Week 12

24th – 30th March 2015

Multi-asset fundamental analysis

John Lewis

SUMMARY

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US Markets

+ EURODOLLARS	SQUARE
+ 10 YEAR NOTE	SQUARE
+ US DOLLAR	BULLISH v the Euro
+ S&P 500	BULLISH

UK Markets

+ SHORT STERLING	BULLISH
+ GILT	SQUARE
+ STERLING	BULLISH v the EURO
+ FTSE	BULLISH

Euro Zone Markets

+ EURIBOR	SQUARE
+ BUND	BULLISH
+ EURO	BEARISH v the Dollar & Sterling
+ DJ EURO STOXX 50	SQUARE

Japanese Markets

+ JAPANESE BONDS	SQUARE
+ YEN	SQUARE
+ NIKKEI	BULLISH

Commodities

+ GOLD	SQUARE
+ OIL	BEARISH

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Japanese Markets
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This week's global calendar

	Week of 23rd March
Monday	US Existing home sales 4.94M UK CBI Trends orders 9 EZ Cons conf -6 JP Supermkt sales n/f JP PMI Mfg 52.1
Tuesday	US CPI 0.2m, -0.1y US CPI Ex-f&e 0.1m, 1.7y US Hse prces indx -.5% US New home sales 475k UK CPI 0.3m, 0.1y UK RPI 0.5m, 1.0y UK RPI-X 1.0y UK PPI Input 1.6m, -12.4y UK PPI output -0.1m, -1.9y UK PPI Core 0.1m, 0.4y UK ONS Hse prices 10.2 EZ PMI Composite survey 53.6 JP Sml bus conf n/f JP Corp service prces 3.3y
Wednesday	US MBA Mrtge apps n/f US Durable goods 0.6% US DG Ex- transport 0.5% UK BBA Mrtge aprvls 36.9k DM IFO 107.3

	Week of 23rd March
Thursday	US Jobless claims 295k UK Retail sales 0.4m 4.7y UK CBI Sales 20 DM GFK Cons conf 9.8 FR Q4 GDP 0.1q, EZ M3 (3M) n/f EZ M3 (y/y) 4.3% DM Retail sales n/f JP Tokyo CPI 2.2y JP National CPI 2.1y JP Jobless rate 3.5% JP Household spndg 0.5m, -3.2y JP Retail trade -1.5% JP Lrge retail sales n/f
Friday	US Q4 GDP (A) 2.4% US Q4 Persnl consmptn n/f US Q4 GDP Price indx 0.1% US Q4 Core PCE 1.1%q US U. of Michigan conf 92.1 DM Import prices 0.7m -3.7y

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Last week's releases

	Week of 16th March
Monday	US Empire mfg 6.9 **WEAKER** US Capacity utilisation 78.9 **WEAKER** US Industrial production 0.1% **WEAKER** US NAHB House mrkt indx 53 **WEAKER** US Net lg trm TIC flows $88.3B **BETTER** UK Rght mve hse prces 1.0m, 5.4y **AS** JP Tokyo Condo sales -2.0% **BETTER** JP BOJ Policy statement **THAN EXPECTED**
Tuesday	US Housing starts 897k **WEAKER** US Buildg permits 1092k **STRONGER** DM ZEW Survey 55.1 **BETTER** EZ CPI 0.6m, -0.3y **AS** JP Trade bal –Y424.6B **BETTER** **THAN EXPECTED**
Wednesday	US MBA Mrtge apps -3.9% **WORSE** US FOMC Rate decision 0.25% **AS** UK Unemplym't rate 2.4% **LESS** UK Unemplym't chge -31K **BETTER** UK ILO Rate 5.7% **MORE** UK Average earnings 1.8% **WEAKER** UK AE Ex-Bonus 1.6% **WEAKER** UK BOE/MPC Minutes 9/0 **AS** UK Government Budget EZ Trade bal 7.9B **WEAKER** EZ Construction outpt 1.9m, 3.0y **STRONGER** JP Machine tool orders 28.9% **AS** **THAN EXPECTED**

	Week of 16th March
Thursday	US Q4 C/A -$113.5B **WORSE** US Jobless claims 291k **MORE** US Philly Fed 5.0 **WEAKER** JP All ind actvty index 1.9% **AS** JP BOJ minutes JP Nat'nal Dept stre sales 1.1% **BETTER** JP Tokyo dept stre sales 5.3% **STRONGER** **THAN EXPECTED**
Friday	UK PSNB £6.2B **BETTER** UK PSNCR 0.0B **WORSE** DM PPI 0.1m, -2.1y **WEAKER** EZ C/A 8.2B **WEAKER** JP Convenience stre sales -1.4% **WEAKER** **THAN EXPECTED**

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US MARKETS: economic background

Last week’s focus was the FOMC meeting with traders eager awaiting the Policy statement for any change of tone.

In the event they were not disappointed. The Fed dropped the word patience from its guidance, meaning the Fed could move at any meeting from here.

But a the growth forecast was lowered, meaning rates would likely rise gradually, in small steps and perhaps not by as much as previously thought.

Other key data; Industrial production fell short of expectations, as did housing starts, though likely weather related.

