CHINESE WHISPERS > JOHN REDWOOD'S COMMENT ON ASIA

IndexTrader

Market intelligence for talented traders

ISSUE TWO | JUNE 2012

DROWNING IN DEBT

WHAT NEXT FOR THE EURO?

TIP YOUR CAP

HOW TO CASH IN ON UK MID CAP STOCKS

SHALE & PACE

WHY INVESTORS ARE RUSHING FOR NATURAL GAS

BEWARE OF UNCLE SAM

A WARNING WHEN CHASING THE AMERICAN DREAM

TRADER'S DIARY > FREE LISTINGS FOR THE MONTH AHEAD

Contents

IndexTrader | Issue 2 | June 2012

LEVEL GUIDE

BEGINNER
Suitable for individuals that are completely new to trading

INTERMEDIATE
Suitable for individuals with some trading knowledge

EXPERT
Suitable only for individuals with significant trading experience

ALL
Suitable for all

INDEXTRADER: NOT JUST FOR THE FEW

News of the whopping trading losses from JP Morgan's London office in recent days has certainly focussed the mind.

At the time of writing, chief executive Jamie Dimon informed investors that the bank had decided to suspend its share buyback programme despite plans to continue payment of its dividend.

Moreover, reports are now surfacing that trading losses could now be heading for the £4.5 billion mark, more than twice what the bank had previously stated. More astonishing, though, is the fact that the bank's head of risk who was supervising the division where the losses were mounting had previously been booted out of a rival bank for breach of regulations.

While surprising, it wouldn't be the first time that an investment bank has left senior figures in plum roles while their under performance was notably woeful.

I will refrain from listing several 'investment professionals' who I have had the irritation of observing during my time as a financial journalist, but suffice to say that this annoyance is particularly magnified when they are supposed to be experts in running OUR money.

I mention this because Britons have traditionally suffered from a culture of trusting others with their investment decisions and have therefore not developed the appetite for involvement in stocks and shares as their cousins in America. The fact is, we could be missing a trick.

Recent weeks have given ample opportunity to make a bundle from short positions, but only for those who have taken the time to learn how to trade.

So yes, there is a place for building a portfolio of funds, stocks and shares but this does not mean we should ignore new opportunities particularly in the current volatile economic reality.

Regulatory changes, market entrants and companies entering the UK from abroad mean we will shortly see greater competition from brokers and platforms alike – all competing for our business. So, with no end in sight as to what the fallout could be from the Eurozone, why don't we at least look at what is out there. You never know, we could all be a bit better off.

Joe McGrath - joe@index-trader.co.uk
EDITOR, INDEXTRADER

Consumers feel the pinch as UK income growth slows

UK consumers had less in their pockets in April as inflation continued to erode their income, with income growth slowing to its weakest level since February 2011.

Consumers' incomes grew by just 2.2% in the 12 months to April with 86% of consumers noticing an increase in the cost of essentials and everyday items, in a poll conducted by Lloyds Banking Group.

After inflation, spending power fell by 0.9% from a year earlier - equivalent to almost £100 a year less to spend on non-essential items - driven by falling real incomes. Despite recent falls in inflation, real incomes fell by 1.6% in April.

Meanwhile, 67% of people believe they are paying more on petrol and diesel compared to a year earlier, while 60% are spending more on household groceries. Within essential spending there were rises in spending on both gas and electricity (11.7%) and water bills (9.1%).

Patrick Foley, chief economist at Lloyds TSB, said household finances are still under real pressure despite the significant falls in inflation we have seen over the past seven months.

He added: "Although unemployment has been broadly stable, wage growth has eased and so incomes are growing well below their long term average.

"Even though we expect to see further falls in inflation, the weakness in the broader economy is likely to mean that consumers aren't going to feel any better off in the near future."

In the research conducted, rises in food and clothing prices were cited as causing the most concern. However, despite the perception of rising prices, consumer spending on food and drink is easing - falling back from its record high of 7.5% in March to 6.8% in April.

TRADER TALK

US Consumer Confidence tipped to decline

US Consumer Confidence is expected to show a month-on-month decline on Tuesday when the latest report is released.

Analysts say that pessimism about the prospects for US job growth is mainly to blame which is in turn filtering through to spending. Last month's figures nudged downward from the level of 69.2 in April from 69.5 in March.

According to last week's US Bloomberg Comfort Index, American citizens are now at a level of pessimism more commonly associated with "recessions or their aftermaths."

Bloomberg's analysts say the fourth weekly decline of its US comfort index came in spite of a slight easing of petrol prices and, without substantial job and wage gains, the picture is unlikely to change in the near future.

The Bloomberg report came just days after a contradictory report by Thomson Reuters however, where analysts were initially expecting a drop in confidence but actually polled a rise in May.

This was attributed to gains made by upper-income Americans that contributed to increased spending on expensive items such as home furnishing and electrical appliances.

The US Consumer Confidence report is published at 1500 hrs British Summer Time on Tuesday 29 May.

Most traded currency pairs May 2012

UK Traders	
1	AUD/USD
2	GBP/USD
3	USD/JPY
4	EUR/AUD
5	EUR/GBP
US Traders	
1	EUR/USD
2	AUD/USD
3	USD/JPY
4	EUR/JPY
5	GBP/USD
Russian Traders	
1	EUR/USD
2	GBP/USD
3	AUD/USD
4	EUR/JPY
5	USD/JPY

Source: Forex Club / CMC Markets

Britain's retailers suffer as shoppers stay at home

Shoppers are increasingly staying away from Britain's high streets, according to figures from the British Retail Consortium (BRC).

In the three months to the end of April, footfall across Britain was down 2% compared to the same period a year ago and a further increase on the 1.8% decline witnessed in the previous three month period.

While visitors to out-of-town shopping centre were up by 1.2% during the period, shoppers on Britain's high streets were down 6.4% while city shopping centres saw a decline of 0.8%.

The hardest-hit locations in the past three months were Scotland (-12.6%), the East (-8.9%) and Greater London (-8.2%). Wales (0.6%) was the only region to show increased footfall. The North and Yorkshire (-3.7%) and the East Midlands (-3.7%) showed the smallest declines.

Stephen Robertson, director general of the BRC, said that double digit declines in shopper numbers in April in almost every part of the UK and stubbornly high shop vacancy rates confirm how tough conditions are for customers and retailers.

He added: "Some of that is about seasonal factors - the comparison with last year when the weather was better, Easter was later and there was an extra bank holiday - but essentially consumers' lack confidence, disposable incomes are still dropping and fewer people are shopping for anything that isn't essential."

The national town centre vacancy rate in the UK was 11.1% in April 2012 (high streets and shopping centres), unchanged from January 2012 and October 2011. Northern Ireland (16.6%), the North and Yorkshire (13.5%) and West Midlands (12.9%) recorded the highest vacancy rates.

Robertson explained that while March was a better month, with the sun bringing some spring spending forward, cold, wet weather combined with a widespread lack of spare cash kept shoppers at home in April.

He said: "High streets are more vulnerable to the rain and took the biggest blow, suffering the worst drop in footfall since Nov 2009, which added to the difficulties that are keeping empty shops empty."

IndexTrader TRADING DIARY

28 MAY - 1 JUNE

(All times British Summer Time)

Monday 28 May 2012

0700hrs	Gulf Keystone Petroleum - Final Results
	Aveva Group - Final Results
	First Derivatives - Final Results
	Max Property - Final Results
	Phoenix IT Group - Final Results

Tuesday 29 May 2012

0030hrs	Japanese Household Spending Index
	Japanese unemployment figures
	Japanese retail sales figures
0700hrs	De La Rue - Final Results
	McKay Securities - Final Results
	Topps Tiles - Interim Results
	Pennon Group - Final Results
	Brewin Dolphin - Interim Results
1100hrs	Confederation of British Industry (CBI) Distributive Trades report
1500hrs	US Consumer Confidence report

Wednesday 30 May 2012

0230hrs	Australian Retail Sales report
0700hrs	Severn Trent - Final Results
	Telford Homes - Final Results
0900hrs	European Money Supply update
0930hrs	British Money Supply update
1230hrs	US Challenger Job Cut report
1500hrs	US Pending Home Sales Index

Thursday 31 May 2012

0050hrs	Japanese Industrial Production figures
0645hrs	Swiss GDP update
0700hrs	German Retail Sales report
	Halfords Group - Final Results
	Fuller, Smith & Turner - Final Results
	Kingfisher - Trading Update
0745hrs	French manufacturers report
0850hrs	German unemployment statistics
0900hrs	Petropavlovsk - AGM
	Kenmare Resources - AGM
1330hrs	US GDP update
	US Jobless Claims data report

Friday 1 June 2012

0900hrs	German PMI Manufacturing Index
	European PMI Manufacturing Index
0930hrs	GB PMI Manufacturing Index
1330hrs	US Employment Situation report
	US Personal Income and Outlays report
	Canadian GDP update
1500hrs	US construction report

European construction tumbles year on year

Construction output within the Eurozone area was 3.8% lower in March 2012 than in the same month in 2011 while output in EU member countries was down 3.9% in the same period.

However, in the latest official construction statistics released last week construction output from European construction companies rose by 12.4% in March within in the Eurozone area and by 11.8% in the wider European Union area compared to the previous month.

Germany posted the highest increase at 30.7% between February and March 2012 while France posted an increase of 17.8%, UK 14.8% and Italy 9.5%.

The three largest decreases were posted by Romania (-8.8%), Portugal (-6.8%) and Spain (1.8%).

Overall, construction output fell in nine and rose in five of the EU member states over a 12-month period with the largest decreases registered in Portugal (-16.4%), Slovakia (-11%) and Spain (-10.9%).

Building construction fell by 3.4% across the Eurozone area and by 3.1% across the 27 European Union member countries.

FXCM unveils updated MT4 platform

FXCM unveiled its updated and quicker version of its MetaTrader 4 (MT4) platform last month for traders interested in automating their spread betting strategies.

The company has added new trading features such as micro lots (at 0.01 trade sizes), max deviation and the ability for MT4 traders to use FXCM's mobile products.

Last quarter, FXCM eliminated third party bridge software, which also eliminated auto-syncs and sped up order submission and execution on its platform.

Drew Niv (pictured), chief executive officer of FXCM, said that adding the ability to spread bet from this improved platform is an added benefit for UK traders.

The FXCM MetaTrader platform allows for all types of traders and expert advisers (EAs) and more information is available from the FXCM currency desk on 0808 234 8789 or via email at info@fxcm.co.uk.

Confidence builds in BP after Deepwater disaster

BP was among those stocks to witness the largest swing in investor sentiment in April, according to recent analyst reviews.

CMC Markets' Trading Trends Report stated that turnover from trading BP was up 126% in April with almost all clients turning positive on the oil giant after the Deepwater Horizon disaster.

Of the total trades on CMC's platform globally, 98% of those trades were long with only 2% of traders opting to short the UK energy group.

Nas Nijjar, senior trader at CMC Markets UK, said the trend looks to be part of a longer term trend of renewed confidence in BP as it slowly sorts through its recent issues.

He explained: "It is a sign that traders believe there is a stable core to the company that will see BP continue to regenerate. The company continued to arrive at settlements with various counterparties, individuals and businesses relating to the disaster and has been relatively successful at offloading non-performing assets.

"With the resumption of the dividend, investors are becoming more confident about the ability of the company to meet its outstanding liabilities and put the whole episode behind it."

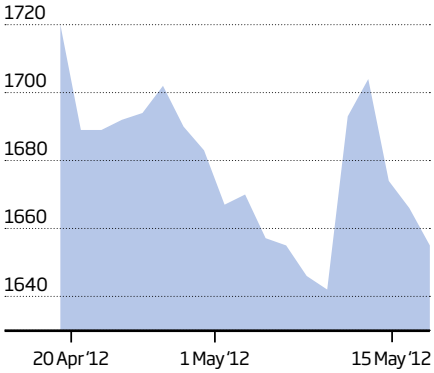
Market sentiment elsewhere has also been upbeat. Charles Stanley reiterated its 'hold' recommendation for the stock but noted that new projects should give some operating momentum and help cash flow in the second half of 2012.

Tony Shepard, analyst at Charles Stanley, said BP is seeking to increase the number of rigs operating in the Gulf of Mexico region to eight compared to just five in 2011.

He said: "All together, BP is looking to bring on stream six major projects in the Gulf of Mexico, Angola and the North Sea and a further nine projects over 2013-14.

"Unit cash margins on production from new projects are targeted to be about double the existing average and by 2014, group cash flow is expected to grow by about 50%."

BP SHARE PRICE
20 April - 18 May 2012



GREEK BANK TO SHOW HAND ON WEDNESDAY

National Bank of Greece will report its first quarter results on Wednesday 30 May, two weeks after the bank's shares plunged 7%.

Greek banks endured a horrific month in May as investors triggered a run on the banks, with around €1.6 billion withdrawn in the three days between 14 and 16 May.

Ongoing fears that Greece will be forced out of the European single currency had extended losses for Greek fnancial stocks to around a quarter of their value since the elections at the beginning of May.

With new elections now timetabled for June 17, the continued uncertainty will do little to strengthen the bank's position.

The majority of Greek banks no longer have sufficient funds for a risk buffer for their day-to-day activities and are effectively surviving with help from the Emergency Liquidity Assistance programme managed by George Provopoulos, the head of the Greek Central Bank.

Greek banks had already accumulated more than €106 billion of debt by February of this year through the European' Central Bank's internal payment system.

Read more on the outlook for European Financials on page 10

Severn Trent tipped for special dividend and dip in profits

Water utility group Severn Trent is expected to report a marginal fall in profits when it reports on 30 May. Analysts believe that profits are likely to be down from the £519 million declared last year to around £502 million when it reports on Wednesday.

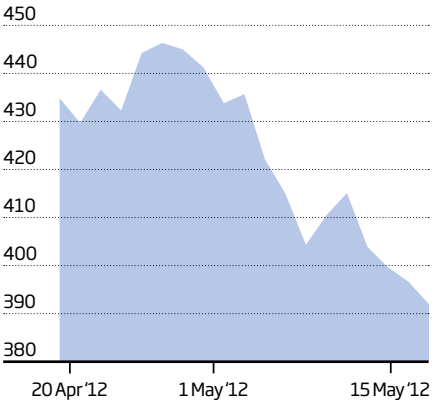
Despite this, investors are optimistic after the company openly expressed an interest in issuing a special dividend to investors – believed to be in the region of £350 million before the regulated price period ends in 2015.

However, analysts have been lowering their ratings on the stock in recent weeks with US broker Morgan Stanley downgrading Severn Trent to 'equal weight' from its previous tip of 'overweight' as a result of its recent share price performance coupled with slower core growth.

Previous talk of the group being bought out by a larger rival has also quietened in recent days due to the state of the European debt markets.

That said, Deutsche Bank's James Brand continues to push the stock, saying that further takeover activity should be expected in the sector more broadly and Severn Trent should not be ruled out.

SEVERN TRENT SHARE PRICE
20 April - 18 May 2012



Listed derivatives in ICAP's sights following Plus buyout

Interdealer broker ICAP has said it will offer listed derivatives on Plus following the buyout of the troubled exchange.

ICAP confirmed last week it had reached an agreement to buy the Plus Stock Exchange from its parent Plus Markets just days after the group failed to attract a buyer.

ICAP picked up the exchange for the token sum of £1 which is subject to approval from the Financial Services Authority and shareholders of the loss-making Plus Markets Group.

Despite having received many proposals to consider a buyout Plus Markets was forced to confirm on 14 May that no buyer could be found, saying that due to operating costs of the business and regulatory pressures it would no longer continue trading.

