INDIAN SUMMER > IMPACT OF A PROPOSED FUEL SUBSIDIES CAP

IndexTrader

Market intelligence for talented traders

ISSUE THREE | JULY 2012

YEAR OF THE DRAG-ON?

TRADERS BRACED FOR CHINESE SLOWDOWN

SCORN IN THE USA
REVEALED: WHY THE S&P 500 IS SET TO TUMBLE

ACHTUNG MAYBE?
IGNORE GERMANY'S BLUE CHIP INDEX AT YOUR PERIL

WALTZING A YIELDER
THE RESILIENCE OF THE AUSSIE DOLLAR IN A CHINESE SLOWDOWN

PAIN IN SPAIN > WILL THE BAILOUT MAKE ANY DIFFERENCE?

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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: NO BAILOUTS FOR BROKERS

With the term 'bailout' being the watchword of the moment, it is unsurprising to find traders applying it more to countries than to their every day affairs.

But the fierce economic storm playing out globally isn't just putting countries at risk, it is also affecting companies. Stockbrokers, financial institutions and banks are not immune.

Over the past 12 months we have already seen the collapse of Pritchards Stockbrokers, MF Global UK and Worldspreads and this has had a domino effect throughout the sector, affecting clients and business partners who used white-labelled offerings from these providers.

Despite this, we rarely see brokers marketing their services by their financial standing or solvency levels. This may well be because it doesn't pull in the punters as effectively as claims about the lowest spreads or the highest number of product options. I suppose we can't blame the brokers for that.

However, the man on the street would do well to look a little closer at the companies with whom he deals, particularly given that the financial strength of some providers can be considerably different to others.

It's great for the industry and for consumer choice that we have seen so many new start-ups in the trading market in recent years, but it also means that investors must be careful. In other markets, since the collapse of Northern Rock and Lehman Brothers, organisations have been keen to highlight their solvency ratios.

And yet, in the trading arena, investors are still too keen to put their buckets of cash with providers without doing even the basic level of due diligence. It is for this reason that *IndexTrader* will be taking a closer look at providers over the coming issues and encouraging you, the reader, to do the same.

We would love to hear any stories about instances where you have decided against trading with an individual business and your reasons why.

It may sound like shutting the door after the horse has bolted, but the noise on this important theme has quickly died down despite three high profile cases in rapid succession. If you think there is nothing to be learnt from these companies, then think again. After all, you can bet your bottom dollar that the 15,000 Worldspreads customers affected by the chaos will have other ideas.

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

US employment figures set to remain weak

Employment data coming out of the US on Thursday (5 July) will make for uncomfortable reading, according to economists.

The US Jobless Claims and ADP Employment reports have been widely tipped to underline recent fears about the US economy, highlighted last week in the Nielsen report which cited slowing employment growth as American's main reason for a loss of consumer confidence.

The report found that consumer sentiment dropped five points to "87" in the second quarter of 2012. A reading of 100 or less shows consumer pessimism about the US economic outlook for the months ahead.

Within the report, it showed that just a third of Americans were now optimistic about their job prospects for the rest of the year.

Added to this, the US Labor Department last week reported a hike in applications for unemployment benefit, with the number of individuals on benefits now at a nine month high.

This followed the last non-farm payrolls declaration which included a significant rise of the long-term unemployed – out of work for 27 weeks or more – from 5.1 million in April to 5.4 million in May. This figure accounted for 42.8% of all of those unemployed.

TRADER TALK

UK on brink of AAA downgrade warns broker boss

The UK's much-prized AAA credit rating is on course to be downgraded, according to the director of private client stockbroker Rowan Dartington.

Andrew Morris, managing director of the group's Signature brand, said politics and economics are once again on a collision course meaning we are entering an era that puts the country's AAA status at risk.

He wrote: "The most recent flight to safety has compounded the problems of the risk averse as we face an ever shrinking global pool of 'safe' sovereign debt.

"As demand has swamped supply, yields have tumbled. Rating agencies have again sought to keep us aware of the risks by only last week announced a further downgrading of the UK's main banks. I sense it is only going to be a matter of time before our nation's debt position is again under review.

"Austerity measures look like being around for the foreseeable future and only time will tell whether we will witness 30 years of hurt."

Morris explained that the job of balancing the UK's books continues to prove an unpopular challenge for the coalition government and that this is only likely to get worse.

He added: "Whilst the UK can hold its head up high and take comfort from not being part of the euro, clearly we are not immune from the difficulties of our near neighbours. With a comprehensive solution proving ever elusive and the risks of major fallout across [the] eurozone looming large, where are the safe havens?

"Austerity measures were never going to be popular to implement but against a backdrop of a faltering economy and the scale of the global challenges we are facing, a series of bold measures are being considered, with a review of housing benefits being the latest."

Most traded currency pairs June 2012

UK Traders	
1	AUD/USD
2	GBP/USD
3	USD/CAD
4	USD/JPY
5	EUR/CHF

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

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

Source: Forex Club / CMC Markets

Saxo Bank pens World Cycling deal

Saxo Bank has committed to another year of sponsorship in the 2013 UCI World Cycling Pro Tour, continuing with its backing of Danish team Riis Cycling.

However, while Saxo had been the sole title sponsor of the team last season, it will share the honours from this year's Tour de France with Tinkoff Bank, a Russian online bank.

Kim Fournais, co-founder of Saxo Bank, said it has been important for the bank to share the sponsorship with a dedicated partner in 2013 and that he was very happy that Tinkoff Bank was its new Co-Title sponsor.

He said: "Saxo Bank has always believed it was a sound commercial decision to support this team. For five years this sponsorship has proven a good investment and together with Tinkoff Bank, Saxo Bank is looking forward to celebrating great triumphs with Bjarne Riis and his team in 2012 and 2013."

IndexTrader TRADING DIARY

2 JULY - 6 JULY

(All times British Summer Time)

Monday 2 July 2012

0900hrs	German PMI Manufacturing Index
0900hrs	European PMI Manufacturing Index
0930hrs	British CIPS/PMI Manufacturing Index
1000hrs	European Unemployment Rate
1500hrs	US ISM Manufacturing Index

Tuesday 3 July 2012

0530hrs	Australian RBA Announcement
0900hrs	British Consumer Credit
0930hrs	British M4 Money Supply
0930hrs	British Mortgage Approvals
1000hrs	European PPI
1500hrs	US Factory Orders

Wednesday 4 July 2012

0230hrs	Australian Retail Sales
0700hrs	Tullow Oil Trading Update
0900hrs	Home Retail Group AGM
0900hrs	German PMI Services Index
0900hrs	European PMI Services Index
0930hrs	British CIPS/PMI Services Index
1000hrs	European GDP
1000hrs	European Retail Sales

Thursday 5 July 2012

0900hrs	Babcock International AGM
0930hrs	British New Car Registrations
1100hrs	German Manufacturers' Orders
1200hrs	Bank of England Announcement
1245hrs	European ECB Announcement
1315hrs	US ADP Employment Report
1330hrs	US Jobless Claims
1500hrs	US ISM Non-Manufacturing Index
1600hrs	US EIA Petroleum Report

Friday 6 July 2012

0745hrs	French Merchandise Trader Report
0930hrs	British Producer Price Index
1100hrs	German Industrial Production
1330hrs	US Employment Situation Report
1330hrs	Canadian Labour Force Survey

GFT Markets joins forex price war

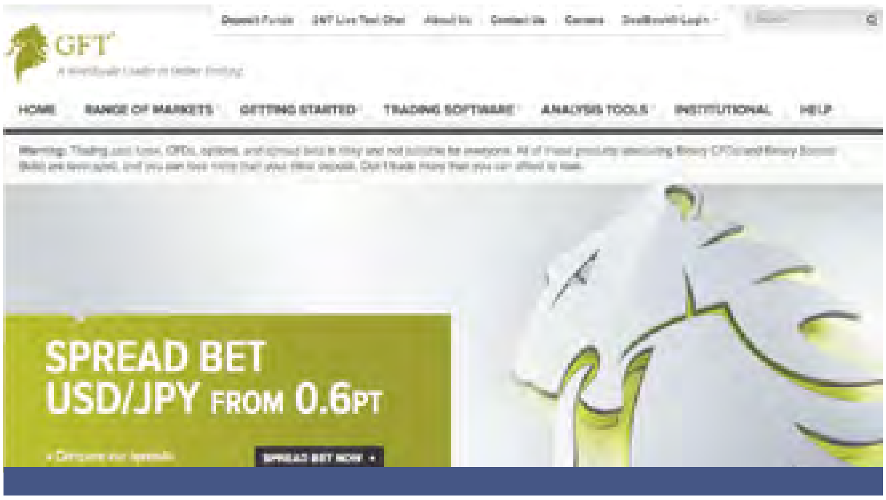
GFT Markets has become the latest broker to slash its minimum spread costs for trading FX as market competition continues to grow.

The brand's cheapest spread will now start at 0.6pts for the EUR/USD, AUD/USD and USD/JPY pairs as the company makes a concerted effort to attract new customers based on an aggressive price structure.

In announcing the changes, GFT told *IndexTrader* that it has witnessed a 50% increase in EUR/USD transactions over the past six months as its clients look to trade around the ongoing sovereign debt crisis in Europe. Martin Slaney, director of global product management at GFT Markets, said the steady stream of high profile fundamental announcements concerning the future of the eurozone has resulted in some defined price action and delivered some excellent trading opportunities for spread betters.

He added: "Our reduced spreads on key FX pairs provide customers with an optimal position to capitalise on current and future developments."

GFT Markets offers 120 different currency pairs, including more exotic crosses such as USD/RON (US Dollar/Romanian Lei) and SEK/PLN (Swedish Krona/Polish Zloty).



Fat Prophets launches online trading seminars

Fat Prophets – the stocks and shares research group – has launched a new online service to teach investors about market trends and trading techniques.

The company's Virtual Trading Room is a daily service, starting at 11am, which allows participants to join a trading community to share views on a micro level and learn more about individual markets.

Educational sessions are offered by Fat Prophets' head trader David Thang, who has worked for several high profile investment groups including Goldman Sachs and BNP Paribas.

Thang explained that, during the sessions, traders would be offered access to real-time computer screens of the Fat Prophets' traders.

He said: "Each participant is helped through the complexity of possible trading strategies and current trends. Additionally, the Fat Prophets' traders bring their own technical analysis of the markets, including insights into stock indices, currencies and commodities."

Those interested in finding out more can do so at **www.fatprophets.co.uk**.

PYX Markets' users can create their own bespoke asset options to suit their trading requirements and can limit risk exposure

PYX Markets unveils Options Trading Platform

PYX Markets – the company formerly known as CityOdds – has launched a Digital Options trading platform to the consumer market.

The newly rebranded outfit will offer traders digital option trading on a wide range of individual assets and indices such as the FTSE 100, Barclays, BP, Gold, Oil and currency pairs such as USD/GBP.

Richard Hutchinson, chief executive officer of PYX Markets, said the company's "mission" has been to create a comprehensive eTrading platform that limits risk while delivering defined returns and real-time pricing.

He explained: "We chose Rule Financial to develop the application for us, as their consultants have an established pedigree in development of real-time eTrading platforms, working with the world's leading financial institutions."

PYX Markets' users can create their own bespoke asset options to suit their trading requirements and can limit risk exposure while being able to receive a maximum return of up to 2,000% from each trade.

PYX Markets allows users to trade in the final hour before markets close and has no explicit commissions on trades. The application is suitable for both retail and institutional use, allowing traders to set their own strike price.

TRADER NOTES:

AUTOMATED TRADING

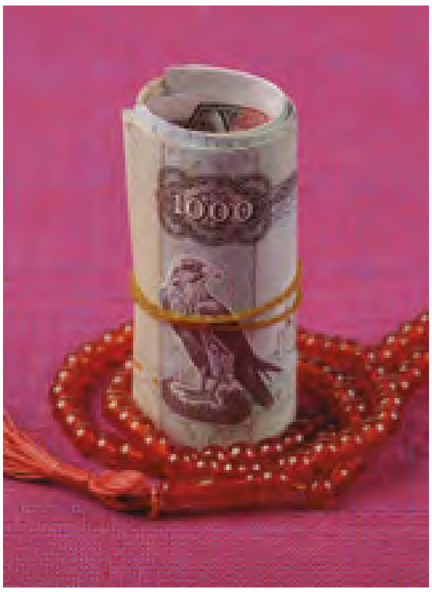
David Cooney, chief executive officer of Mahi FX, gives his view on automated trading: "A significant advantage of automated strategies is their decision-making is entirely explicit and you can determine exactly why a decision was taken. This is never the case with human decision-making.

The determinism of automated strategies also allows for back testing. Run a given price series through a given trading model and you will get the same set of trades. That is also never going to be true of humans. That predictability allows for statistically rigorous testing of both the strategy and its parameters.

However, the difficulty is this may just better perfect your models explanation of the past - the classic problem of over-fitting, adding large numbers of explanatory variables and then solving for an unstable combination of parameters, when your objective, of course, is to resolve a model to predict the future.

For this to work, you will generally need a fairly simple strategy. Simple models are not good at incorporating context, and therein lies the Achilles heel. Humans will be aware of an unscheduled news conference, the content of which may swamp the model's signal; the model cannot be.

Automated strategies do have the advantage of taking the emotion out of trading. But humans can mitigate against the emotional challenges of trading by controlling their trade size."



S&P launches Shariah index covering 19 countries

Standard & Poor's has put together a new index, designed to measure the performance of the 50 leading Shariah-compliant companies from the member states of the Organisation of Islamic Cooperation (OIC).

The S&P/OIC COMCEC 50 Index consists of the largest 50 stocks from 19 countries: Bahrain, Bangladesh, Ivory Coast, Egypt, Indonesia, Jordan, Kazakhstan, Kuwait, Lebanon, Malaysia, Morocco, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Tunisia, Turkey and the UAE.

Stocks are selected in accordance with Shariah law and must have a minimum three-month average daily value traded (ADVT) of US $1 million at each rebalancing reference date.

To enhance portfolio diversification, at least one stock but no more than eight from each country or territory must be included in the index.

Alka Banerjee, vice president at S&P Indices, said demand for Shariah-compliant investing solutions and interest in the equity markets of Islamic countries has increased in recent years.

She added: "The S&P/OIC COMCEC 50 Shariah is unique in that it encapsulates in one index the performance of Shariah-compliant stocks from Islamic countries located throughout the world."

Students trade their way to a 66% profit in eight months

A team of sixth former s at an International College in Spain have won an annual investment competition run by stockbroker The Share Centre, making a 65.8% profit in eight months.

Students at The International College in Marbella, Spain beat 53 schools across Europe, turning their £1,500 investment into £2,486 over the period beating Cardinal Langley Roman Catholic School in Manchester who managed a commendable 39.9% trading gain.

Sheridan Admans, investment research manager at The Share Centre (pictured), said the team's strategy focused on gaining exposure to the high beta natural resources sector which paid off very well.

He explained: "The sector is considered fairly risky as the success of the small mining and oil companies that are primarily involved in exploration lies on what an exploration yields, which could be nothing.

"The team's biggest returns came from smaller commodity stocks that focused on exploring for just one or a few commodities. However, they did have exposure to the safer, larger, more diversified miners, such as BHP Billiton and Xstrata."

The team successfully used stop losses and limit orders to close their positions and its most profitable trade was in Bellzone Mining, an explorer of iron ore deposits in West Africa.

Admans added: "The share price has been trending down since the beginning of 2011, falling from highs of around 200p to now at around 18p. However, the team of students bought in at an interim bottom price and sold through a stop loss after a quick rally; giving them at nice profit of £400. Overall, a very high risk strategy and use of investment tools in a volatile market paid off."


Sheridan Admans

CFD broker and wife jailed for insider dealing

Three people have been sent to jail, charged with insider dealing. They were found guilty of breaking section 52 of the Criminal Justice Act 1993.