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; **Existing home sales,**
- On Tuesday; **CPI and New Home sales,**
- On Wednesday; **Durable goods,**
- On Thursday; **Jobless claims, and**
- On Friday: **Q4 GDP, Q4 Personal consumption, Q4 GDP Price index, Q4 Core PCE and University of Michigan confidence.**

The key release this week is Q4 GDP.

A small upward revision is expected.

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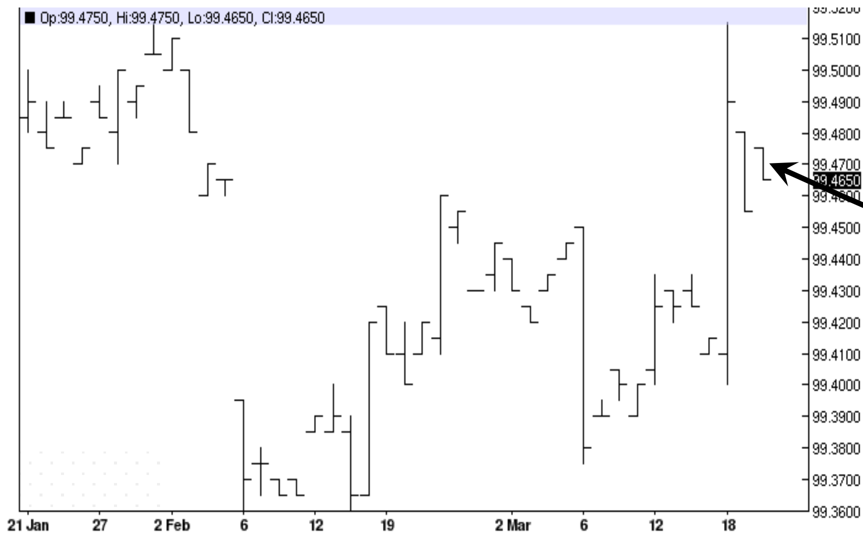
US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars spiked on the FOMC policy statement but eased lower as rates are still likely to rise by mid year.

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

…"Looking ahead the FOMC policy decision is due, no change expected, but the policy statement could have this market in a spin"…

In the event that proved the case with the decks cleared for action, but the growth forecast lowered; a double edged sword!

Looking ahead Q4 GDP is due, but unless materially different from consensus limited impacted expected.

Traders will though pay increasing attention to Fed policy makers speeches.

For now stay square, the first hike is still likely a few months away.

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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 found support in the Feds lowered growth forecast.

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

…"Looking ahead the FOMC rate decision and policy statement is due, will the Fed refine its focus on the timing of its first rate hike?"…

In the event we judge they did. The removal of the word patience from their guidance gives room for manoeuvre, but the downward revision to growth forecasts places something of a cap on their scope.

Looking ahead the Q4 GDP report is due, but we judge from now on the comments made by Fed policy makers will have a growing impact on this and other markets.

For now the market looks less vulnerable, but we remain square.

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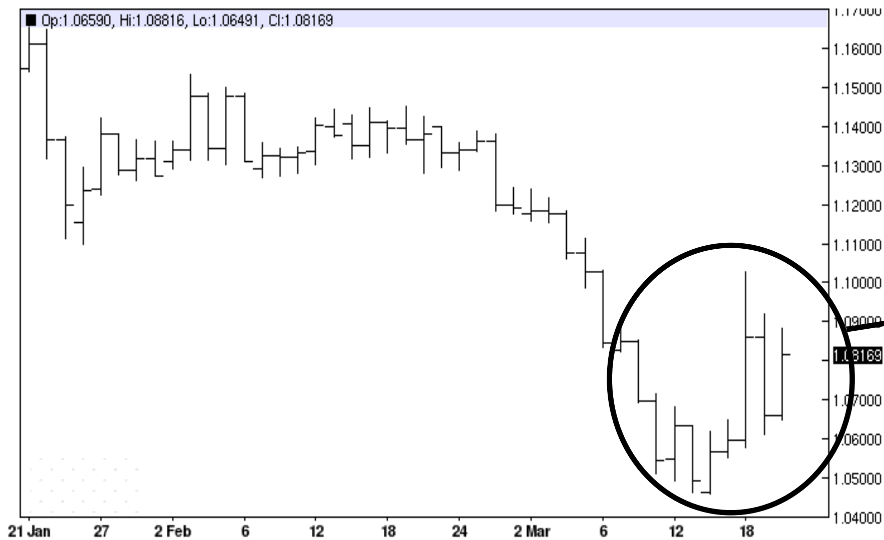
US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the EURO.

Last week we were Bullish v the Euro.



The Dollar suffered a Fed induced correction..

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

…"Looking ahead the FOMC policy decision is due. No rate hike is expected this time, but watch the policy statement, it is likely to prove Dollar positive"…

In the event it gave traders pause for thought and the Dollar suffered a sharp correction.

Looking ahead the Q4 GDP report is due, but likely to have only limited impact unless materially different from consensus.

We remain medium/long term Dollar Bulls, despite our stop being hit last week.

Traders should be long the Dollar, short the Euro.

Our target is again now 1.0150, and our suggested stop reset to 1.1098 for protection.

