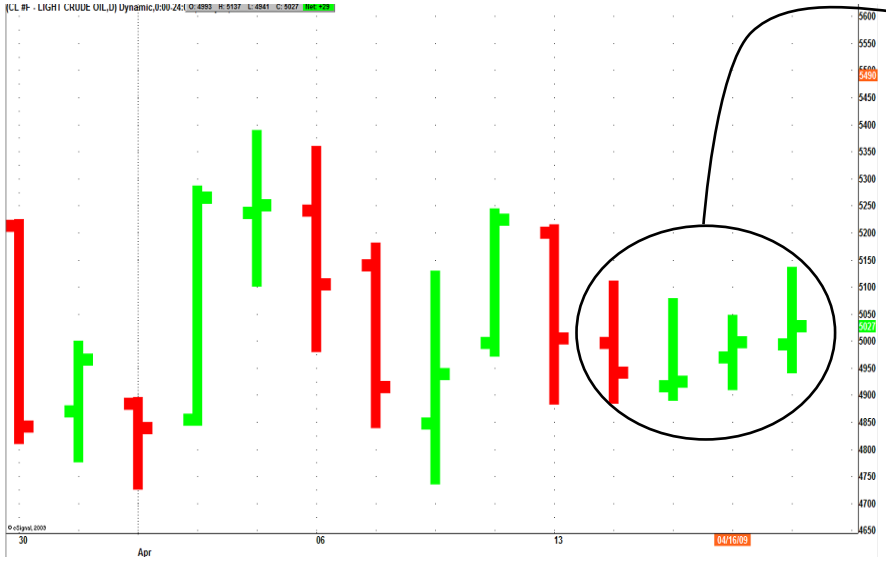
For now though we advise remaining square.

More

Commodities: Oil

OUR TRADING STANCE: BEARISH

Last week we were square of Oil



See how oil traded mainly sideways last week as traders pondered fresh evidence of economic weakness.

Last week we remained square of this market and repeated our earlier remarks... "we judged ongoing geopolitical concerns and tensions were likely lending support to the market"...

..."And although we judge the global economy remains deep in recession, traders continued to buy on unrealistic hopes of near term economic recovery.

The authorities in several leading economies, but especially in the US have pumped billions, if not Trillions into encouraging economic recovery, with interest rates slashed to zero and three leading Central Banks adopting a quantum easing program"...

The market seems to have woken up, despite better profits from some US Banks, US retail sales were very weak last week, so too was industrial production and capacity utilisation.

The underlying economy of the US and globally remains weak and demand for oil isn't going to improve any time soon.

Looking ahead the key indicators this week are US New and Existing home sales which could prove bearish for this and several other markets.

More

Commodities: Oil

The Macro Trader's view is; last week we repeated some earlier comments as we judged they still held true when we said...

..."The market is beginning to price in an economic recovery that would ultimately lead to an increase in demand for oil"...

And

..."While prices could trade a little higher on that view which does derive support from some stronger data from the US economy in recent week's, should data turn uniformly weak again, as we suspect it will, the oil market will trade back towards the lows"...

As we reported last week, Retail sales in the US fell by 1.1%, later in the week industrial production and capacity utilisation declined too, in the Euro zone key data there remained week and as a result oil prices traded mainly sideways.

We now expect the weakness now re-emerging in the oil market to increase with a retest of the lows the next stage.

Until the leading economies recover, oil demand will remain weak, a weak set of home sales reports from the US this week could see the market extend today's sell off.

Since we are fundamentally bearish of oil, we now advise going short, our interim target is $43.50 and our stop is placed at $52.25 for protection.

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Back to main menu