Week 9

3rd – 9th March 2015

Multi-asset fundamental analysis

John Lewis

Authorised and regulated by the FSA

SUMMARY

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+ EURODOLLARS	SQUARE
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+ S&P 500	BULLISH

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+ FTSE	BULLISH

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This week's global calendar

	Week of 2nd March
Monday	US Persnl income 0.4% US Persnl spndg -0.1% US Core PCE 0.1m, 1.2y US Construction spndg 0.3m, US ISM Mfg 53.2 US Prices paid 40 UK Nat'nwide hse prces 0.4m, 6.2y UK Cons credit 0.9B UK Net lndg on dwellgs 1.7B UK Mrtge aprvls 61.0K UK PMI Mfg 53.4 IT PMI Mfg 50.3 FR PMI Mfg 47.7 DM PMI Mfg 50.9 EZ PMI Mfg 51.1 EZ Unemploym't rate 11.4% EZ CPI Estimate 0.5 JP PMI Mfg 51.5 JP Vehicle sales n/f JP Loans & discount corp n/f
Tuesday	US ISM NYK n/f UK PMI Construction 59.0 DM Retail sales 0.4m, 2.6y EZ PPI -0.7m, -3.1y JP Labour cash earngs n/f
Wednesday	US MBA Mrtge apps n/f US ADP Employmnt chge 210k US ISM Non-mfg 56.5 US Fed's Beige Book UK BRC Shop prces n/f UK PMI Services 57.4 IT PMI Services 51.4 FR PMI Services 53.4 DM PMI Services 55.5 EZ PMI Services 53.9 EZ Retail sales 0.1m, 1.9y JP PMI Services n/f

	Week of 2nd March
Thursday	US Q4 Non-farm prdctvty -2.4% US Q4 Unit labour cost 3.3% US Jobless claims 319k US Fctory orders -0.5% UK MPC/BOE AP Target £375B UK MPC Rate decision 0.5% DM Factory orders -0.9m, IT Q4 GDP 0.0q, -0.3y EZ ECB Rate decision 0.05%
Friday	US Non-farm payroll 240k US Unemploym't rate 5.6% US hourly earngs 0.2m, 2.1y US Averge wrk week 34.6 US Trade bal -$41.8B US Cons CR $15.000B UK Halifax hse prces -0.3m, 8.5(3m/y) DM Ind production 0.5m, EZ Q4 GDP 0.3q, 0.9y

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Last week's releases

	Week of 23rd February
Monday	US Existing home sales 4.82M **LESS** UK CBI Sales 1 **WEAKER** DM IFO 106.8 **WEAKER** JP Super mkt sales -1.7% **BETTER** JP Corp service prces 3.4% **WEAKER** **THAN EXPECTED**
Tuesday	US Case/shiller Comp-20 4.46y **STRNGER** US Cons conf 96.4 **WEAKER** DM Q4 GDP 0.7q, 1.6y **AS** EZ CPI -1.6m, -0.6y **AS** JP Sml business conf 46.5 **LESS** **THAN EXPECTED**
Wednesday	US MBA Mrtge apps -3.5% **BETTER** US New Home Sales 481k **BETTER** UK BBA home buyer loans 36.394K **MORE** **THAN EXPECTED**

	Week of 23rd February
Thursday	US Durable goods 2.8% **STRONGER** US DG Ex-transport 0.3% **WEAKER** US Jobless claims 313k **WORSE** US CPI -0.7m, -0.1y **LESS** US CPI Ex-f&e 0.2m, 1.6y **STRONGER** US Hse price indx 0.8% **STRONGER** UK GFK Cons conf 1 **WEAKER** UK Q4 GDP 0.5q, 2.7y **AS** UK Indx of srvics 0.6q, 0.8(3m/3m) **WEAKER** UK Tot bus invstmnt -1.4q, 2.1y **WEAKER** DM GFK Cons conf 9.7 **BETTER** DM Unemploym't chge -20k **BETTER** DM Unemploym't rate 6.5% **AS** EZ M3 (y/y) 4.1% **STRONGER** EZ M3 (3m)3.6% **STRONGER** EZ Services conf 4.5 **WEAKER** EZ Ind conf -4.7 **BETTER** EZ Cons conf -6.7 **BETTER** JP CPI 2.4y **AS** JP Tokyo CPI 2.3y **AS** JP Jobless rate 3.6% **BETTER** JP Househld spndg -5.1y **WEAKER** JP Ind production 4.0m, -2.0y **BETTER** JP Retail trade -1.3m, -2.0y **WORSE** JP Lrge retail sales 0.0% **BETTER** **THAN EXPECTED**
Friday	US Q4 GDP (A) 2.2% **MORE** US Q4 GDP Price indx 0.1q **MORE** US Q4 Core PCE 1.1% **AS** US Q4 Persnl consumptn 4.2% **LESS** US Chicago PMI 45.8 **WORSE** US U. of Michigan conf 95.4 **STRONGER** US Pndg home sales 1.7m, 6.5y **LESS** DM Import prices -0.8m, -4.4y **STRONGER** DM CPI 0.9m, 0.1y **STRONGER** JP Vehicle production -9.7% **WORSE** JP Constrctn orders 27.5 **STRONGER** **THAN EXPECTED**

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US MARKETS: economic background

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Last week’s focus was the Q4 GDP report. Downward revisions were expected.

In the event the report was revised lower, but a little less than expected. Other data released last week showed better than expected New Home saes, but an unwelcome spike in jobless claims and collapse in Chicago PMI?

Looking ahead there are several reports due this week, as detailed on the global calendar, but we judge these are the week’s **key** releases:

- On Monday; **Personal spending and income, Core PCE, construction spending and ISM Manufacturing survey,**
- On Tuesday; **ISM New York survey,**
- On Wednesday; **ADP Employment change, ISM non-manufacturing survey and the Fed’s Beige Book,**
- On Thursday; **Jobless claims, Q4 non-farm productivity, Q4 unit labour costs and factory orders, and**
- On Friday; **non-farm payroll, unemployment rate, average hourly earnings, average work week, trade balance and consumer credit.**

The ISM surveys are important, but we judge the key release is non-farm payroll.