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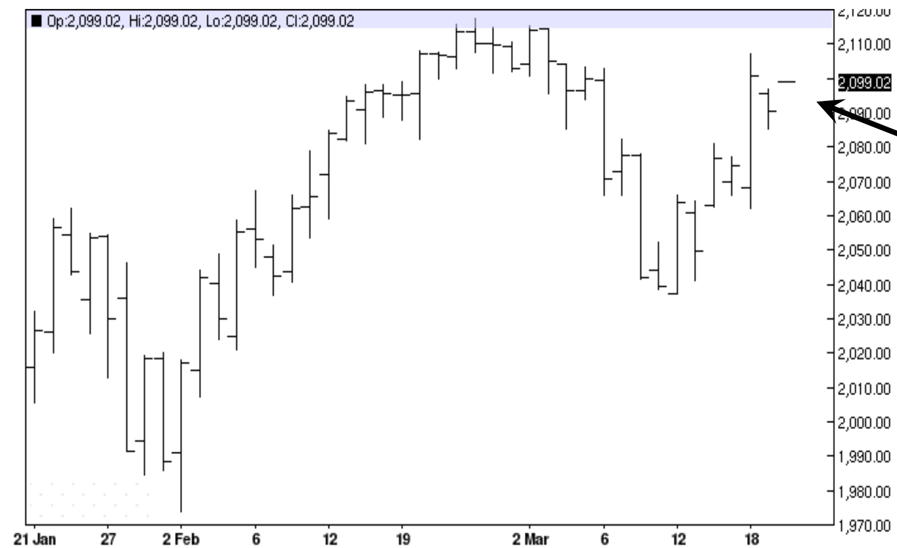
US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



The S&P extended the recovery on the FOMC policy statement.

The Macro Trader's view of the S&P 500 is: last week we said…

…"Looking ahead the FOMC rate decision is due, no change is expected, that should be a relief to this market, but price action going forward will be driven more by what policy makers say rather than their inaction"…

In the event that proved the case. The policy statement cleared the decks for a rate hike at any meeting by dropping the word patience, but the downward revision to growth paradoxically supported this market as it limited the scope of the rate hiking cycle; at least for now.

Looking ahead Q4 GDP is due, but once again the comments of policy makers are likely to have a growing impact on this market; more so than most data releases.

Traders should be long of this market.

Our suggested target is 2180.0 and our suggested stop is set at 2050.0 for protection in still volatile times.

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UK MARKETS: economic background

Last week's focus was the governments budget and debt data.

The Budget offered few surprises and no negatives.

The public borrowing data released on Friday showed the government on track to meet its targets.

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; **CBI Trends orders,**
- On Tuesday; **CPI, PPI , RPI and ONS House prices**
- On Wednesday; **BBA mortgage approvals, and**
- On Thursday; **Retail sales and CBI Sale.**

The key events this week are CPI and retail sales.

Both are important. The retail sales report shows the strength of domestic demand, a key part of GDP.

The CPI report will be watched closer than ever as the number edges closer to zero and possibly goes negative meaning the Bank of England could yet cut rates further.

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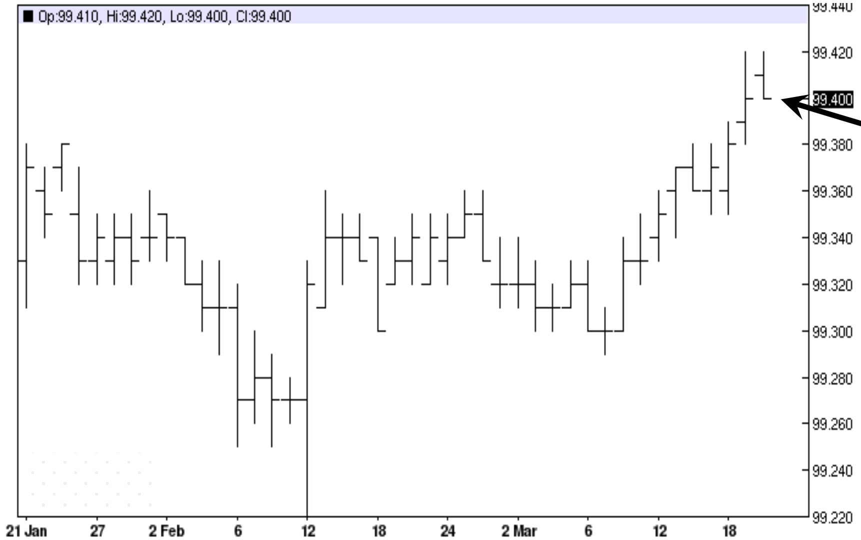
UK MARKETS: Short Sterling

OUR TRADING STANCE; BULLISH.

Last week we were Square of Short Sterling.



Short Sterling rallied as talk of rate cuts increased led by BOE policy makers.

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

…"Looking ahead the MPC/BOE minutes are due, any hints that policy makers are harbouring thoughts of moving policy sooner than traders currently expect will weigh on this market"…

In the event that was the case but the move could be down as well as up and with inflation now looking set to go negative in the coming months, a rate cut cannot be ruled out.

Looking ahead the CPI and Retail sales reports are due.

Strong retail sales and disappointing CPI will see the market correct lower, but a weaker CPI will see this market rally and that is our current expectation so go long.

Our suggested target is 99.70 and our suggested stop is set at 99.25 for protection.