ICAP currently offers interdealer broking for wholesale financial markets with both electronic trading and telephone broking services and runs the world's largest electronic trading platforms for both FX (EBS) and fixed income (BrokerTec).

Plus, meanwhile, is one of only five RIEs (Recognised Investment Exchanges) in the UK. It provides listing and quoting services to around 140 companies and generates revenue of approximately £3 million a year.

It its statement to market after the announcement, ICAP's spokesman said it is "well positioned to leverage Plus' exchange status to offer new products and solutions for its customers including, in time, listed derivatives".

He added: "ICAP is fully committed to continue supporting and expanding the equities listings venue which provides growth capital for smaller companies as well as exploring other possibilities."

Mahi FX adds charting components to its platform offering

Mahi FX has launched new charting components allowing traders to zoom, draw and trade directly on interactive charts.

The new additions are part of an ongoing enhancements to the proprietary retail foreign exchange trading platform, which now features these new components as well as market-timing technical analysis features and indicators.

Mahi says the enhancements are intended to equip traders with the tools required to better interpret currency graphs and to execute more informed trading strategies.

David Cooney, chief executive officer of Mahi FX and former global co-head of e-FX trading at Barclays Capital, says: "Our ambition is to provide traders with the best possible trading platform. We intend to continually engineer and evolve the platform based on our clients' feedback. This first major release since our launch two months ago is a direct result of conversations we have had with our clients; conversations which have highlighted just how important charting and technical analysis tools are to them."

The new customisable charting and technical analysis tools provide traders with indicator, overlay and trend line tools to analyse and interpret currencies and movements in real-time. Mahi FX traders can now examine trends by deploying trend-following moving average indicators including exponential moving average (EMA) or the weighted moving average (WMA).

Alternatively, traders can utilise other trend indicators such as the parabolic stop and reverse system (PSAR). Momentum indicators such as the relative strength index (RSI) and Rate of Change (ROC) are among many that traders can utilise to assist in trading ranging and trending markets and to determine preferred entry and exit points.

TRADER NOTES: GLOBAL CONSTRUCTION

Colin Cieszynski, senior market analyst at CMC Markets Canada, looks at themes traders can use to gain exposure to the global construction sector

Most of the largest publicly traded construction and engineering companies are in Japan (9) followed by the US (4) and the UK (2).

A number of other countries have only one major company listed. Because of this, there aren't many major indices that are closely linked to construction.

Generally speaking, the main factor driving the sector is the global economy and propensity for governments and companies to spend on large projects.

Due to the long time-frames for project approval and development, the sector is sensitive to the corporate spending cycle which tends to lag behind the broad economy at both peaks and troughs. This may be offset a bit by government spending if countries attempt to use fiscal policy to boost their economies with infrastructure projects.

The construction sector is an interesting sector because although it is a very big part of the economy, it is a small part of indices and stock markets.

Some of the main companies include:

- **SNC Lavalin (Canada)**
- **Stantec (Canada)**
- **Aecon Group Inc (Canada)**
- **Vinci SA (France)**
- **Comsys Holdings (Japan)**
- **Taisei Corp (Japan)**
- **Obayashi Corp (Japan)**
- **Shimizu Corp (Japan)**
- **Kajima Corp (Japan)**
- **Kumagai Gumi Co (Japan)**
- **Daiwa House Industrial (Japan)**
- **JGC Corp (Japan)**
- **Chiyoda Corp (Japan)**
- **Amec (UK)**
- **Taylor Wimpey (UK)**
- **Fluor Corp (US)**
- **Foster Wheeler (US)**
- **Jacobs Engineering (US)**
- **McDermott International (US)**
- **Impregilo SpA (Italy)**

Household finances crack under pressure in May

Household finances took more pain last month as 35% of homes reported that they were worse off in May compared to the previous four weeks.

The latest statistics from the Markit Household Finance Index show the fastest deterioration in British household finances since January, with only 8% of those polled saying their finances actually improved.

Mortgage holders were the hardest hit although disposable cash availability across the board fell and workplace activity also stagnated. The job security index also fell from its 26 month high, noted in April.

Tim Moore, senior economist at Markit, said the survey shows another intensification of the household finance downturn with the rate moving into full scale reverse after some encouraging signs earlier in the year.

He added: "Households saw the amount of cash left in their pocket fall at the fastest pace so far in 2012, with mortgage holders and public sector workers feeling the greatest squeeze. With some mortgage borrowers being hit by rising repayments as higher standard variable rates come through, these households noted the biggest stretch on their finances since last autumn."

Moore said that the latest survey is an early indication that the UK economy is still stuttering through the second quarter.

He continued: "The view from the coalface suggests that weakness in manufacturing and retail offset modest growth across the service and construction industries in the middle of the second quarter.

"Households are still very downbeat about their financial outlook but sentiment was surprisingly unmoved since last month given all of the negative economic news in between."

SAXO BANK DEPUTY STEPS UP

Trading and investment group Saxo Bank has confirmed a new chairman to lead its board of directors.

Having been a member of the board since 2007, the former deputy chairman Dennis Malamatinas is set to take over from Kurt Larsen who will remain on the board.

Malamatinas was previously the global head of Smirnoff Vodka, Priceline Europe and Burger King Corporation and co-founded Marfin Bank in 2002 where he later became the chief executive officer.

In 2007, he co-founded the Marfin Investment Group (MIG) which he headed up until the earlier this year.

Speaking on the appointment, incumbent chairman Larsen said Malamatinas' skillset in the wider financial services arena would serve the group well with its expansion plans.

He explained: "Saxo Bank already meets the Danish FSA's reasonable proposals for stricter requirements for boards of Danish financial companies, and it is to follow the spirit of the proposals I have decided to step down as chairman.

"My main strength in corporate governance has been organisational structure and operations not specific to banking operations, and therefore it is appropriate that Dennis Malamatinas with his broad and deep knowledge of the financial sector becomes chairman.

"I am glad to remain on the board of Saxo Bank, one of the most innovative and interesting companies I know of."

Saxo Bank's board of directors will now comprise of Dennis Malamatinas (chairman), Asiff Hirji (deputy chairman), Kurt Larsen, Thomas Plenborg, Karl Peterson and Jacob Polny.

IndexTrader

DIRECTORS
Joe McGrath – joe@index-trader.co.uk
Kevin Rose – kevin@index-trader.co.uk
Ed Tackas – ed@index-trader.co.uk

EDITOR
Joe McGrath – joe@index-trader.co.uk

CONTRIBUTORS
Rob Langston, Jennifer Lowe, Elizabeth Pfeuti, James Redgrave, John Redwood, Kevin Rose, Charlie Thomas

ADVERTISING
Ed Tackas – ed@index-trader.co.uk 07970 735054

IndexTrader is published by Pretty Good Publishing Limited, 15 Bramley Close, Waterlooville, Hampshire. PO7 7SU. The magazine is printed in England by Wyndeham Grange Printers, Butts Road, Southwick, West Sussex. BN42 4E

Banking on change

With investors in European financial stocks spooked by downgrades, bank nationalisations and the Eurozone in May, **Joe McGrath** investigates what the coming month is likely to hold

FTSE EUROTOP 300 FINANCIAL SERVICES INDEX

Date: 18 May 2012
Source: FE Analytics

European financial stocks took a battering throughout the course of May, as traders reacted to the possible contagion effect that may follow were Greece to exit the euro.

While many of the downgrades the ratings agencies were priced in, the market remains wary of the level of distressed loans that are being carried by European banks – particularly in Spain and Italy.

With Spain's banks believed to be sitting on an estimated €180 billion in bad debts, the focus has turned to the level of German and French bank exposure to Spanish banks following the recent downgrades.

And, while some believe that many of the European banks are now trading way below their book value, this concern over contagion means that shares could still fall further. It is unsurprising then that in the week ending 18 May 2012, the FTSE Eurofirst 300 fell 5.2%, settling at 970.24 points.

Analysts at Moody's have yet to release their full findings of the 114 European financial institutions that they have assessed and we will not see their full assessment until the end of June.

banks. It prompted Spanish prime minister Mariano Rajoy to stress that he "didn't think" that Spain's banks would need any rescue package from Europe when questioned by journalists at the recent Nato summit in Chicago.

Most traders who reacted to the recent downgrades by Moody's were already behind the curve as, on this occasion, the downgrade was already priced into the market; however, there were other data sets that influenced the markets in the days after.

James Stanley, trading instructor at Daily FX, explains that the markets initially saw some euro appreciation after the downgrade which indicates it wasn't that unexpected, but the next week the euro moved towards tipping point and after disappointing non-farm payroll figures from the US.

He explains: "Spanish banks will likely see continued difficulties. The fact of the matter is that many of these banks are holding a lot of non-performing loans and that isn't something that magically changes overnight.

European Financials Timeline 2012

13 April	Moody's declares intention to issue ratings review reports on 114 European financial institutions from mid-May
10 May	Spain part-nationalises its largest retail bank, Bankia, by taking a 45% stake in the organisation
14 May	Moody's downgrades debt and deposit ratings for 26 Italian banks
17 May	Long-term debt and deposit ratings for 16 Spanish banks (and the UK division of Santander) downgraded by Moody's
18 May	Cyprus approves plan to underwrite the country's second-largest lender, Cyprus Popular Bank, believed to be heavily exposed to Greek debt
30 June	Moody's to conclude ratings review of European Financials

'BY USING "PUT WARRANTS" INVESTORS CAN EFFECTIVELY BUY INSURANCE AGAINST POTENTIAL ASSET PRICE FALLS FOR THE COST OF A MODEST PREMIUM'

STEPHEN BARBER, ECONOMICS AND MARKETS ADVISER, SELFTRADE

Elsewhere, the Cypriot government moved to underwrite a €1.8 million euro equity issue by Cyprus Popular Bank during the third week of May as speculation peaked over the bank's exposure to Greek debt.

The country was forced to approved emergency legislation to underwrite the issue which effectively meant it had agreed to underwrite the debt for around 10% of its national gross domestic product.

With all of these factors fresh in traders' minds, attention has turned to strategies which will allow them to take advantage of further negative news, without leaving themselves open to tremendous losses.

STATE OF PLAY

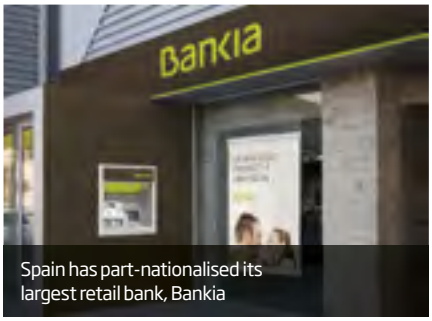
As it stands, 10 of the 17 Spanish banks that were downgraded by Moody's on 17 May now have a 'negative outlook' note, suggesting that further downgrades are likely.

This wasn't helped by the new French president Francois Hollande telling the media a day later that he was in favour of European assistance to recapitalise Spanish

"When you combine a large percentage of non-performing loans with over 24% unemployment, while trying to push through austerity measures – something has got to give.

"European banks have quite a bit of de-leveraging to go through. The big question is whether or not the European economy can hold together long enough for the banks to do this and as the days go by it looks like more and more of an unlikely scenario."

Among the European banks needing to reassess their position are those in Italy.



Spain has part-nationalised its largest retail bank, Bankia

The Italian banks have until the end of June to find some €15 billion to improve their capital adequacy after the European Banking Authority said they were over-exposed to domestic government bonds. As a result, all of the 26 Italian banks that were downgraded in May continue to have a negative outlook note.

And while the spotlight has remained on the Eurozone, Britain is not exempt from the fallout on the continent. In fact, only last weekend Conservative cabinet minister Ken Clarke warned that Britain was "heavily exposed" to the European banking system and was likely to be the next target for market speculators.

In an interview with Sky News' Dermot Murnaghan, the former chancellor warned that were Greece to default on its forthcoming debt payment, the consequences would be serious. He went on to add that "people would start barking at the door of Portugal, Ireland, Italy and here in Britain."

Clark's comments will once again focus traders' minds on the seriousness of Greece's financial position ahead of its debt payment due later in the month and the likely volatility that we will witness on European markets as a result.

Joshua Raymond, chief market strategist at City Index, says traders are now reacting to rumours and market speculation much more than usual due to the sheer weight of uncertainty that's has been gripping the markets in May.

He explains: "This has forced many traders to pay more attention to speculation and rumours out of the areas within the Eurozone where large questions marks exist over their fiscal stability such as Greece, Italy and Spain.

"Such is the focus on these headlines, it is not taking much to knock the market from its perch as soon as speculation starts to infiltrate the markets and so there are certainly some short term trading opportunities to be had with this."

STRATEGIES FOR FINANCIALS

At the time of writing, there were rumours that a temporary short-selling ban may yet be enforced to stop traders profiting directly from falling European bank stocks. However, if this remains a viable option, it is the obvious place to start.

City Index's Joshua Raymond explains that while others are seeking to get out of a market, short selling enables traders to profit from any downside, giving greater trading flexibility.

He explains: "Short selling is an area to which investors can look to profit from during market turbulence or bear markets. Short selling allows you to profit from falling prices such as shares, indices, currencies or commodities. You can short sell the markets through financial spread betting or CFD trading."

Banco Santander was downgraded two notches by Moody's due 'bleak economic prospects in its core markets'

Incredibly, while most private investors will be happy to buy stocks and shares, they traditionally have remained oblivious to the opportunities that exist when markets move lower and in the current volatility, this could mean losing out.

Stephen Barber, economics and markets adviser to online stockbroker Selftrade, says it can be relatively easy for experienced investors to reduce risk from portfolios and protect profits by looking at the alternative vehicles that are available on the market.

He says: "One of the most accessible and low-cost instruments is the covered warrant, a product which private investors use enthusiastically as a speculative tool but tend to overlook its ability to hedge.

"By using put warrant s (giving the holder the right to sell an underlying asset at a predetermined price) investors can effectively buy insurance against potential asset price falls for the cost of a modest premium.

"An alternative strategy is that of cash extraction where investors can realise the value of an asset but retain equivalent exposure via a covered warrant but at a fraction of the cost."

Of course, like any financial product, retail traders should not deal in covered warrants or other complex instruments unless they understand their nature and the extent of your their exposure to risk.

However, if you are satisfied that the product is suitable for you in the light of your circumstances and financial position, then it can be a viable way of making gains or protecting positions elsewhere.

2008 vs 2012: LESSONS FROM HISTORY

In many ways, the issues being seen in Europe today aren't all that different from the issues that created so many problems in the US banking sector during the 2008 collapse. The culprit behind both events is excessive leverage.

In 2008, it wasn't discovered that the amounts of leverage being taken on were far too great until it was too late. Mortgage-backed securities which the banks had grown obese on started to hit markets. We then saw some of the biggest names in the history of finance vanish overnight.

James Stanley, trading instructor at Dailyfx, says what we all learned from that event is that is that no matter how 'safe' an investment is perceived to be – as mortgages were before 2008 - excessive leverage of that instrument can be disastrous.

He explains: "Coming out of the collapse, much of the financial community remained cautious around this fact, and that is exactly why Europe has drawn the interest of speculators around the world since 2009. We know how impactful that problem can be, and how deeply those repercussions can permeate financial markets.

"The big question is whether or not European banks will be able to de-leverage enough before an economy the size of Spain or Italy begins to move towards the fate of Greece."

Of course, back in 2008, governments weren't as indebted as they are now and European governments were very reluctant to act quickly to support their lenders.

