



Week 41
13th – 19th October 2015

Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer



Multi-asset fundamental strategies

John Lewis

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SUMMARY

Summary

Global Calendar

US Markets

+ EURODOLLARS
+ 10 YEAR NOTE
+ US DOLLAR
+ S&P 500

- SQUARE
- SQUARE
- SQUARE
- SQUARE

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

- SQUARE
- BULLISH
- BULLISH v the EURO
- SQUARE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

- SQUARE
- BULLISH
- BEARISH v STERLING
- SQUARE

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

- SQUARE
- SQUARE
- SQUARE

Commodities

+ GOLD
+ OIL

- BEARISH
- SQUARE

Disclaimer

More



Summary

Global Calendar

US Markets

+ EURODOLLARS
+ 10 YEAR NOTE
+ US DOLLAR
+ S&P 500

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

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+ OIL

Disclaimer

This week's global calendar

Week of 12 th October		Week of 12 th October	
Monday	UK BRC Sales n/f JP BOJ Minutes Sept 14-15 th JP Bank Indg incl trusts n/f	Thursday	US Jobless claims 270k US CPI -0.2m, -0.2y US CPI Ex-F&E 0.1m, 1.8y US Empire mfg -7 US Philly Fed 0 JP Tokyo Condo sales n/f JP Ind prodction n/f JP Capacity utilisation n/f JP Tertiary indx 0.0%
Tuesday	US Monthly budgt statm't \$95.0B UK CPI 0.2m, 0.2y UK RPI 0.1m, 1.0y UK RPI-X n/f UK PPI Input 0.1m, -13.0y UK PPI Output 0.1m, -13.0y UK PPI Core -0.1m, -1.7y UK DCLG Hse prces n/f DM CPI -0.2m, 0.0y DM ZEW 6 JP Machine tool orders n/f JP Cons conf n/f JP Dmstc corp gds prices -0.3m, -3.9y	Friday	US Ind product'n -0.3% US Capacity utilisation 77.4% US U. of Michigan conf 88.3 EZ Trade Bal 21.5B EZ CPI 0.2m, -0.1y
Wednesday	US MBA Mrtge apps n/f US Retail sales 0.2% US RS Ex-utos -0.1% US PPI -0.3m, -0.9y US PPI Ex- F&E 0.1m, 1.2y US Bus invntry 0.1% US Fed's Beige Book UK Unemploy'm't rate 2.3% UK Unemploy'm't chge 1.0k UK Avrge earngs 3.1% UK AE Ex – Bonus 3.0% UK ILO Rate 5.5% DM WPI n/f EZ Ind production -0.5m, 1.8y		

More



Summary

Global Calendar

US Markets

+ EURODOLLARS
+ 10 YEAR NOTE
+ US DOLLAR
+ S&P 500

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

Last week's releases

	Week of 5 th October		Week of 5 th October
Monday	US ISM Services 56.9 WEAKER UK PMI Services 53.3 WEAKER UK Halifax hse prces -0.9m, 8.6y STRONGER IT PMI Services 53.3 WEAKER FR PMI Services 51.9 MORE DM PMI Services 54.1 LESS EZ PMI Services 53.7 LESS EZ Retail sales 0.0m, 2.3y BETTER JP PMI Services 51.4 WEAKER JP PMI Loans & Disc corp 3.07% WEAKER THAN EXPECTED	Thursday	US Jobless claims 263k BETTER US FOMC Minutes Sept 16-17 meeting UK BOE AP Decision £375.0B AS UK MPC/BOE Rate decision 0.50% AS DM Trade bal 15.3B WEAKER DM C/A 12.3B WEAKER JP Bankruptcies -18.62% BETTER THAN EXPECTED
Tuesday	US Trade bal -\$48.33B WORSE UK New car registrat'n 8.6% LESS UK BRC Shop prices -1.9% WEAKER DM Factory orders -1.8m, 1.9y WEAKER JP BOJ Policy statement n/f THAN EXPECTED	Friday	US Import prices -0.1m, -10.7y STRONGER US Wholesale invntry 0.1% MORE UK Construct'n output -4.3m, -1.3y WORSE UK Trade bal -£11.149B WORSE UK Trade non-EU -£3.765B WORSE THAN EXPECTED
Wednesday	US MBA Mrtge apps 25.5% STRONGER US Cons Credit \$16.018B WEAKER UK Ind production 1.0m, 1.9y STRONGER UK Mfg output 0.5m, -0.8y BETTER UK NIESR GDP Estimate 0.5% AS UK RICS Hse prices 44% WEAKER DM Ind production -1.2m, 2.3y WEAKER JP Machine orders -3.5y WEAKER JP C/A 1653.1B STRONGER JP Trade Bal -326.1B WEAKER JP ECO Watcher survey 47.5 WEAKER THAN EXPECTED		