James Sanders, a director of Blue Index, a specialist Contract for Difference (CFD) brokerage, was sentenced to four years in custody and disqualified as a director for five years. His wife Miranda Sanders was sentenced to 10 months in custody, while James Swallow, a co-director of Blue Index, was also given 10 months. Confiscation and costs orders will be dealt with at a later date.

Arnold McClellan, a senior partner in a large US accounting firm was an 'insider' to a number of mergers and acquisitions in US securities listed on the NYSE and NASDAQ exchanges.

The prosecution case was that inside information was leaked by Arnold McClellan, Miranda Sanders' brother in law, or her sister Annabel McClellan, and passed to James and Miranda Sanders who used the information to commit insider dealing in those US securities between October 2006 and February 2008.

James Sanders also disclosed information to others including James Swallow, who used that information to commit insider dealing. In addition, James Sanders encouraged clients of Blue Index to trade in CFDs on the basis of that inside information.

The total profits generated by the defendants were approximately £1.9 million, while the total profits generated by the clients of Blue Index were approximately £10.2 million.

In passing sentence, Mr. Justice Simon said they were "deliberate and calculated acts of dishonesty" and that as directors of an FSA authorised company Sanders and Swallow were responsible for ensuring that "Blue Index complied with its obligations to act honestly and competently. In addition James Sanders was head of compliance with additional obligation of ensuring that there was no insider dealing. He failed in that duty."

IndexTrader TRADING DIARY

9 JULY - 13 JULY

(All times British Summer Time)

Monday 9 July 2012	
0230hrs	Chinese Consumer Price Index
0230hrs	Chinese Producer Price Index
0700hrs	German Merchandise Trade
2000hrs	US Consumer Credit Report

Tuesday 10 July 2012	
0745hrs	French Industrial Production
0900hrs	Italian Industrial Production
0930hrs	British Industrial Production
0930hrs	British Merchandise Trade
1245hrs	US NFIB Small Business Optimism Index
1245hrs	US ICSC Goldman Store Sales
1315hrs	Canadian Housing Statistics

Wednesday 11 July 2012	
0050hrs	Japanese PPI
0050hrs	Japanese Tertiary Index
0050hrs	Bank of Japan Announcement
0230hrs	Australian Home Loans
0700hrs	German CPI
0900hrs	J Sainsbury plc AGM
1330hrs	US International Trade
1330hrs	Canadian Merchandise Trade
1500hrs	US Wholesale Trade
1530hrs	US EIA Petroleum Report
1900hrs	US FOMC Minutes

Thursday 12 July 2012	
0230hrs	Australian Labour Force Survey
0630hrs	French CPI
0700hrs	CML British Regulated Mortgage Survey
1000hrs	European Industrial Production
1330hrs	US Jobless Claims
1330hrs	US Import and Export Prices
1900hrs	US Treasury Budget

Friday 13 July 2012	
0900hrs	Italian CPI
1330hrs	US Producer Price Index
1455hrs	US Consumer Sentiment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Belfast sees house prices tumble 45%

House prices in Belfast – the UK's largest area for contraction in economic activity – have crashed by 45% between 2007 and 2012, according to new research.

The poll for the Halifax found that Belfast now tops of the list of the largest increase in benefits claimants over the same period which saw the average price tumble from £196,441 during the boom year of 2007 to just £107,150 this year.

Blackpool was the second worst region for the percentage increase in benefit claimants over the same period, but house prices there have only declined by 15% over the same period while Kingston upon Hull, the third worst region for claimants, saw a reduction of 17%.

Martin Ellis, housing economist at the Halifax, said the marked differences in local economic performance across the UK appear to have had a significant impact on the house market over the past decade.

He explained: "House price growth has generally been stronger in the areas that have seen the biggest increases in economic activity. The best performing areas have also been the most resilient in terms of house prices during the downturn since 2007.

"Looking forward, the pace at which the UK economy recovers will be a key determinant of the outlook for the UK housing market. Similarly, those areas that perform best in economic terms are likely to fare best in terms of house price movements."

Inner London, the lowest region by percentage change in benefit count over the five-year period, saw high prices fall 7%, while Cornwall (second lowest) witnessed a house price decline of 20%.

TD DIRECT ANNOUNCES £20K TRADING GIVEAWAY

TD Direct Investing is giving away £500 in Amazon vouchers over the next month to celebrate the launch of its new trading application for Android-enabled mobile phones and tablet devices.

Investors placing a trade through the TD Trading App between now and 17 August 2012 will be entered into a prize draw. The draw does not include traders using the TD Financial Spread Trading App.

Each day during the competition a name will be drawn at random and awarded £500 in Amazon vouchers.

The application is free to download and clients are able to track their portfolio, place equity investment trades on 15 international markets and in nine different currencies, obtain live quotes, create watch lists and switch between their linked accounts.

Stuart Welch, chief executive officer of TD Direct Investing, said since the launch of the company's first application back in 2011, TD has seen mobile overtake telephone as the second most popular method of trading, behind online.

He explained: "We see mobile technology as a growth area and will be looking at even more developments very soon. In the meantime, the Android operating system is becoming one of the preferred choices in the smartphone market."

Non-customers can also take advantage of some of the apps' features such as accessing quotes with 15-minute delayed prices and creating their own watch lists.

IndexTrader

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Scorn in the USA

Given recent employment data and July signalling the beginning of the Q2 reporting season, **Joe McGrath** asks whether the S&P 500 is now inevitably on a descent from its recent highs

Last month's US Federal Reserve decision to extend its 'Operation Twist' programme was significant. The move to sell billions more of short-term bonds to buy longer-term securities was a deliberate reaction to a stream of disappointing economic reports throughout June.

It is no surprise then that the general consensus among day traders right now is that the S&P 500 is heading downward with only occasional upticks providing nothing more than a selling opportunity.

However, as with any major economic policy decisions in recent times, investors will be keeping their eyes and their ears open for a sniff of more monetary stimulus.

TRADER'S VIEW:

STEVEN MAYNE, MANAGING DIRECTOR OF EGR BROKING

Since the top at the start of April, the S&P 500 has changed trend on its weekly time frame and we can only really see this playing out negatively. Our current opinion is that the market is going lower, with any rally being seen as a selling opportunity.

The market's sharp reversal after the Spanish bailout highlights the ongoing concern regarding the Eurozone crisis. Recent comments from Bernanke highlight that the Fed is willing to again stimulate the US economy, but have not given a clear signal on how and when it will do this.

The recent decision by the Fed not to immediately introduce a third round of Quantitative Easing (QE3) has pulled the rug from under those traders who were certain that stocks would be supported by central bank generosity.

Naturally, the decision has also extended downside risk for equity markets, meaning this month's economic data and second-quarter results will be key. More data disappointments will only increase this downside risk still further.

John Kicklighter, senior currency strategist at Daily FX, says it is only a matter of time before QE3 is introduced, noting that while government and central bank support is not unique to the US, the Fed's stimulus efforts have consistently proven to be the most influential.

He explains: "There are a number of big investment houses that see a high probability of additional easing from the central bank and the broader market will generally position alongside these projections.

"From an economic perspective, further easing has significantly diminished influence. The Operation Twist programme has helped to lower long-term rates to record lows; but the Fed can't really do much more to encourage employment, lending and spending."

MAKING A BUCK

With analysts in agreement on the macro-economic position for the US as a whole, how does this translate into trading opportunities on the S&P 500 over the coming month?

Steven Mayne, managing director of bespoke stockbroker EGR Broking, says a quick chart analysis (Table 1) shows that the S&P 500 has hit its peak in the short-term and is unlikely to go any higher over the coming days.

He explains: "Looking at the daily graphs we can see the negative divergence between the price action, the RSI (Relative Strength Index) and MACD (moving average convergence/divergence), a good sign that the recent top is significant and is unlikely to be bettered in the short term.

"We have now seen the market come down and find support at its 200-day moving average. This is a key level for the broad index, frequently becoming a support and resistance level. A break back below this will probably encourage traders to remain selling the market and we would expect a sharp decline."

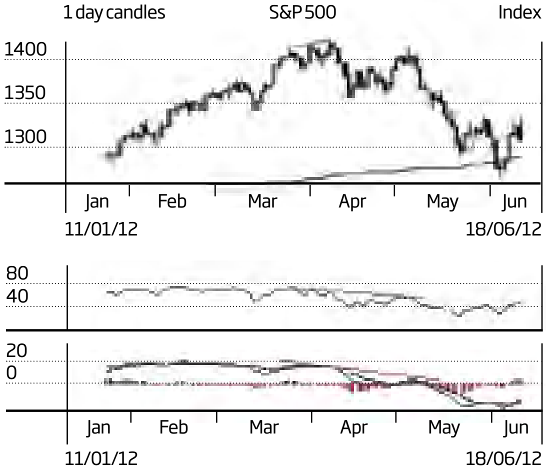
For traders seeking statistical data to support any market decline, US unemployment figures will continue to be of note during the current volatility.

Michael Hewson, senior markets analyst at CMC Markets, says the direction of

S&P 500
(To 22 June 2012)
Source: FE Analytics

1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
↑ 0.81%	↓ -4.5%	↑ 6.5%	↑ 4.6%

TABLE 1: THE NEGATIVE DIVERGENCE BETWEEN THE PRICE ACTION, THE RSI AND MACD
Source: EGR Broking



> 'THE OPERATION TWIST PROGRAMME HAS HELPED TO LOWER LONG-TERM RATES TO RECORD LOWS; BUT THE FED CAN'T REALLY DO MUCH MORE TO ENCOURAGE EMPLOYMENT, LENDING AND SPENDING'
>
> **JOHN KICKLIGHTER, SENIOR CURRENCY STRATEGIST AT DAILY FX**

US Economic Data July 2012

3 July 2012	
1200 hrs	US Motor Vehicle Sales
1245 hrs	ICSC/Goldman Sachs Store Sales
1355 hrs	US Redbook
1500 hrs	US Factory Orders
4 July 2012	
No data scheduled for release	
5 July 2012	
1200 hrs	US MBA Purchase Applications
1200 hrs	US Chain Store Sales
1230 hrs	US Challenger Job Cut Report
1315 hrs	US ADP Employment
1330 hrs	US Jobless Claims
1500 hrs	US ISM Non-manufacturing Index
1600 hrs	EIM Petroleum Data Report
6 July 2012	
1200 hrs	US Monster Employment Index
1330 hrs	US Employment Situation

employment trends are now one of the main concerns, "....particularly the private and non-farm payrolls reports, as well as ISM and local manufacturing data, which have been slipping back sharply recently."

Slipping back they certainly did. The last set of numbers released at the beginning of last month showed a much weaker-than-expected US employment report for May. Non-farm payrolls rose by only 69,000. While the numbers were up, this was a figure that was massively below the consensus forecast of a 150,000 gain.

Worse still, April's previous 115,000 gain originally announced was subsequently reduced to a gain of only 77,000.

It is for this reason that Hewson's comments are echoed by many in the broker market, including Daily FX's John Kicklighter who says that the June non-farm payrolls due in early July will likely stoke volatility but fail to really contribute to trend as it comes in the wake of the decisive Fed decision.

He says: "Beyond that, the first and second weeks of July will start the Q2 earnings season. If we see a slowdown in revenues aligned to slower growth, the effort to unwind will grow more prominent."

Hewson adds that while the current market direction will continue to be driven predominantly by political considerations than economic ones, this could be good news for day traders.

He explains: "While this makes investment decisions much trickier, day traders do much better if their timing is good. Choppy markets tend to be traders' markets which means that longer-term traders tend to sit on the sidelines more."

PHOTOGRAPHY: PEDRO RUFO

The pain in Spain

Now the second wave of Spanish bank stress testing has been delayed until September following an EU cash award, **Joe McGrath** asks whether traders should avoid the market altogether

The €100 billion cash injection that Spain received to recapitalise its ailing banks was more than the €62 billion that the government said it required.

However, the EU cash award is unlikely to be an end to the matter with another audit report of the country's banks scheduled for release at the end of this month. Many believe this will reveal even bigger scars than those which have already been declared to the markets.

The fallout from property loans which have turned sour and the ongoing decline of residential and commercial property values has resulted in a dangerous mix for the banks of Spain and its neighbour Portugal.

And yet, despite the ongoing fears about the exact amount required to boost the Spanish economy, there appeared to be voracious appetites from investors at the latest round of fundraising from the Spanish Treasury. The country managed to raise around €2.2 billion despite paying inflated interest rates for the privilege.

With this in mind, it is possible to see why there are conflicting views from economists, traders and analysts as to what might happen next.

Andrey Dirgin, head of research at Forex Club, says this latest development could be interpreted as a sign that the Spanish banking crisis could well be over-exaggerated by both the media and investors.

He says: "The government published the results of the last banking sector audits which showed that it might need €16-€25 billion of additional funding if economic conditions stay as they are or a further €51-€62 billion if GDP falls around 4%.

'YOU WILL NEED A STRONG SENSE OF BOTH RISK MANAGEMENT AND BRAVERY IF YOU WANT TO TAKE ON TRADING AROUND PORTUGUESE AND SPANISH BANKS'

JOSHUA RAYMOND, CHIEF MARKET STRATEGIST AT CITY INDEX

"This is well below the €100 billion that was promised to be supplied. Nevertheless, banking stocks in this sector will remain under strong pressure and volatile as market participants do not seem to be convinced with these numbers."

The issues affecting the Spanish banks were due to be discussed at the ECOFIN meeting at the time of going to press, but most analysts were still keen to recommend that any holders of Spanish banks may want to remove them from their respective portfolios.

As Dirgin explains: "If you keep catching a falling knife eventually you will get cut. Selling them short is just too late now."

Forex Club's head of research isn't on his own by any means. Joshua Raymond, chief market strategist at City Index says it is time that traders 'stay clear' of Spanish banks.

He says: "Spanish banks have been incredibly volatile of late. Just taking BBVA shares as one example, they lost 37.5% from the start of February to the end of May, only to bounce back 21% over the following three weeks.

"That is an incredible amount of volatility which is likely to unsettle even the most seasoned of traders. As such, you will need a strong sense of both risk management and bravery if you want to take on trading around Portuguese and Spanish banks."

Raymond says that the ultimate piece of the puzzle centres on recapitalisation and the toxic loans in the property market.

After all, there is extremely high unemployment in Spain – nearly one in four adults and one in every two youths are without jobs. Strict Spanish austerity means that a turnaround in these toxic assets is unlikely in the near to medium term.

Raymond adds: "The publishing of Spanish bank stress tests have helped investors to gauge the scale of the issues surrounding banks' balance sheets but we must also wait for a second phase of stress testing to complete. These have been delayed until September now.

"Sharp equity falls in banks always typically attract sharks looking for a bargain, but investors have likely learnt the sharp lessons from the previous banking crisis, typified by the Lehman failure.

"It may well be a case whereby one of the best ways to speculate on these banks is from short-term position trading, attempting to take advantage of short and sharp moves. Considering the weight of uncertainty over Spanish banks right now, short term position trading is also likely to keep risks low, particularly if stop losses are considered."

Achtung maybe

With the eurozone rarely out of the headlines, **Rob Langston** investigates why traders are turning to Germany's blue chip index to make their gains

When it comes to Europe, the conversation inevitably drifts to the sovereign debt crisis and stricken economies of southern Europe.

As the eurozone lurches from one crisis to another, it has been difficult to know whether it would survive or not. Throughout it all, one country has stood behind the currency bloc: Germany.

Germany has fared much better than its partners, who have suffered greatly during the current economic downturn. Its economy has powered ahead since 2009, leaving other major European economies behind.

The strength of the German economy can be attributed to the performance of some of its biggest companies, the top 30 of which populate Germany's blue-chip index, the DAX. The index, launched in 1988, had a market capitalisation of €549.5 billion in May and includes a number of German blue-chip stocks that will be well-known to many British investors. Companies such as Adidas, BMW, E.ON and Volkswagen all call the DAX home.