As a result, the bad debt levels in these institutions are once again becoming the source of major concern as the European single currency teeters on the brink.

Michael Hewson, senior markets analyst at CMC Markets, explains: "While the Fed and the Bank of England acted quickly the same cannot be said of Europe who buried their heads in the sand and dismissed the turmoil as an Anglo Saxon problem.

"The refusal to acknowledge the problems in the European banking sector has now come back to bite European leaders. The complacent attitude adopted by these leaders could have serious ramifications for the rest of the world as investors' faith in the single currency starts to waver in the face of the enormous challenges facing the banking system in Europe."

I AM THE MERCHANT. MY ADVICE TO YOU IS THIS. EAT WELL, DRINK WELL AND YOU WILL LIVE WELL. PROBABLY.

A most hospitable retreat in The MERCHANT of BISHOPSGATE Freehouse & Kitchen *the belly of Liverpool Street.*

Tip your cap

While the risk-averse may prefer to ignore British mid caps completely right now, **Rob Langston** finds more than a handful of trading opportunities arriving in June

UK mid caps are all too often overlooked by speculators more interested in the blue chip brands of the FTSE 100 index or the higher-risk bargains to be had further down the market cap scale.

However, below the glitz and glamour of the FTSE's flagship blue chip index, retail traders are finding increasing numbers of opportunities in the FTSE 250, the next 150 biggest companies by market capitalisation.

Although there are undoubtedly some smaller companies traders might be unfamiliar with, there are a number of household names for the UK investor such as Britvic, Easyjet, Dominos Pizza and William Hill.

The market capitalisation of the FTSE 250 was £232.8 billion as of 30 April 2012. The average market capitalisation of a FTSE 250 constituent is £916m. Indeed, the index has a number of large constituents eligible for FTSE 100 inclusion at the next quarterly review of the index series in June.

Of course, there are a greater number of companies to choose from in the mid-cap index and yet the FTSE 250 is more concentrated than the FTSE 100 in terms of sector weightings. The largest sector is currently Financials with a 30.9% weighting, followed by Industrials with 22.3%, and Consumer Services making up 16.1% of the index.

Performance-wise, April wasn't a great month for the index, which generated a loss of 1.1% compared with a loss of 0.5% for the FTSE 100, on a price basis. The FTSE 250 (excluding investment trust companies) performed marginally better than the complete index, with a 0.8% loss.

However, longer term growth of the FTSE 250 index has often surpassed that experienced by its blue chip sister index. And while the FTSE 250 index grew by 13% in the year to April 30, compared with just under 3% for the FTSE 100, it has not been immune from the macroeconomic events that continue to batter markets.

FTSE 250 TRADING TRENDS

Politics - and in particular how the sovereign debt crisis is tackled – will have a massive impact on mid cap trading, says The Share Centre's Sheridan Admans.

Investment adviser Admans says the events in Europe over the next couple of months could potentially make investors more wary of taking short-term risk.

The average daily trade in FTSE 250 securities fell to £755m in April, down from £788m in March, according to the London Stock Exchange. The lowest average daily trade this year was seen in February, when the second bail-out of Greece was dominating headlines.

Craig Erlam, market analyst at Alpari, says the index is the best indicator of how UK companies are performing, compared with the FTSE 100 index, which has a number of internationally-focused constituents.

"The FTSE 250 index performed well in the first quarter as services and manufacturing PMIs were producing impressive growth numbers," he says.

"However, we have seen a downturn since the Budget in March which has continued into the second quarter as austerity has curbed spending and US data such as non-farm payrolls has dented confidence in the world's largest economy."

He adds: "We have also seen increasing problems in the Eurozone that have led to preparations for a Greek exit and the UK went into a technical recession in the first quarter despite all the positive data we saw,

ACTIVE TRADER TIP: PROMOTION AND RELEGATION

One other way traders could take advantage of more short-term events is through the quarterly rebalancing of the index. Relegation from and promotion to an index normally results in significant movement of the buying and selling stocks.

Index-tracking funds, part-passive funds and exchange traded funds will have a limited window in which to dump a stock if it is relegated from an index as these funds will be expected to hold a basket which accurately reflects the index.

According to research by Winterflood Securities, Babcock International - which announced a surge in profits during the first quarter - looks likely to be promoted to the FTSE 100, while

FTSE 250 INDEX
(to 18 May 2012)
Source: FE Analytics

-8.7%	-6.9%	6.3%	-9.6%
1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS

DID YOU KNOW ?

The average daily trade in FTSE 250 securities fell to £755m in April from £788m in March, according to the London Stock Exchange. The lowest average daily trade this year was seen in February, after the second bail-out of Greece.

forcing investors to protect their savings through lower risk assets such as government bonds.

"In the short term, we can expect to see share prices continuing to fall as the situation in the Eurozone will get much worse before it improves, especially if we see a Greek exit and a Spanish bailout, which is looking more and more likely," explains Erlam.

Like many broker analysts Erlam believes that if the UK pulls out of the recession in the second quarter, or the first quarter figure is revised up, we could see an upturn in the FTSE 250.

That said, he believes recent falls have been triggered by issues elsewhere so a rally would most likely be limited.

STILL TIME TO GO SHORT?

Craig Erlam says in the current market environment shorting the index may be the best option for investors to take advantage of the impact of uncertainty.

"As a short term trade, I would be inclined to short the index as I believe that we're going to (continue to) see falls in stocks across the board. Investors are very cautious at the moment and quick to move back into low risk assets.

"With so much to be resolved in the Eurozone and nothing positive coming out of the US or China, it would be very difficult to profit from a long trade," he explains.

"However, while it's going to take time for investors to regain confidence in the Eurozone, if the US shows signs of returning to growth as seen in the first quarter and China pulls itself out of its recent slump, it could be enough to lift stocks again."

Scott Grant, director of information provider LSE.co.uk, says there could be opportunities for investors if the appetite for merger & acquisition activity picks up, with a number of targets resident in the mid-cap index.

"Takeover activity might be the most attractive angle for the private investor to focus on in the short-term," he explains.

"With the appreciation in sterling making UK companies less export competitive, it seems likely that FTSE 250 manufacturers could become targets for foreign companies to buy up."

Further opportunities could arise in the short term with a number of companies set to release results and interim updates during the Summer months. Those reporting during June, include: Imagination Technologies Group, Halma, Ashtead Group, Micro Focus International, WS Atkins, Premier Farnell, RPC Group, Domino Printing Sciences, Chemring Group, Dixons Retail, Synergy Health, Stagecoach Group and Kesa Electricals.

FTSE 250 companies could also be helped - or hindered - by government policy. Though austerity measures may reduce spending in some key areas such as technology, other policies such as cutting building regulation red tape could help other companies.

While the global uncertainty makes stand out predictions tricky, those willing to take a closer look at the index and underlying specifics may well find there are returns to be had.

beleaguered alternative investment manager Man Group could be relegated from the blue chip index. Possible departees from the FTSE 250 index at the next rebalancing include clothing brand Supergroup (pictured), hire group Northgate and Exillion Energy. Replacing them could be IP Group, Dechra Pharmaceuticals, Brammer, NMC Health and John Menzies.

A final picture will not emerge until the FTSE Europe, Middle East & Africa Regional Committee meets at the beginning of June.

The curse of web IPOs

With Facebook's first day of trading underwhelming to say the least, trader **Alessio Rastani** explores where the stock may go when the honeymoon period has expired

The mania surrounding Facebook's launch – with millions of people, young and old, expecting to make a killing from its IPO should have been enough to sound alarm bells in any sensible investment mind.

At the time of writing this article I have just seen Facebook's first day of action after its launch on the Stock Exchange.

So far, as I had suspected, the Facebook IPO has been a disaster even on its first day.

Despite an initial surge higher to US $45, it only managed to close near its lows at $38. That is nearly a 10% drop from its opening price.

Now obviously I know that one day does not make a trend. It is possible that by the time this article goes to print and you read it, Facebook may have recovered its initial losses.

However, Web IPOs in general have a chequered history. No matter how good the fundamentals of the company, such IPOs have not always enjoyed great success.

For example, according to the Renaissance Capital listing of biggest Web IPOs, out of all the 10 companies in their list, just one - Google - has seen its shares rise over their initial offering price.

The question I am interested in now is what are the likely outcomes for Facebook stock? If we don't buy it now due to the risks facing most stocks when they launch on the market – high volatility and unpredictability (given there is no price history) - then when would be the best time to do so?

Firstly, I am going to allow the 'honeymoon period' on this stock to expire. That could take a while – maybe a couple of weeks or a month. The point is to allow time to pass for the stock

to come back down to Earth, once all the hype and excitement has subsided. From here there are three scenarios: Growth, weakness or an all out flop.

GOOGLE

This is probably what every punter who is buying Facebook shares right now wants to happen: another Google. In other words, for the stock to 'skyrocket to the moon' within a year.

Now apart from all the persuasive arguments that Facebook is not another Google let's just assume that Facebook does 'take off' and begins to rally from here.

What is often forgotten about Google is that had you patiently waited, you could have bought the stock two weeks later for the same price as on the day of its launch.

I suggest using a 21 period exponential moving average (EMA) on a daily chart of the stock (see Chart 1) and as a safety measure, only considering buying the stock when it is above this line and preferably as closer to it as possible.

This is a slightly conservative strategy and you may not catch the dead lows of the stock, but at least you have better odds of the stock going in your favour.

LINKEDIN

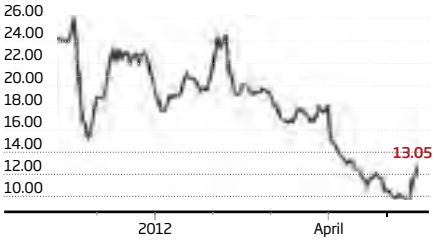
The most likely scenario, in my view, is that there will be a brief period – perhaps a few weeks – where Facebook sells off until the stock bottoms out and starts to rally. This would be similar to what happened to LinkedIn and Amazon after their initial public offerings.

You can see from the chart below that LinkedIn's first day was also extremely volatile, (although unlike Facebook, it managed to finish the day with a positive close). For the next 30 days it sold off until late June when it rallied above its 21 EMA.

Traders who prefer a more aggressive approach, could consider buying when the price has closed above the high of the low period bar (HOLP). This method is carried out by counting back 20 bars and then identifying the lowest bar in this period. Once the price has closed above the highest point of that bar, you can go long. A stop loss can be placed a few ticks below the low bar.

This would give you the advantage of firstly allowing the odds to turn in your favour and also getting an earlier entry into the markets.

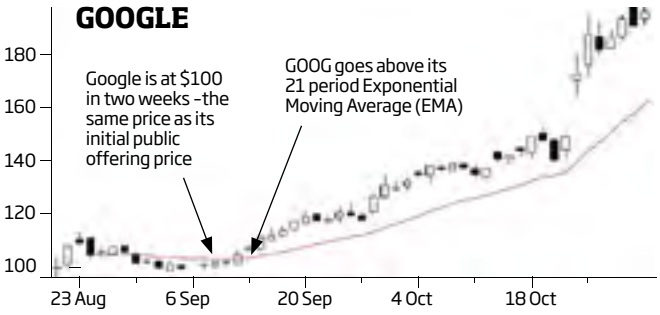
GROUPON

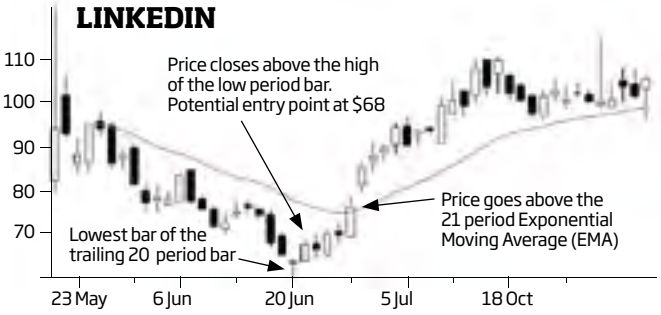


There is also the possibility that Facebook could befall the same curse of Groupon (GRPN) and a whole bunch of other web stocks, and that 12 months from now it is still trading lower than its IPO price.

Even though this may seem an unlikely scenario at first, it is worth remembering that history has shown that a great business does not necessarily translate to a great stock.

Alessio Rastani is a professional stock market and forex trader





ECONOMIST | JOHN REDWOOD

CHINESE WHISPERS

Appetite for Chinese stocks seems to have dissipated in recent months, but investment analyst and Conservative Party adviser John Redwood asks whether the prospects for China are healthier than the bears would have you believe

In the past year China has been assailed by a wide range of bears making the case against Chinese shares. First, we were warned that Chinese inflation was too high, and they were not doing enough to correct it. Then, we were told that China had applied the economic brakes too severely, and the efforts to curb inflation would do too much damage to output. Some worry about the banking system, saying there are too many bad loans outstanding. Some are concerned about the state of the property market.

We are far from starry eyed about China. It is true that there are bad loans in the Chinese banking system, just as there are in the western banks. It's true that China took tough action to curb inflation last year, raising the reserve requirements for banks to hold, and raising interest rates. It is true that property prices have been weak in many areas, and that money and loan growth have slowed as the government's measures have taken effect.

This year the Chinese Stock market has performed a bit better than last year, but it remains on a low multiple of earnings.

It has not been immune to the falls of recent days as world investors worry about the latest phase of the Euro crisis.

MISSING A TRICK

I find some of the negative language used by commentators talking about recent Chinese figures a little over the top.

The first four months of this year saw investment growth slow to 20%. On the most recent figures retail sales are up 14% on a year earlier and industrial output is up 9%. By Chinese standards these figures are slow, but by anyone else's standards they are good.

I FIND SOME OF THE NEGATIVE LANGUAGE USED BY COMMENTATORS TALKING ABOUT RECENT CHINESE FIGURES A LITTLE OVER THE TOP

The official forecast for GDP growth this year is 8% and most private sector forecasters expect China to be the fastest growing the major economies, even if they do think the total will come in a bit below this official figure.

The trade surplus has expanded again on recent numbers, with a low rate of import growth and a decent rate of export growth to non-EU destinations widening the trade gap in China's favour.

CPI inflation is down to 3.4% and core inflation is at 1.4%, showing the policies taken to cut inflation last year have worked as planned. House prices are flat and sales are weak. Residential property is 40% cheaper relative to wages than in 2000.

It is possible that the output and spending figures continue to disappoint the high expectations of many market participants. The Chinese government has many policy options if so. It can cut the reserve requirements on banks several times more to stimulate more loan growth. They can cut interest rates. They can spend more money in the public sector, or stimulate more private sector expenditure.

Changes in the Chinese leadership are proving more public and contentious than usual, but we expect these matters to be resolved this year.

With an equity market on a price to earnings ratio of 7.3 and a yield of 4.3% we think China looks cheap. We still expect it to be the fastest growing major economy this year, despite the slowing brought on by last year's counter inflation measures.

John Redwood is investment committee chairman at Evercore Pan Asset

Rules of engagement

With thousands of investors recently falling victim to a high-risk investment failure, do we need saving from ourselves, asks **Charlie Thomas**

A collapsed investment group which left 15,000 investors out of pocket has triggered an impassioned debate as to whether investors should be subject to restrictions on what they can put in their self invested personal pensions (Sipps).

The deeply divisive debate centres on whether the Financial Services Authority (FSA) should reinstate a definitive list of investments which are permitted. A similar list was thrown out in 2006 amid growing investor appetite for increased flexibility in individual pensions.

However, the debate has been reignited due to ongoing fallout from Arch Cru Funds falling into administration. The fund group listed its investments as low or medium risk, but subsequent investigations have found the underlying holdings were in fact far more exotic, and should therefore have been labelled as a high-risk investment.