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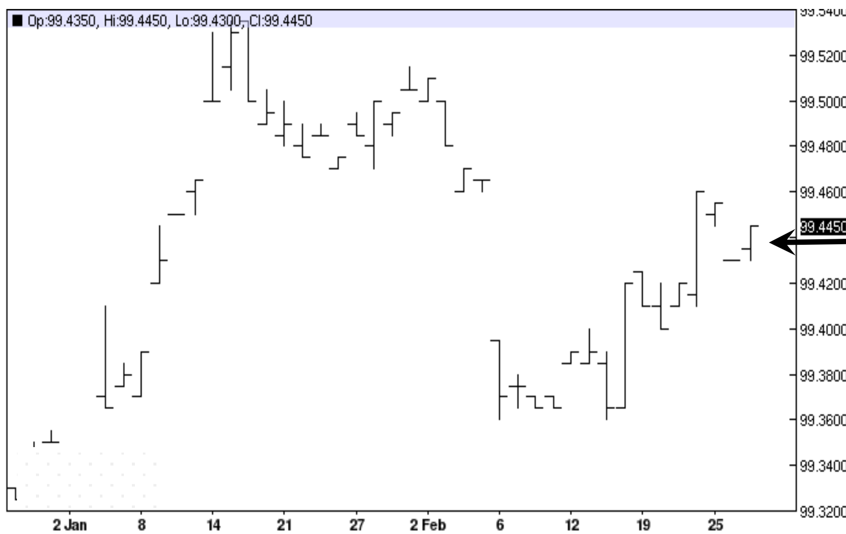
US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars paused last week on a slightly better than expected Q4 GDP report.

The Macro Trader's view of Eurodollars is; last week we said...

…"Looking ahead Q4 GDP is due, a weak report will help the market recover a little further"…

In the event the GDP report was revised down, but not as much as expected and the detail offers optimism going forward.

Looking ahead a packed week data wise with both ISM surveys and non-farm payroll due.

We expect data to begin showing signs of improvement so the upside may well be capped.

For now stay square.

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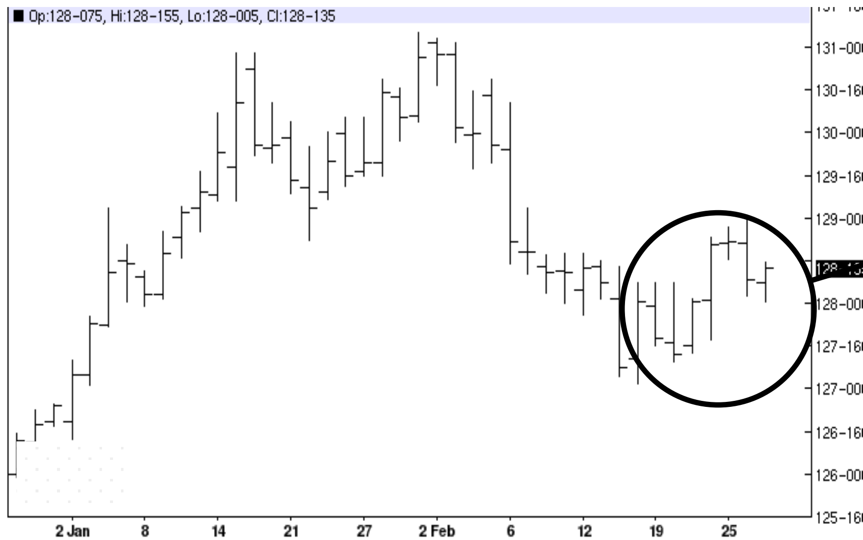
US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note bounced but unconvincingly so.

The Macro Trader's view of the 10 year note is: last week we said...

…"Looking ahead Q4 GDP stands out this week; weakness will place an even bigger question mark over the Fed's policy intentions"…

In the event a slightly better Q4 GDP report than expected, and Yellen's Senate testimony leaves the way clear for the Fed to hike as and when policy makers judge the time is right.

Looking ahead the key release this week is non-farm payroll. Although jobless claims have been ticking higher, a better than expected report here will put the focus squarely on the Fed and weigh on this market.

For now though we are staying square as we judge the trading range is likely to remain constrained in either direction.

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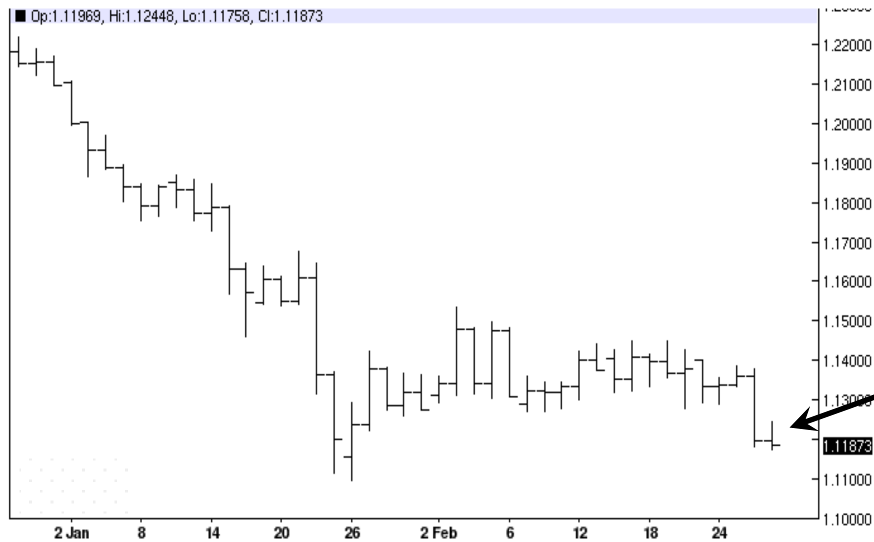
US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the EURO.