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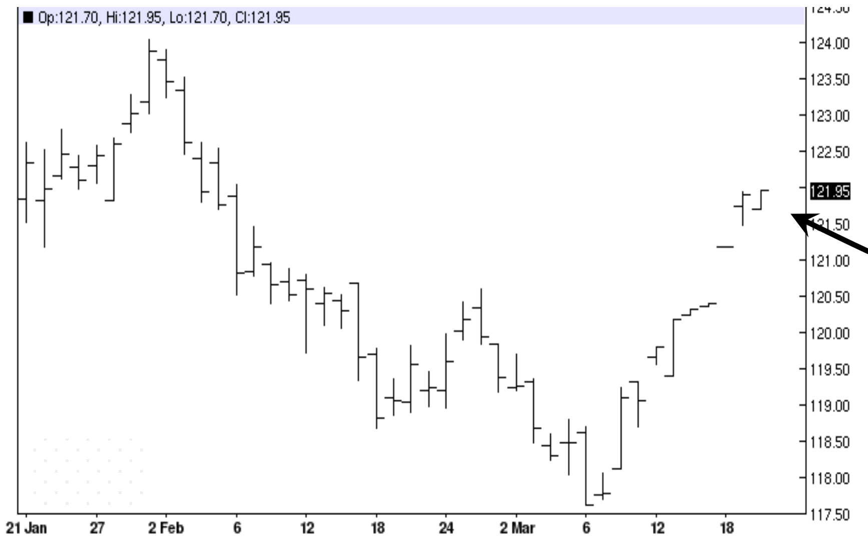
Disclaimer

UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt rallied as the deficit was forecast to be a surplus in 4 years time by the Chancellor in Wednesday's budget.

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

…"Looking ahead the key event this week is Wednesday's budget. The Chancellor's last chance before May's General Election to set the economic agenda. Low inflation and strong growth is likely to enable him to predict a better than expected out look for the deficit; we shall see"…

In the event that was the outcome.

Looking ahead the CPI and retail sales reports are due this week and the Gilt could endure something of a push/pull.

For now we are remaining square as we judge equity markets will rally hard on any new rate cut.

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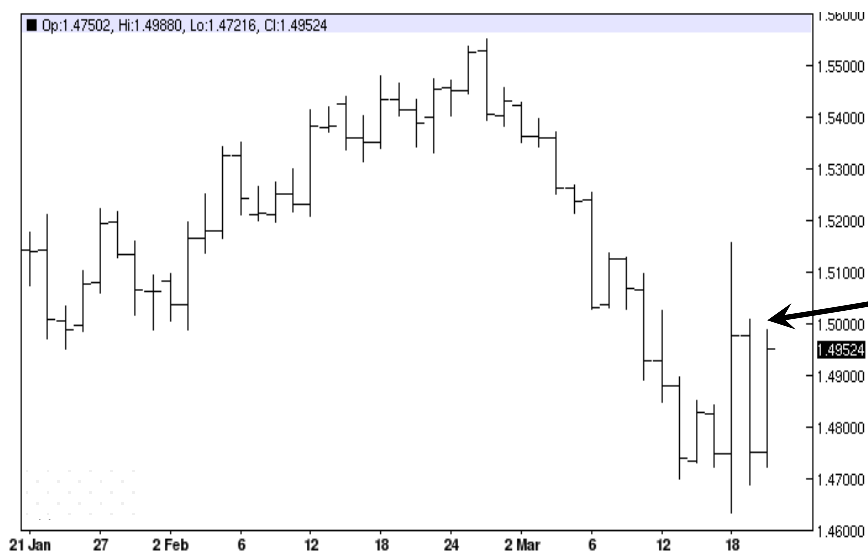
UK MARKETS: Sterling

OUR TRADING STANCE; BULLISH v the EURO

Last week we were Bullish v the Euro



See how Sterling the Pound gained a reprieve after the FOMC meeting.

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

…"Looking ahead the National budget is due on Wednesday, offering the government its last chance to drive economic policy before May's vote"...

…"We are staying square of Cable, as US rates could rise in the coming months and we are already long the Dollar against the Euro, but we are Long Sterling against the Euro"…

The FOMC policy statement cleared the way for higher rates, but at the same time through a downward revision to US growth forecasts suggested rates would rise slower and perhaps not as far as previously thought, causing a Dollar correction against the majors including Sterling.

Looking ahead CPI is due on Tuesday, a weaker than expected report could weigh on Cable as it could imply a UK rate cut, but against the Euro we remain bullish.

Traders should be long Sterling/Short the Euro, Our short term target remains 0.6850, but our stop is reset to 0.7405 for protection after being hit.

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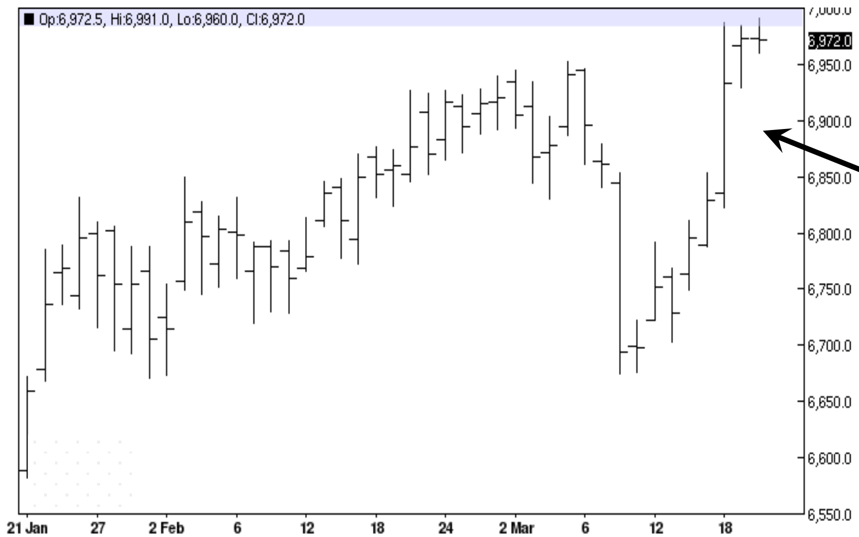
UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were Square.