Even financial advisers were caught out; so serious was the misselling on these funds that the FSA is consulting on offering a £100m compensation fund to assist those who were advised to buy and haven't already sought compensation through the Financial Ombudsman Service.

Advocates of bringing back a list of allowable investments argue it will make it safer for non-advised members who might have fallen victim to a strong sales pitch, but those against say restrictions on investments go against the spirit of Sipps.

The industry has seen calls for tighter restrictions before, resulting in Sipps being written under insurance contracts – making the investments more restricted by legislation. Demand for more choice after new rules on pensions simplification became live in 2006 changed that, and Greg Kingston, director of marketing at Suffolk Life, believes there's no reason to think that situation wouldn't repeat in the future if restrictions were put in place now.

"Today there's an incredibly wide choice of investments - some regulated, some not. As we've experienced in recent times a regulated investment does not (and does not aim to) provide any measure of certainty of growth, nor security," he says.

"Arch Cru and Keydata are recent examples. That raises the question - if regulation does not protect the investor, where's the right place to draw the line?"

REPUTATIONAL DAMAGE

At a recent Association of Member Directed Pensions Schemes (AMPS) conference, the

FSA's pension and investment policy manager Milton Cartwright made it clear the regulator was "not in the space of stopping people investing in what they want to", but warned providers they should consider the risk of reputational damage if the investments they allow fail.

"Frankly, Sipp operators are holding more UCIS investments (unregulated collective investment schemes) than any other type of provider," he said. "These investments are quite often high-risk, carry opaque risks and have low governance requirements."

Those hoping for guidance from AMPS itself will be disappointed; it confesses it doesn't yet have a 'house view'.

Andrew Roberts, chairman of AMPS, tells IndexTrader: "A permitted investment list… certainly would have some benefit but [creating it] would not be without difficulty.

"For example, if UCIS are not permitted but other unregulated investments are, there would be a provider responsibility to determine whether an unregulated investment is a UCIS or not, with the error being punished presumably by tax charges.

"Not all providers share the view that a return to a permitted investment list is the best solution, noting this would restrict freedom of choice. But it might neatly tie up FSA concerns about capital adequacy being sufficient for Sipp firms that allow esoteric investments - i.e. if all Sipps allow all on the permitted investment list then it would increase pension portability."

Roberts suggests it may also help differentiate traditional niche Sipps from the more mainstream limited investment Sipps that have emerged in recent years.

NEEDLESS MEDDLING

There is an argument to suggest the debate is in part driven by the lack of consistency between Sipp products and providers. Steve Latto, head of pensions at Alliance Trust Savings, doesn't believe installing a prescriptive list of permitted assets would solve the problem.

"A better solution may be to restrict certain types of investments to clients with advisers," he suggests. "One option would be to define simpler Sipp investments in line with the list of ISA permitted investments.

"For any changes to be successful, it is essential that HMRC and the FSA regulations are joined up and consistent. It should also be recognised that more mainstream equities traded on, for example, the London Stock Exchange, are not free from significant loss as we have seen in recent years." Quite right; RBS shares anyone?

James Hay's Tim Sargisson says he is convinced the FSA has no appetite to start prohibiting assets as it had the potential to conflict with what HMRC permits Sipps to invest in without severely penal tax payments.

"It's similar to the low cost endowment," explains Sargisson. "As a product it fell out of favour because is failed to deliver the necessary investment return to allow people to pay off their mortgages. It was discredited as an investment vehicle and I am concerned the Sipp industry could go the same way if people increasingly associate Sipps with pensions and toxic/worthless pension funds."

The FSA has already stated it intends to look into the capital adequacy of Sipp providers and has more recently suggested it may look at the number of esoteric assets held as a guide to how much capital will have to be held by the provider, rather than working on a flat multiple of a working week's capital which it was favouring before. Progressing down such a route could, however, significantly reduce the number of providers willing to offer more than stocks and shares for sophisticated investors.

> 'A PERMITTED INVESTMENT LIST CERTAINLY WOULD HAVE SOME BENEFIT BUT [CREATING IT] WOULD NOT BE WITHOUT DIFFICULTY'
>
> **ANDREW ROBERTS, CHAIRMAN OF AMPS**

WHAT ABOUT GOLD?

Take a popular (relatively) new asset class that many providers have embraced since the start of the recession: gold bullion. Under the pre-A Day rules, bullion was in the prohibited list of investments for Sipps, but a recent Financial Times Sipp Survey found 31 providers now offer access to it, driven by a consumer demand for inflation protection.

At present, the investment is unregulated and therefore there is no investment protection. Consumers interested in investing in bullion should carry out due diligence on the gold providers and ensure their money is ring-fenced in case of of a market event.

Stadia Trustees' managing director Tony Hales believes sophisticated investors should retain the right to invest their Sipp in whatever they choose. "An FSA definitive list might prove beneficial by providing a core of allowable investments accepted by all Sipp providers, [but] the scope for making alternative investment decisions should remain for those investors capable of making such decisions," he says.

Hales also recognises that some individuals are better able to tolerate financial risk than others. Indeed, in some cases the higher a person's level of wealth and income relative to their liabilities, and the longer their investment time-horizon, the more capable they are of taking a financial risk and therefore have a greater capacity for risk. The bottom line? If you don't mind your investments hitting volatile peaks and troughs, why shouldn't you be allowed to invest in more risky assets?

Of course, the concerns arise where the investor doesn't recognise what their capacity for risk actually is. One Sipp professional, who asked not to be named, shares the example of a young footballer who, having come into significant wealth, was advised to take out a Sipp and invest in some exotic off plan property.

"Professional footballers have disproportionate disposable income at a young age and often limited financial understanding. Schemes go round the dressing room [telling the players] Becks and the Nevilles have bought an apartment.

"This appears to be an endorsement to young players. The slight difference is that when the apartment slips back into the sea, the very affluent will say 'that's a bugger' but for the younger ones who have sunk all of their excess capital into it, they're in a very different place," the source warns.

It remains to be seen how the FSA will ultimately tackle this issue, but in the meantime investors seeking to make the most of the flexibility a Sipp can offer should beware of three main risks; those assets which are non-permissable according to HMRC (breaching the Taxable Property rules in terms of the Finance Act 2004 and subsequent related amendments or assets which could generate unauthorised payments), assets which suffer from a lack of transparency of the corporate ownership of the assets, and assets that could put you at risk of being defrauded.

This final point is one of the hardest to assess; there have been several examples over the years of exotic funds which have convinced investors to hand over their hard-earned cash, only to result in them being mini-Ponzi schemes. These companies will spend a lot of money producing convincing glossy literature to convince investors; but remember the old adage: if it looks to good to be true, it probably is.

Charlie Thomas is a journalist with the Financial Times Group

Down but not out

With time running out for Greece to implement its next batch of austerity measures and the pound growing in strength against the euro, **Joe McGrath** investigates the forecast for June

With the chaos in Greece totally eclipsing the fact that the UK stumbled back into recession in recent weeks, currency traders have had ample opportunity to make significant gains from short-term strategies.

The obvious question now, of course, is how long will the euro's weakness against sterling continue and which trading strategies will be those that yield the best returns over the coming weeks.

Statistical analysis shows that the euro has effectively been falling against the pound since the beginning of July 2011, dropping around 12% during that time with the pair trading in a descending channel.

As a result, some would argue that this would ordinarily indicate a move back up towards the 0.82 EUR/GBP level over the next eight weeks. However, these are not normal circumstances.

Craig Erlam, analyst at broker Alpari, says with the Eurozone in such a bad state and all signs indicating it will get worse before it gets better, the pair could actually continue to trade along the bottom of the channel, making steady losses at least over the next month, if not for longer.

Erlam is not alone in forecasting this trend and some believe the euro's weakness will continue for a great deal longer.

Dean Popplewell, chief currency analyst at Oanda, says sterling rose against the euro after the Bank of England held off from further quantitative easing last month despite the fact that the UK economy has 'double dipped' into recession. He says: "Because of the central bank's inaction, it could be enough for the currency to test or even break the next psychological point.

"Recently, the pound has managed to benefit from safe haven flows from mainland Europe. With Euro periphery concerns mounting, investors have preferred to divest some of their euro asset holding by using sterling as their currency of choice."

Popplewell's remarks that European investors are looking for a 'safe haven' is significant and a key factor in whether the strength of the pound will continue.

After all, there is no doubt that investors have had enough of European government debt and they're ditching it in their droves to buy UK gilts instead. Why? Largely because interest in our bond market seems fairly immune to our own deficit and weak growth outlook. Plus the gilt market is deep and liquid and the UK government has never defaulted on its debt.

Kathleen Brooks, research director at Forex.com, says although the UK is in its first double dip recession since in the 1970s, the pound will continue to be seen as a safe haven.

She explains: "After breaching 0.80, the lowest level since mid-2008, we expect a bit of profit taking or stickiness before we embark on another leg lower."

Brooks calculates that this outcome is likely because of the Bank of England's ongoing concerns about inflation coupled with the deteriorating backdrop in the Eurozone which may lead to the European Central Bank stepping in and either cutting interest rates or pumping more liquidity into the economy.

Andrey Dirgin, head of research at Forex Club, agrees, saying the Bank of England's

'THE POUND HAS MANAGED TO BENEFIT FROM SAFE HAVEN FLOWS FROM EUROPE'

DEAN POPPLEWELL, CHIEF CURRENCY ANALYST AT OANDA

TOP FIVE TRADED CURRENCY PAIRS 18 APRIL - 18 MAY 2012

Currencies	%
1. Euro/US Dollar	48
2. GB Pound/US Dollar	20
3. Australian Dollar/US dollar	11
4. US Dollar/Japanese Yen	4
5. Euro/Japanese Yen	3

Source: FX Pro

Euro trading dates 2012

31 May	Irish Referendum
07 June	ECB rate decision
17 June	Second Greek election (date estimated)
20 June	Federal Open Market Committee (FOMC) Projections
30 June	Deadline for Greek parliament to approve EUR 11.5bn of new austerity measures

Source: FX Pro

Enjoy it while it lasts

By Kathleen Brooks, Research Director, FOREX.com

I am, of course, referring to the strong pound, especially as we edge closer to the summer holidays. If you are travelling to Europe this summer then your pound will stretch 11% more (at current market rates) than it did this time last year. So why is the pound so strong versus the single currency and will it continue?

There are two key drivers of FX markets at the moment that may be pound positive. Firstly, the Eurozone debt crisis has caused a massive flight to "quality" assets as uncertainty caused by Greek elections along with a very weak growth picture spook investors. The second theme is relative monetary policy stances by the developed market central banks.

Looking at the first point, believe it or not the pound is viewed as a safe haven even if we are in the first "double-dip" recession since the 1970's. Investors are ditching European government debt and instead buying UK Gilts. Interest in our bond market seems fairly immune to our own hefty deficit and weak growth outlook, so why is it attractive? There are two reasons: 1, the Gilt market is both deep and liquid and 2, the UK government has never defaulted on its debt. Investors don't even know if the Eurozone will exist in its current form by the end of the year, hence it doesn't have the same safety value as the UK market. Thus, a strong pound is not necessarily a nod to a strong UK economy.

The second point is about the stance at the Bank of England. Although it is expected to keep interest rates on hold for some time yet, it still sounds concerned about the outlook for inflation, which has remained fairly sticky in recent months. In contrast, some countries like Spain and Ireland are at risk of deflation, which should support a looser monetary stance at the ECB. Due to the deteriorating back-drop in the currency bloc the ECB may have to step in and either 1, cut interest rates or 2, pump more liquidity into the economy. Since yield is hard for investors to find in the current environment, the yield advantage of sterling may be enough to weigh on EURGBP.

But after declining to multi-year lows is there further to go? After breaching 0.8000, the lowest level since mid-2008, we expect some profit-taking or stickiness before we embark on another leg lower. However, until there is a resolution to the Greek crisis or a serious boost to the Eurozone rescue fund we believe that the single currency may weaken further and may look for a grind lower to the 0.7500 market by the end of Q3.

Although the strong pound doesn't reflect the UK economy, holiday-makers should enjoy it while it lasts. .

Get the latest market insight and research to support your trading decisions from our expert team at FOREX.com

FOREX.com

Forex and other leveraged trading can involve significant risk of loss. It is not suitable for all investors and you should make sure you understand the risks involved, seeking independent advice if necessary.

FOREX.com is a trading name of GAIN Capital - FOREX.com UK Limited and is authorised and regulated by the Financial Services Authority. FSA No. 190864

promise to discuss withdrawing some monetary stimulus based on inflation at current levels illustrates the MPC's ongoing worries.

He says: "The committee members noted that price pressure might not drop as much as it was expected due to rising inflation expectations. If this is true, it could become a serious issue, forcing them to take action."

FURTHER TO FALL?

While the next couple of months will inevitably conjure up more volatility on Euro exchange rates as the seriousness of the Eurozone crisis ratchets up to new levels, the overwhelming consensus among analysts is that the euro has further to fall against sterling.

David Cooney, chief executive of Mahi FX, says the fact that the UK controls its money printing presses, can support its bond market and is politically committed to cutting its budget deficit has ironically transformed it into a European destination of choice for traders.

He explains: "The UK's status has seen analysts revising downwards their forecasts for the euro against the pound with UBS for one seeing it reaching around 0.7690 by late summer.

"For the euro, it is an existential crisis. Should Greece leave the euro, markets will swiftly speculate over the next exit candidate, likely to be Spain. A Spanish departure given the country's size, would have disastrous consequences for the Eurozone's banking system and would see the euro make big losses across the board."

While analysts at UBS may be looking at the euro falling to 0.7690 by late summer, a host of other currency experts believe the currency could fall still further. Forex.com's Kathleen Brooks is among them. She says that until there is a resolution to the Greek crisis or a serious boost to the Eurozone rescue fund, the single currency may weaken further.

She adds: "We would look for a grind lower to the 0.7500 mark by the end of Q3."

Despite their bearish views on the immediate outlook, there are some caveats offered by all analysts that traders should take note of.

Mahi FX's David Cooney, says traders should be aware that Eurozone politicians will fight tooth and nail to keep Greece in the single currency bloc because the consequences of the country departing are mind-blowing.

He explains: "Politicians are likely to fudge a way of keeping Greece in which will be a move which might see the euro recover lost ground against sterling as short sellers rush to cover their positions.

"Also, the UK is trying to 'expert' its way to growth and that could see the Bank of England talking sterling down, which it has done before."

TRADER'S VIEW

CLEM CHAMBERS, CHIEF EXECUTIVE OF ADVFN

The key to all trading is "the model." What is the model you trade against? The model of flying by the seat of your pants will not help much. To paraphrase the great Nobel laurite Milton Friedman, you shouldn't care about the sanity or beauty of the axioms of your models, only their ability to predict outcomes. As such, I stick to mine.

The euro appears to be a huge paradox. How can a currency in crisis be so strong?

The headlines scream that the euro must break up, yet the currency is at very strong levels if you look back the last 10 years. A currency in crisis collapses. The euro hasn't and it won't.

So what model explains this?

A collapsing euro will collapse from the edge to the centre. Weak countries would be turfed out of a collapsing euro, peeling members back towards the bastion of Germany.

If the euro weakens however the Eurozone is strengthened because the weak periphery gets the updraft of devaluation and a dose of inflation to oil the wheels of commerce, taxation and debt.