Despite having fewer constituents than its British counterpart - the FTSE 100 - the index represents around 70% of the market capital authorised in Germany. The DAX, of course, continues to be dogged by the current economic conditions affecting indices all around the world.

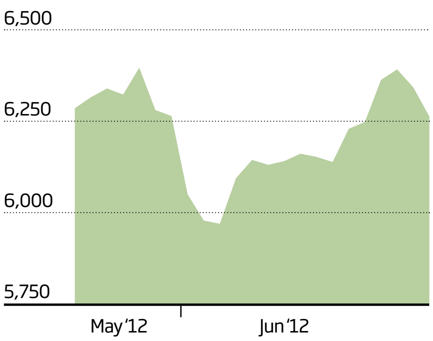
The index dropped by 8.7% during May and by 5.5% in April but witnessed growth of 2.1% during 2012 (to May 31). However, compared with its European blue-chip peers, it is still more robust. The French CAC 40 index was down 8.7% in May, the Spanish Ibex 35 14.4% lower and the Italian FTSE MIB fell 17.8%.

"German stocks remain in a near-term bearish trend," explains City Index chief market strategist Joshua Raymond. "The 8.6% rally seen since the lows reached at the start of June has been impressive but the 1% losses seen (on Friday 22 June) highlight a potential correction for the DAX 30.

"Importantly the DAX has failed to breach bearish trend resistance levels of around the 6,430 level and this failure is concerning for the longevity of June's recovery."

PERFORMANCE OF THE DAX 30 INDEX

What the graph shows: Performance of the index between 23 May until 22 June 2012



NOT IMMUNE

The extreme swings being witnessed in the DAX in recent days is common to many European indices, as the global economic crisis rocks the markets. But Germany has been knocked specifically by slowing demand for its key industries, namely technology, chemicals, automobiles and pharmaceuticals.

Brenda Kelly, senior market strategist at CMC Markets, says the closely-watched IFO index of business confidence hit a two-year low in June, following a similar decline in May. She says: "This is clearly indicating that the European growth driver is likely to shrink in the second quarter.

"Taken in context along with the shrinking of Germany's private sector for the second month running [it] is giving weight to the fact that Germany is not immune to the global slowdown, in particular within emerging markets such as China and of course the US."

Kelly says bad news in the market has kept alive expectations of an interest rate

> "BAD NEWS IN THE MARKET HAS KEPT ALIVE EXPECTATIONS OF AN INTEREST RATE CUT BY THE EUROPEAN CENTRAL BANK, WHICH COULD LEAD TO A SHORT-LIVED RISE IN THE DAX IN JULY"
>
> **BRENDA KELLY, SENIOR MARKET STRATEGIST AT CMC MARKETS**

cut by the European Central Bank, which could lead to a short-lived rise in the DAX in July. "As the rest of the world continues to de-leverage, consumer spending and of course investor confidence has ebbed," she explains.

The make-up of the index differs from the resources-heavy FTSE 100 index. The chemicals sector is the largest component of the DAX, representing 21.9% of companies, followed by the automobile sector with 13.2% and industrials with 12.1%.

The biggest constituent of the DAX index, by market capitalisation, is chemicals company BASF. The company put out a bullish first quarter statement earlier this year as it forecast an increase in sales and earnings during the second half of the year, targeting sales and income exceeding its 2011 record levels. It claimed the resumption of production of crude oil in Libya and growing volumes in the chemicals business would support this growth.

LIKELY HEADWINDS

Traders looking to trade the top 30 German companies should take note of the German VDAX index which measures the volatility of the DAX index. It has been at heightened levels over the past three months as market nervousness continues.

The timidity of investors is also noteworthy in the flows of funds tracking the German blue-chip index. According to exchange-traded product provider iShares, investors pumped US $4.3 billion into DAX German equity funds during May, compared with outflows of $5.1 billion in April.

The combined insurance and bank sectors account for just 16.8% of the index, but Brenda Kelly of CMC Markets warns German banks could come under pressure from the Spanish audit expected to be completed in September.

She explains: "Spain's bank audit in September may serve to put pressure on Germany's banking sector due to exposure levels and the potential for some element of bondholders sharing the burden."

At the end of March, Commerzbank had €14.2 billion exposure while Deutsche Bank had a €12.5 billion credit risk exposure.

Other potential headwinds relate to a slowdown in manufacturers' order books. In May, manufacturing orders were double the downbeat consensus forecast, dropping by 1.9%, with weaknesses attributed to capital goods and consumer & durable goods, which could pose some challenges for the German index with its large exposure to the automobile sector.

Commenting on the German retail sales growth for May, Tim Moore, senior economist at Markit, says while consumer spending had been weak so far during the second quarter, summer sporting events were likely to support growth. This is likely to be tempered by ongoing eurozone concerns, however.

Sportswear giant Adidas is set to announce its first-half results in August and will no doubt be buoyed by the London 2012 Olympics - as the official kit supplier to a number of countries including Team GB - and to the UEFA European Football Championship.

It announced in June that it had broken its record sales for football in any World Cup or Euros year. Indeed, Adidas group chief executive Herbert Hainer said the company had got off to a "fast start" to 2012, in its first quarter results in May.

British Olympic kit supplier Adidas is a constituent of the DAX 30

[ECONOMIST | JOHN REDWOOD]

ABSORBING THE GREEKS

With a new Greek government and a European economic slowdown on the cards, John Redwood explains what to expect in the weeks ahead

In Euroland, most of the talk is of recession. The weaker countries are now in recession, and the stronger ones are slowing down. In the USA there has just been an official downgrade in the forecasts of economic growth for the current year, though the USA remains the best of the west.

In China, the slowdown the government engineered last year to curb inflation is still running its course. Commodity prices are weak as investors anticipate less growth and in some cases less output.

The authorities are united in wanting more growth. In the USA the president is keen to see faster growth ahead of his election. The Fed has announced an extension of its Twist programme, designed to lower longer-term interest rates to encourage more investment. Some in the markets had hoped for another phase of quantitative easing. Brazil has cut her interest rates substantially over the past year. China has begun some monetary easing, with an interest rate cut and more encouragement for bank lending.

In the UK, the chancellor and the governor of the Bank of England have jointly announced various additional liquidity and borrowing programmes for banks, in an effort to stimulate more bank lending to the private sector. There is also talk of relaxing some regulatory constraints to allow banks to use more of their cash resources for riskier investments.

COSTLY BORROWING

The recent G20 summit flirted with a bond-buying programme to get the cost of Spanish and Italian state borrowing down.

It was not confirmed, and there still seems to be some German opposition.

Having all the main governments willing for more growth is helpful. From time to time their announcements will stimulate investment enthusiasm to buy riskier assets.

The reason equity markets are not taking off on the back of it is that people still fear the Euro crisis, and are aware that the weaknesses in the banking system limits the scope for the extra money to reach the private sector projects which could power growth.

The new Greek government does not look very strong. The junior partners in it are reluctant to commit fully. It will have to demand changes to the loan agreements, leading to the third Greek rescue loan since the crisis began. I advise caution. There remains considerable risk in Euro area assets.

The Greek elections produced a result that the Euro establishment wanted. They were able to say that the parties wish to stay in the Euro and that they were happy to accept its disciplines. The reality is somewhat different. All the main parties and the majority of the Greek public wish to stay in the Euro. But, under the pressure of the election campaign the traditional parties who will form the backbone of the government said they wish to see a renegotiation of the terms of the loan.

Now they will have to ask the EU for some relaxation of the recently signed second Greek loan agreement. The arguments over this will not be helpful for markets.

The seriousness of the Euro problem is demonstrated by the continuing poor performance of the Spanish and Italian government bond markets. There are continuing worries over banks in the Euro system. Equity markets in those countries have been made volatile and often bearish by these developments. The European Central Bank has to keep the banking system liquid, as the interbank market is no longer able to do this given the distrust which stalks the markets in the weaker areas and for the weaker banks.

More companies and individuals are withdrawing money from the stressed areas of the eurozone, compounding the difficulties. The Euro authorities have to inject enough cash and confidence into the weakest parts of the system to make sure there is no damaging run, and to ensure the currency remains freely transferrable at all times.

John Redwood is investment committee chairman at Evercore Pan Asset

Tools of the trade

With the tax affairs of the rich and famous making headlines in recent weeks, **Charlie Thomas** investigates how the man on the street can save more efficiently

PHOTOGRAPHY: FEATUREFLASH©

Prime minister David Cameron branded comedian Jimmy Carr "morally wrong" for his tax arrangements

Tax efficiency has become something of a dirty word in the past few weeks. Last month, prime minister David Cameron branded comedian Jimmy Carr "morally wrong" for using a legal offshore account to minimise the tax liability on his income.

It is strange that the PM should decide to wade in on this debate. Previously, he told reporters that he wasn't prepared to discuss an individual's arrangements, when they probed for his thoughts on Top Shop supremo Philip Green's tax affairs. Elsewhere, he also swerved a similar question on the financial affairs of Take That singer (and Tory supporter) Gary Barlow, who had invested in a similar scheme as Carr.

Still, there is one area where the government and HM Revenue and Customs (HMRC) agree that tax efficiency is good, and that's with your ISA.

This year's total allowance lets investors put £11,260 tax free, with a maximum of £5,640 being allowed in a cash ISA.

The remaining £5,620 can be put into a stocks and shares ISA, but, given the interest rate on cash ISAs is generally poor in the current climate, savvy investors may want to take advantage of the rules which allow you to save the entire £11,260 in a stocks and shares ISA.

The assets in which you can invest depend on your choice of provider. Most will allow unit trusts, open ended investment companies (OEICs), investment trusts, funds and government and corporate bonds.

Some also allow ETFs and ETCs. Investors should be aware though that share-based investments such as OEICs or unit trusts only save you tax if you are a higher rate tax payer or likely to pay capital gains tax. Interest-bearing assets, such as corporate bonds are tax-free, regardless of your tax band.

In order to attract your hard-earned cash, many self-select stocks and shares ISA providers are offering a series of bells and whistles in the form of educational tools, calculators, helplines and news updates – but are they value for money?

FREQUENCY FIRST

First of all, decide how regularly you'd like to transact, and the assets in which you'd like to invest. Some providers will limit the number of funds available to a core list, while others will charge far more than their peers for each transaction. Also, some providers will charge you no initial fee, but may impose investment costs.

For example, HSBC's Invest Direct account offers access to shares, gilts and ETFs, but will charge you £12.95 in commission per transaction, rising to £29.95 if you transact on the telephone (Although there is a frequent trader rate for InvestDirect Plus account holders, where after nine trades per calendar quarter each trade is £7.95). As a customer, you will be given access to research tools, news articles, an ETF research centre, a virtual portfolio tool and an email alerts service.

AJ Bell's Sippdeal meanwhile, provides a free-of-charge service for regular investors that choose to invest in the core 2,100 funds online, every month. If a customer sells a fund the standard online fee of £9.95 is charged, which reduces to £4.95 for more than 20 deals.

But for clients who invest off of the core funds list, or choose structured products, they will face a £12.50 custody charge per quarter, and if they choose to invest using the telephone rather than by going online, the fee is £29.95 per deal.

Customers will receive investment research and a news feed from Digital Look, online illustration tools, technical and regulatory updates, educational pieces via email, access an online service for fund, technical and general videos, and an online technical centre.

Compare this with Standard Life's FundZone – a basic charging structure which ranges from 0.2% annual management charge (AMC) to 2.10% AMC (the average is around 1.39%), but it doesn't allow you to invest in ETFs, corporate bonds or gilts, and access to shares is only available through mutual funds. Standard Life's bells and whistles include videos, a fund selector tool, financial education webpages and – unlike most providers – a risk questionnaire designed to help you choose the right investments.

If it is choice you're after, Hargreaves Lansdown has the most, with access to more than 14,000 investments and 2,200 of these are charge-free in terms of investment. For 882 of the funds, a platform fee of £1-2 a month is charged, but there's no inactivity fee, no fund trading charge and no charge for documents. The only other fees are charged by the fund managers themselves, and as with Standard Life, are based on AMC.

COMPANY	NUMBER OF FUNDS AVAILABLE	CHARGES (LOWEST)	CHARGES (HIGHEST)
ALLIANCE TRUST SAVINGS	More than 1,500 funds from 44 fund managers	£1.50 monthly dealing charge or £6.95 for a single trade	£32.50 for postal or telephone dealing, or £40 for international telephone dealing
FIDELITY SHARENETWORK	More than 1,200 funds - Shares: Any LSE listed share that is ISA eligible, ETFs: Any LSE listed ETF that is ISA eligible. No corporate bonds or gilts	Featured funds have no initial charge. Fidelity's MoneyBuilder range of funds all have 0% initial charge. All Fidelity funds and Select List funds at 0% initial charge, plus TER between 0.1%-2.0%	Some funds charge up to 5% of amount invested, but Fidelity will discount to 1.25% or less if bought through its online supermarket. ShareNetwork: online deals cost £9 a trade, phone deals cost £18.50 a trade, account administration fee is £5.10 a month.
HARGREAVES LANSDOWN	14,149 investments. Funds - 3,307, ETFs - 1,599, Bonds - 688, Gilts - 85, Shares (UK) - 2,576, Shares (non-uk) - 5,534, investment trusts - 360	No charge for 2,200 funds, no account fee for 2,480 funds, no inactivity fee, no charge for statements. £1-2 a month platform fee for some funds	AMC of some multi-managers can rise as high as 2.8%
HSBC GLOBAL INVESTMENT CENTRE (FUNDS)	84 funds from 17 Fund Management Groups (1)	No initial, platform or dealing fee. Customer only charged AMC and charges of fund	Possible high AMC, particularly with the more esoteric options
HSBC INVESTDIRECT (SHAREDEALING)	Shares, gilts and ETFs	£12.95 commission if dealt online per transaction	£29.95 commission for dealing on telephone per transaction
SELFTRADE	1,400 funds across 100 fund managers. 17,000 shares available including international shares. More than 900 ETFs and ETCs available, 900 bonds and gilts and more than 500 investment trusts and 2,500 covered warrants	900 funds = no charge. Regular investment service charges £1.50 per trade which is executed monthly. A frequent trader rate also reduces the trading fee to £6 per trade if more than 100 full commission trades completed per quarter.	£12.50 per trade
THE SHARE CENTRE	Access to more than 2,000 investment funds and all ISA-eligible investments that can be settled through CREST	For frequent dealers, quarterly fee of £24.00 (incl VAT) but then £7.50 commission only, regardless of size of deals. (2)	£1,000 deal value- £10 commission, £5,000 deal value - £50 commission, £11,280 deal value - £112.80 commission
SIPPDEAL ISA	More than 2,300 investment funds to choose from, unit trusts and OEICs. (3)	More than 2,100 of them have no initial charge. If the investor sells a fund then the standard online fees are charged at £9.95, which reduce to £4.95 for over 20 deals. Annual fund rebate of 0.5% on 1,200 funds.	Clients who invest off of SippDeal's funds list, or with structured products, have a £12.50 custody charge per quarter. Telephone deals at £29.95 per deal.
STANDARD LIFE FUNDZONE	More than 1,900 from over 80 fund managers - No ETFs, corporate bonds or gilts. Shares only available through mutual funds	0.2% AMC (4)	2.10% AMC

What the Table shows: (1) Funds available across the following sectors: Absolute return, Asia Pacific ex Japan, Balanced managed, Cautious managed, Eurpoe ex UK, Global, Global Bonds, Global Emerging markets, Japan, N America, £ Corporate Bonds, £High Yield, £Strategic Bond, Property, Specialist, UK All Companies, Uk equity Income, Uk Gilt, Unclassified which includes our flagship HSBC World Selection and World Index portfolios. The full range of HSBC Index Tracker funds is also available. (2) Customers who hold a minimum of 500 shares in the parent company, Share Plc, will receive a 30% discount against all dealing commission when completing deals online at www.share.com, or via the soon-to-be-launched mobile dealing platform. The discount does not apply to other methods of placing deals, such as over the phone or via the post. Full details of the online dealing discount can be found at shareplc.com/perk. (3) Also available; in house fund and share dealing service, securities that are officially listed to a recognised stock, exchange and are settled within CREST. This range includes UK and Irish securities as well as international securities across 21 markets, gilts, corporate bonds, permanent interest bearing shares (PIBs), covered warrants and investment trusts, ETFs and ETCs. (4) £100 of M&S vouchers when customers buy a qualifying ISA plan through Standard Life Direct, subject to transfer of at least £15,000 (either by cash transfer or fund re-registration) into our FundZone Stocks and Shares ISA through Standard Life Direct. Source: Index Trader

Billy Mackay of AJ Bell

More than 2,000 have an AMC of less than 0.5%, although some are higher than 2.5% (eg Jupiter's Merlin Worldwide, which currently charges 2.57%). There's also a loyalty bonus of up to 0.5% on some funds.