See how the FTSE rallied on the budget and rate cut comments from BOE MPC members.

The Macro Trader's view of the FTSE is; last week's price action was Bullish.

The UK budget flagged an earlier return to a surplus than previously expected and revised up growth forecasts.

The MPC minutes held out the prospect of UK deflation and a rate cut.

In the US the FOMC revised down the outlook for US growth creating a benign environment for stocks.

Looking ahead CPI due on Tuesday, a weak report will increase speculation about a UK rate cut.

Traders should be long of this market.

Our suggested target is 7190.0 and our suggested stop is placed at 6920.0 for protection.

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EURO ZONE MARKETS: economic background

Last week's focus was the German ZEW survey.

As the Euro zones largest and strongest economy, health checks are of keen interest.

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; **Euro zone consumer confidence,**
- On Tuesday; **Euro zone PMI Composite survey,**
- On Wednesday; **German IFO,**
- On Thursday; **German GFK consumer confidence, French Q4 GDP, Euro zone M3 and German retail sales, and**
- On Friday; **German import prices.**

The key release this week is the Euro zone PMI Composite survey.

This number gives a reliable snap shot of Euro zone economic health.

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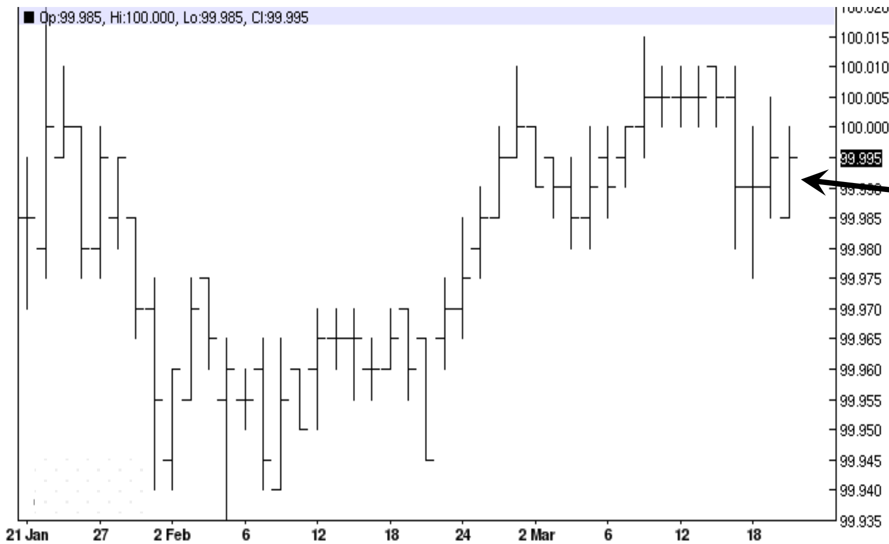
EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor has settled in to a period of range trading.

The Macro Trader's view of Euribor is; last week's price action saw the market settle further into a period of range trading as traders wait to see what impact the ECB's QE program has on the Euro zone economy.

Since this will likely not be evident for some months, an extended period of range trading is the likely outcome.

Looking ahead the Euro zone PMI Composite survey is due, but one week into QE, we expect .the report to show little or no improvement.

We are remaining square of this market. The QE program needs time to work and the ECB will offer no new policy initiatives until they have had ample time to asses the programs impact.

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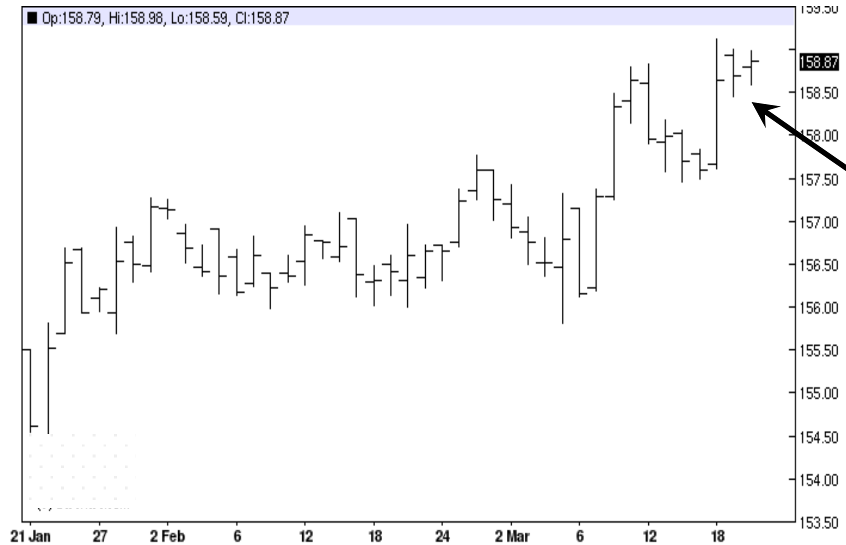
EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were Square of The Bund.