More



US MARKETS: economic background

Summary

Global Calendar

US Markets

+ EURODOLLARS
+ 10 YEAR NOTE
+ US DOLLAR
+ S&P 500

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

Last week's focus was divided between the ISM non-manufacturing survey and FOMC minutes.

The ISM survey was weaker than expected, raising further questions about the strength of the economic recovery.

The FOMC minutes, which were eagerly awaited, showed most policy makers thought the economy strong enough for a rate hike, but decided to wait and see if the global economic slowdown, especially China, hit the US economy.

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 Tuesday; **Monthly budget statement,**

- On Wednesday; **Retail sales, PPI, Business inventories and the Fed's Beige book,**
- On Thursday; **Jobless claims, CPI and the Philly Fed survey, and**
- On Friday; **Industrial production, capacity utilisation and University of Michigan confidence.**

There are several important releases due this week, but we judge retail sales is the one to watch.

A weak report will only increase concerns that the economy has slowed and isn't yet ready for higher interest rates.

More



Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

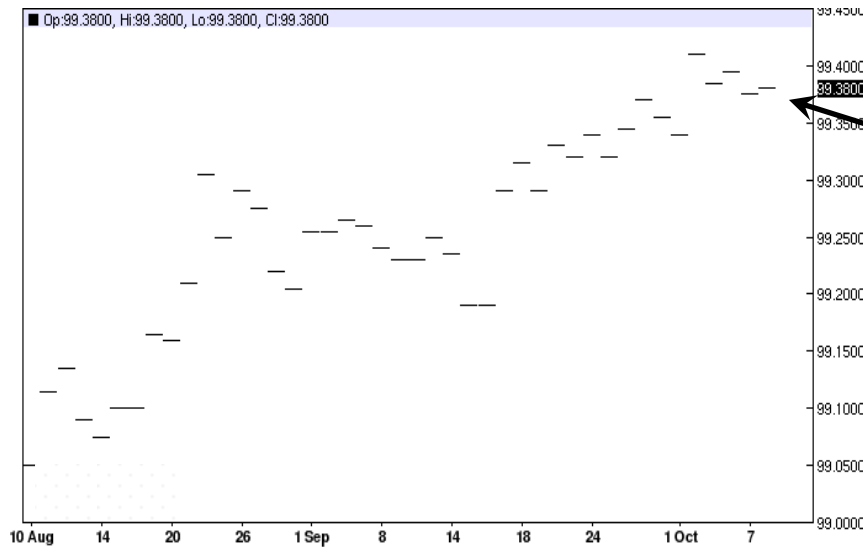
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars remains supported by the uncertainty about if and when the Fed will hike this year.

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

...“Looking ahead the FOMC minutes are due and traders will be looking for any comments that throw light on the likely timing of a rate hike and any economic conditions policy makers need in place to act”...

In the event the minutes informed little we didn't already know; policy makers want to hike and think the economy can take it, but at the same time are worried about the impact of the slowing global economy and

held steady.

Looking ahead retail sales are due, the outcome of this report will be important for the Fed at its next meeting due in two week's. A weak report will likely encourage further caution.

We are staying square as we see little to gain from this market. The Fed wont ease, it is just a question of when will they hike and that uncertainty could be resolved in two weeks; unlikely, or run for several months yet.