Customers are offered a lot in terms of tools and information with Hargreaves Lansdown, including a website with more than 30,000 pages of information, investment ideas, fund fact sheets and research, tools, news and views. Clients can view their accounts online whenever they wish and can use information from its specialist in-house investment research team, Wealth 150, as well as news feeds from Digital Look. There are also a variety of calculators, text alerts, a smart phone app (which currently sees 2% of all transactions go through it, a number Hargreaves Lansdown expects to rise) 26 guides on various aspects of personal finance and a helpdesk which currently receives more than 50,000 calls a month.

ADDED VALUE?

But are the tools, information, calculators and videos value for money? Or are we still dominated by price? Research from AJ Bell shows its customers still place cost as their primary driver behind product selection. However, it also identified other areas that influence investors' selection decisions, including the range of investments, ease of use, comprehensive online functionality (including dealing facility), research tools, having access to a range of tax wrappers and tools such as mobile applications.

For people seeking to save £5,000 a year in an ISA, the price difference between the cheapest stocks and shares provider and the so-called 'bells and whistles' equivalent is about £25, according to Fidelity Investments Worldwide.

Its spokesman explains: "The fund in which you choose to invest – active vs. passive, relative performance, asset class that you are in, will have a much greater impact on long term savings. Not only this but the trade-off for saving the £25 is a choice in how you invest, support at all stages of the journey and peace of mind that investors are dealing with a strong and stable company."

FINANCIAL STRENGTH

This is a point echoed by Danny Cox, head of advice and Hargreaves Lansdown, which administers £26 billion on behalf of 413,500 investors. Apart from the price, the financial strength of the provider, the level of service and whether the wrappers being used are the correct ones to obtain maximum tax efficiency are key differentiators, he says.

"The most popular features for clients are being able to view their investments, then deal them online if they wish. The tools and calculators are also popular and the more information and functionality we can provide to investors, the better."

Far from being simply a 'nice to have' many providers insist having access to research tools, such as Morningstar research, is vital. Garry McLuckie, marketing director at Alliance Trust Savings, says diversification is key to assisting long-term returns and being able to analyse portfolios to ensure you're not over-exposed to a sector or geographic region is key.

"Equally, ensuring stocks are not all highly correlated is important to ensure that market developments impacting one particular sector don't adversely affect the whole portfolio.

"For example, if you only hold banking stocks then adverse news affecting the banking industry would impact the entire portfolio," he adds.

As with most investment decisions, starting with your end goal is a good idea. If you want to maximise your returns and invest on a regular basis, pick a provider that won't sting you for frequent transactions. And if you want to truly trade tax free, make sure your investments suit your tax bracket.

Charlie Thomas is a journalist with the Financial Times Group

INVESTMENT VIEW:

BILLY MACKAY, AJ BELL

Last year we conducted a survey among our Sippdeal investors. For a significant number, 'added extras' proved to be important consideration when choosing a platform.

Easy-to-use online technology, dealing functionality, mobile technology, comprehensive investment choice, research tools and online educational material - such as video - were all frequently cited as key factors in the decision-making process.

According to our research, 26.5% of respondents logged on to their Sippdeal accounts once a week. 25.4% said they logged on several times a week, and 12.9% did so daily. Such a high level of activity suggests that the ability to regularly check investments, carry out research and possibly even trade is of huge importance to many investors. It also suggests, therefore, that they're likely to look beyond charges when choosing their investment platform.

On the back of our research, it's easy to understand why use of mobile technology is rocketing. Many of us will settle down over the weekend with our favoured device no further away than the TV remote control. We will access and digest anything from the latest news, to research on that fund or stock that has been catching our eye. For many, mobile devices are replacing the trusted desktop.

Ignoring these trends would be madness, which is why Sippdeal's plans to launch a range of mobile applications are already at an advanced stage.

Against this backdrop of instant information, the old insurance company mentality of sending out an annual statement in the post just won't cut it for many of today's investors. Low charges clearly remain important, but in the current highly competitive, price sensitive market, those little 'added extras' may have a very big role to play. After all, if provider A and provider B can't be separated on cost, the decision to choose one over the other must be based on something.

I AM
THE MERCHANT.
THERE IS A TIME
FOR EATING,
AND THERE IS
A TIME FOR
MAKING DEALS.
THAT TIME IS
CALLED
BREAKFAST.

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

WALTZING A YIELDER

With the Aussie Dollar tumbling some 700 basis points in May, **Elizabeth Pfeuti** asks whether contagion from China is likely to continue to weigh heavily on the currency

"Do you come from a land down-under? Can you hear, can you hear the thunder?" If your answer to the first question is 'no', then your answer to the second had better be 'yes' if you want to make headway in currency trading.

The Aussie Dollar has been one of the biggest stories in recent years and continues to be a favoured currency in an FX trader's bag of tricks. The reasons behind this favour are multiple, and given its relatively small supply, AUD punches a little way above its weight.

Over the past decade AUD has been progressively strengthening on the back of the economic gains made by the largest island nation on earth. Then came the global financial crisis and AUD gained against pretty much every major (and often minor) currency.

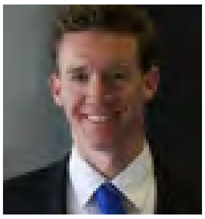
Tim Waterer, senior FX trader at CMC Markets, explains: "AUD has been ascending up the currency ranks at quite a pace in the aftermath of the global financial crisis. Ever since it first broke through the parity level with the US Dollar (late 2010), the currency has been garnering more and more attention from global investors.

"The relative health of the domestic economy and the reflective interest rate settings have stood the AUD in good stead to capture trade activity away from the likes of EUR and USD, both of which have had major crosses to bear in recent times."

The main contributing factor to this strengthening has been an economy supported by commodities. Anyone who has ever travelled around Australia will report having chains of small towns serving huge open-cast mines that pull all sorts of riches out of the ground to be sold to the world's fastest growing emerging markets.

Nice work if you can get it, but this factor has also become something of an Achilles heel.

In May, AUD fell 700 basis points – quite a tumble for a major currency. The reason? China. Or rather the knock-on effects its economy has to suppliers. The Australia Reserve Bank brought down interest rates



'THE RELATIVE HEALTH OF THE DOMESTIC ECONOMY AND THE REFLECTIVE INTEREST RATE SETTINGS HAVE STOOD THE AUD IN GOOD STEAD TO CAPTURE TRADE ACTIVITY AWAY FROM THE LIKES OF EUR AND USD'

TIM WATERER, SENIOR FX TRADER AT CMC MARKETS

by 75 basis points over two months, citing the Chinese slow down – and later, in more detailed minutes, the trouble in the eurozone – rather than internal problems with the domestic economy per se.

CHINESE CONTAGION

But, as all investors know, the world is more tightly connected than ever before.

Francisco Solar, head of Easy-Forex's Asia Pacific Dealing Room, says: "For the moment markets are still concerned with a hard landing in China, which would affect AUD. Economic numbers from China have been softening as well as exports there from Australia. There have also been improvements in the economic outlook of the US, which has strengthened USD against AUD."

Investors were very aware of what was happening. CMC Markets said AUD/USD was the most popular pair in May – 60% went long, 40% short.

Andrey Dirgin, head of research at Forex Club, says: "After it started to downtrend, it looked relatively cheap and it is no wonder that it had attracted a lot of long positions."

Solar says the popularity of this pair was most likely down to traders trying to call the bottom of the 700-basis-point fall, but those calling it correctly stood to do well.

"In almost a month to the end of May, it fell 700 pips or seven cents – and the movement was almost all one way so it was quite easy to sell. AUD may not move as erratically as other currencies but its movement can be somewhat defined and quite easy to follow."

The Fed saves QE for an even rainier day

By Kathleen Brooks, Research Director, FOREX.com

The Federal Reserve stopped short of giving the market what it wanted during its June meeting. Rather than give into the baying market the Fed stood firm and practised a market-version of the "Gina Ford" method. Rather than indulge asset markets, it has left them to cope with the Eurozone debt crisis on their own.

They can cry all they want, but the Fed threw the markets the measliest of bones in the form of a $267BN extension of Operation Twist. As things stand at the moment, this doesn't extend the Fed's balance sheet, which means there is currently no more liquidity for the markets to feast on. Thus, as we move towards the summer months it seems there will be no free money to help risk assets to rally.

That doesn't mean that the Fed will leave the market hanging indefinitely, as it said that it would act if "appropriate". One can imagine that an appropriate time to act would be if Greece exits from the Eurozone or if Spain has difficulties selling its debt at auction. But in the absence of either of these things happening the Fed has restrained from turning on the printing presses just because the market wanted it.

The latest Fed policy action is important for a couple of reasons. The Fed may see the limitations of a third round of quantitative easing. After two attempts, the next liquidity injection may have to be bigger than past rounds of QE to elicit a similar reaction in the markets in an attempt to boost business, economic and consumer confidence. Also, the Eurozone debt crisis is essentially doing the Fed's work for them by pushing long-term Treasury yields down to record lows. Right now it looks like lower borrowing rates in the US could be around for a while, and since that isn't helping to boost the economy in a sustainable way, it's hard to see what benefit more QE could have.

Now that QE seems to have had its day by the Federal Reserve, if the markets get into more trouble then policy makers may have to think up other ways of calming the markets. Right now even Bernanke to Obama suggest that Eurozone woes are negatively impacting the US economy. Perhaps the next form QE should take is the Fed buying up Spanish and Italian debt. Europe's peripheral bond markets could do with the Fed's support and if it reduced credit risk it could help provide the conditions for the US economic recovery to flourish. It's a novel idea, but one the US may want to consider especially if the Eurozone can't solve its problems by itself.

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AUD/USD
(to 22 June 2012)
Month-on-month change indicated by arrows

↑ **1.0047** 22 JUNE ↓ **0.9769** 22 MAY ↓ **1.0382** 22 APRIL ↓ **1.04** 22 MARCH

How many called correctly is hard to tell, but since then, AUD has rebounded, hitting six-week highs by the middle of June.

TRADING IDEAS

Before we assess the outlook, let's first take a look at how investors can use the currency in their portfolio outside of a straight pairing with USD.

Waterer at CMC Markets says: "AUD is a commodity-bloc currency; as such it can be used as a proxy trade for the Chinese growth outlook. AUD is particularly sensitive to Chinese data and it tends to be very volatile around the release of such indicators as Chinese PMI data. So, for investors looking to trade a currency with a tight correlation to Chinese economic conditions, the AUD is a popular pick."

PMI data in June showed the Chinese economy had refused to improve over several months - analysts at Societe Generale said this was not likely to change for at least a couple more.

But there are other uses, even if China looks sick for a while: AUD can also be used alongside other parts of a portfolio.

Solar at Easy-Forex adds: "When an investor holds Aussie companies, shorting AUD acts as a hedge against losses. However, if you short resource companies, this doesn't necessarily follow, as commodities are priced in USD."

The global carry trade is also an option – though maybe not quite yet. Solar says: "Before the turmoil from the global financial crisis, carry trading was a popular strategy and it will come back after the crisis has subsided and volatility decreases."

OUTLOOK

Given all the major factors to consider, the outlook doesn't look too bad for the Aussie

'FOR THE MOMENT MARKETS ARE STILL CONCERNED WITH A HARD LANDING IN CHINA, WHICH WOULD AFFECT AUD'

FRANCISCO SOLAR, HEAD OF EASY-FOREX'S ASIA PACIFIC DEALING ROOM

Dollar. Employment figures released in June by the US gave little to cheer about and a confirmed continuation of Operation Twist by the Fed leaves USD looking weaker than in recent weeks.

China, the other driving factor for the Australian economy, is not worrying as many people in the medium to long-term as it was a couple of weeks ago either.

Waterer at CMC Markets explains: "Despite the RBA interest rate actions in recent months, AUD still holds a considerable yield advantage over that of other currencies. If the situation in Europe stabilises, traders will no longer be seeking safe haven trades and will instead be on the search for yield. AUD will be top of that list. If equity markets and commodity prices show some strength over coming months, AUD should be well supported by currency traders. In short, if we have a 'risk-on' phase in the market AUD should flourish. Conversely 'risk-off' conditions would see AUD again shunned by traders."

Dirgin at Forex Club says: "There has been some strong recent macroeconomic data from Australia which allows the Reserve Bank to pause in lowering interest rates. This was definitely good news for the Aussie but the market's attention is so fixed on Europe now that any bad news from the eurozone will influence the US dollar and AUD/USD."

However, investors should not be too complacent as Dirgin believes the Australian economy is slowing down in keeping with its most important trading partner, China. Some economists believe it shows signs of 'Dutch disease.'

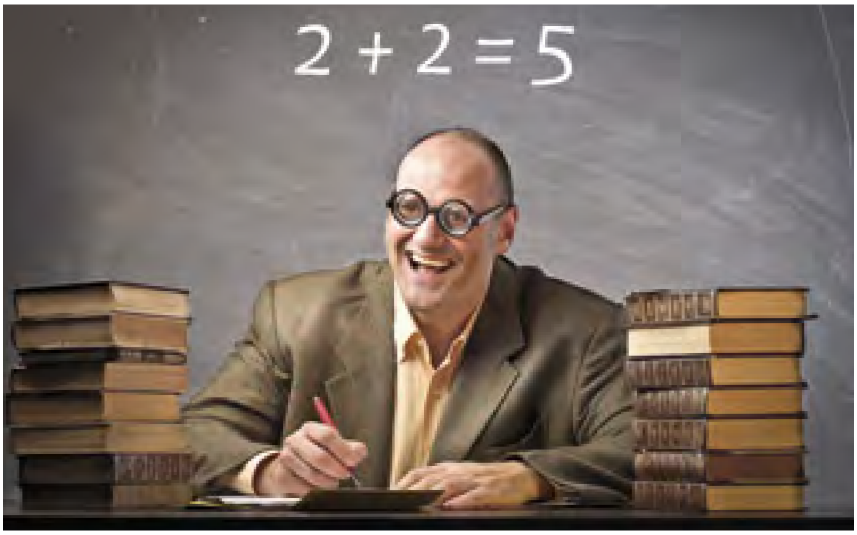
This phenomenon occurs in nations that experience prolonged periods of relative wealth – the most noteworthy occurrence took place in the Netherlands after oil was discovered off its coast – as the population gets too comfortable, spends too much, does not work enough and they eventually spiral into economic turmoil.

If you think that might happen or for any other reason you don't fancy taking a punt on AUD, there are other options available.

Solar at Easy-Forex advises: "Alternatives to AUD include those currencies that are tied to commodities. ZAR for its exposure to gold, CAD, NOK, and NZD – although this is tied to agricultural resources, such as milk rather than hard commodities. These currencies all have the 'bellwether factor'."