Last week we were Bullish v the Euro.



The Dollar received a boost from Yellen's testimony last week when a mid-year rate hike looks back on the agenda.

The Macro Trader's view of the Dollar is; last week's data was broadly better than expected, but the main surprise was Yellen's testimony in the Senate and House.

The previous week's FOMC minutes left traders with a picture of a Fed anxious not to act to hastily in case of upsetting the recovery; Yellen's remarks last week corrected that and showed the Fed could act at any meeting.

Looking ahead both ISM surveys and non-farm payroll are due, Better than expected reports, especially the payroll report, will quicken pulses and support the Dollar.

We remain medium/long term Dollar Bulls.

Traders should be long the Dollar, short the Euro.

Our target remains 1.0810, and our suggested stop continues at 1.1575 for close protection.

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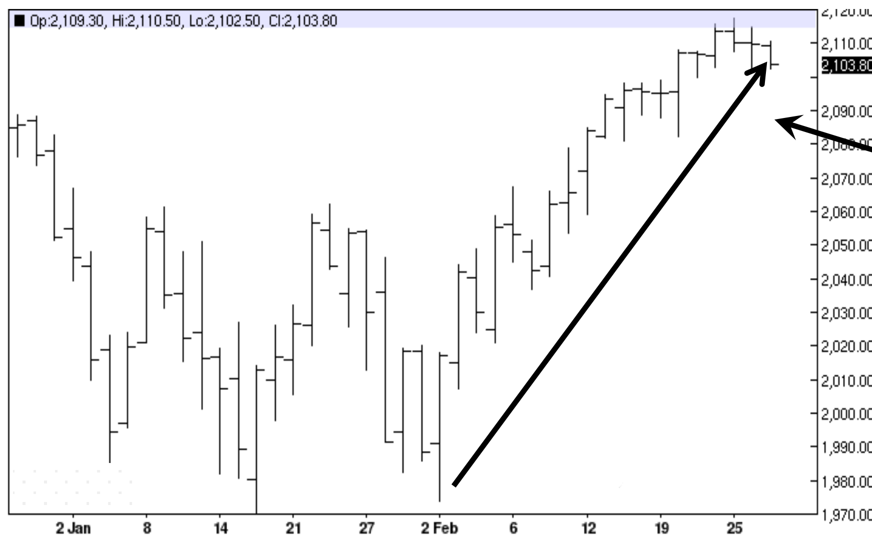
US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of the S&P 500.



The S&P held its gains despite Yellen's remarks.

The Macro Trader's view of the S&P 500 is: last week's price action consolidated the recent rally, despite Yellen's remarks in the senate that leaves the way clear for a rate hike at any of the up coming FOMC meetings.

Looking ahead several key indicators due this week including both ISM surveys and non-farm payroll and with Germany backing the Greek stop gap funding deal, equity markets could see a solid start to March trading.

We remain long term Bulls of this market.

Traders should be long this market.

Our target remains 2160.0 and our stop continues at 2065.0 for protection.

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UK MARKETS: economic background

Last week our focus was the Q4 GDP report. No revisions were expected.

In the event the report was as expected, however two other reports; index of services and total business investment were weaker than expected, leaving the MPC plenty of scope to keep policy on hold throughout this year.

Looking ahead there are several reports due this week, as detailed on the global calendar, but we judge these are the week's **key** releases :

- On Monday; **Nationwide house prices, consumer credit, net lending on dwellings, mortgage approvals and PMI Manufacturing survey,**
- On Tuesday; **PMI Construction survey,**
- On Wednesday; **BRC Shop prices and PMI Services,**
- On Thursday; **MPC/BOE Policy decision and AP target, and**
- On Friday; **Halifax house prices.**

The calendar is packed this week with the PMI Surveys and Bank of England policy decision the key events.

We judge the one to watch is the PMI Services survey. The economy remains driven by the service sector so a strong report will re-assure the economy remains on track.

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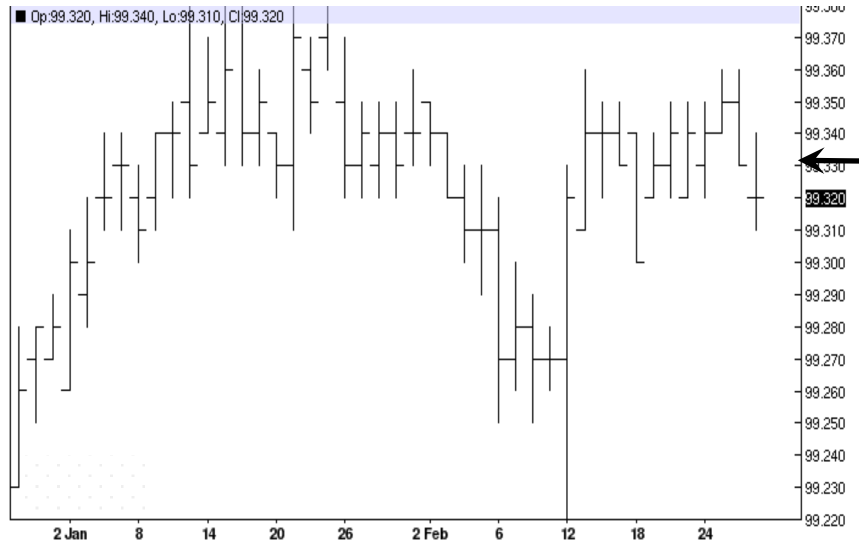
UK MARKETS: Short Sterling

OUR TRADING STANCE; SQUARE.

Last week we were Square of Short Sterling.