The euro would not be in crisis until it hit 1 to 1 with the dollar, then perhaps it would be fair to say the currency had a problem. I watch the pound / euro and it is obvious that the euro can fall far before the pound is back to old fashioned, long-term levels.

So a weakening euro is a sign of the end of the euro crisis as an acute market-busting event.

The inflationary fix is in, and the euro will fall steadily for a long time. The European Central Bank (ECB) will lend money to banks who will buy sovereign debt. The governments then spend the money on their public sector, monetising as they go, creating inflation to evaporate away their liabilities.

It's a sustainable model, especially as the UK and US are doing the same thing.

Only when there is Eurozone inflation over 5% and the euro is 1.50 or worse to the pound will there be any question of whether there is a crisis.

For now, the euro will be the winner of the devaluation game and this won't change this year.

As such, the euro is a one way bet: down. The pound is also a pretty good long. The Japanese yen has plenty of chances to fall further, but many a fortune has been lost on that bet.

As such the euro is the surest short bet

BEWARE OF

While market conditions are throwing up some excellent opportunities for currency speculators, traders would do well to look at the data, warns **Elizabeth Pfeuti**

Listen to some traders and you can be forgiven for assuming that trading currency pairs is a doddle right now. Consider the Eurozone; it's in a death spiral, whereas the United States' outlook seems to be improving: ergo, take a positive view on the dollar, right? Wrong. Well, at least wrong for the moment.

CREDIT: JUSTASC

UNCLE SAM

UNDERWHELMING

Despite the recent rebound in the US economy – and everything is relative – the dollar has not received the boost many thought it would. Against the euro and yen, the dollar has fallen around 40 cents over the past 10 years and shows little sign of a bounce, according to figures from Thomson Reuters.

Taking into account the problems in the Eurozone and Japan's continuing struggle for growth, it hardly seems fair does it?

James Wood-Collins, chief executive officer at Record, a listed currency management firm that caters for institutional investors, says: "The dollar has been in cyclical decline for a decade, since the early part of the 2000s.

a government collapsed, markets closed with the dollar at 78 cents.

"In the long term there has been such a downward trend – US Treasuries and the dollar have been in bear markets since the 1980s," Chepurko says.

DON'T TRADE IN ISOLATION

The fate of the dollar and Treasuries are intertwined, as with all domestic currencies and their government debt. Foreign nations fearful of a weak dollar, which could hurt their exporters' income, buy swathes of US government debt to hold and earn interest.

This, in turn, is seen as confidence in the US economy, pushing down bond yields

> 'IN THE LONG TERM THERE HAS BEEN SUCH A DOWNWARD TREND – US TREASURIES AND THE DOLLAR HAVE BEEN IN BEAR MARKETS SINCE THE 1980S'
>
> **ALEX CHEPURKO, FOREIGN EXCHANGE DEALER AT FOREX CLUB**

"Many US investors have made a lot of money with their investments outside their home nation. But before thinking that will go on forever you should consider what the dollar will have to decline further against – the political situation in the Eurozone, with 17 member states failing to agree on a way forward, cannot be ignored, for example."

For the moment though, the dollar is most undervalued against currencies such as the Japanese yen, Swiss franc, Australian dollar and Canadian dollar. That said, recent moves have corrected at least some of the dollar's undervaluation against the euro although the world's reserve currency has not enjoyed a sustained purple patch since 2001.

Alex Chepurko, foreign exchange dealer at Forex Club, says thinking the dollar would rise above 79 cents against the euro is bullish – on the day a French socialist president keen on banking reform was sworn in and the latest Greek talks to form

and helping to stabilise the currency.

The Bank of Japan (BoJ) carried just such a mission last year – several times in fact – as the country's exporters, who were trying to recover from the March tsunami, were being pounded by receiving a poor price for their goods from the US, one of their major trading partners.

All eyes remain on the BoJ this year to see whether it may have to act again and a rally in 10-year treasuries might have caused problems for Japan, according to Chepurko. He says: "We thought we would see a change after the first intervention, but it has been the same thing again this year."

THE CARRY TRADE

The decade-long slump by the dollar has been partially fed by economic policy, according to Gurjit Dehl, economist at consulting firm Redington and former currency and rates trader.

TRADER'S VIEW:

LONDON & CAPITAL

Steve Collins, head of dealing at asset manager London & Capital, says: "If I had to go long on the dollar, I'd take a basket against major currencies, but in my view the dollar will still suffer losses."

FOREX CLUB

Alex Chepurko, foreign exchange dealer at Forex Club, says: "Everything that has to do with the price of the dollar will also affect EUR/USD, since the USD Index basket is largely comprised of euro.

"That means dollar buying is the primary strategy for the summer as EUR/USD is most likely headed to 1.25. This is justified even more because the large symmetrical consolidation in euro that has been forming since 2008 is broken.

"We are already at or below levels that we first saw when Greece was initially being hit by crisis in the summer of '09, and then again in the summer of '10 (of flash crash fame).

"So the story is playing out once again this summer, only now important levels have been broken in the USD which should finally culminate in an uptrend that extends beyond the previous range highs."

CURRENCIES

"Before the 2001 crisis and a sharp drop in US interest rates (which fell from 6.25% in 2001 to 1% in 2003), this 'carry trade' was dominated by investors borrowing in yen," said Dehl.

"The extended period of low US rates between 2001 and 2004 encouraged investors to switch to borrowing the dollar at cheaper rates in order to invest in their home market or higher yielding foreign countries.

"This also saw the Swiss franc and euro being used to finance investments in countries with higher borrowing costs, including Eastern Europe, Asia and South America."

A note to investors everywhere, however, is that this trade also helped to secure Iceland's demise in 2008 as Icelanders and their banks had borrowed not in their national currency – the krone - with an interest rate several per cent higher than Japan, Switzerland, US and Europe, but in yen, franc, dollar and euro.

The ensuing economic boom was short-lived as foreign investors spotted a bubble and froze lending to the country, forcing Icelanders to sell their own assets to repay those loans, just as their currency dropped in value by more than 50% against those currencies. This turned a bad dream into a nightmare.

WHY A US SLUMP?

So why does the decade-long slump continue? Dehl, who was trading at Deutsche Bank at the time, says: "In 2008-9, the dollar saw a major rally against most currencies as those investors who had borrowed in the dollar to pay for investments elsewhere were forced to raise the same currency in order to repay interest (and principal) on those loans."

This occurred before central banks initiated quantitative easing (QE) and FX swap lines to ensure sufficient amount of the dollar was available in the market. Otherwise, Japanese fishermen would have been defaulting on the loans they had taken out in the North American currency.

Happily, this knife-edge scenario should not occur in 2012 either, as the Fed has agreed FX swap lines with a number of central banks to ensure sufficient liquidity - Europeans can put euro assets in the European Central Bank and borrow in dollars, as can the Swiss, Japanese, British and others.

SUMMER IN THE CITY

So for those of us looking to trade the dollar this summer, what should be on our radar?

Well, it all looks pretty bleak: the US is headed for another tricky debate on its debt ceiling, which is likely to unsettle markets this time around – you will remember how the disagreement over the last one saw the country with the largest income on earth lose its coveted AAA status from Standard & Poor's? Tremors are already being felt when the issue is mentioned.

Similarly, the uncertainty around the presidential election in November is causing markets to be ultra-cautious on the US currency just in case.

The third point is a potential third round of QE that no one has yet confirmed, despite the Fed's most recent policy which includes a shift to become more transparent in their forward-looking guidance - see their comments regarding rates low until 2014.

This is likely to weigh on prospects for a strong dollar rebound - why invest in dollars at 0.25% short term rates or 1.8% over 10 years when you can earn far higher returns in Argentina, Vietnam and Turkey? Incidentally these countries also have a much lower debt-to-GDP ratio than the US.

Ok, so higher returns do come with higher risk but it is tough to argue that dollar investors are being sufficiently paid, at current interest rates, for risk given the 'fiscal cliff' which is due to hit later this year. However, look at the other side of the pair.

TRADING INFLUENCES

Steve Collins, head of dealing at asset manager London & Capital, says: "The US is not in a great position, but it is better placed than the Eurozone. One advantage they have is being a single entity, unlike a system of 17 states, that can carry out the next round of QE."

But why is that a positive for the US and not the rest of us? It's all about what they do with the money.

Collins advises: "They can just keep printing money – they are not buying into the austerity drive that we are in Europe, they are putting money into people's hands through tax cuts and it is getting pumped back in to the system."

And their system seems to be responding well. Non-farm payroll numbers have at least been positive since October 2010, if not shooting the lights out and since mid-2009 the US has had positive growth.

Even if the above numbers have been looking less healthy since a solid start to the year, a glance at the other side of the Atlantic – where the Eurozone missed out on recession by a mere technicality – and it's still not a bad effort.

So how should you play the US dollar this summer? Views are split, but one thing is certain: it will pay not just to look at the US, but at what everyone else is doing too, and how they are reacting to it and when.

Elizabeth Pfeuti is European editor of specialist investment magazine ai-CIO

www.awdchasedevere.co.uk

EXPERT ADVICE in a fast-moving world

Bespoke, award-winning, independent financial advice and employee benefits consultancy

60 New Broad Street, London EC2M 1JJ | 0845 300 6256

AWD Chase de Vere

Europe: The final countdown?

With Greece having called a second election, Francoise Hollande taking the top job in France and Angela Merkel's party (apparently) losing support, **James Redgrave** considers the forthcoming obstacles in Europe

Very little is even likely, let alone certain when it comes to the EU's deficit reduction targets. For traders, of course, this is part of the fun. And, for those that care to look, there are some themes in the ongoing political and economic conflict there that have to be considered.

The first is to be skeptical of claims equity markets have 'priced in' the likely effects of the crisis. When Greece called its second general election, the FTSEurofirst 300 index fell approximately 1.1%, the UK's FTSE 100 1.3%.

This was an outcome most would have predicted, after weeks of Greece failing to organise a coalition government between its various minority parties, all of which had publicly stated their unwillingness to compromise on the key economic policies of cutting or increasing public spending.

But the truth is equity markets are more than usually sensitive, at the moment, to macro economic and political circumstances.

And for this reason, traders can justifiably fear a renegement on austerity will send bond yields up and equity values down, while any economic growth that might come of relaxed cuts is unlikely to come in time to reassure markets in the coming weeks or even months.

From this perspective, the election has become the most crucial issue in European politics because it puts off a Greek withdrawal from the single currency – and with that any immediate-term chance Greece has to win slower deficit reduction, without sacrificing economic assistance – until a government is in place. Put simply, European economic policy is being driven by the current square up in the Eurozone between 'austerity' and 'growth'.

This, in turn, is best viewed as a game of chicken between Germany and Greece, both having something the other wants that they believe can ultimately be used to force their opponent to back down.

Germany has money, not just its own but in its effective control of the European Commission in Brussels and therefore the European Central Bank reserves. Greece, as mentioned, has its single currency membership. The economic and financial costs of it relinquishing this are uncertain, but the political cost to Angela Merkel's standing domestically and Germany's standing in Europe would be unquestionably high.

The second Greek election of 2012 shows the country's government cannot reconcile its electorate's violent dislike of German austerity with their almost equally strong desire to keep the single currency – polls conducted during the earlier election put this support at an average of 70%.

RETURN OF THE DRACH?

Along with the costs and practicalities of reintroducing the Drachma these are reasons a Greek withdrawal is an unattractive option, and why the country may well be forced to maintain its existing cuts programme. But three things make this uncertain.

First, the outcome of this election – for which no date has yet been set (as of 16 May 2012) – could see a unified coalition in Greece, committed to fighting the cuts programme.

The earliest polls indicate the strongly anti-cuts Syriza party is on course to become the largest party in the Greek parliament. This would force Germany into the same state of standoff as before.

Syriza is nominally a pro-euro party that has threatened support for withdrawal during its government negotiations, making government led by the party hard to predict.

"If you believed the government was likely to act rationally, you could call [its] bluff on leaving the euro," says Stephen Barber, an economist at brokers Selftrade.

"This is not certain, but in my judgment the problems with leaving it are greater than people imagine and Greece will probably stay in."

Second, there is the wild card that is Francoise Hollande's new socialist France. This gives Greece a hypothetical ally in the Eurozone's second nation. It also broadens the austerity question, previously a largely Greek concern, to the rest of the continent.

Whether Hollande lives up to his election promises of higher public spending and lower retirement ages over the next few weeks, could keep afloat - or torpedo - Greek hopes for a renegotiated cuts settlement.

Those worried about further changes to the European status quo will have been heartened by the French President's May admission his country's national budget is in "greater degradation than the outgoing government said it was".

He has, so far, denied this will affect his economic programme, but also ordered an independent audit of the French Public Treasury's books which has been taken as the beginning of a partial climb down.

If so, Greece has nothing but euro withdrawal left to play with. But if not, Hollande will certainly try – and quite likely succeed – in helping them secure some concessions on austerity to boost his domestic agenda.

This will see similar demands from the rest of the European periphery and Germany will face a firefighting exercise in limiting the concessions it is forced to make.

The third weakness in the German armour is Merkel's Christian Democrat Party's hammering in the North Rhineland regional elections in May. Her Christian Democrats fell from a 35% to 26% vote share, while the Social Democratic Party won nearly 40% of the vote and entered a regional coalition with the anti-austerity Greens.

If Merkel regards this as a referendum on austerity (she insists publicly she does not; her opponents maintain it was), a softening of the German stance should be expected some time between now and the country's next presidential elections next year, but not necessarily in the immediate term.

James Redgrave is an investment journalist with the Financial Times Group

BLOW YOUR BONUS

Used up all of your new tax-free allowances already? Don't fear. **Kevin Rose** identifies some great homes for your cash, and not an ISA in sight

[THE SAFE]

Brown Safe 1418 Man Safe

Now that you've got the watch collection, the vintage cufflinks, and more solid gold collar stiffeners than you know what to do with, it's probaly time to think about investing in a safe.

You must put all thoughts of clunking grey boxes from your thoughts as you marvel at a safe that's designed with style *and* security in mind. The Brown Safe 1418 Man Safe (yes, that's its name) is "manufactured expressly for the watch enthusiast who demands the finest protection, organisation, and convenient storage for their timepieces".

You can choose from a range of colours and finishes, as well as the type of exotic hardwood you'd like for the jewellery interior.

On the security front, you get a flush, pry resistant door with an insanely reinforced quadruple armour door jamb. This is not the sort of thing the average thief can prise open with bolt cutters and walk out with under their arm, so you can rest easy.

Made in the USA, expect to pay from $6,000.

www.brownsafe.com

[THE WATCH]

IWC Schaffhausen Pilot's watches

IWC Schaffhausen are hailing 2012 as the year of the pilot's watch.

The Swiss watch manufacturer has introduced a new collection - Top Gun - within its pilot watch family.

Top of the range is the Top Gun Miramar, a tribute to the place in California where the concept of the 'elite pilot' was born.

You could also opt for the Big Pilot's Watch Perpetual Calendar Top Gun or the Spitfire Perpetual Calendar Digital Date-Month. The movement in the former is IWC's largest and most efficient automatic winding system, offering 168 hours of power reserve.

Try to resist the temptation to refer to yourself as either Maverick or Iceman if you wear one of these timepieces. Seriously verboten. Visit IWC's site for latest prices and information.

www.iwc.com

[THE CAMERA]

Leica M9-P 'Edition Hermès'

In a year that has seen the demise of Kodak, it is a relief to see that Leica is still going strong.

Surely the most evocative brand left within photography, the German-born company has recently teamed up with Hermès to produce two highly covetable limited edition sets.

The first of the Leica M9-P 'Edition Hermès' sets was unveiled in May 2012, in a worldwide limited edition of 300.