In conclusion, AUD is a useful currency and even outside of a pair can be used by investors to make (and lose) some serious cash. Or some Vegemite sandwiches at the very least. *[Yes, thanks Liz – Ed].*

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



Take it as read

After last month's Facebook warning, **Alessio Rastani** explains the most basic of contrarian trading principles – the 'Stupid Test'

My best friend doesn't buy stocks. However, a month ago he phoned me up asking whether I was buying Facebook. I replied that "I wasn't touching it even with his money".

Then I heard him say: "Surely if everyone else is buying it, then maybe I should as well". This conversation made me recall the 'Stupid Test'. This is probably the best test ever devised to judge whether a particular investment or trading decision is the right one.

And here is the best part about this test. You don't have to have any investment or trading knowledge at all to carry it out. In a nutshell, the test's principle is that if trading idea sounds like easy money, then most likely you are not the only person who thinks it. There are probably many others who think it too.

Since 90% of people who play the markets lose money, there is a very high probability that the investment idea in question is a bad idea.

BORING, UNPOPULAR OR IMPOSSIBLE

Most people don't realise that the best trades are those that are absolutely boring, unpopular or just dead difficult. Actually, scratch difficult, let's say "impossible".

The Facebook IPO is a classic example of the stupid test in action – and how a lot of people just failed to see this train wreck approaching. Over a month ago, before Facebook was launched on the stock market, I warned in *IndexTrader* about the risks of buying into the Facebook IPO.

The overwhelming hype and excitement surrounding Facebook stock should have been warning enough. It was a warning because usually, when everyone is expecting a particular market to do something, it does the opposite.

If everyone is bullish on a stock – such as the investors who thought Facebook would skyrocket to the moon like Google – it means they have already bought in. If everyone has already bought, then there is nobody left to buy. If there is nobody left to buy, then demand dries up, supply opens, and therefore the stock falls. This is the way the markets have always operated, and will continue to operate.

Facebook suffered a similar fate. On the day of its launch it peaked at $45 and closed at $42, only to crash and bleed like a pig. Two weeks later it was trading at almost half its original price.

But stocks are not the only kind of 'animal' that the stupid test applies to. Other assets, such as precious metals, are not immune to it either.

A GOLDEN WONDER

Almost a year ago, in September 2011, I stunned a lot of people when I said that I was actually selling gold as I expected its price to drop to $1650. In fact, gold dropped to nearly $1550 within a few weeks (see Table 1).

The very fact that so many people were excited about making money in gold put my contrarian mind on high alert. The unpopular and impossible trades are the ones where the most money can be made.

This is exactly why Google skyrocketed back in 2004 and why Facebook didn't.

In 2004, people still had the bitter memory of the dotcom crash of 2000 still fresh in their minds. Web stocks were still unpopular.

So when Google went public, its shares were considerably undervalued. Compare that with when Facebook went public. Not only were its shares extremely popular with the masses, but it turned out that some big players like Goldman Sachs were selling 50% of their holdings.

The smart money had already made their money in Facebook, and now they were dumping it on to the herd. But consider this. Which markets are unpopular with investors right now?

Well, right now Facebook stock itself is deeply hated by investors. The same financial media channels that were pumping the Facebook tune have now turned against it.

In fact, European stocks as a whole are deeply unpopular – what with what is happening in Greece, Spain and the entire eurozone mess. Precious metals have also taken a beating since last year (gold and silver down 18 and 48 percent respectively from their highs).

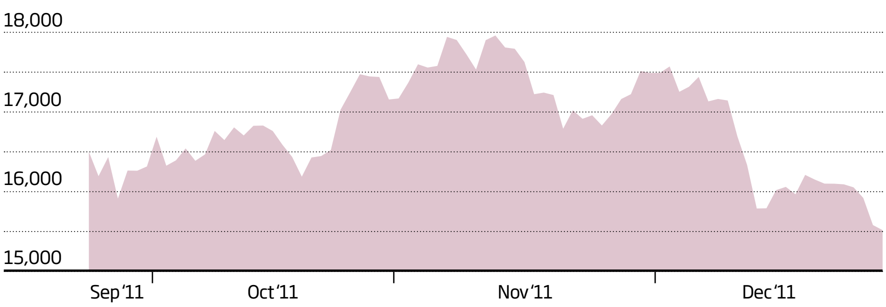
So the difficult trades right now are buying European stocks and Facebook stock.

And if you're saying to yourself right now "why would anyone be crazy enough to buy them", you may already be closer to the answer than you think.

Alessio Rastani is a stock market and forex trader and director of www.leadingtrader.com

PERFORMANCE OF GOLD

What the graph shows: Closing price between 25/9/2011 and 29/12/2011. Source: FE Analytics



An Indian summer

With India struggling to juggle its priorities, **James Redgrave** considers the impact of a rumoured cap on fuel subsidies coupled with inflationary worries

Reserve Bank of India governor Duwuri Subarrao has been described, in his country's own press, as a man "who appears to have made a habit out of doing the unexpected and leaving markets nonplussed".

Having cut interest rates from 8.5% to 8% in April in a bid to stoke economic growth, his decision to preserve them at that level last month did actually come as a surprise in India.

Subarrao's change of tack was a bid to halt inflation. However, according to the country's Ministry of Statistics and Programme Implementation, this was, on a wholesale basis, marginally below its 30-year average (8%) at 7.5% during May, while gross domestic product growth fell to a nine year low (during a single month) of 6.5% over the same period.

Having said that, markets were pleasantly 'nonplussed' by the decision; the Indian blue chip Sensex index climbed around 155 points to 16,859 that day and clearing the 17,000 point mark (for the first time in nearly two months) that week.

Subarrao issued a statement justifying the rate hold, in which he called economic growth a "medium term" priority, compared to inflation, which he said "at the current level is not acceptable".

PURCHASING POWER

The central bank's concerns about currency purchasing power devaluation are centred on where the bulk of inflation is to be found. Prices are broadly rising fastest, where production is falling most. Agricultural production – around a fifth of Indian GDP – grew just 1.7% in Q1 this year, compared to overall economic growth of 5.3% for the three months.

More importantly, Indian consumer price index (CPI) inflation was up nearly 27% for vegetables over the year to May (overall CPI was 10.4%). Edible oils, meat and fish all saw more than average price rises, while, using the wholesale basis, pulses and wheat experienced more than double the average price increases for May (see above), while potatoes became an astonishing 68% more expensive.

The only sector of the economy to underperform agriculture was the only one that makes up a larger proportion of GDP – manufacturing, which actually contracted marginally, by 0.3%.

The Indian government subsidises fuel to prevent its inflation and boost its manufacturing sector, but admitted in May that the cost of doing so for the last financial year was US$7 billion on top of than the nearly US$17 billion they have already stumped up over the period.

So the central bank's rationale behind prioritising inflation over growth in short term is clear, and Subarrao's statement concluded: "In this context, it is relevant to assess as to what extent high interest rates are affecting economic growth.

"Estimates suggest that real effective bank lending interest rates, though positive, remain comparatively lower than the levels seen during the high growth phase of 2003-08.

"This suggests that factors other than interest rates are contributing more significantly to the growth slowdown."

But whether the government's counter-inflationary measures will be effective or not in the long run, investors should be aware it has so far done nothing to stop the Rupee losing value against the US dollar.

DOWNGRADE WARNING

On 21 June – the day the US Federal Reserve downsized its own economy's 2012 growth estimates 2.4% to 1.9% – the Rupee plummeted, reaching a record low of 56.6 per US$.

A combination of inflation and its commitment to exorbitant fuel subsidies – seen to be out of keeping with its deficit reduction targets – saw ratings agency Fitch last month downgrade its outlook on the country's national debt from "stable" to "negative".

This follows Standard & Poor's decision to shunt Indian government bonds from BBB to BBB- a month earlier, alongside a warning the country's paper stands to lose its 'investment grade' status altogether.

Meanwhile, currency investors will have been made nervous about reports in the Indian media that its Finance Ministry will cap it per litre fuel subsidies, in contradiction to the Reserve Bank's policy.

If true this could start as of Q3, with an immediate effect on fuel inflation and knock on consequences for the Rupee exchange rate.

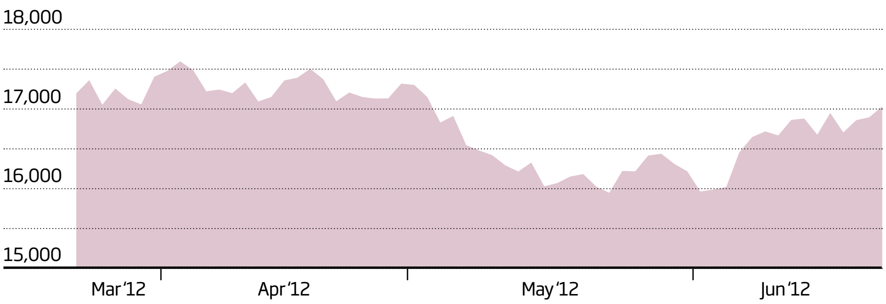
But the commitment to lower spending could calm government bond yields after the Fitch and S&P interventions, reassuring lenders of the government commitment to deficit reduction targets of 5.8% of GDP to 5.1% by next March.

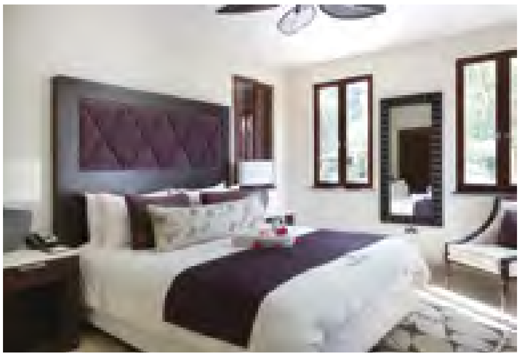
Indian equity investors, meanwhile, can take some comfort from the fact that, along with the interest rate steadying well, markets did not fall on the Fitch downgrade and, perhaps more interestingly, closed up on 21 June, despite the record Rupee low.

James Redgrave is an editor with the Financial Times Group

PERFORMANCE OF BSE SENSEX INDEX

What the graph shows: Performance of the index between 22 March until 21 June 2012.






BLOW YOUR BONUS

Used up all of your new tax-free allowances already? Don't fear. **Kevin Rose** identifies some great audio related devices to spend your cash on

[THE IPHONE AMPLIFIER]

V-MODA VAMP

Want better sound from your iPhone? The VAMP from V-MODA promises an integrated headphone amp, DAC (digital to analogue converter) and battery pack for iPhone 4/4S.

V-MODA says it's a 'spy-worthy gadget for the modern audio connoisseur' which ushers in a new era of pure sound, sophistication and power.

It features a 150mW x 2 amplifier, an optical audio output and backup battery all integrated into an aircraft-grade brushed metal and shock absorbing silicone shields the iPhone from dents, breaks and scratches.

It doesn't come cheap, but how many other people will have such an exclusive sheath for the ubiquitous iPhone?

$650 | www.v-moda.com

[THE DUAL DEVICE AUDIO DOCK]

Samsung DA-E750 dock

There are plenty of docking stations out there but sadly the majority don't cater for the aesthete.

It is refreshing, therefore, to see Samsung's DA-E750. Its high gloss wood finish exudes an elegance missing from its plastic competitors.

But the Samsung isn't just a pretty face. Its dock supports both Galaxy S smartphones as well as Apple iOS devices such as iPods, iPhones, and even iPads.

The audio dock, which boasts a 2.1-channel speaker and powerful built-in subwoofer with 100 watts of sound, also supports wireless audio file playback through AllShare for Samsung Galaxy devices and also Airplay for Apple devices.

Finally, for those who like mixing the latest in technology with old school elements, the Samsung actually incorporates vacuum tube technology (that's valve amplification to you and me). Therefore you need to talk about 'warmth' when discussing its sound, regardless of whether you know what it means or not.

£460 | www.samsung.com

[THE IPAD STEREO DOCK]

Bang & Olufsen BeoPlay A3

If people only know one upmarket hi-fi brand, then its Bang & Olufsen. While they have never really been high end in terms of sound quality, B&O are undoubtedly master of memorable design.

The Danish firm's latest audio gizmo is the BeoPlay A3 for iPad. It's effectively a wedge-shaped dock that you pop your iPad in. However, with B&O's 'Adaptive Stereo Orientation' it knows what's up or down, and chooses which of BeoPlay A3's four speakers to activate for the best possible listening experience depending on how you are using the iPad at any given time.

Weighing just 1.5 kg, BeoPlay A3 is designed to make your music mobile. The battery keeps the tunes coming for five hours between charges, and it charges itself as well as your iPad when connected to the mains.

£449 | www.bang-olufsen.com

[THE LOUDSPEAKERS]

Focal UK Special Edition Chorus series

British manufacturer Focal UK has had consistent success with its Focal Chorus range but has now launched a new series of special edition loudspeakers exclusive to the UK market.

The new series features Focal's 'W cone sandwich' and is finished is high gloss black.

Originally launched in 2006, the Focal Chorus range has been a consistently popular range worldwide. The 800V W UK special editions are the result of a special request from Focal UK to add the W Cone technology to the Chorus Series.

The top of the range model in the special edition range is the 836V W, three-way bass reflex floor standing speakers (pictured).

£2,499 will get you what Focal's managing director Gérard Chrétien describes as "affordable high-end".

www.focal.com

BLOW YOUR BONUS

[THE NETWORK PLAYER]

Naim NDS

British hi-fi stalwarts Naim have just unveiled their NDS, a network player which they claim is capable of the finest musical performance yet. "A player that delivers more music with CD rips that most players do with hi-res sources".

It also includes internet radio and three digital inputs to support connection from computers to set top boxes to CD players. Connect an iPhone or iPod digitally to allow the NDS to control and play all the stored music, podcasts or audiobooks.

Play music on a USB stick, even hi-resolution WAV or FLAC files, with full onscreen control.

Control the NDS with the front-panel buttons, the supplied remote control or an iPhone or iPod Touch running the optional n-Stream app. The app also allows control of a Naim system's inputs and volume.

Expect to spend around £6,250 (plus extra for a power supply).

www.naimaudio.com

[THE WIRELESS HI-FI SYSTEM]

Sonos Sub

The Sonos wireless hi-fi system has long been a favourite of those who don't want stacks of CDs or vinyl lying around, cluttering up their merits *des res*. Controlling what you hear in any room is the name of the game.

However, most of the speakers in the system aren't heavy on the bass. So Sonos has just brought out a subwoofer, inspirationally named, er, Sub.

It links up with other Sonos products, including the Play:3 powered speaker, has one-button configuration and can be controlled by your computer, Android or iOS mobile device.

Sonos claims that the Sub delivers "soul-shaking sound. Heart-pounding design" and can be placed anywhere in the room - even lying flat under a couch.

£599 | www.sonos.com

[THE IPOD & IPHONE DOCK SPEAKER]

AeroSystem One

"Whatever happened to French electronic music maestro Jean Michel Jarre" you may wonder. Possibly. The simple truth is that he never went anywhere, and has now sold over 80 million records worldwide. But he has also branched out into audio equipment.

The Jarre Technologies devised AeroSystem One was designed "with the aim to retrieve and restore the lost sound that has been so meticulously produced in state-of-the-art recording studios: it is time for home-entertainment to be true to the genesis of the initial emotion created by the musicians in the studio."

The price for an iPod & iPhone Dock Speaker that appeals both to design and music-lovers? €799. Not content with this, Jarre continues to develop the ultimate dock (price tbc). When it materialises, the purchaser will get free tickets to one of his concerts and meet the man himself. Magnifique!

www.jarre.com

[THE CINEMA SYSTEM]

Dolby Atmos

So you've got a home cinema system. Fully equipped with 5.1 surround sound for that superior movie experience. Why, some of you have even opted for a 7.1, eight-speaker setup. Well, you're about to be well and truly trumped.