Short Sterling remains largely range bound.

The Macro Trader's view of Short Sterling is: last week we said...

…"Looking ahead Q4 GDP due on Friday. No revisions are expected"…

In the event the report was as expected, leaving the market range bound.

The Bank has hinted policy could e eased if inflation goes too negative, but if growth holds up?

Looking ahead the PMI surveys are due, we expect the result to show the economic expansion remains on track.

Inflation will need to go negative on a year on year basis for the Bank to ease further and that will need oil prices to remain weak and the Pound to at least hold current levels against the Dollar.

For now stay square this market just isn't a sell and it is already too close to the recent highs to buy.

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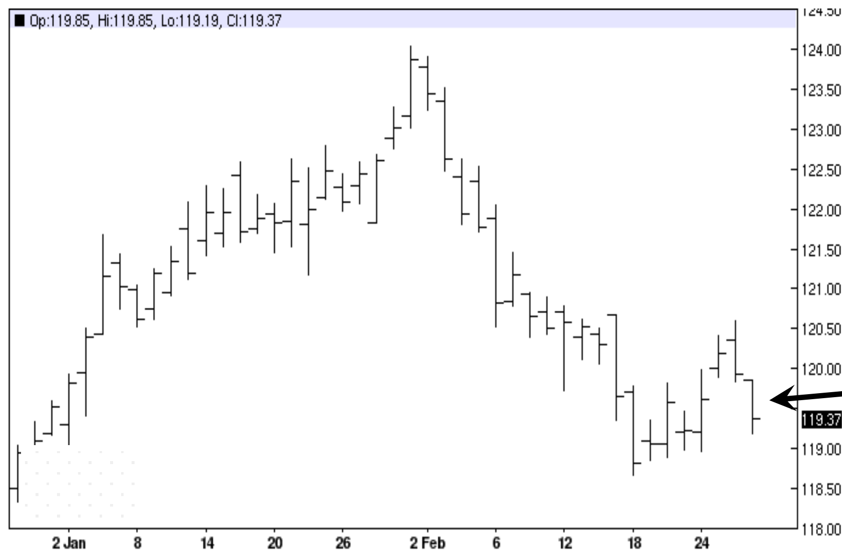
UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt struggled to recover from the recent sell off.

The Macro Trader's view of the Gilt is; last week's price action showed the limitations the Bulls currently face in this market.

While the Bund continues to enjoy solid support, the Gilt is under pressure.

Despite record low inflation that looks set to go lower and interest rates remaining at low levels and indicated by the Bank, could go lower if deflation takes hold, traders are focussing increasingly on the May General election and what a change of government could mean for UK Government finances.

Looking ahead the PMI surveys are due, we expect the outlook for the economy to remain little changed.

For now remain square here.

The upside looks limited by the looming election and inherent political risk, but is the market such a good sell with the current low inflation environment?

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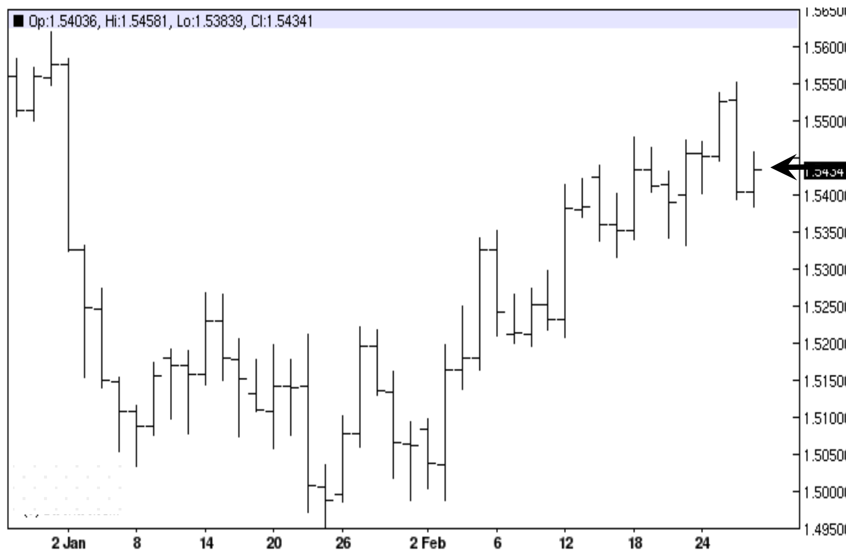
UK MARKETS: Sterling

OUR TRADING STANCE; BULLISH v the EURO

Last week we were Bullish v the Euro



See how Sterling remains supported against the pausing Dollar.

The Macro Trader's view of the Pound is: last week's price action revealed the Pound remains well supported. UK Q4 GDP was as expected and although US Q4 GDP was slightly better than forecast, the outlook for the UK economy remains very solid.

Looking ahead the three PMI surveys are due and we expect the outlook for the UK economy to remain bullish.

However in the US the ISM surveys and non-farm payroll are due and as ever the payroll report has the greatest potential to move the markets, especially the Dollar.

Add in Yellen's testimony to Congress last week and the Dollar could soon be retesting the highs. But we judge Sterling has an edge; the ECB starts QE this month and we expect the UK economy to be a significant secondary beneficiary, meaning Sterling should retain support

We are staying square of Cable, as US rates could rise in the coming months, but Long against the Euro.

Traders should be long Sterling/Short the Euro, Our target remains 0.7100, but our stop continues at 0.7635 for closer protection.