In addition to the camera, the set includes a silver-anodised Leica Summilux-M 50mm f/1.4 ASPH. lens. As well as a dedicated serial number, each camera also bears one of a series of consecutive limited-edition numbers.

Suggested retail price? £18,000 (incl. VAT).

www.leica-storemayfair.co.uk

BLOW YOUR BONUS

[THE AUDIO INTERFACE]

Akai Professional EIE Pro

So you've got the guitar; now you want to mic up the amp and record your, er, heavy axe licks. So why is it that almost every audio interface around looks cheap and nasty?

Step forward Akai Professional's EIE Pro, a tabletop audio/MIDI interface with USB hub in one convenient box to connect virtually any kind of music gear.

Okay, its functionality is pretty standard for an audio interface, but it looks great. The aluminium casing, analogue-style VU meters and chunky toggle switches all help to create the EIE Pro's retro vibe.

And it bucks the Blow Your Bonus trend by retailing at only £200, so there's no excuse for not buying each member of your family one for Christmas.

www.akaipro.com

[THE GUITAR]

Fender Johnny Marr Jaguar

The Fender Jaguar used to be seriously uncool, so much so that it was discontinued in the 1970s.

Overshadowed by its more famous siblings, the Telecaster and Stratocaster, it took 80s and 90s alternative music to bring the Jaguar out of the doldrums.

Now, as part of its 50th anniversary celebrations, Mancunian guitar legend Johnny Marr has put his name to a new model of Jaguar.

With custom pickups and neck, an improved bridging and a modified tremelo, the Johnny Marr signature guitar has been thoroughly tweaked to suit the former Smiths and Electronic genius.

So, *what difference does it make* to your bank balance? £1477.

www.fender.com

[THE E-BIKE]

Zero DS Electric Motorcycle

The biggest gripe with electric cars, whether you're Clarkson or (thankfully) not, is their limited lifespan per charge. There's always the fear that you'll nip down to the local shops and get stranded on the way home because the battery has run down.

However, this electric motorcyle ,the Zero DS ('dual sport'), can achieve 114 miles on a single charge (nine hours) and reach 80 mph. That's almost three time the range of the previous model. The US manufacturer has also redesigned the power pack which, it claims, exceeds the longevity expected of any conventional motorcycle.

But lets face it, bikes aren't about statistics on a page. Jump on the Zero DS, take it off-road and smear some mud in the faces of the electric naysayers.

www.zeromotorcycles.com/uk

Pricey ambitions

With an embargo on Iranian oil from the US, South Korea and the European Union due to commence on 1 July, **Joe McGrath** asks how will this affect prices

As the embargo in Iranian oil looms closer, traders have turned their attention to how supply will be affected and the impact that will have on prices.

These sanctions are supposedly being employed to curb Iran's nuclear programme as there are suspicions that the country is attempting to develop nuclear capabilities for military purposes.

The G8 recently signed a joint agreement to release more oil from its reserves in order to offset any threatened disruption to supply.

It is the first time that the G8 has ever issued a specific announcement on oil but stated the action was necessary because of "increasing disruption in the supply of oil to the global market over the past several months, which could pose a substantial risk to global economic growth."

In its statement to market, it said: "Looking ahead to the likelihood of further disruptions in oil sales and the expected increased demand over the coming months, we are monitoring the situation closely and stand ready to call upon the International Energy Agency to take appropriate action to ensure that the market is fully and timely supplied."

NOT STRAIGHT FORWARD

However, no sooner had the G8 reached their agreement and issued a statement, an interview with the Iranian economic minister Shamseddin Hosseini was aired on CNN in which he stated that oil prices would 'certainly' rise as a result of the embargo.

What's more there have been reports that China is likely to increase its imports of Iranian oil over the coming months which could lessen the effect of any embargo.

For traders the truth lies somewhere between the lines. Back in January, the International Monetary Fund issued a warning that global crude prices could rise by up to 30% if Iran halted exports because of sanctions.

However, the G8 has obviously eased its policy with regards to the use of petroleum reserves and while the International Energy Agency previously used them to cope with an unexpected disruption in supply, this will be the first time that they have been used for strategic purposes.

Kirk Howell, chief operating officer of SunGard's energy and commodities business, says Iran, as one of the world's largest producers of oil, is an important contributor to the world market, but says the country's influence is becoming less pronounced.

He explains this is because of increased supply now coming through from Libya and Iraq as well as the US.

He says: "The boom in US energy production has been well documented and, more importantly for Brent Crude, Iraq production is approaching 3.3 million bpd and will likely overtake Iran in the near future.

"Unless supply becomes significantly tighter, Iran's influence on supply is dwarfed by Saudi Arabia and concerns over the spreading crisis in the Eurozone and the growth of China."

Howell says that Iran's most effective lever on oil prices to date has been the threat of militarily disrupting the passage of oil through the Strait of Hormuz, through which 20% of seaborne crude passes.

He explains: "While not a risk to be ignored, I believe this is an unlikely event. Iranian leadership is rational and would not act to disrupt the Strait unless it was a last resort."

However, at the time of writing there were signs that discussions were progressing. The director general of the UN's International Atomic Energy Agency met with Iran's nuclear chief last Monday and a meeting of world leaders took place on Wednesday.

The outcome of both meetings could put a different spin on things but the most important factor for traders is to pay equal attention to actions leading up to policy decisions and read the trends between the headlines.

CREDIT: STOCKLIGHT

'IRAN'S INFLUENCE ON SUPPLY IS DWARFED BY SAUDI ARABIA AND CONCERNS OVER THE SPREADING CRISIS IN THE EUROZONE AND THE GROWTH OF CHINA'

KIRK HOWELL, CHIEF OPERATING OFFICER OF SUNGARD'S ENERGY AND COMMODITIES BUSINESS

THE PREMIER UK BRAND

ELECTRONIC CIGARETTES

INDEX TRADE EXCLUSIVE DEAL

FREEDOM e-cigs

The New i-Pack

Charges your e-cig on the go!

The Gift box contains:

1 x i-Pack
1 x Premium battery with blue LED tip
1 x USB to i-Pack charger
1 x Mini USB charger
1 x Packet of cartridges (x 5)

Choose from either:
Original Tobacco (black) or Original Menthol (white) flavour

UK Made

UK made T-Juice
EU sourced ingredients
4 new flavours

Healthier

No tar, No carbon monoxide and No Tobacco.
Pharma grade nicotine

Legal Anywhere

No second hand smoke
No bad odour
Use in bars, clubs & indoors

The Alternative

Feels like a cigarette
Cool smoke like vapour
More socially acceptable

2012 Super cartomiser design

INDEX TRADE EXCLUSIVE DEAL

RRP £49.99 ***IT Discount Price: £39.99 + Free tracked delivery +350 points***

ECITA Electronic Cigarette Industry Trade Association

Order online: www.freedomcigarettes.com/indextrade
Or Call: 0844 800 9633
and quote code: **indextrade121**

Valid with any i-pack kit purchase for one month from the date of this publication

Shale and pace

After the Argentinean government nationalised the country's largest oil company last month, **Jennifer Lowe** investigates the significance of shale gas production on shares and asks how traders should play this tricky sub-sector

The beginning of May saw the Argentine government nationalise the country's largest oil company, YPF, in a bid to increase oil and gas production to address its growing energy trade deficit.

Julio De Vido, Argentina's planning minister, approached Brazil's state-run oil company Petrobras over investment in YPF and has since unveiled plans to do the same with other foreign oil companies including Exxon, Chevron and ConocoPhilips.

The move was prompted by an accusation from the government that Spanish-owned Repsol – which had a majority share in YPF - was not doing enough to invest in Argentinean oil and natural gas.

Argentina also seized YPF Gas, a gas utility that was owned by the Spanish company.

In 2011, it was Repsol-YPF which discovered some of the world's largest reserves of shale oil and gas, buried in 250 million-year-old rocks, almost 3km beneath the surface in the Vaca Muerta region of Argentina.

The reserves found here make up a big proportion of the country's estimated 22 trillion cubic-metre total, making Argentina the world's number three in terms of shale gas reserves – just behind the US, which has reserves of some 24 trillion cubic metres, and China, which has reserves of around 36 trillion cubic metres, according to the American Energy Information Administration.

The move affected the share prices of some of the smaller players in the sector and anticipation is now building about the potential backlash from YPF.

However, the International Monetary Fund has moved to calm the situation after the Argentine government's aggression with Repsol triggered widespread international criticism.

Gerry Rice, director of the external relations department at the IMF, said: "It's a very diverse region and we would not call what we are seeing a trend. It's important to know that the region has enjoyed high levels of Foreign Direct Investment (FDI), in recent years.

"I won't comment on the specifics of any one case. I think what we have said in the past is that the importance of a predictable investment climate is key in all countries and in all regions."

DID YOU KNOW ?

Shale gas is natural gas formed from being trapped within shale formations and has become an increasingly important source of natural gas over the past decade - particularly in the United States.

GROWING IMPORTANCE

A recent study concluded that increased shale gas production in the US and Canada could help prevent Russia and Persian Gulf countries from dictating higher prices for the gas it exports to European countries.

Speaking recently on the subject of shale gas production, Bill O'Neill, chief investment officer for Merrill Lynch Wealth Management, said that in spite of production shutdowns, the shale gas revolution means production will likely continue to grow at 4.4 billion cubic feet per day.

Trading shale gas specifically, however, is difficult as it falls within the overall pricing of natural gas – in the US this is the Henry Hub Natural Gas spot price.

But in spite of the shale gas discovery and the economy of Argentina being the third largest in Latin America, Standard & Poor's has placed a 'negative watch' on Argentina's credit rating, citing rising restrictions to international trade as the main reason for the move.

Fitch, meanwhile, affirmed Argentina's B rating, although expressed concern over the sovereign's weak repayment record, limited financing flexibility and an inconsistent macroeconomic policy mix that has increased the country's inflation rate and macroeconomic volatility.

"Policy uncertainty in Argentina remains high as shown by the recent measures to tighten capital controls and nationalise YPF," claims Lucila Broide, director at Fitch Ratings' sovereign group.

According to some economists, however, there are some mitigating rating factors that are likely to continue to support Argentina's 'B' ratings, such as the near 50% of government debt that is held by intra-public sector institutions which reduces rollover risk.

Also, debt dynamics have benefited from primary surpluses and a strategy to repay external debt and increase holdings of local currency denominated obligations at negative real rates.

The National Statistics and Censuses Institute (Indec), the Argentine government agency responsible for the collection and processing of statistical data, expects growth to slow to 4% on average over the next two years from 8.9% in 2011.

Jennifer Lowe is an investment editor with the Financial Times Group

YPF's Belgrana Plant in Argentina

The way to the forum

There are an increasing number of trading forums on the web. Can a lot be gained from using them, or should traders steer well clear? IndexTrader asked James Hughes, chief market analyst, Alpari (UK), for his views

WHAT SHOULD TRADERS LOOK FOR IN A FORUM?

JH: Forums can have many pitfalls in the retail trading space and as a user you need to be wary, and take a lot of things you read with a pinch of salt. They can be a place for disgruntled clients of every broker to have their say about their 'disgraceful treatment' at the hands of their broker, or they can be a useful place that will provide the information needed in order to make decisions about which platform or broker to use and also what techniques they should use when they finally do get to trading.

There are many forums out there and with the emergence of social trading they are becoming more and more popular.

ANY PITFALLS TO LOOK OUT FOR?

JH: Do not take everything you read as the gospel truth! Forums can be a place where a lot of complaints are first aired and in a world where people inevitably lose money at some stage of their trading journey it will usually be the losing trades you hear about on forums rather than the winning ones. I would steer clear of any discussions that are just bad mouthing one broker (unless this a broker you intend to open an account with or already trade with).

The most useful threads in forums tend to be the ones talking about trading strategies and how best to make money during the current trading climate. These tend to have educated traders in them who are only out to help each other be the best traders.

Steer clear of forums created by the brokers! Any broker trying to create a good bit of publicity will create a comment on their own thread, so for the most relevant topics and threads and unbiased information try and steer clear of these.

THE MOST USEFUL THREADS TEND TO BE THE ONES TALKING ABOUT TRADING STRATEGIES AND HOW BEST TO MAKE MONEY DURING THE CURRENT CLIMATE

WHICH ONES WOULD YOU RECOMMEND?

JH: I would mainly recommend those forums on websites a little more specialised. If you are a forex trader forums on Forex Factory and Forex Pros tend to have great information.

A new way people are looking at forums is through LinkedIn. LinkedIn gives you the ability to pick and choose your forums by the kind of people you are associated with through the site. Many forums on LinkedIn will not just let anybody join, so the members are monitored and the threads tend to be insightful and packed full of useful information rather than various traders moaning at their broker because they lost money on a trade.

All in all forums can be very useful. There will of course be the odd topic or thread full of broker bashing, however with the emergence of social trading sights forums are becoming a much more popular.

The best way for a new trader to get into trading is to see what his/her peers are doing and gain confidence from knowing that they are not the only one in their position.

WE WANT YOUR VIEWS

In next month's IndexTrader we will feature a comprehensive review of the leading trading forums. To help us compile this, we want to hear from you. What forums do you use? Why? Which are better for beginners? Where should experts go?

Please email Kevin Rose - kevin@index-trader.co.uk - with your opinions.