Ok, so it's not available in homes yet, but we think you'll be mighty impressed by the spec of Dolby Laboratories latest audio system for cinema.

Dolby Atmos employs up to 64 speakers to heighten the realism and impact of every scene. It allows sounds to move around the theatre to create dynamic effects.

The overhead speakers conjure up the most realistic effects you've ever heard, Dolby claims.

Unfortunately the Empire Leicester Square is the only UK cinema so far confirmed to be providing Dolby Atmos. It can't be long until a 64-speaker setup is essential for home cinema though, surely?

www.dolby.com

Big trouble in brittle China

With China having to slash interest rates last month and data for manufacturing and industrials continuing to disappoint, **Joe McGrath** smells an opportunity for brave traders

China? Brittle? Well, maybe not yet, but economic data from China over the past few weeks has been sending something of a warning beacon to traders worldwide.

Communist Party officials - previously wrapped up in a power-struggle over the leadership handover - had to refocus on pushing through an interest rate cut at the beginning of June as depressed manufacturing data and European fears came to the fore.

The most recent HSBC manufacturing purchasing managers' index showed a contraction for the eighth month in a row. And while we may have seen the first interest rate cut since 2008, all eyes will now be on what else the government has in its toolkit to relax monetary policy.

TRADER'S VIEW:

ANDREY DIRGIN, HEAD OF RESEARCH AT FOREX CLUB

"We do not consider it to be a good time right now to catch falling commodities either. It would be prudent to wait until the published Labor Market data from the US at the beginning of July.

"The Fed has promised to consider QE3 if the economy's recovery remains under pressure and new jobs keep falling. If this proves to be the case, then we would expect a reasonable rally to take place within these markets."

ETF SECURITIES COPPER (USD IN GBP)
Date: 22 June 2012
Source: FE Analytics

-4.5%	-11.8%	-3.9%	-19.1%
1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS

With exports to Europe falling, China is now doing all it can to maintain employment growth and fuel domestic manufacturing demand to protect it from what is now beginning to look like a slowdown.

Michael Hewson, senior market analyst at CMC Markets stresses that bank lending is holding up fairly well so far this year as reserve requirements have been eased back.

He explains: "The Chinese authorities have also started to fast track some infrastructure projects. However, copper prices - notoriously sensitive to Chinese supply and demand - are starting to reflect a significant drop off in demand. This is a worry given that warehouse stocks in Shanghai continue to be at fairly elevated levels."

Hewson notes that prices have dropped from highs of $3.95 to lows of $3.20 and that this weakness could well be exacerbated if prices drop below these seven-month lows.

He says: "If traders perceive China will continue to struggle to meet its growth targets - and there is evidence that analysts are continuing to revise them lower - then selling copper on rallies is the way to profit from that."

POSITIONING FOR A SLOWDOWN

Those who are convinced the recent disappointing data is the beginning of a harder landing may want to adopt a vertical approach, hedging against the risk by trading mining companies directly.

Joshua Raymond, chief market strategist at City Index, says taking a position on UK mining stocks can be one of the best ways to trade around China as their prospects and share price movements are strongly correlated with optimism surrounding Chinese metal demand.

He says: "There are two key themes affecting sentiment for China right now, slowing Chinese growth and Chinese monetary policy. While China may have cut its interest rate by 25 basis points at the start of this month, much of the demand for mining stocks is weighted in whether China can reverse the slowing growth and keep resource demand high.

"At the same time, mining stocks are typically one of the first sectors, alongside that of banks, to be hit by market uncertainty and so a marked escalation of the eurozone crisis may see mining stocks pressured."

Joe Bond, vice president of trading at Abshire Smith, agrees that mining stocks' profitability will be directly connected to Chinese demand and the underlying price of the commodities. However, he suggests employing the use of a currency pair as an alternative.

He says: "A different idea would be to short the currency of one of the main commodity exporters to China - Australia. This is a proxy hedge, but the growth of the economies are correlated, as they are key trade partners. That said, holding a short Aussie position could be expensive to finance due to the high swap rates incurred, as a result of interest rate differentials."

China's importance in the commodities sector is a given, as the most populated country in the world, but it is how the country's consumption is divided up that it is particularly noteworthy for traders.

The country's commodity consumption can simply be divided between the daily needs of its populace and industrial inputs, according to Scott Grant, director of LSE.co.uk.

Grant says that the daily commodity needs are likely to remain, but the cooling of its infrastructure and fixed-asset surge will inevitably lead to a slow-down in commodity demand, especially metals.

He explains: "In terms of trading wiles, a focus on the day-to-day needs of China might be a different approach to take. Commodities such as corn, wheat, soy beans, sugar, etc. might benefit from the move towards a more consumer-led (not infrastructure-based) economy.

"Who knows, with the influx of western lifestyle brands, coffee beans might be the *jouer de l'annee*. China's slowdown, although not catastrophic, appears set to continue over the short-term. Commodities will be affected, notably not helped by the recent release of data showing China's export order sentiment at its lowest level since early 2009."

OUTLOOK

With the Chinese authorities waking up to the fact that the traditional export-centric model may now have to change, traders will have to be on their toes to take advantage of opportunities resulting from weak economic data.

Commodity demand is intrinsically linked with economic growth and pictures of copper stockpiles have influenced investor thinking that, not only is China slowing but a big commodity price decline is occurring too, according to Chris Bailey, head of direct global investments at Close Brothers Asset Management.

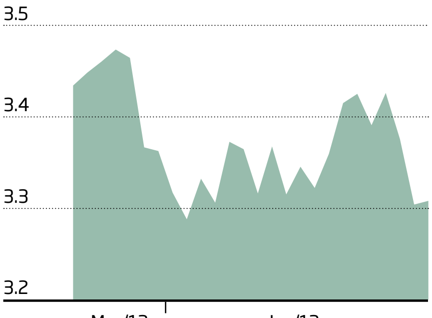
He says: "Our belief is that weak economic data due to the impact of the eurozone crisis on exports will be responded to. This is better news for global commodity markets. Price support should now start to progressively come in.

"We would also observe that Beijing is likely to more seriously consider further acquisitions in the listed mining/oil and gas corporate area, given recent sharp falls in this sector. This has highlighted value in buying actual mine and oil producing assets rather than looking to build them from afresh.

"We believe opportunistic large purchases by Chinese companies in the mining or oil sector space is very plausible over the summer. This would also be taken well by global financial markets and especially the commodity facing stocks."

COPPER PRICE (USD)

What the graph shows: Performance of the index between 24 May and 22 June 2012



! ACTIVE TRADING IDEAS

1. Traders seeking to profit if China continues to miss its growth targets, may wish to sell copper when it rallies.

2. Those who believe a harder landing is likely could trade mining companies directly to gain exposure to the market through the underlying price of commodities, correlated to Chinese demand.

3. Long commodity positions can be hedged by shorting AUD/USD. Remember though, this can be expensive to finance due to the high swap rates incurred.

A volatile future

With exchange-traded notes offering traders a different way to exploit market volatility, **Jennifer Lowe** asks whether they necessarily offer the best approach

As the eurozone debt crisis deepens, traders continue to seek ways to exploit the bad news and bolster their returns.

The use of exchange-traded derivatives - products listed for trading on public exchanges consisting mostly of options and futures contracts – are increasingly on their radar. These are an alternative to over-the-counter derivatives like credit default swaps which are traded privately.

Unlike exchange traded funds, which provide investors with exposure to a pool of securities and other assets which can be bought and sold throughout the day, like stocks on a securities exchange through a broker-dealer, derivatives can be used in a number of ways to take advantage of market anomalies.

Futures contracts can provide leverage so that a small movement results in a large difference in the underlying value, giving an investor the opportunity to speculate and profit if the underlying asset moves in the expected way, or to hedge a portfolio.

Ole Hansen, head of commodities at Saxo Bank, explains: "With an ETF, it is much like buying a stock on the exchange in that if you put £100 in, you get £100 worth of exposure.

"If you buy futures to get the same exposure to a specific product or area, you go in on a leveraged basis, so you only pay a percentage margin to hold the position."

Hansen admits this can lead to higher volatility if you are placing smaller amounts of money for a much larger exposure. He says: "Traders really have to look at their cash position, how risk averse they are or how susceptible they are to increased volatility."

BUYING IN

When purchasing a futures contract an investor only has to put up a small fraction of the value of the contract as 'margin'. In other words, the investor can trade a much larger amount of the underlying asset than if he bought it outright. On predicting the market movement correctly, his profits will be multiplied by, say, ten-fold on a 10 per cent deposit.

However, the margin required to hold a futures contract is not a down payment but a form of security bond, so if the market goes against the trader's position, he may lose some, all, or possibly more than the margin he has put up. But if the market goes with the trader's position, he makes a profit and he gets his margin back.

Using crude oil as an example, Hansen says: "You can pay $1 to get exposure to 1,000 barrels of oil. With current oil price around $90 per barrel, a $1 futures contract gives you exposure to 90,000 barrels – that is huge leverage, not something the average person can do, even with a pot of life savings."

Any stock market can be predictive to some extent in its reaction to events. For example, in the run up to an every important moment – an election or central bank announcement – the market will trend flat and on receiving the news that everyone was widely expecting, it rallies.

Afterwards, when the realisation dawns that everything is not solved, the market responds.

For short-term traders looking at Europe, this can open up myriad opportunities, such as taking a position on the fall of European equities once the initial optimism wears off or, perhaps, the widening of Spanish and Italian bond spreads.

David Bower, head of iShares UK, says: "If an investor has a particular view on an area's government debt, and that is really what we have been seeing as credit dissolves in individual European countries, investors are looking to take a more granular approach to those areas."

According to Nathan Bance, director in UK investor solutions at Barclays Capital, investors with exposure to European markets should seek to isolate European volatility through the VSTOXX, which measures the implied volatility of the DJ Euro STOXX 50 index, Europe's leading blue-chip index. He says that the past two years have seen an upsurge of futures being listed on the VSTOXX over the past two years.

"Before 2009 there were some short-term futures on the VSTOXX but these were thinly traded as investors were concerned about the lack of liquidity," he says.

"Over the course of 2010, however, there was a big increase in the number of futures listed on the VSTOXX, which offered investors more choice and much better liquidity – something that has improved exponentially over time."

Moreover, with the launch of exchange traded notes (ETNs) into the European market in 2010, Bance says investors now have a cost efficient and straightforward route to access European volatility.

"Until the launch of VSTOXX ETNs not every category of investor in Europe could realistically invest in volatility," he says.

"ETNs have simplified the market and represent the easiest way for investors to trade volatility as they can be bought and sold like a stock. They also free investors from the need to buy and sell futures themselves, which can be complex and relatively expensive."

Jennifer Lowe is an investment editor with the Financial Times Group

Five favoured FORUMS

Last month we asked *IndexTrader* readers to give us their thoughts on trading websites and forums. Here we feature the five sites most commonly cited by respondents

ETORO

With more than 1.5 million users worldwide, eToro is all about 'social trading' of currencies, commodities and indices online.

The Education Centre offers a range of learning tools including videos, guides, webinars and more) along with simple, clear and helpful guidance to help you learn about social Forex trading and to take advantage of the financial markets.

OpenBook is eToro's flagship social trading platform that facilitates communication and the sharing of information among traders. For example, users are constantly exposed to automatically shared information known as Trading Feeds.

THEY SAY: "See who is trading what in real-time, follow the best performing traders and automatically copy what the best traders do. It's the smarter way to trade."

AN INDEXTRADER READER SAYS: "A very slick operation. 'Guru Finder' is a nice touch."

www.etoro.com

BABYPIPS.COM

The BabyPips.com website hosts a plethora of resources for forex traders. These include the 'School of Pipsology', forex tools like the economic calendar and 'forexpedia', trading blogs and a forex forum.

The School of Pipsology offers quizzes for forex traders of all levels of experience and ability.

The forum has, at the time of writing, nearly 39,000 threads, 325,365 posts and over 143,000 members.

It also offers a chatroom facility for its members.

THEY SAY: "BabyPips.com is an easy-to-understand guide for teaching beginners how to trade in the foreign exchange market. Everything you need to get started is right here."

AN INDEXTRADER READER SAYS: "The forum provides the latest up-to-date news which keeps the conversations contemporary and fresh."

forums.babypips.com

TRADE2WIN

Seen by many as the daddy of all trading community websites. In operation for over 10 years, Trade2Win's mission has been to support and unite traders across the globe.

With over 265,000 members, the Trade2Win forum currently has over 80,000 discussions.

The website also contains 'expert' articles and reviews of books, software and strategies.

Trade2Win's new forex rebate programme offers members the opportunity to earn cash-back, every time you trade with certain forex brokers.

THEY SAY: "We provide an environment that enables our members to converse with one another, share their knowledge and express their views. Furthermore, we seek to provide educational and thought provoking content to help better educate our members in their trading careers."

AN INDEXTRADER READER SAYS: "A good one for beginners"

www.trade2win.com/boards

BULLBEARINGS

BullBearings is a virtual financial trading website. UK traders can set up their own virtual stocks and shares, spread betting, CFD or FX trading portfolio and then compete against friends and colleagues.

The site, which has over 100,000 members, offers resources such as trading guides and videos, research, news and trader views. The virtual trading platform works with real information from the London Stock Exchange in order to make the experience as realistic as possible.

BullBearings also offers corporate solutions, including white label versions of its games which can be used by third parties on their own websites.

THEY SAY: "The site is designed to be accessible by anyone regardless of their financial experience or expertise. It allows you to trade in stocks and shares without risking a penny. Our unique Spread Betting Virtual Trading Platform also enables you to spread bet on the financial markets in a virtual environment."

AN INDEXTRADER READER SAYS: "The fantasy trading competitions and leagues add extra spice to the experience."

www.bullbearings.co.uk

FXSTREET.COM

A portal for Forex traders, fxstreet.com was set up in 2000 and is based in Barcelona.

It offers real-time quotes, news, newsletters and interactive chats with global experts. It also contains sections on fundamental and technical analysis.

Fxstreet.com has a large amount of real-time currency data, an economic calendar and a constant stream of webinars.

THEY SAY: "Our goal is to provide you with complete and timely information about the forex market."

AN INDEXTRADER READER SAYS: "Has a lot of free educational videos to help beginners."

www.fxstreet.com

Not invincible

With the eurozone crisis still deepening, **Stephanie Kretz** offers a different take on Germany's financial strength and its eurozone 'responsibilities'

Angela Merkel stated last week: "Germany is strong. Germany is the economic engine and the anchor of stability in Europe but Germany's strength is not infinite." We could not agree more with the latter.

Germany cannot support the eurozone by itself without its debt burden rising explosively and trend growth falling as a consequence and without bringing its precarious banks dangerously close the brink of collapse.

With €17 trillion of deposits and a total asset base of €34 trillion, the eurozone banking system dwarfs the €1.2 trillion German tax base. When combined with their aggregated government debt, the assets of the top 10 eurozone countries' monetary financial institutions are 35 times the German tax base and 21 times including the French tax base. Germany is simply too small to save the eurozone.

WITH €17 TRILLION OF DEPOSITS AND A TOTAL ASSET BASE OF €34 TRILLION, THE EUROZONE BANKING SYSTEM DWARFS THE €1.2 TRILLION GERMAN TAX BASE

WHY THE RESCUE?

Yet, Germany is putting vast sums of money into the eurozone rescue system, acting as if it can prevent the GIIPS countries (Greece, Iceland, Italy, Portugal, Spain) from defaulting. In April 2012, the country was exposed to the tune of 25% of the GDP, eight times more than in 2007. According to the IFO Institute, German losses via all European bailout funds (if the GIIPS countries were to default) amount to €704 billion.

While this would not bankrupt the country, this would imply a very worrying increase in Germany's debt-to-GDP ratio. So, why would Germany expose its own finances to such risk and pay for other countries' fiscal irresponsibility?