More



Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

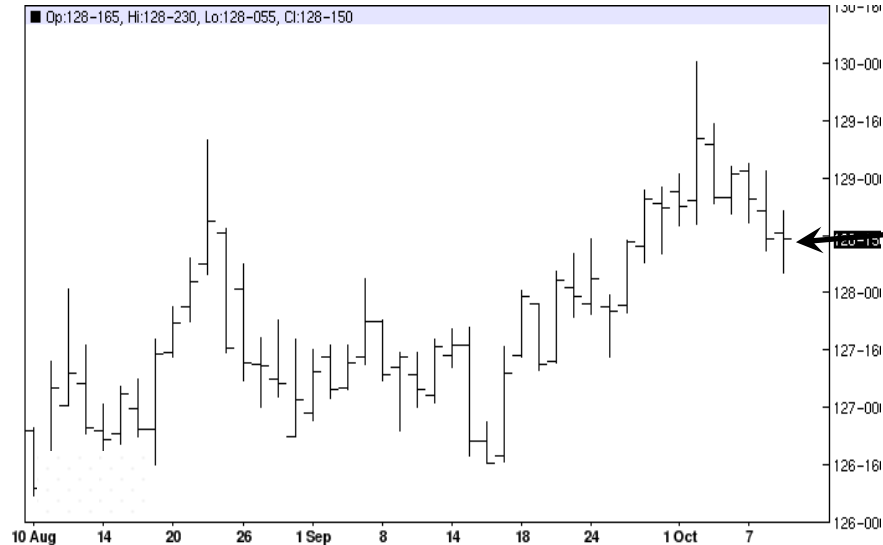
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US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note eased lower as stocks staged a relief rally on the Fed's recent rate decision.

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

...“For now stay square, we judge the market could well correct over the next few days ahead of the Fed minutes”...

In the event that has proved the case as equity markets enjoyed a relief rally.

Looking ahead several key reports due with PPI, CPI and retail sales standing out. Clearly benign inflation with a weak retail sales will offer this market support.

We are staying square.

The outlook is far from clear, and the market looks range bound..

More



Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

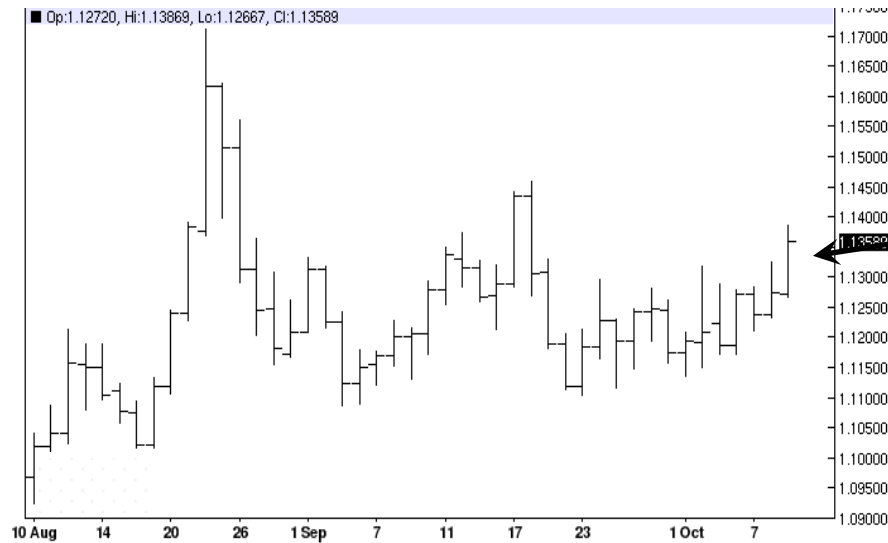
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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE.

Last week we were Square



The Dollar has lost all sense of direction.

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

...“Looking ahead the ISM non-manufacturing report is due, if this bucks the weakness seen last week, the result will be uncertainty unless the FOMC minutes can offer some specifics on the conditions the Fed needs to see before it can act”...