INDEX TRADER STATISTICS

WORLD INDICES

What the Table shows: Performance of each major index over four time periods until 18 May 2012. Source: FE Analytics

Index	1 month	3 months	6 months	1 year
	%	%	%	%
DJ Euro Stoxx 50	-6.00	-12.80	-1.16	-21.34
FTSE 100	-7.79	-9.60	0.18	-7.68
Hang Seng	-8.80	-11.82	2.49	-17.64
India CNX Nifty	-11.44	-15.93	5.20	-12.16
MSCI World	-4.60	-4.49	6.76	-5.73
Nikkei 225	-10.92	-8.24	2.82	-10.88
S&P 500	-5.65	-3.77	8.17	-1.17

UK SECTOR INDICES

What the Table shows: Performance of each UK sector index over four time periods until 18 May 2012. Source: FE Analytics

FTSE 350 Index Sectors	1 month	3 months	6 months	1 year
	%	%	%	%
Automobiles & Parts	-11.00	-16.55	2.63	-10.36
Banks	-10.76	-16.18	7.23	-23.53
Beverages	-6.25	-1.75	14.13	14.44
Construction & Materials	-9.38	-12.77	2.52	-18.86
Electricity	-0.28	4.22	5.56	10.59
Financial Services	-11.47	-12.66	-0.54	-22.27
Food & Drug Retailers	-1.49	0.01	-13.69	-17.21
Forestry & Paper	-11.86	-6.99	15.86	-13.35
General Industrials	-7.04	-1.16	18.08	-3.08
General Retailers	-7.42	-4.07	6.47	-5.85
Industrial Engineering	-11.36	-10.69	5.74	-1.81
Industrial Metals & Mining	-20.81	-32.11	-18.55	-58.42
Life Insurance	-10.50	-12.27	8.74	-10.92
Media	-4.59	-3.90	7.41	-1.55
Mining	-16.33	-21.52	-12.39	-30.57
Nonlife Insurance	-4.24	-2.96	7.23	-12.78
Oil & Gas Producers	-9.39	-14.66	-8.09	-6.69
Pharmaceuticals & Biotechnology	-3.56	-3.72	1.66	2.26
Software & Computer Services	-6.41	-7.23	4.48	0.89
Technology Hardware & Equipment	-20.36	-13.64	-9.46	-12.73
Tobacco	-4.97	-1.56	7.89	16.24
Travel & Leisure	-5.41	-4.73	7.14	-7.20

MOST POPULAR EQUITY TRADES

Source: TD Direct Investing

8 - 14 MAY 2012

BUYS

Company	% of top 10 trades
Gulf Keystone	17.9
Barclays	13.9
Lloyds Banking Group	12.0

SELLS

Company	% of top 10 trades
Gulf Keystone	22.3
Lloyds Banking Group	13.4
Royal Bank of Scotland	10.1

1 - 7 MAY 2012

BUYS

Company	% of top 10 trades
Barclays	16.2
BP	14.3
Lloyds Banking Group	11.6

SELLS

Company	% of top 10 trades
Lloyds Banking Group	29.7
Royal Bank of Scotland	14.5
Gulf Keystone	11.1

24 - 30 APRIL 2012

BUYS

Company	% of top 10 trades
MAN Group	12.4
Royal Bank of Scotland	11.8
Lloyds Banking Group	11.4

SELLS

Company	% of top 10 trades
Barclays	19.5
Lloyds Banking Group	17.9
Gulf Keystone	13.5

17 - 23 APRIL 2012

BUYS

Company	% of top 10 trades
Borders&SouthernPetroleum	16.3
MAN Group	13.4
Gulf Keystone	11.4

SELLS

Company	% of top 10 trades
Borders&SouthernPetroleum	20.2
Gulf Keystone	14.9
Falkland Oil & Gas	11.2

FTSE 100

What the Table shows: Percentage change in FTSE 100 company share prices over the four different periods until 18 May 2012. Prices are offer-to-bid. Source: FE Analytics

Company	1 month	3 months	6 months	1 year
	%	%	%	%
Aberdeen Asset Mgt	-8.71	-6.73	30.42	5.45
Admiral Group	-7.17	12.57	36.86	-32.27
Aggreko	-9.31	-5.86	16.82	19.68
Amec	-14.87	-13.40	6.63	-16.70
Anglo American	-12.69	-23.58	-13.38	-30.87
Antofagasta	-10.34	-19.00	-1.85	-12.21
ARM Holdings	-22.46	-19.27	-21.16	-17.95
Ashmore Group	-16.04	-16.10	-0.30	-4.43
Associated BF	-3.86	-4.41	8.16	14.06
Astrazeneca	-7.25	-8.13	-4.34	-12.84
Aviva	-13.96	-25.20	-5.11	-34.86
BAE Systems	-6.07	-12.99	5.09	-13.94
Barclays	-17.44	-27.89	7.62	-33.06
BG Group	-12.58	-15.53	-5.11	-8.34
BHP Billiton	-12.30	-14.34	-7.31	-25.92
BP Plc	-12.14	-19.85	-11.99	-8.45
British American Tobacco	-5.59	-0.53	7.29	16.66
British Land	1.30	3.02	6.94	-14.97
B Sky B	2.46	1.20	-4.24	-15.67
BT Group	-5.91	-5.03	11.07	8.82
Bunzl	-1.08	9.17	27.87	36.08
Burberry	-8.62	-3.68	10.26	3.41
Capita	-17.74	-5.65	-3.49	-12.49
Capital Shopping Centres	-5.79	-9.42	1.83	-18.93
Carnival	-0.27	2.33	-4.11	-21.40
Centrica	2.70	10.95	12.87	4.03
Compass Group	-6.60	-3.98	11.84	10.51
CRH	-11.74	-15.50	3.50	-16.26
Croda International	-4.33	4.64	26.85	14.90
Diageo	-5.18	-0.24	13.59	18.89
Eurasian NR	-19.60	-34.20	-27.45	-44.09
Evaz	-14.44	-25.30	-9.13	-
Experian	-11.70	-8.06	10.26	11.76
Fresnillo	-15.16	-19.90	-18.00	6.17
G4S	-4.19	-1.45	17.10	0.53
GKN	-11.12	-16.66	2.50	-10.46
GlaxoSmithKline	-1.49	0.42	5.18	12.23
Glencore	-16.83	-19.74	-13.48	-
Hammerson	-0.81	5.69	13.28	-11.10
HSBC Holdings	-6.73	-9.50	10.10	-16.26
ICAP	-9.61	-11.59	-0.14	-27.42
IMI Group	-10.62	-8.84	17.25	-13.30
Imperial Tobacco Group	-3.53	-4.15	9.15	14.92
Intercontinental Hotels	-4.55	0.54	32.12	12.30
International Power	0.19	24.57	25.92	32.49
Intertek Group	-4.27	9.58	28.61	24.70
ICAG	-16.53	-16.96	-0.29	-41.85
ITV	-8.97	3.39	24.55	20.03
Johnson Matthey	-11.73	-10.28	13.53	6.80
Kazakhmys	-19.57	-37.46	-18.50	-43.77

Company	1 month	3 months	6 months	1 year
	%	%	%	%
Kingfisher	-9.00	-1.17	11.42	0.33
Land Securities	0.12	5.76	10.68	-6.24
Legal & General	-8.19	-7.26	9.57	0.34
Lloyds Banking Group	-13.46	-26.85	2.95	-51.62
MAN Group	-21.02	-41.07	-41.35	-65.27
Marks and Spencer	-5.87	-4.48	5.93	-10.25
Meggitt	-7.25	-1.11	-1.43	6.80
Morrisons	-6.63	-6.32	-10.64	-7.06
National Grid	2.70	3.26	6.06	15.17
Next	-2.49	4.06	6.00	33.74
Old Mutual	-7.26	-0.04	48.36	24.91
Pearson	1.51	-4.90	5.55	2.64
Petrofac	-14.67	-2.43	8.06	3.09
Polymetal	-19.53	-25.40	-18.03	-
Prudential	-10.31	-5.70	14.07	-5.48
Randgold Resources	-9.32	-30.39	-31.35	2.47
Reckitt Benckiser	-6.83	-3.80	9.42	3.68
Reed Elsevier	-4.25	-9.64	-2.21	-8.30
Resolution	-12.88	-20.63	-16.53	-29.09
Rexam	-4.95	6.82	22.94	7.77
Rio Tinto	-21.24	-21.81	-13.57	-31.31
Rolls Royce	0.15	2.03	18.59	29.25
RBS	-18.23	-27.62	-2.87	-52.09
Royal Dutch Shell PLC 'A'	-6.85	-12.50	-7.77	-3.86
Royal Dutch Shell PLC 'B'	-7.47	-12.21	-9.91	-2.45
RSA Insurance	-4.00	-8.49	-3.62	-21.60
SAB Miller	-7.56	-4.81	13.67	9.21
Sage	-11.07	-17.82	-7.30	-13.70
J Sainsbury	-1.92	0.78	1.75	-10.36
Schroders Non Voting	-12.64	-21.07	-8.30	-26.23
Schroders	-19.73	-23.55	-8.45	-27.09
Scottish and Southern	-1.77	2.85	6.09	7.52
Serco Group	-7.17	-3.67	5.01	-4.79
Severn Trend	-0.15	6.61	7.20	15.72
Shire	-5.48	-15.78	-4.32	-1.52
Smith and Nephew	-5.77	-7.45	1.26	-13.74
Smiths Group	-3.72	-4.48	10.92	-14.61
Standard Chartered	-15.40	-19.76	1.29	-15.42
Standard Life	-10.71	-10.57	8.05	0.73
Tate and Lyle	-4.79	-7.21	-2.97	8.68
Tullow Oil	-12.07	-14.32	2.35	0.74
Unilever	-1.24	-1.20	0.89	5.42
United Utilities	3.43	2.24	2.38	6.28
Vedanta Resources	-20.33	-27.01	-5.17	-54.16
Vodafone Group	-3.33	-5.93	-3.83	3.46
Weir Group	-14.66	-27.43	-16.59	-20.03
Whitbread	-1.18	5.29	14.95	9.18
Wolseley	-11.84	-10.90	16.93	8.58
WPP	-10.82	-5.49	18.74	4.40
Xstrata	-18.52	-22.47	-1.91	-33.44

TRADERS' CURRENCY POSITIONS

MONTH TO 17 MAY 2012

Source: CMC Markets

Pair	Long	Short
	%	%
AUD/USD	60	40
GBP/USD	44	56
USD/JPY	36	64
EUR/AUD	16	84
EUR/GBP	39	61

TRADERS' INDEX POSITIONS

MONTH TO 17 MAY 2012

Source: CMC Markets

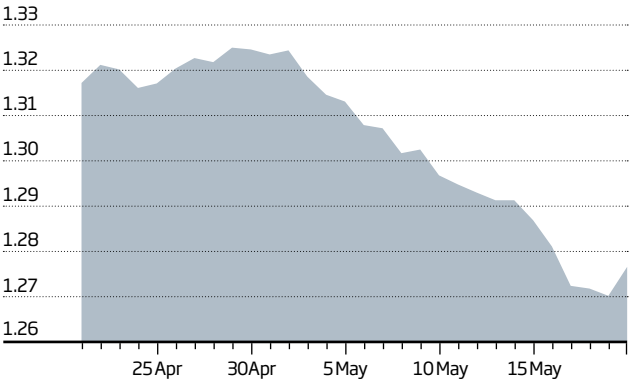
Index	Long	Short
	%	%
US 30	33	67
German 30	69	31
UK 100	48	52
Aussie 200	27	73
SPX 500	18	82

CURRENCY MOVEMENTS

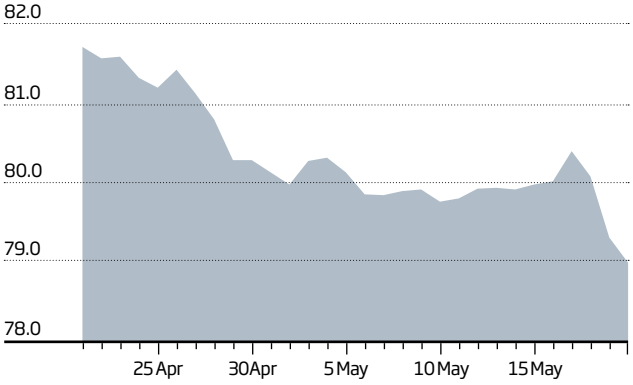
21 APRIL - 20 MAY 2012

Source: OandA.com

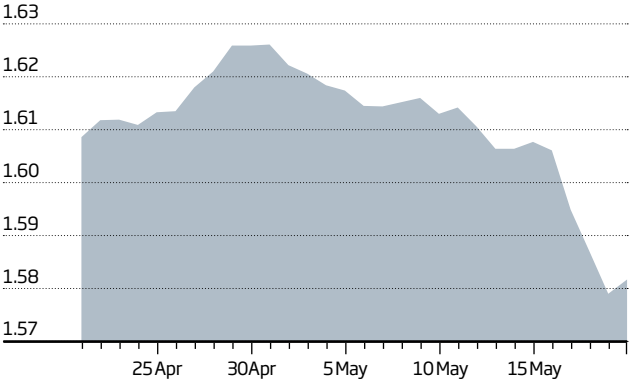
EUR/USD



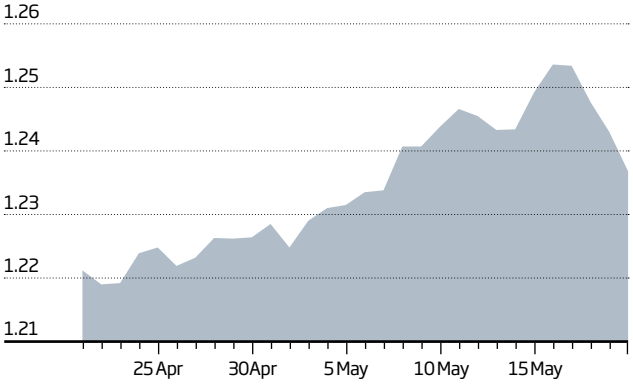
USD/JPY



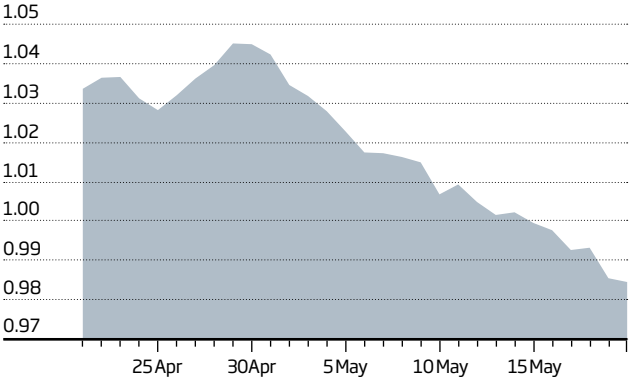
GBP/USD



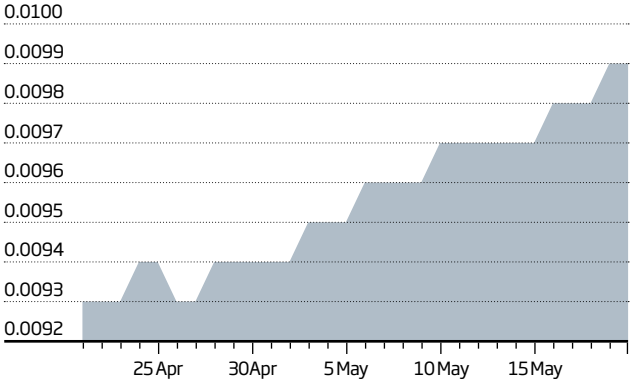
GBP/EUR



AUD/USD



JPY/EUR



SELECTED EXCHANGE TRADED PRODUCTS

What the Table shows: Percentage change in the share price of selected exchange traded products over the four different periods until 18 May 2012. Prices are total return, offer-to-bid. Source: FE Analytics