The German banking system is the most leveraged in the western world with a tangible-assets-to-tangible-common-equity ratio of 28 in April 2012, according to the latest IMF global financial stability report. This compares to just 11 in the US.

Moreover, German banks still hold US $439 billion exposure to the GIIPS bloc, 13% of Germany's GDP. Germany, by lending money to the peripheral countries, is trying to prevent its fragile and leveraged banks from getting hit, effectively orchestrating a backdoor recapitalisation of its own banking system.

This is a dangerous bet. Germany is too small to save the GIIPS. When they default, Germany will not only take losses through its banking system, exposure to the peripheral countries, but also through its commitments within the European bailout funds. We would avoid all investment in German banks. Waves of nationalisation, recapitalisation and big dilution lie ahead.

On the other hand, we expect the demand for Bunds to remain strong. With a current account surplus and inflows of deposits out of the periphery, the flow of new debt should face no financing difficulties in the near future and yields stay accordingly low, still making Bunds one of the safest remaining assets, despite the caveats to German righteousness.

Stephanie Kretz is a member of the investment strategy team for private banking at Lombard Odier

FINANCIAL SERVICES DIRECTORY

To advertise here, please contact us at the following address: directory@index-trader.co.uk

INDEX TRADER STATISTICS

WORLD INDICES

What the Table shows: Performance of each major index over four time periods until 22 June 2012. Source: FE Analytics

Index	1 month	3 months	6 months	1 year
	%	%	%	%
DJ EURO STOXX 50	1.13	-9.95	0.75	-17.05
FTSE 100	2.44	-4.57	3.27	-0.79
Hang Seng	-0.23	-9.12	3.36	-13.11
MSCI World	1.19	-5.84	4.95	-2.26
Nikkei 225	0.79	-13.12	4.80	-8.63
India CNX Nifty	8.30	-1.33	19.72	-4.17
S&P 500	0.81	-4.47	6.50	4.58

UK SECTOR INDICES

What the Table shows: Performance of each UK sector index over four time periods until 22 June 2012. Source: FE Analytics

FTSE 350 Index Sectors	1 month	3 months	6 months	1 year
	%	%	%	%
Automobiles	-6.07	-11.56	1.11	-12.00
Banks	6.49	-5.94	14.70	-9.70
Beverages	3.06	1.14	16.31	26.13
Construction & Building Materials	-2.49	-12.93	-2.67	-10.76
Electricity	2.10	5.65	12.36	7.74
Food & Drug Retail	1.27	-3.27	-11.64	-13.04
Forestry & Paper	4.31	-3.75	26.12	-5.41
General Retailers	1.83	-5.55	16.68	2.33
Insurance	5.01	1.72	15.75	-5.33
Life Assurance	4.44	-8.15	12.53	-0.44
Media & Photography	-0.32	-5.15	7.54	0.72
Mining	-2.61	-13.88	-9.64	-27.92
Oil & Gas	1.13	-9.22	-6.95	-2.30
Pharmaceuticals	4.13	1.31	2.67	12.20
Software & Computer Services	7.76	0.46	16.91	12.09
Tobacco	3.24	-2.15	8.85	24.05
Utilities Others	1.60	6.64	15.04	15.41

MOST POPULAR EQUITY TRADES

Source: TD Direct Investing / The Share Centre

11 - 17 JUNE 2012

BUYS

Company	% of top 10 trades
Lloyds Banking Group	17
Gulf Keystone Petroleum	15.7
Xcite Energy	12.7

SELLS

Company	% of top 10 trades
Lloyds Banking Group	23.9
Royal Bank of Scotland	17.8
Barclays	15.3

4 - 10 JUNE 2012

BUYS

Company	% of top 10 trades
Lloyds Banking Group	13.6
Aviva	12.3
Barclays	11.9

SELLS

Company	% of top 10 trades
Lloyds Banking Group	17.9
Barclays	15.4
Royal Bank of Scotland	9.8

28 MAY - 3 JUNE 2012

BUYS

Company	% of top 10 trades
Royal Bank of Scotland	14.3
Lloyds Banking Group	13.9
Gulf Keystone Petroleum	11.2

SELLS

Company	% of top 10 trades
Gulf Keystone Petroleum	19.6
Lloyds Banking Group	13.5
Barclays	12.8

21 - 27 MAY 2012

BUYS

Company	% of top 10 trades
Lloyds Banking Group	15.9
Xcite Energy	14
Gulf Keystone Petroleum	12.3

SELLS

Company	% of top 10 trades
Xcite Energy	19
Royal Bank of Scotland	15
Gulf Keystone Petroleum	14.6

FTSE 100

What the Table shows: Percentage change in FTSE 100 company share prices over the four different periods until 22 June 2012. Prices are offer-to-bid. Source: FE Analytics

Company	1 month %	3 months %	6 months %	1 year %
Aberdeen Asset Mgt	5.35	2.95	26.61	24.51
Admiral Group	5.37	2.93	45.70	-26.20
Aggreko	-3.39	-7.54	3.43	11.48
Amec	-1.20	-11.31	11.33	-9.45
Anglo American	-1.05	-14.36	-10.70	-27.77
Antofagasta	-2.79	-6.36	-10.89	-16.25
ARM Holdings	3.31	-14.18	-11.64	-10.34
Ashmore Group	2.16	-7.03	6.09	-7.63
Associated BF	4.80	3.32	14.24	17.61
Astrazeneca	4.58	-2.51	-0.84	-3.34
Aviva	-1.29	-21.17	-4.18	-30.84
Babcock International	1.7	11.74	23.55	30.69
BAE Systems	4.41	-2.14	8.26	-1.00
Barclays	6.25	-15.84	15.94	-18.11
BG Group	-4.32	-17.58	-8.30	-7.51
BHP Billiton	0.68	-6.89	-3.74	-21.02
BP Plc	1.32	-13.49	-7.49	-4.61
British American Tobacco	5.07	-0.19	10.94	24.19
British Land	0.50	1.54	13.49	-11.00
B Sky B	-3.62	-2.74	-5.33	-17.13
BT Group	-1.35	-6.91	8.75	6.58
Bunzl	2.37	5.27	23.61	41.37
Burberry	-3.40	-13.28	13.66	-2.24
Capita	4.51	-10.11	5.76	-7.70
Capital Shopping Centres	3.35	-3.74	9.19	-13.60
Carnival	5.55	9.01	4.92	-3.05
Centrica	-2.17	1.30	11.61	-1.37
Compass Group	2.46	-1.79	13.10	12.90
CRH	-5.34	-17.88	-7.80	-11.63
Croda International	-2.03	3.83	24.36	16.34
Diageo	5.11	4.63	17.38	29.60
Eurasian NR	-13.02	-33.19	-33.40	-41.87
Evaz	-13.00	-28.39	-28.59	
Experian	2.90	-6.09	10.99	22.51
Fresnillo	2.24	-11.16	-6.43	6.94
G4S	0.00	3.51	6.53	1.10
GKN	-6.07	-11.80	0.84	-12.33
GlaxoSmithKline	4.27	4.76	5.32	21.75
Glencore	-13.54	-22.52	-21.01	-36.19
Hammerson	1.57	2.08	24.10	-6.01
HSBC Holdings	7.51	0.85	18.11	-2.56
ICAP	6.77	-10.43	10.92	-12.78
IMI Group	-7.77	-8.67	17.64	-12.87
Imperial Tobacco Group	0.93	-4.90	4.80	24.21
Intercontinental Hotels	5.33	5.84	40.71	29.75
International Power	0.86	14.37	29.32	37.77
Intertek Group	2.06	3.07	34.13	34.87
ICAG	5.90	-12.94	4.14	-35.63
ITV	-5.71	-12.19	18.26	15.19
Johnson Matthey	0.61	-3.56	22.12	13.66
Kazakhmys	-4.81	-22.00	-22.34	-44.96
Kingfisher	-0.99	-6.48	18.75	7.24
Land Securities	2.46	2.18	20.98	-10.11
Legal & General	8.00	-5.41	24.26	13.45
Lloyds Banking Group	13.67	-10.95	21.43	-33.21
Marks and Spencer	-1.99	-11.90	11.00	-6.17
Meggitt	-4.38	-4.36	8.78	5.61
Morrisons	0.15	-8.55	-13.40	-4.49
National Grid	2.18	7.23	13.45	18.14
Next	6.54	9.03	19.17	41.61
Old Mutual	7.06	12.14	30.75	41.14
Pearson	4.79	2.31	3.51	9.37
Petrofac	-13.39	-16.31	-2.78	-7.86
Polymetal	8.81	-2.92	-17.63	
Prudential	5.27	-4.02	20.72	6.25
Randgold Resources	13.98	-0.79	-13.15	16.06
Reckitt Benckiser	0.29	-2.78	12.02	6.70
Reed Elsevier	-2.11	-7.51	-0.07	-5.36
Resolution	-3.10	-24.05	-14.59	-27.31
Rexam	0.12	-3.44	19.97	13.47
Rio Tinto	1.55	-10.56	-3.54	-28.23
Rolls Royce	2.81	4.00	18.52	43.25
RBS	10.84	-12.80	18.04	-37.05
Royal Dutch Shell PLC 'A'	3.96	-4.23	-7.22	2.05
Royal Dutch Shell PLC 'B'	4.17	-3.14	-8.66	3.86
RSA Insurance	4.76	-2.32	7.47	-13.13
SAB Miller	1.22	-2.18	14.35	22.03
Sage	5.22	-7.28	-4.94	-3.69
J Sainsbury	-0.41	-3.34	5.05	-5.02
Schroders Non Voting	5.62	-14.26	1.74	-13.95
Schroders	9.33	-15.77	2.72	-10.46
Scottish and Southern	2.30	4.87	12.95	5.31
Serco Group	3.33	-0.82	16.98	-1.71
Severn Trend	-0.81	3.68	13.31	19.98
Shire	1.97	-8.77	-9.06	6.75
Smith and Nephew	4.73	-0.36	6.05	-2.58
Smiths Group	-1.17	0.10	14.59	-4.59
Standard Chartered	1.72	-13.21	1.87	-7.69
Standard Life	7.86	-3.08	17.53	16.94
Tate and Lyle	-4.57	-9.46	-7.01	2.94
Tullow Oil	1.63	-2.00	7.04	14.61
Unilever	3.10	2.57	0.99	9.50
United Utilities	6.55	7.93	13.24	18.10
Vedanta Resources	-13.71	-29.80	-11.16	-53.07
Vodafone Group	7.21	6.13	6.25	16.76
Weir Group	-7.71	-17.78	-24.44	-28.30
Whitbread	8.06	16.34	33.45	30.72
Wolseley	-0.13	-9.29	10.04	17.22
WPP	-1.43	-9.44	19.93	4.73
Xstrata	-16.08	-25.19	-14.76	-35.25

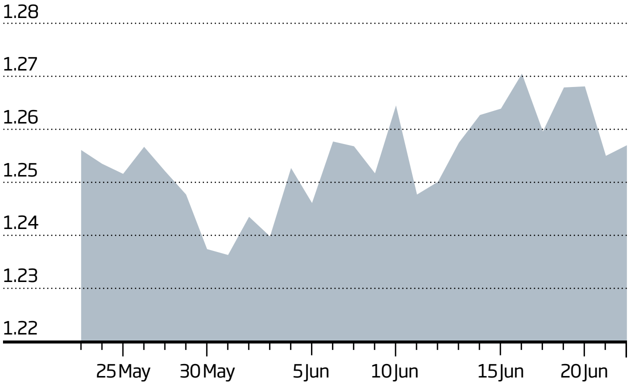
TRADERS' CURRENCY POSITIONS
MONTH TO 22 JUNE 2012
Source: CMC Markets

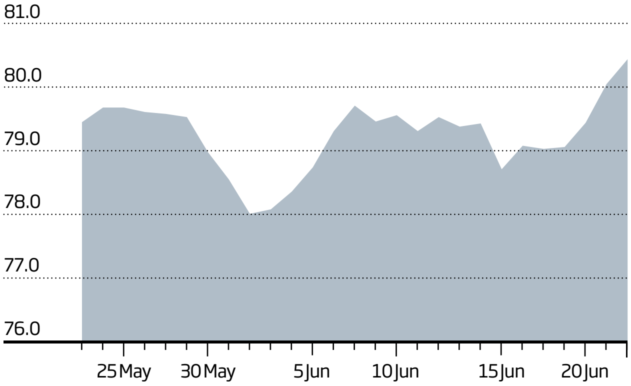
Pair	Long %	Short %
AUD/USD	68	32
GBP/USD	73	27
USD/CAD	90	10
USD/JPY	26	74
EUR/CHF	41	59

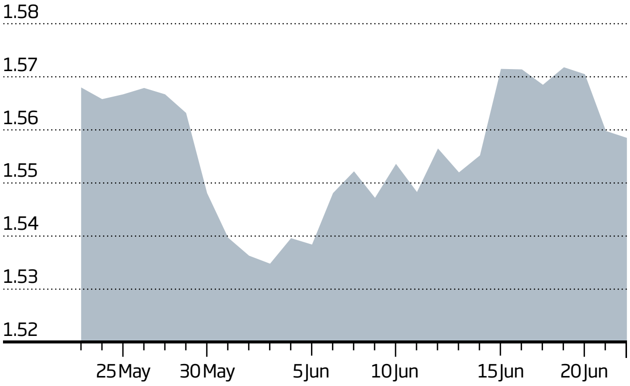
TRADERS' INDEX POSITIONS
MONTH TO 22 JUNE 2012
Source: CMC Markets

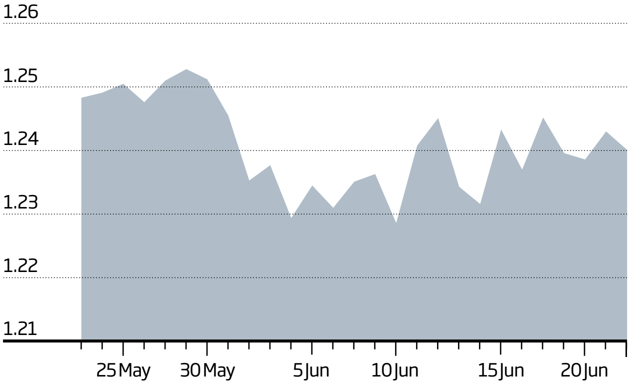
Index	Long %	Short %
US 30	52	48
German 30	56	44
SPX 500	59	41
UK 100	55	45
Aussie 200	66	34

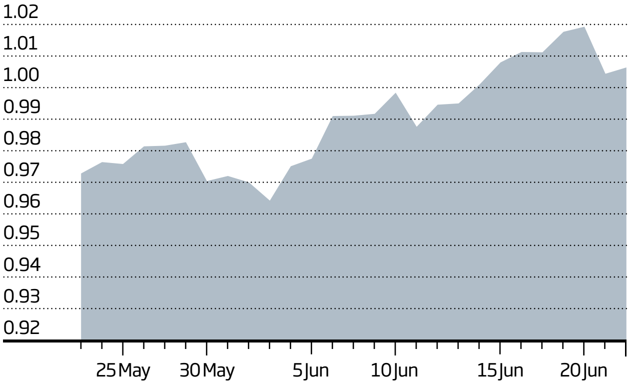
CURRENCY MOVEMENTS
21 MAY - 22 JUNE 2012
Source: Oanda.com

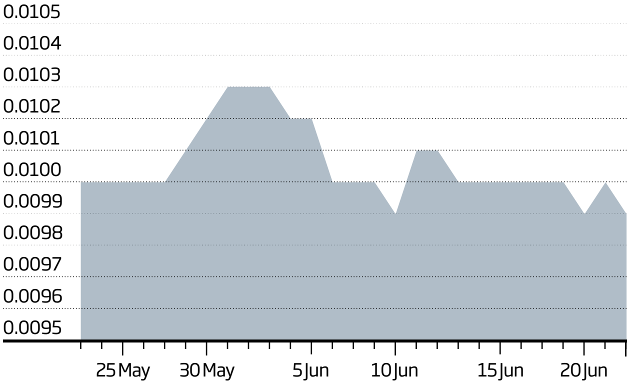
EUR/USD


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 four different time periods until 22 June 2012. Prices are offer-to-bid. Source: FE Analytics