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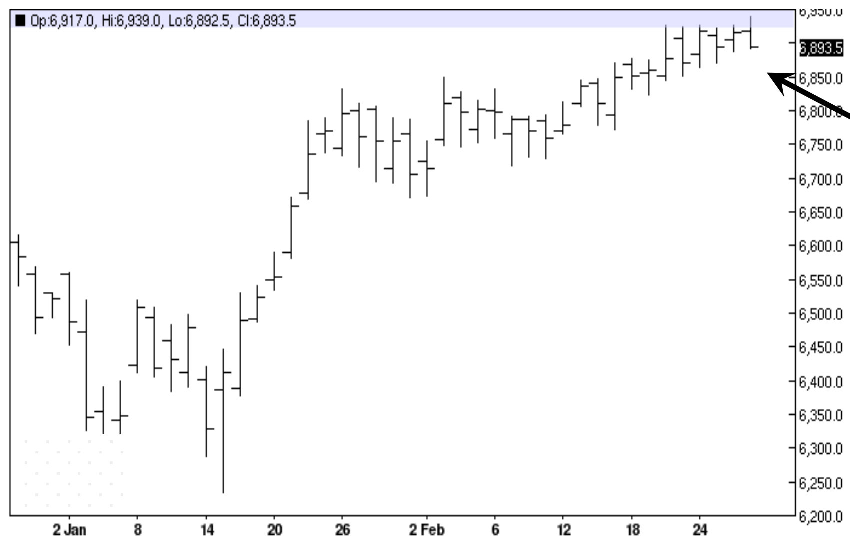
UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were Bullish.



See how the FTSE continues to nudge higher.

The Macro Trader's view of the FTSE is; last week's price action saw the FTSE nudge towards new highs.

Q4 GDP met consensus and the outlook for growth looks solid and despite the political risk posed by the up-coming general election the market remains bullish.

Concerns about the impact low oil prices will have on the mining/oil production sector are being replaced by optimism about the impact the low oil price will have on growth.

Looking ahead the three PMI surveys are due, we expect the outlook for growth to remain solid.

We remain long term bulls of this market based on the UK's growth and inflation outlook.

Our suggested target is now set at 7120.00, and our suggested stop is raised to 6765.00 for closer protection.

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EURO ZONE MARKETS: economic background

Last week's focus was the German Q4 GDP report, as the Euro zones strongest economy the health of the German economy is key.

In the event the German GDP report was as expected, and with the Greek authorities reaching an agreement with their creditors the focus shifted towards the up coming ECB QE program.

Looking ahead there are several key reports due which are detailed on the global calendar, but we judge these are the week's **key** releases:

- On Monday; **Italian, French, German and Euro zone PMI manufacturing surveys, Euro zone unemployment rate and CPI estimate,**
- On Tuesday; **German retail sales and Euro zone PPI,**
- On Wednesday; **Italian, French, German and Euro zone PMI Services surveys and Euro zone retail sales,**
- On Thursday; **German factory orders, Italian Q4 GDP and ECB Rate decision, and**
- On Friday; **German industrial production and Euro zone Q4 GDP.**

The key releases this week are the various PMI surveys.

The recent German GDP report was better than expected and that is before the ECB's QE program begins, if the PMI surveys show further improvement confidence and sentiment will start to grow.

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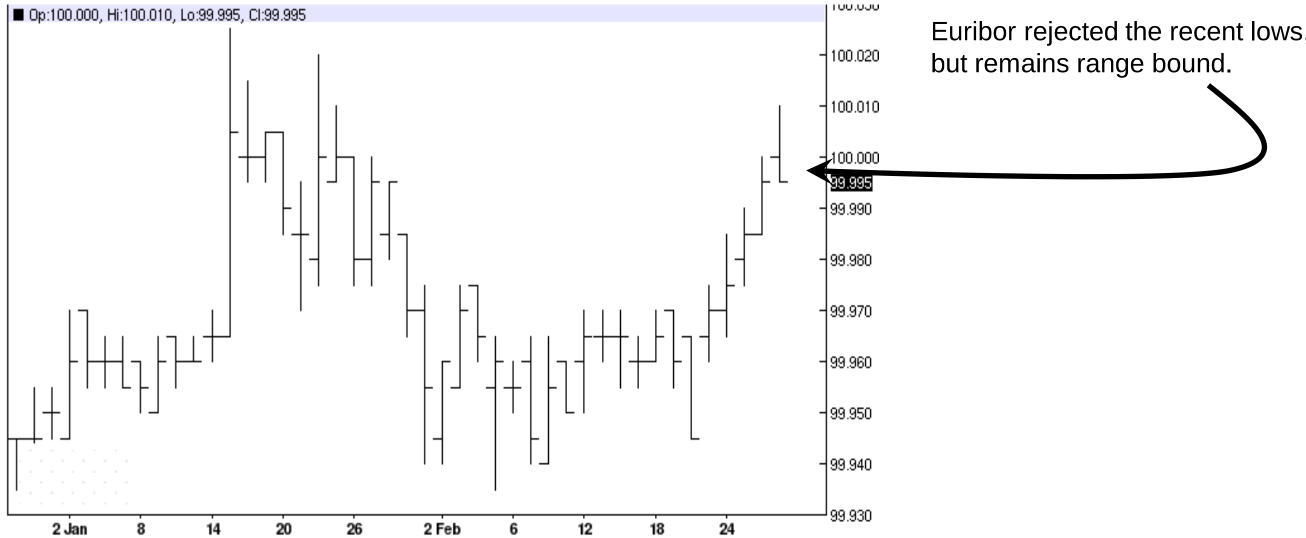
EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



The Macro Trader's view of Euribor is; last week we said…

…"Looking ahead the key release is German Q4 GDP, but we doubt it will have a significant impact on this market"…

In the event German Q4 GDP met consensus, but the market corrected higher as Greece and her creditors agreed a four month stop gap deal.

Looking ahead the PMI surveys are the key releases this week. Recent reports have shown some small improvement.

But with the ECB's QE program about to begin this month the upside in this market is limited as there is little or no prospect of any new policy initiative from the ECB until policy makers have had several months to evaluate the programs impact on the economy.

For now remain square.