The Bund remains a Bull market supported by the QE program and Euro zone economic under performance.

The Macro Trader's view of the Bund is: last week saw the Bund bounce back.

The US FOMC policy statement, while opening the door for rate hikes, lowered their trajectory due to downward revisions to economic growth.

In the UK the growth outlook was revised up, but policy makers now expect a period of deflation, and even talk about another UK rate cut.

Clearly the current environment remains supportive of the Bund as the Greek government and her creditors continue to struggle for agreement on reorganising Greece's debt.

Looking ahead the Euro zone PMI composite survey is due, but we doubt it will undermine the Bund.

Traders should be long the Bund.

Our suggested target is 160.00 and our suggested stop is set at 157.25 for protection.

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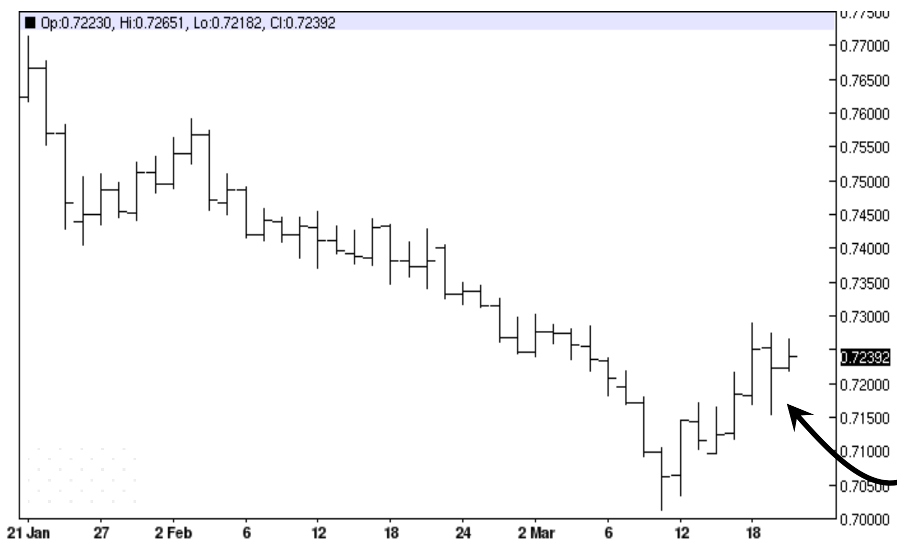
EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BEARISH v the DOLLAR & STERLING

Last week we were Bearish v the Dollar & Sterling



The Euro the Euro staged a recovery against both the Dollar and Sterling.

The Macro Trader's view of the Euro; last week's correction was driven by overseas events.

In the US the FOMC policy statement led to a downward revision of where US rates would rise to based on lowered growth forecasts, even as the Fed opened the door to rate hikes.

In the UK the Bank of England sees deflation, even if only temporary, with some policy makers saying rates could be cut again.

This led to a correction of both Sterling and the Dollar in the Euro's favour.

Looking ahead, the key release is the Euro zone PMI Composite, but we judge price action in the Foreign exchange market will be driven by US and to a degree, UK sentiment.

Traders should be long the Dollar/short the Euro and Long Sterling/Short the Euro, even though stops were hit in both last week.

Our suggested target in Dollar/Euro remains 1.0150, but our suggested stop is reset to 1.1098 for protection.

In Sterling/Euro our suggested short term target remains 0.6850, but our stop is reset to 0.7405 for 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 remains well supported.

The Macro Trader's view of DJ Euro Stoxx 50 is:
last week we said...

…"Looking ahead the key release is the German ZEW survey, however we judge it will have limited impact as traders are already bullish of stocks based on the QE program"…

In the event the market rallied further as the US and UK interest rate environment took an unexpectedly more benign turn.

Looking ahead the Euro zone PMI Composite survey is due, but we judge the impact of QE will continue to drive this market.

Traders should be long.

Our suggested target is 3800.0 and our suggested stop is set at 3625.0.

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+ YEN
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Disclaimer

JAPANESE MARKETS: economic background

Last week's focus was the Bank of Japan's policy statement which committed the BOJ to increase the monetary base by Y80.0T annually in order to force interest rates lower across the yield curve.

They also noted the economy's moderate recovery which was expected to continue. In summary more of what we already know.

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,**
- On Tuesday; **Small business confidence and corporate service prices, and**
- On Thursday; **National and Tokyo CPI, the Jobless rate, household spending and retail sales.**

The key event this week is the CPI report.

There remains a concern among policy makers about the level of inflation despite their monetary policy stimulus.