Company	1 month	3 months	6 months	1 year
	%	%	%	%
Deutsche Bank				
Agriculture Booster	0.77	-5.04	-5.84	-20.04
Agriculture Booster Hedged	-0.78	-5.17	-5.84	-22.77
Brent Crude Oil Booster Hedged	-9.92	-10.17	-1.96	-4.20
Commodity Booster	-5.74	-9.54	-5.81	-10.43
Energy Booster	-7.93	-10.76	-5.52	-7.95
Industrial Metals Booster	-2.17	-7.43	-3.80	-19.95
Mean Reversion	-2.54	-7.86	-6.60	-13.81
Natural Gas Booster	24.41	-12.93	-31.69	-49.81
Physical Gold	-2.25	-7.96	-9.62	6.41
Physical Gold GBP Hedged	-3.72	-8.05	-9.61	3.23
Physical Gold SGD Hedged	-4.10	-9.90	-9.50	-
Physical Nickel	-3.38	-13.50	-7.14	-
Physical Palladium USD	-6.81	-11.92	-1.29	-17.12
Physical Platinum USD	-6.37	-10.72	-10.45	-17.46
Physical Rhodium	-5.51	-12.30	-21.19	-
Physical Silver	-7.93	-13.88	-12.27	-18.34
Physical Silver GBP Hedged	-9.22	-14.10	-12.84	-21.06
Physical Tin	-6.13	-17.29	-11.37	-
S&P GSCI	-5.29	-9.17	-6.50	-9.87
S&P GSCI Agriculture	3.23	-1.10	-0.96	-18.65
S&P GSCI Energy	-7.86	-11.01	-7.47	-7.63
S&P GSCI Industrial Metals	-1.88	-6.91	-3.65	-19.98
Uranium USD	2.76	-1.19	-7.85	-13.51
WTI Crude Oil Booster	-10.08	-12.56	-7.98	-11.58
ETF Securities Ltd				
Aluminium USD	0.66	-6.85	-7.24	-23.96
Cocoa USD	0.85	-3.95	-9.91	-26.69
Coffee	3.06	-12.65	-28.44	-38.35
Copper USD	-3.47	-7.34	-1.09	-17.29
Corn USD	6.87	-0.97	0.23	-14.70
Cotton	-12.39	-15.10	-18.42	-44.90
Crude Oil USD	-10.08	-12.56	-9.81	-12.44
Energy USD	-0.79	-12.16	-15.13	-23.78
Ex Energy	-0.61	-5.27	-5.17	-12.98
Gasoline USD	-8.38	-8.18	9.27	5.99
Gold Bullion USD	-2.28	-7.88	-9.64	6.35
Gold USD	-2.34	-8.34	-10.31	5.03
Livestock	2.37	-9.29	-10.16	-3.34
Natural Gas USD	27.76	-15.25	-39.38	-57.35
Nickel USD	-3.36	-13.33	-5.96	-31.64
Petroleum	-8.71	-10.85	-5.00	-6.44
Physical Aluminium	0.53	-7.14	-8.73	-25.09
Physical Copper	-3.46	-8.36	-0.84	-14.60
Physical Gold USD	-2.26	-7.99	-9.29	6.28
Physical Lead	-2.68	-4.71	-7.22	-21.24
Physical Nickel	-3.03	-14.35	-7.38	-31.18
Physical Palladium	-7.88	-14.42	-3.32	-17.87
Physical Platinum USD	-6.42	-10.82	-10.28	-17.75
Physical Silver USD	-7.93	-13.88	-12.72	-18.42
Silver	-8.16	-14.30	-13.87	-19.21
Tin USD	-6.83	-18.04	-11.23	-32.52
Wheat USD	11.76	4.48	5.95	-27.82
WTI 1 Year	-9.17	-10.77	-4.42	-7.81
ETFX AEX USD	-8.25	-14.45	-5.11	-23.36
HSBC Global Asset Management				
DJ Euro Stoxx 50	-10.72	-18.49	-9.96	-30.25
FTSE 100	-10.59	-12.39	-3.27	-10.87
FTSE 250	-11.15	-9.72	1.86	-12.65
FTSE EPRA/NAREIT Developed	-3.00	-3.41	9.88	-
MSCI Brazil USD	-15.61	-24.84	-12.47	-26.89
MSCI Canada USD	-7.22	-9.93	-3.22	-17.46
MSCI China USD	-11.58	-15.98	-3.27	-21.11
Msci EM Far East GBP	-7.87	-10.89	1.01	-16.11
MSCI EM Latin America USD	-12.02	-18.55	-6.67	-19.53
MSCI Emerging Markets USD	-9.32	-13.48	-1.78	-
MSCI Europe	-10.84	-14.43	-5.19	-23.49
MSCI Indonesia USD	-5.87	-6.22	-2.44	-6.91
MSCI Japan GBP	-9.74	-12.71	-4.35	-12.06
MSCI Korea USD	-10.96	-12.52	-1.61	-18.05
MSCI Malaysia USD	-4.81	-5.34	4.62	-3.33
MSCI Pacific Ex Japan USD	-8.30	-9.09	-0.20	-13.62
MSCI South Africa USD	-6.71	-7.75	2.97	-7.92
MSCI Taiwan USD	-4.36	-8.93	2.16	-17.24
MSCI Turkey USD	-9.36	-13.98	-0.37	-23.17
MSCI US GBP	-7.13	-6.49	4.62	-2.20
MSCI World USD	-7.90	-8.94	1.18	-9.33
S&P 500 USD	-7.05	-6.26	4.72	-1.26
S&P BRIC 40 USD	-12.42	-18.43	-7.95	-20.74
BlackRock iShares				
AEX EUR	-9.31	-15.41	-6.06	-24.05
DJ Asia Pac Select Dividend 30	-9.96	-8.12	2.45	-2.64
DJ Emerging Mkts Select	-5.03	-9.52	-	-
DJ Europe Sustainability	-11.48	-15.51	-5.04	-23.27

DJ Global Sustainability	-6.44	-9.65	0.37	-12.98
EURO STOXX 50 Inc EUR	-10.72	-18.62	-10.44	-30.87
EURO STOXX Mid EUR	-11.83	-15.67	-3.50	-32.29
EURO STOXX Select Dividend 30 EUR	-8.60	-16.24	-10.73	-29.15
EURO STOXX Small EUR	-10.15	-17.29	-5.68	-31.25
FTSE 100 GBP	-10.16	-11.98	-2.56	-10.40
FTSE 250 GBP	-11.29	-9.93	1.84	-12.78
FTSE BRIC 50 USD	-13.15	-20.06	-5.65	-22.13
FTSE Developed World Ex UK USD	-7.50	-9.50	3.41	-10.82
FTSE MIB EUR	-14.32	-25.78	-21.37	-44.54
FTSE UK All Stocks Gilt GBP	2.52	3.26	3.19	15.21
FTSE UK Dividend Plus GBP	-9.03	-12.58	-2.51	-13.75
FTSE Xinhua China 25 USD	-14.08	-19.64	-6.87	-24.25
FTSEurofirst 100 EUR	-9.95	-14.98	-5.81	-20.93
FTSEurofirst 80 GBP	-10.28	-17.45	-8.79	-29.32
JPMorgan US EM Bond	0.32	0.77	4.53	9.79
Markit iBoxx EUR Corporate Bond	-4.22	-3.90	-3.39	-4.93
Markit iBoxx Euro Covered Bond	-4.25	-4.09	-3.26	-4.58
Markit iBoxx Euro High Yield	-5.13	-4.87	-0.93	-9.42
Markit iBoxx Corp Bond 1-5 GBP	-0.33	0.46	3.80	0.82
Markit iBoxx GBP Corporate Bond	1.42	2.22	4.66	6.65
Markit iBoxx USD Corporate Bond	2.03	1.84	6.44	9.72
Markit iBoxx USD HY Bond Capped	1.04	0.58	8.39	-
MSCI AC Far East Ex Jap USD	-8.61	-11.18	3.34	-14.67
MSCI AC Far East Ex Japan SmallCap	-7.75	-11.67	0.88	-19.01
MSCI ACWI USD	-8.05	-10.29	2.99	-
MSCI Australia USD	-9.23	-11.13	-0.36	-16.17
MSCI Brazil USD	-16.08	-25.38	-12.38	-26.74
MSCI Canada USD	-7.56	-10.13	-3.12	-17.90
MSCI Eastern Europe 10/40 USD	-16.44	-21.76	-12.87	-31.54
MSCI EM Latin America USD	-11.93	-17.79	-5.02	-16.90
MSCI Emerging Markets Inc USD	-10.08	-14.40	0.70	-17.91
MSCI Emerging Markets Islamic USD	-10.49	-16.60	-4.36	-19.65
MSCI Emerging Markets Small Cap	-8.82	-13.48	0.16	-21.17
MSCI Europe Ex EMU USD	-10.04	-11.76	-0.87	-12.77
MSCI Europe Ex UK EUR	-9.64	-14.44	-4.39	-25.49
MSCI Europe Inc EUR	-9.88	-13.61	-3.27	-20.20
MSCI GCC Countries ex-Saudi Arabia	-2.42	-0.90	0.44	-6.91
MSCI Japan Inc USD	-9.61	-13.11	-3.39	-9.75
MSCI Japan Monthly EUR Hedged	-15.46	-17.25	-8.65	-24.07
MSCI Japan SmallCap USD	-5.43	-6.53	-0.91	-0.92
MSCI Korea USD	-11.58	-12.96	-0.06	-17.82
MSCI Mexico IMI Capped USD	-6.73	-	-	-
MSCI North America USD	-4.62	-4.40	6.62	-0.85
MSCI Pacific Ex Japan USD	-8.72	-10.82	2.18	-14.74
MSCI Poland USD	-15.69	-20.47	-14.32	-39.16
MSCI Russia Capped Swap USD	-18.63	-23.96	-16.10	-30.21
MSCI South Africa USD	-6.92	-7.96	3.03	-5.08
MSCI Taiwan USD	-5.20	-9.39	3.93	-17.26
MSCI Turkey USD	-9.68	-14.52	-0.08	-23.00
MSCI USA Islamic USD	-5.76	-7.39	1.66	-3.28
MSCI USA USD	-7.12	-6.65	4.99	-1.61
MSCI World Inc USD	-7.36	-9.37	3.76	-9.66
MSCI World Islamic USD	-6.78	-9.94	0.78	-10.39
MSCI World Monthly EUR Hedged EUR	-9.69	-11.65	-4.14	-18.08
MSCI World Monthly GBP Hedged GBP	-8.37	-8.49	4.43	-10.53
Physical Gold ETC USD	-2.19	-8.08	-9.16	6.59
Physical Palladium ETC USD	-6.81	-13.13	-1.85	-17.13
Physical Platinum ETC USD	-6.35	-11.37	-10.24	-17.47
Physical Silver ETC USD	-7.83	-14.58	-12.60	-18.27
S&P 500 Inc USD	-7.03	-6.47	5.19	-1.11
S&P CNX Nifty India Swap USD	-12.00	-21.49	-3.75	-24.38
S&P Global Clean Energy USD	-15.78	-28.81	-17.07	-55.61
S&P Global Timber & Forestry USD	-7.33	-11.73	1.16	-23.05
S&P Global Water USD	-4.79	-5.81	5.36	-6.84
S&P SmallCap 600 USD	-4.05	-7.53	6.71	-0.91
Stoxx Europe 50 EUR	-9.73	-13.59	-4.68	-19.53

Lyxor Asset Management

Australia S&P ASX 200 B USD TR	-9.71	-9.55	-3.13	-14.43
Broad Commodities Momentum TR C EUR	-5.22	-	-	-
Broad Commodities Optimix TR C EUR	-3.33	-	-	-
DAX	-10.72	-12.06	-1.03	-23.90
DAXplus Covered Call	-10.25	-12.57	-5.77	-20.92
DAXplus Protective Put	-7.63	-7.43	-1.03	-12.34
Euro Stoxx 50 TR EUR	-10.74	-17.18	-10.42	-31.05
FTSE 100 TR	-10.43	-11.90	-2.92	-10.49
FTSE 250 TR	-10.90	-8.65	2.20	-12.29
FTSE All Share TR	-10.14	-11.06	-1.81	-10.48
LevDAX	-16.72	-19.01	4.22	-40.87
MSCI Asia Apex 50 TR	-8.58	-9.74	2.45	-12.25
MSCI World Consumer Discretionary TR USD	-6.18	-4.66	6.86	-3.84
MSCI World Consumer Staples TR USD	-2.29	0.09	4.37	2.14
MSCI World Energy Tr USD	-7.66	-14.45	-7.75	-14.39
MSCI World Financials Tr USD	-9.93	-10.91	2.54	-20.09
MSCI World Health Care Tr USD	-3.57	-3.21	5.98	-2.33
MSCI World Industrials Tr USD	-7.21	-8.99	0.90	-13.89
MSCI World Information Tech	-8.93	-6.98	4.06	0.49
MSCI World Materials Tr USD	-11.25	-15.05	-7.20	-23.37
MSCI World Telecommunication Services	-0.53	-3.54	-3.56	-9.19
MSCI World Utilities Tr USD	-1.33	-3.74	-4.01	-9.03
S&P 500 B USD TR	-7.02	-6.59	5.04	-1.89
S&P GSCI Aggregate 3 Month Forward	-3.75	-	-	-
S&P GSCI Aggregate Inverse 1 Month Fwd	4.35	-	-	-
S&P GSCI Agric & Livestock 3 Month Fwd	-18.75	-18.75	-	-
S&P GSCI Industrial Metals 3 Month Fwd	-9.43	-9.43	-	-
S&P TSX 60 B USD TR	-7.56	-10.11	-2.58	-17.11
Wig 20 TR	-16.09	-18.77	-14.98	-39.53

THE PIT

TALES FROM THE CITY

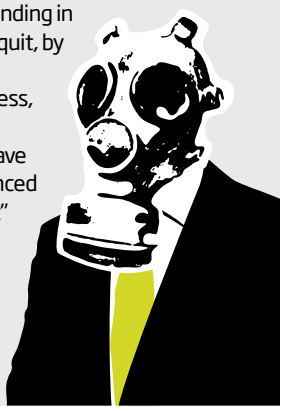
FUND MANAGER DEPARTURE CAUSES A STINK

There has been an interesting game of hack v flack according to one of *The Pit's* insiders at another financial title.

We were amused to hear of how one litigious fund manager had taken exception to a number of stories written about him recently.

The manager - who few had heard of before - took exception to articles about his departure from a previous firm after he snatched colleagues from his old firm and took them to his new employer. Instead, he was more concerned of how the reporting of his departure might affect his standing in the City. (He quit, by the way.)

Nevertheless, his new employers have since announced their "delight" to have such a legally savvy chap joining them.



IG lose their rugby crown

IG's Warriors failed to hold off the charge of Gamma Derivatives Solutions last weekend in a charity rugby match that raised over £20,000 for charity.

The team from IG Group were last year's winners but were smacked down by Gamma Derivatives in a hard-fought final.

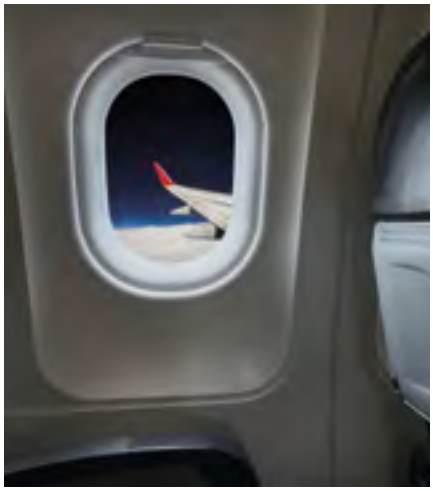
The Neptune City Sevens tournament has been running for over 35 years and took place last Sunday at the Richmond Athletic Association Ground under the watchful eye of 1,000 spectators – friends, family and industry colleagues of those on the pitch.

The Child Bereavement Charity will benefit from the total raised by generous donations from the City.

Ian Davis, head of fundraising at the Child Bereavement Charity which supports families and educates professionals when a child dies, said the event was a tremendous success.

He added: "They were exceptionally generous in setting things up to maximise the income to the charity, and it is a great opportunity for us to get involved in such a prestigious and fun event.

"The funds raised will go a long way in helping us to provide families with support and information services, including the website and families forums which are valued by so many bereaved families."



Virgin on the ridiculous

The Pit was concerned to hear from a reader earlier this month who had booked a business trip to America and felt hard done by at the hands of Virgin Atlantic.

Having been seduced by the slick marketing of the Bearded One, our City worker had been building up his frequent flyer miles in the hope of one day using them for an upgrade, which he was told would be possible.

But you've guessed it, disappointment was on the horizon. Having first tried to upgrade on a flight back from New York and then on a trip from London Gatwick to Las Vegas, he finally plucked up the courage to ask. He was told he couldn't upgrade from Economy to Premium Economy Class because he had been booked into the 'wrong kind' of Economy Class. Baffled? Well listen up. If you fancy an upgrade make sure you're in Economy Class Y, Economy Class B, Economy Class R or Economy Class L. Anything else and you're wasting your time.

Virgin Atlantic spin sister Joanne Foster told us that their fare policies are "completely transparent and available in their terms and conditions".

The Pit couldn't help but wonder if this transparent pricing policy was more in keeping with that of a certain profitable low-cost carrier....