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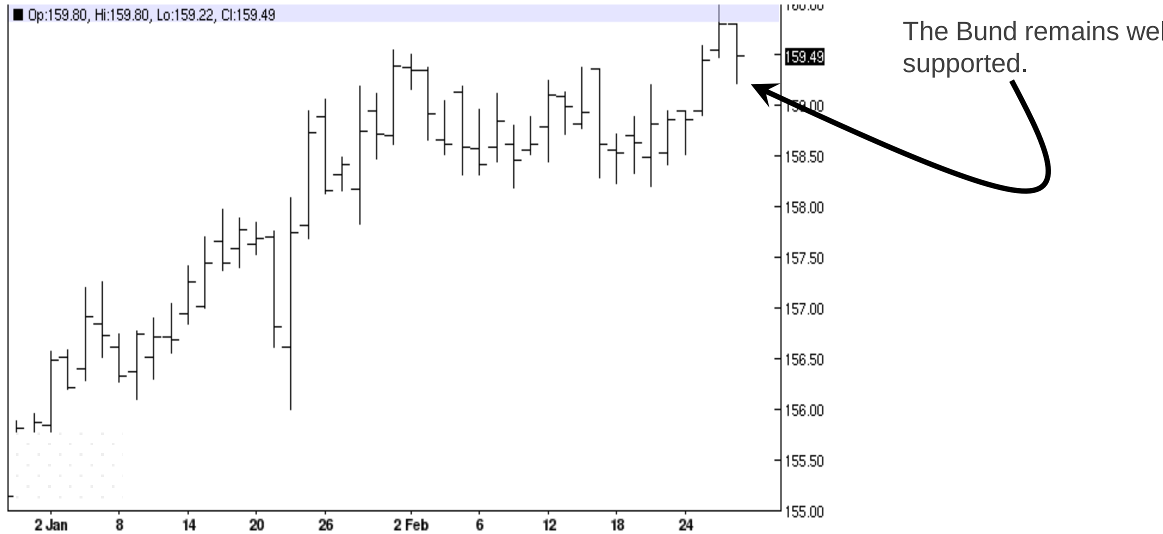
EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of The Bund.



The Macro Trader's view of the Bund is: last week's price action confirmed the degree of support in this market.

German Q4 GDP met consensus, but the wider Euro zone economy continues to need additional support and that is set to arrive this month in the shape of the ECB's QE program.

But the combination of negative inflation, Central Bank Bond buying and slow recovery will ensure the Bund remains a Bull market Short/Medium and Long term.

Looking ahead the various Euro zone PMI surveys are due, ahead of the ECB's QE program the degree of improvement is expected to remain limited at best.

Traders should be long of this market.

Our target is raised to 160.90 and our suggested stop raised to 158.80 for closer protection.

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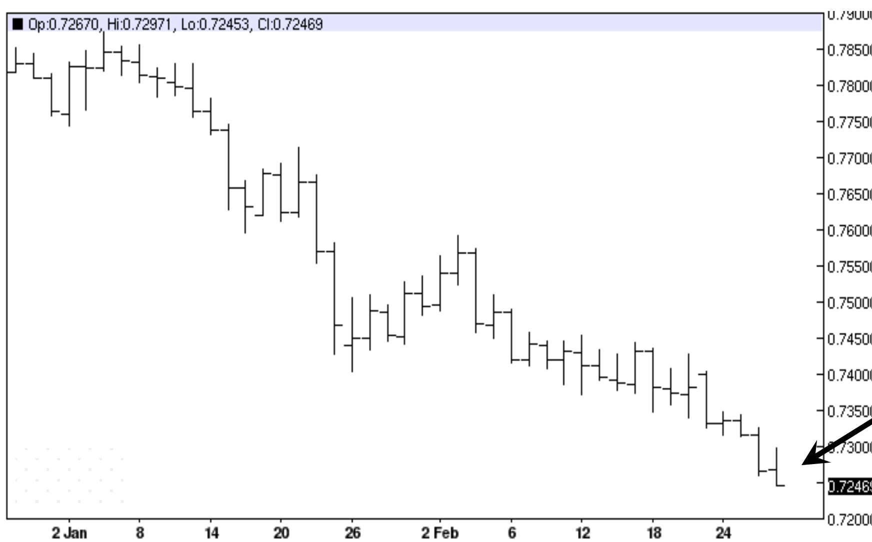
EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BEARISH v the DOLLAR & STERLING

Last week we were Bearish v the Dollar & Sterling



The Euro remains under pressure against the Dollar and the Sterling.

The Macro Trader's view of the Euro; last week's price action continued to favour Sterling and once again the US Dollar following a period of consolidation.

In the UK growth remains well supported with low inflation together with policy looking set to remain at current settings for an extended period at least; the Bank might ease if deflation takes hold.

In the US although data has remained a little mixed, Yellen's testimony in Congress last week made it quite clear the Fed is looking for an opportunity to start hiking rates in the not too distant future.

And although German Q4 GDP was as expected, the Euro zone economy as a whole remains in need of the stimulus the up-coming ECB QE program is expected to deliver.

Looking ahead several key reports due in the Euro zone, UK and US, but we judge all eyes will be on Friday's US non-farm payroll report.

Traders should be long the Dollar/short the Euro and Long Sterling/Short the Euro..

Our suggested target in Dollar/Euro continues at 1.0810, and our suggested stop remains set at 1.1575 for close protection.

In Sterling/Euro our suggested target remains 0.7100 and our suggested stop continues at 0.7635 for close protection.