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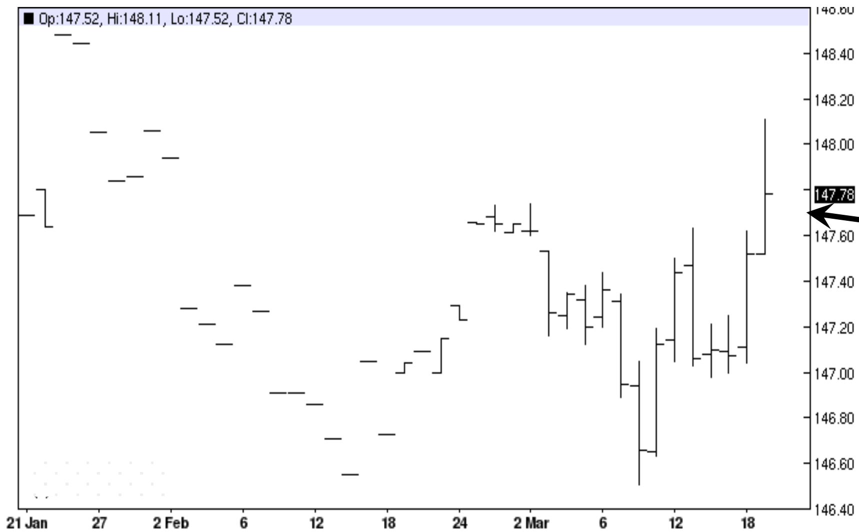
JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB bounced late in the week on the emerging benign international interest rate environment.

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

…"Looking ahead the Bank of Japan releases it's policy decision this week. Will policy makers decide the economy needs yet more stimulus or will they conclude the economy needs more time to build the recovery?"….

In the event the Bank of Japan voted to increase the monetary base by an annual Y80.0T as they judged activity still only moderate.

Looking ahead the key release is CPI. Inflation has remained a sticking point despite stimulus from the BOJ and from fiscal policy.

We think the economy is to remain sub-optimal despite the level of stimulus, and with stocks buoyant our focus is there and not here.

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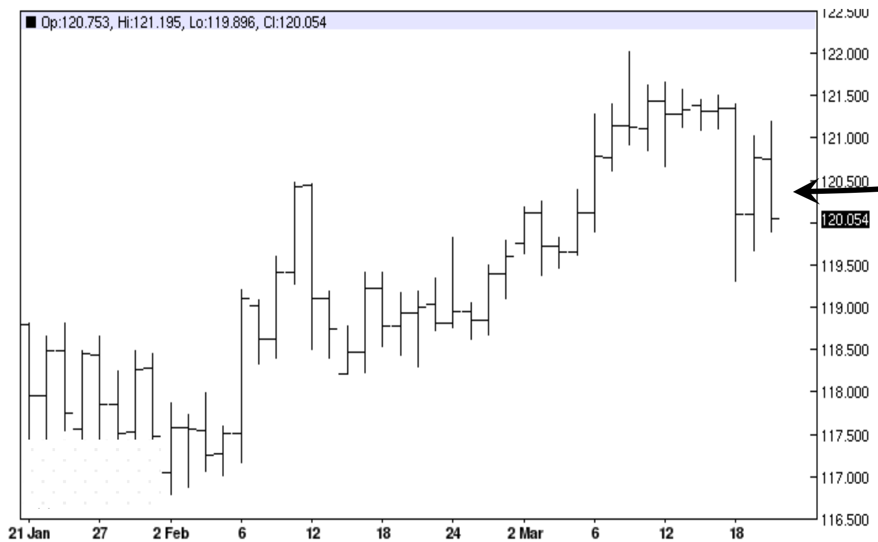
JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square v the Dollar



The Yen corrected through our stop.

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

…"Looking ahead the FOMC and Bank of Japan policy decisions are due this week, we judge the outcome will be bullish for the Dollar"…

In the event the Fed surprised with the wording of its policy statement which by removing the word patience opened the door wider for a rate hike, but by revising the growth forecast down, lowered the trajectory and led to a Dollar correction against the Yen and other majors that hit our stop.

Looking ahead CPI is due, the Bank of Japan is still not relaxed about the weakness of inflation.

For now we are square.

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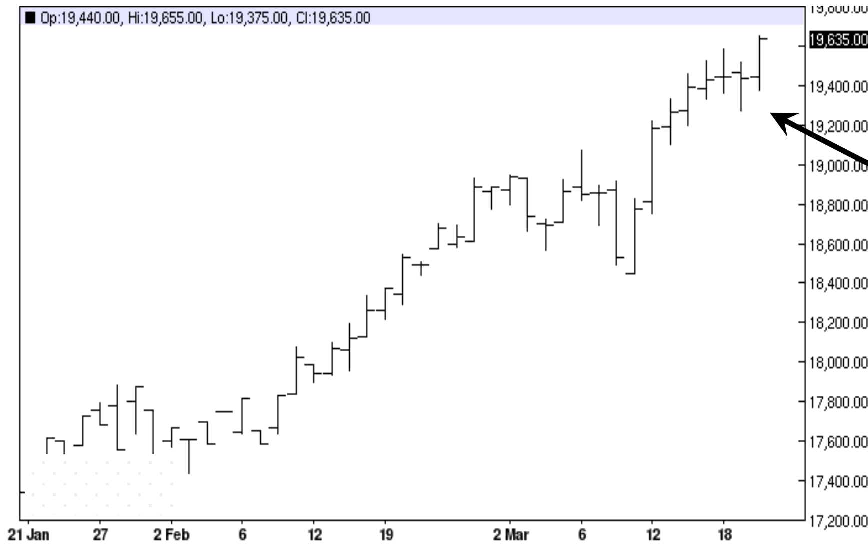
JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of the Nikkei.