Company	1 month %	3 months %	6 months %	1 year %
Deutsche Bank				
Agriculture Booster	0.52	-4.57	-5.39	-16.09
Agriculture Booster GBP Hedged	-1.30	-5.57	-6.34	-20.38
Brent Crude Oil Booster GBP Hedged	-16.35	-25.72	-15.53	-20.17
Commodity Booster	-9.32	-17.66	-13.68	-16.81
Energy Booster	-12.78	-22.25	-16.77	-17.35
Industrial Metals Booster	-5.85	-11.85	-8.33	-23.44
Mean Reversion	-8.48	-14.23	-12.80	-16.77
Natural Gas Booster	-5.97	-2.19	-29.83	-53.34
Physical Copper	-5.80		-7.86	
Physical Gold	-0.95	-4.01	-3.91	1.64
Physical Gold GBP Hedged	-2.60	-5.89	-5.15	-3.21
Physical Gold SGD Hedged	-1.78	-5.22	-3.93	-4.55
Physical Nickel	-2.76	-9.72	-14.28	
Physical Palladium USD	-0.72	-6.73	-5.72	-20.56
Physical Platinum USD	-1.16	-10.58	-0.40	-17.20
Physical Rhodium	-3.87	-16.05	-11.17	-39.97
Physical Silver	-6.39	-14.38	-9.47	-26.32
Physical Silver GBP Hedged	-7.94	-15.96	-10.86	-30.01
Physical Tin	-5.80	-16.28	-5.52	
S&P GSCI	-9.86	-17.79	-14.26	-15.93
S&P GSCI Agriculture	0.89	-1.34	-0.26	-12.61
S&P GSCI Energy	-13.52	-22.96	-18.59	-17.12
S&P GSCI Industrial Metals	-5.88	-11.68	-8.14	-23.78
Uranium USD	0.39	0.87	-2.57	-7.60
WTI Crude Oil Booster	-12.56	-23.83	-20.64	-18.04
ETF Securities Limited				
Aluminium	-8.57	-15.52	-12.84	-30.95
Cocoa	-1.02	-5.19	-5.01	-30.74
Coffee	-12.34	-14.64	-33.84	-40.88
Copper	-5.21	-12.49	-5.80	-20.70
Corn	4.83	-1.63	0.07	-8.82
Cotton	-0.39	-15.26	-15.97	-37.99
Crude Oil	-13.85	-25.69	-23.93	-20.47
Energy	-11.75	-18.88	-23.71	-30.97
Ex Energy	-0.45	-6.04	-4.05	-12.80
Gasoline	-12.71	-21.74	-7.60	-6.09
Gold Bullion	-0.71			-15.41
Gold	-0.41	-4.64	-5.04	0.50
Livestock	0.65	-3.84	-8.15	-5.76
Natural Gas	-4.41	-4.35	-37.48	-61.41
Nickel	-2.41	-10.92	-14.38	-26.26
Petroleum	-13.16	-23.72	-17.89	-15.44
Physical Aluminium	-8.17	-15.48	-11.56	-31.45
Physical Copper	-4.62	-11.19	-3.87	-18.76
Physical Gold	-1.00	-4.21	-4.48	1.48
Physical Lead	-6.63	-11.09	-12.48	-30.85
Physical Nickel	-1.54	-9.43	-13.36	-23.81
Physical Palladium	0.87	-6.21	-4.23	-19.19
Physical Platinum	-1.21	-10.38	-0.27	-17.26
Physical Silver	-3.20	-14.54	-9.22	-23.97
Silver	-4.90	-14.75	-10.18	-27.52
Tin	-4.34	-14.98	-4.53	-26.31
Wheat	-2.15	2.63	3.11	-10.97
WTI 1 Year	-10.71	-21.77	-16.54	-15.96
HSBC Global Asset Management				
DJ Euro Stoxx 50	-3.00	-16.69	-5.94	-27.82
FTSE 100 TR	-0.66	-7.44	-0.02	-4.20
FTSE 250 TR	-0.56	-8.22	7.44	-7.30
FTSE EPRA/NAREIT Developed	2.61	1.15	11.46	2.04
MSCI Brazil	-0.36	-20.44	-10.77	-25.57
MSCI Canada	-0.04	-8.41	-1.98	-14.14
MSCI China	-2.96	-8.89	-2.45	-15.94
Msci EM Far East	0.37	-6.96	1.95	-11.15
MSCI EM Latin America	1.01	-14.33	-4.17	-17.44
MSCI Emerging Markets	0.95	-9.39	1.52	
MSCI Europe	-2.41	-11.59	-2.09	-18.99
MSCI Indonesia	-3.77	-5.84	-6.07	-7.58
MSCI Japan	-0.37	-10.36	-0.55	-9.35
MSCI Korea	1.67	-8.27	1.76	-12.23
MSCI Malaysia	2.46	-0.51	5.33	-1.53
MSCI Pacific Ex Japan	0.87	-5.29	2.43	-8.18
MSCI South Africa	2.36	-3.59	6.28	-2.39
MSCI Taiwan	-1.77	-10.05	2.97	-14.38
MSCI Turkey	5.98	-2.60	18.65	-10.78
MSCI US	-1.48	-5.77	4.71	3.75
MSCI World	-0.33	-7.11	3.06	-3.92
S&P 500	-1.15	-5.50	5.02	4.97
S&P BRIC 40	1.21	-12.91	-3.06	-17.24
iShares				
AEX	-0.83	-11.39	-4.61	-18.04
DJ Asia Pacific Select Dividend 30	2.01	-5.86	4.50	-0.46
DJ Emerging Markets Select Dividend	5.92	-6.99	6.60	
DJ Europe Sustainability Screened EUR	-2.03	-12.40	-1.42	-18.51
DJ Global Sustainability Screened	2.88	-8.16	0.73	-9.01
EURO STOXX 50 Inc	-2.22	-16.13	-6.06	-28.04

EURO STOXX Mid EUR	-4.15	-15.76	-1.77	-29.20
EURO STOXX Select Dividend 30	-2.09	-14.02	-7.79	-25.48
EURO STOXX Small	-3.25	-13.95	-1.82	-27.73
FTSE 100	0.38	-6.55	1.03	-3.15
FTSE 250	0.69	-7.09	8.68	-6.20
FTSE BRIC 50	3.56	-13.31	-4.94	-17.98
FTSE China 25	-0.47	-10.18	-6.82	-18.99
FTSE Developed World Ex UK	0.07	-8.60	0.88	-6.20
FTSE MIB	-0.10	-19.69	-11.98	-37.90
FTSE UK All Stocks Gilt	1.67	4.80	2.80	15.04
FTSE UK Dividend Plus	1.14	-8.54	4.07	-6.25
FTSEurofirst 100	-1.09	-11.46	-2.35	-16.43
FTSEurofirst 80	-1.90	-14.74	-4.17	-26.27
JPMorgan USD Emerging Markets Bond	3.48	3.03	7.23	13.31
Markit iBoxx EUR Corporate Bond	-3.45	-5.98	-1.46	-6.78
Markit iBoxx Euro Covered Bond	-3.57	-6.15	-1.59	-6.81
Markit iBoxx Euro High Yield	-2.52	-7.06	3.02	-8.60
Markit iBoxx GBP Corporate Bond 1-5	0.73	0.16	4.12	1.73
Markit Iboxx GBP Corp. Bond Ex Financials	1.61	3.28	4.65	11.75
Markit iBoxx GBP Corporate Bond	1.70	2.64	5.21	9.18
Markit iBoxx USD Corporate Bond	2.89	3.67	7.43	11.51
Markit iBoxx USD High Yield Capped Bond	2.71	2.01	7.10	
MSCI AC Far East Ex Jap	3.53	-6.52	3.34	-8.35
MSCI AC Far East Ex Japan SmallCap	1.86	-8.61	3.99	-12.95
MSCI ACWI	0.48	-8.76	0.71	
MSCI Australia	5.69	-5.57	0.17	-8.93
MSCI Brazil	2.10	-19.08	-9.12	-22.25
MSCI Canada	0.24	-8.77	-3.13	-13.98
MSCI Eastern Europe 10/40	0.46	-15.59	-1.74	-27.26
MSCI EM Latin America	2.31	-13.01	-2.57	-12.63
MSCI Emerging Markets Inc	4.79	-9.43	1.36	-13.25
MSCI Emerging Markets Islamic	4.38	-11.09	-2.88	-15.97
MSCI Emerging Markets Small Cap	3.13	-9.52	3.74	-16.45
MSCI Europe Ex EMU	-0.82	-7.66	1.75	-6.34
MSCI Europe Ex UK	-2.38	-13.02	-1.91	-22.25
MSCI Europe Inc	-1.69	-10.86	-0.42	-15.76
MSCI GCC Countries ex-Saudi Arabia	-4.15	-6.28	-3.02	-8.42
MSCI Japan Inc	0.45	-11.11	-0.99	-8.28
MSCI Japan Monthly EUR Hedged EUR	0.70	-17.90	-3.42	-21.31
MSCI Japan SmallCap	2.48	-6.21	0.63	-2.37
MSCI Korea	6.27	-6.98	3.90	-9.22
MSCI Mexico IMI Capped	3.68	-3.17		
MSCI North America	1.41	-4.25	5.23	4.95
MSCI Pacific Ex Japan	4.90	-5.64	2.67	-7.46
MSCI Poland	6.59	-7.71	3.52	-31.61
MSCI Russia Capped Swap	-1.56	-19.35	-6.31	-27.73
MSCI South Africa	4.57	-1.12	8.93	-0.13
MSCI Taiwan	0.96	-10.61	1.90	-13.46
MSCI Turkey	6.42	-2.18	19.55	-10.06
MSCI USA Islamic	-2.18	-6.46	-0.13	0.68

MSCI USA	-1.46	-6.66	3.45	4.26
MSCI World Inc	0.91	-8.35	0.98	-5.19
MSCI World Islamic	-0.29	-8.18	-1.96	-7.29
MSCI World Monthly EUR Hedged EUR	-0.60	-11.56	-2.04	-13.89
MSCI World Monthly GBP Hedged GBP	-0.37	-8.15	1.68	-3.89
Physical Gold ETC	0.04	-3.18	-3.42	2.68
Physical Palladium ETC	0.88	-6.18	-4.17	-19.11
Physical Platinum ETC	0.00	-9.28	0.98	-16.18
Physical Silver ETC	-0.61	-12.25	-6.75	-21.88
S&P 500 Inc	-1.07	-6.20	3.74	4.99
S&P CNX Nifty India Swap	6.77	-10.02	2.31	-20.60
S&P Global Clean Energy	2.33	-21.42	-17.09	-52.07
S&P Global Timber & Forestry	1.38	-10.26	-3.11	-13.76
S&P Global Water	1.17	-3.90	4.58	-2.45
S&P SmallCap 600	0.50	-5.82	2.33	2.86
Stoxx Europe 50	-0.60	-10.01	-1.64	-14.72

Lyxor Asset Management

Australia S&P ASX 200	1.06	-6.52	0.37	-9.23
Broad Commodities Momentum	-4.90	-13.95		
Broad Commodities Optimix	-5.72	-12.74		
DAX	-4.64	-15.02	1.58	-24.11
DAXplus Covered Call	-3.20	-13.45	-2.93	-20.35
DAXplus Protective Put	-4.73	-11.01	4.43	-11.76
Euro Stoxx 50	-2.34	-16.41	-6.35	-28.39
FTSE 100	-0.74	-7.43	0.07	-3.97
FTSE 250	-0.40	-8.01	7.59	-7.03
FTSE All Share	-0.38	-7.20	1.47	-4.24
LevDAX	-6.44	-23.93	7.26	-40.56
MSCI Asia Apex 50	0.70	-7.53	5.32	-6.00
MSCI World Consumer Discretionary	0.69	-6.00	7.70	1.08
MSCI World Consumer Staples	1.84	0.15	3.61	6.89
MSCI World Energy	-1.60	-11.58	-9.36	-12.13
MSCI World Financials	2.39	-9.62	4.33	-12.51
MSCI World Health Care	1.47	-0.31	4.35	4.17
MSCI World Industrials	0.11	-7.45	1.03	-9.15
MSCI World Information Technology	0.09	-8.63	7.54	9.69
MSCI World Materials	-0.61	-11.71	-5.44	-20.90
MSCI World Telecommunication Services	3.15	0.71	1.99	-2.42
MSCI World Utilities	2.56	-0.96	-1.57	-4.66
S&P 500 B USD TR	-0.43	-5.55	4.50	5.54
S&P GSCI Aggregate 3 Month Forward	-5.70	-13.00		
S&P GSCI Aggregate Inverse 1 Mth Fwd	5.99	13.93		
S&P GSCI Agric & Livestock 3 Mth Fwd	1.19	-17.51		
S&P GSCI Industrial Metals 3 Mth Fwd	-5.31	-14.00		
S&P GSCI Inverse Agri & L'stock 1 Mth Fwd	-0.13	11.50		
S&P GSCI Inverse Ind Metals 1M Fwd	6.94	9.22		
S&P TSX 60	1.05	-7.87	-1.98	-12.50
Wig 20	6.56	-7.64	3.54	-31.69
Wig 20	6.56	-7.64	3.54	-31.69

THE PIT

TALES FROM THE CITY

ICE Futures' director gears up to cycle Britain

The Pit is hopeful the trading community will be digging deep this month in support of Matt Levy, technical account director at Ice Futures Europe.

Levy is attempting an epic feat – to cycle the full length of Britain. All eyes will be on Matt's ride which kicks off on 8 September in Land's End and ends an exhausting nine days and 960 miles later in John O'Groats.

Proceeds raised from sponsoring Matt will be divided up amongst three charities.

The first, Beit Halochem UK, is a charity devoted to raising money for the Beit Halochem centres in Israel that provide lifelong support for the Israeli disabled soldiers and victims of terrorism (**justgiving.com/MattLevy-BeitHalochem**).

The second charity is 'Breathing Matters' which is a respiratory research fund that is part of the UCLH charity. It has been set up to raise awareness and to work with patients to help find a cure for Interstitial Lung Diseases such as Pulmonary Fibrosis and other Respiratory Infections such as Bronchiectasis and Pneumonia (**justgiving.com/MattLevy-BreathingMatters**).

The third charity is Born to be Beautiful which gives skills in beauty therapy to those caught in the poverty trap and would, under normal circumstances have no ability to gain an education. (**mycharitypage.com/MattLevyBtobB).**

IndexTrader hacks prepare for City battle

Never let it be said that the *IndexTrader* hacks don't like a challenge.

Fresh from conquering the recent Square Mile Run circuit, our 'Fleet Street Runners' team has been in training for the forthcoming JP Morgan Challenge which takes place on Wednesday and Thursday next week.

Those of you looking to compete will have to find a team that has already booked places as new registrations are no longer available.

However, for those of you registered to represent IG, ICAP, Barclays, Morningstar, SocGen, or Schroders, we look forward to disappointing you when we claim the title... But if our strict diet of smoking and drinking doesn't quite work out, please do come over and rub it in.

IF YOU CAN'T WALK THE WALK...

The Pit was amused to overhear a group from a certain exchange traded fund firm discussing the gait of their in-house PR person. According to the enthused pub chat, it would appear she's quite the figure-of-fun in the office, purely for her inability to walk in high heels.

After a few jars, the boisterous group were only too happy to tell us some insider secrets to test the female they admitted was 'very good' at her job. Let's hope she's better at fielding press enquiries than she is walking in heels...