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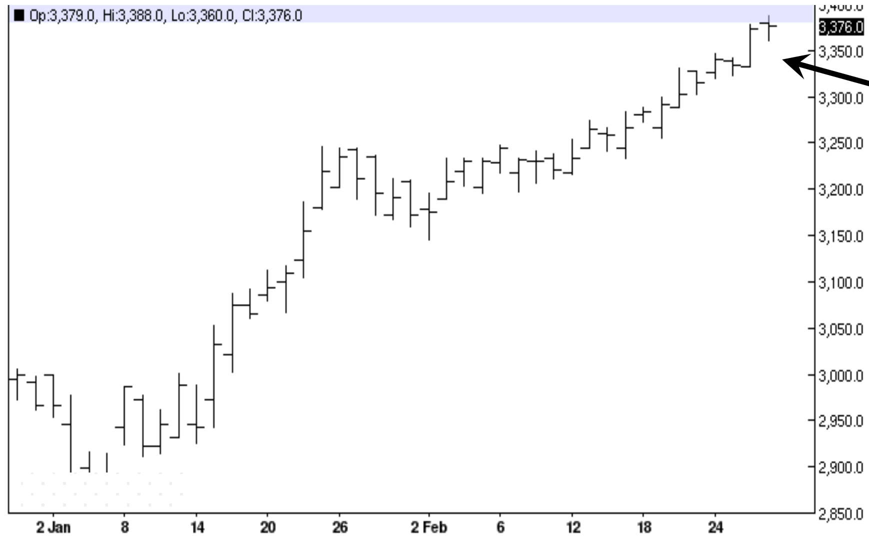
EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market extended the rally after Greece agreed terms with her EU/EZ creditors.

The Macro Trader's view of DJ Euro Stoxx 50 is:

last week's price action reflected the relief felt by traders and policy makers that Greece and her EZ/EU creditors had agreed terms over an interim funding deal.

Add in the as expected German Q4 GDP report and equity traders remained optimistic.

Looking ahead several key data releases due including the various Euro zone PMI surveys.

But with the ECB about to start it's 18 month QE program data would need to be materially worse than expected to knock the positive sentiment that has built up in this market.

For now though we are remaining stay square, preferring to stay focussed on the S&P, FTSE and DAX.

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Disclaimer

JAPANESE MARKETS: economic background

Last week's focus was the Industrial production report, regarded as a key measure of economic health.

In the event the report was better than expected, cementing the view that Japan is out of recession, at least for now.

Looking ahead there are several key reports due which are detailed on the global calendar, but we judge these are the week's **key** releases:

- On Monday; **PMI Manufacturing survey and vehicle sales,**
- On Tuesday; **labour cash earnings, and**
- On Wednesday; **PMI Services survey.**

The key releases this week are the two PMI surveys.

Better than expected results here will provide further evidence of Japan's emergence from recession..

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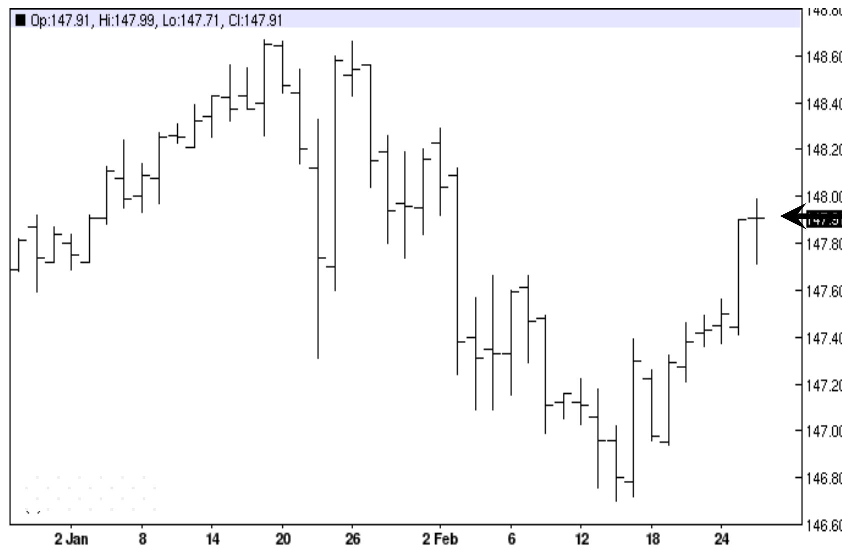
JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB found support as China eased policy.

The Macro Trader's view of the JGB is: last week we said...

…"Looking ahead the key release this week is industrial production, but even if that number falls short of consensus, will this market recover?"…

In the event the report was better than expected, but the market still managed to rally, helped by softer inflation and an easing of policy in China.

Looking ahead the two PMI surveys are due and traders will be seeking evidence that shows the economy pulling further away from recession.

We remain uninterested in the JGB.

It seems to lack direction and is likely heading for a period of range trading..

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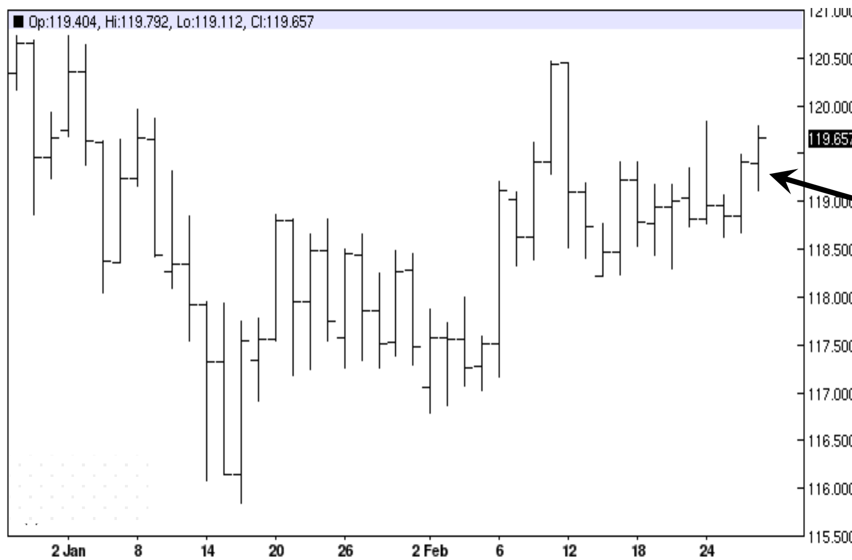
JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square v the Dollar



The Yen remains range bound but is setting up a test of the upper boundary (renewed Yen weakness).