The Nikkei extended the rally on the on a benign global interest rate environment.

The Macro Trader's view of the Nikkei is; last week's price action was driven by several factors which together add up to a more benign global interest rate environment than expected only a few short weeks early.

In the US the Fed may not need to raise rates so much after they revised down their growth forecast, in the UK the spectre of deflation has prompted BOE/MPC policy makers to talk rate cuts and in the Euro zone the ECB's QE program has just begun and in Japan the BOJ has announce measures to boost the monetary base. In short equity market positive.

Traders should be long of the Nikkei.

Our suggested target remains 19850 and our suggested stop continues at 18750.0.

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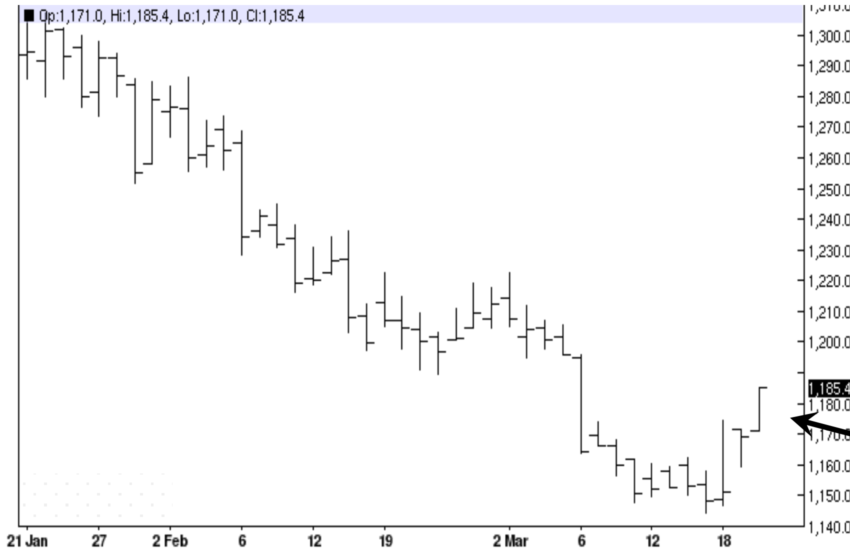
COMMODITIES: Gold

OUR TRADING STANCE: SQUARE.

Last week we were Square of Gold.



See how Gold rallied after the US FOMC meeting.

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

…"What is becoming clear to us is that traders are focused on the actions of the Fed. With a rate hike in the US expected later this year the Dollar has revalued significantly and that has detracted from gold's appeal"...

…"Moreover as rate hikes materialise, no mater how long drawn out the process, traders will increasingly bail out of gold"…

In the event the outlook for US rate hikes has been downgraded after the Fed revised down its growth forecast. A rate hike is still expected mid-year, but the Fed may not now need to go as far as previously expected.

The result was a Gold correction, which we expect to fizzle out as the Dollar eventually resumes its rally.

However we remain long term bears of Gold, but our trigger level of US$400.00 didn't break last week.

Remain square and patient our opportunity will come.

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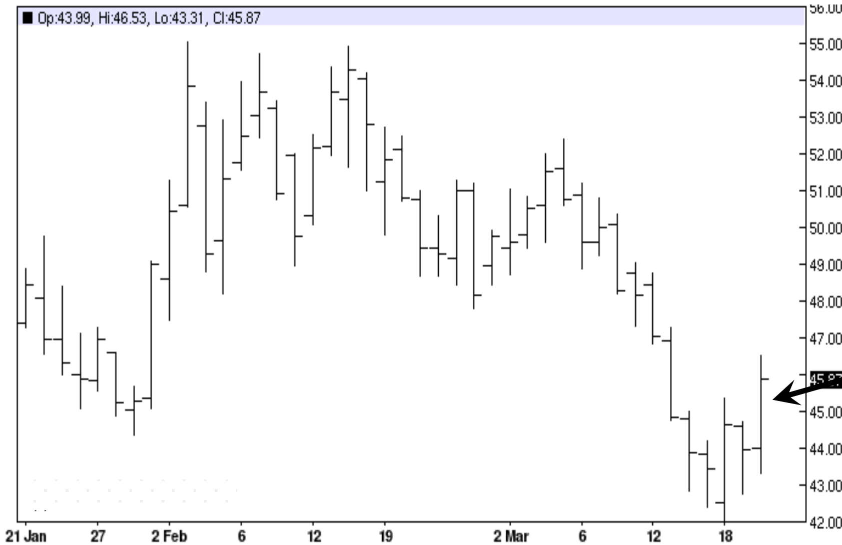
COMMODITIES: Oil

OUR TRADING STANCE: BEARISH.

Last week we were Bearish of Oil.



See how oil tested the lows but bounced on profit taking.

The Macro Trader's view of oil is: last week's price action justified our patience in this market as the sell off in oil resumed and our target came close before the correction higher kicked in.

We judge the market can go lower as the oil glut continues and OPEC shows no sign of decreasing its out put.

As said many times before Saudi Arabia has two goals:

1. Drive as much of the Shale industry out of business as possible, and
2. Retain market share

In summary, traders should be short of this market.

Our suggested target remains 40.00 and our suggested stop is reduced to 47.95 for closer protection.

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SEVEN DAYS AHEAD
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