Weekly Market Update
September 7th – 11th 2009

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The views below represent the opinion of independent analysts The Trader Training Company Limited. These views are based on technical analysis including but not limited to price action, volume and market breadth studies

Focus;

GBP Industrial Production, German Industrial Production, US ABC Consumer confidence, German CPI, UK GDP, US Trade Balance, GBP PPI, University of Michigan Consumer sentiment

The Gold price always tells a story and, often following sharp rises, a foreboding one. That is one of the first things you learn as a new trader and as you become more experienced and seasoned, the fact never changes: the Gold price matters. What is the story then today and why does it matter? Gold may be poised for a breakout through $1000 within 48-hours as a combination of short covering, fund buying and the 'September factor ' (Gold has reportedly risen 16 out of 20 Septembers over the last 20 years) all underpin the recent 6-month rally. $1000 is a price milestone and a psychological one. It is telling us that the fundamental state of the world economy remains poor and that systemic risk still weighs heavily on institutions, individuals and governments alike. The recent weeks' price rise follows a technically weaker dollar, increased global unemployment and market indecision over the deflation/inflation outlook. If the last two years of embracing cold financial reality has taught us anything, it's that we cannot ignore basic fundamentals: Gold gains value during periods of economic uncertainty as a store of tangible value. While it is tempting to suggest there are observable reasons for the latest price rise, like whether or not Indian buyers come back into the market to buy Gold at $1000 and perpetuate the recent price rise well above this level, it may be irrelevant if Gold is trying to warn us about a different matter: that something unexpected is about to come out of the shadows in the next few weeks.

Wild cards:

Central banks hike Interest rates between official MPC meeting dates in Asian, US, UK or EU Zone, the UK pound is devalued by the Bank of England, a financial institution linked to consumer credit defaults, there is a significant increase in implied volatility measured by the VIX Index, a major unexpected international terrorist attack occurs.

Commodity Watch

Gold	The Gold price has jumped $50 over the last week and will continue to react positively to further dollar weakening and seasonal aspects. As it approaches $1000 for the third time in a year it may be forced through that level by a mixture of short covering and fund buying. It is unlikely to halt its rise unless there is a change in sentiment for softening US Dollar.
Oil	Crude oil is hovering around the $67.00 level and is struggling to find fresh reasons to push on to the $70.00 level after recent US Dollar weakness and reports of sluggish global economic activity weigh on it. Although metals prices are stronger, oil seems to be languishing and may do so for the next week under $70.00.
Wheat	Wheat prices have had a dreadful summer tumbling from a high of 5.40 on August 3rd 2009 to the current level of 4.46. Seasonal production grossed larger than expected yields especially from Australia and the US so prices might come under continued pressure over the short term.
Sugar	The sugar price is consolidating after a strong upward price rally that saw it test the near 600 level from 568 on September 1st. The uptrend in sugar does not appear to be waning and we could interpret any short term weakening in the price as a temporary consolidation. It is easy to forget, however, that the commodity was trading at 290.00 in November last year.
Coffee	Coffee is trying to rally once again after languishing around the 1410 level for a few days in August. If Coffee does not sustain the recent price move on the upside, it will resume its downward trend having fallen nearly 50% from its highs to below 1300 recently on slowing demand. Prospects for further rises in the Coffee price from its recent low of 1300 will depend on renewed consumer demand and a stronger US Dollar.

Index Watch

FTSE	The FTSE 100 Index was buoyed this morning with takeover activity in Cadbury pushing the share price up 42%, but shows a mixed picture in other stocks. Along with other global equity indices had a choppy week last week as more evidence of global recovery was digested by the markets. This week's announcement on UK GDP is an important one and may rock the boat if it shows further weakness.
DAX	The DAX index is climbing back towards its year highs amid selective buying from funds and a seemingly rosier outlook for Eurozone economic activity. Prospects for further rises in the Index will depend on the good economic reports this week including Industrial Production and Consumer prices.
Eurostoxx	Over the last few weeks, EuroSTOXX has mirrored the positive reaction from world markets to improved sentiment with regard to global economic recovery. Favourable results from this week's economic statistics will help with bullish sentiment towards the index.
E mini S&P	The S&P 500 Index is now 19 points above the 1000 point level and looks poised for a further upward move. The Index has recently been underpinned by the recent bullish market sentiment over improved prospects for economic growth and with better than expected unemployment figures last Friday, the impetus looks to be on the upside.

Bond Watch

BOBL/BUND /SCHATZ	German bond prices are steady ahead of a potentially difficult week with Gold prices banging on the $1000 level and the Euro continuing to behave erratically against the US Dollar. Global bond markets still seem to be reluctant to believe the good news coming out of the economy so far this summer.
US Treasuries	US T-Bonds had a flurry of activity in early September when they reached 122.80 but then sank back to the 120.00 level after the better than expected US unemployment figures on Friday. This week the markets have consumer confidence figures to digest and recent experience has shown that the announcements can be far from predictable. It will be a test of the market's nerves if Bond yields drop further below the recent historic lows.

Currency Watch

EUR/USD GBP/USD	The Euro/USD rate has entered another choppy week jumping between 1.4380 1.4220 with prospects of a difficult week ahead in terms of economic announcements on consumer sentiment. The weak dollar will support upward momentum in the equity markets if it remains above 1.4300 but could easily find itself under pressure if ABC and University of Michigan consumer figures disappoint.
JPY	The Euro has been gently appreciating against the YEN over the last week as Japan digests the possibilities following the results of the landslide political victory for the Democratic party of Japan party a week ago. Little opportunity for YEN appreciation while the deflationary outlook is so grim. All eyes will be on Japanese industrial statistics announcements this week for clues as to the economic activity in the country.

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