The Macro Trader's view of the Yen is; last week we said and repeat…

…"The Yen remains under pressure against the Dollar, but for the last several weeks has been in a clear sideways trading pattern"…

And on balance that looks set to continue and within it seems tighter boundaries.

However, following Fed Chairman Yellen's remarks in Congress, traders are on alert for a Fed rate hike and it seems any of the up coming FOMC meetings could present policy makers with an opportunity to act, meaning the period of range trading could be nearing the final phase.

We judge the Fed is unlikely to act until mid year. US data has been soft and the Fed will want to see that come to an end.

For now stay square.

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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.

The Nikkei rallied hard last week helped by better than expected Industrial production.

The Macro Trader's view of the Nikkei is; the Yen extended the Bull run last week as international sentiment improved further and Japan's Industrial production report beat consensus.

Add in the policy easing in China and the Nikkei consolidated the break out.

Looking ahead the two PMI surveys stand out. Strength will solidify the view the economic recovery is gaining traction.

Traders may wish to go long this market as an extension of the rally looks likely.

However we prefer to limit our risk to equity markets and remain focussed on the S&P, FTSE and German DAX.

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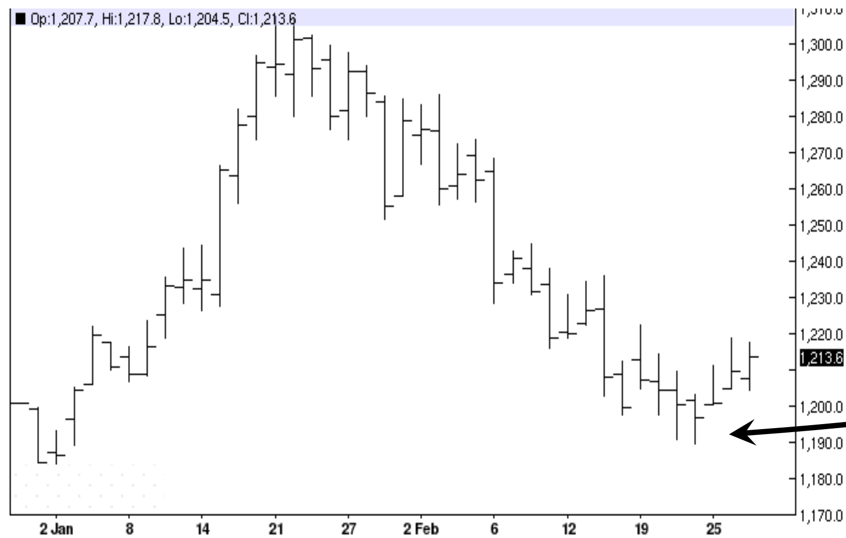
COMMODITIES: Gold

OUR TRADING STANCE: SQUARE.

Last week we were Square of Gold.



See how Gold hit its band of support.

The Macro Trader's view of the Gold is: last week we said…

…"However Gold remains vulnerable, but we are not yet certain that it is ready to make new lows"...

…"With global tensions still close to boiling point, gold seems to have a floor that when approached causes an upward correction, meaning the market is trapped within a wide trading range"…

In the event that was demonstrated last week as the market staged a minor recovery.

Looking ahead we judge Gold remains range bound and essentially directionless.

We are staying square.

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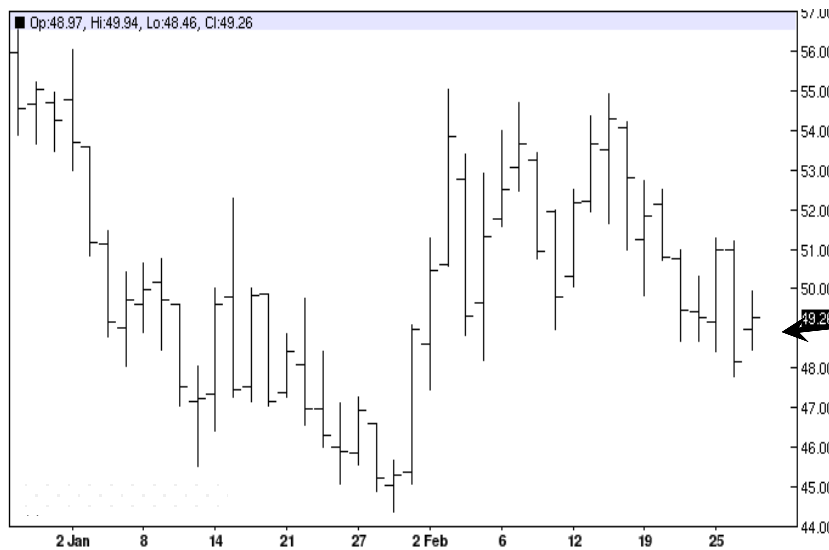
COMMODITIES: Oil

OUR TRADING STANCE: BEARISH.

Last week we were Bearish of Oil.



See how oil is edging towards a test of the lows.

The Macro Trader's view of oil is: last week's price action completed the period of correction, but requires fresh news to force it back to the lows.

With US oil stocks continuing to grow and OPEC no where near agreeing on out put curbs, the market has started to tentatively resume its slide.

Demand looks set to continue under shooting supply for some while yet and with the Euro zone, Japanese, Chinese and some other economies continuing to under perform, the imbalance is unlikely to reset any time soon with out an OPEC output reduction, which we know Saudi Arabia doesn't want as she is intent on maintaining market share, almost at any cost.

Traders should be short of this market.

Our suggested target is 40.00 and our suggested stop is set at 55.70 for protection.

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