In the event the ISM report was weaker than expected and the FOMC minutes told us what we already know; the Fed wants to hike but held off due to global

economic weakness and how it may or may not impact the US economy.

Looking ahead watch retail sales, this report will likely sway the Fed at its FOMC meeting in two weeks time, but a weaker report will mean no rate hike this year.

For now stay square.

The Dollar doesn't look able to break out of the current period of side ways trading.

More



Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

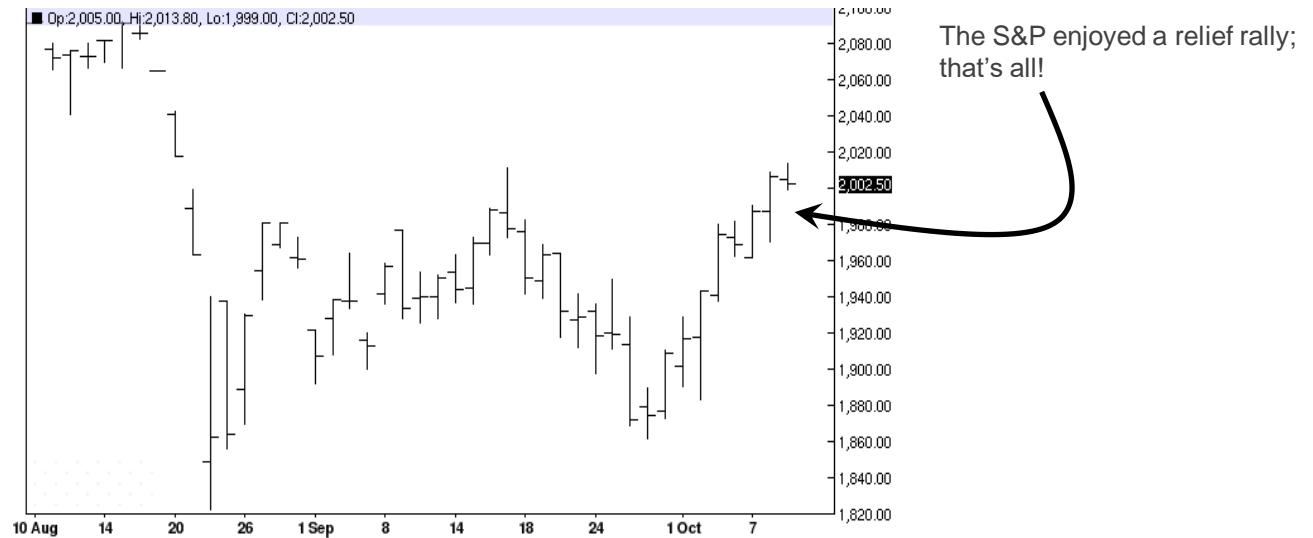
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US MARKETS: S&P500

OUR TRADING STANCE: SQUARE.

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



The Macro Trader's view of the S&P 500 is: last week's price action was a relief rally.

But is there a stronger reason to buy stocks?

Currently we don't think so. Growth appears to be cooling, and the Fed has passed on raising rates at its September meeting after flagging its intention to do so throughout the summer.

This market has rallied simply because the Fed didn't

raise interest rates on concerns about global economic weakness and the fear it could hit the US. We don't think that is a good reason to expect a resumption of the Bull trend.

Looking ahead retail sales are due, a weak report will likely delay any thoughts of higher rates at the Fed until well into Q1 2016, is that a reason to buy stocks?

For now stay square.

More



Summary

Global Calendar

US Markets

+ EURODOLLARS
+ 10 YEAR NOTE
+ US DOLLAR
+ S&P 500

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

UK MARKETS: economic background

Last week's focus was Industrial production, BOE/MPC policy decision and the PMI Service sector survey.

The PMI report was known early last week and was weak. The industrial production report was stronger than expected and the PMC voted 8/1 to leave policy unchanged yet again as the global economy looked increasingly fragile.

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; **BRC sales**,

- On Tuesday; **CPI, RPI, RPI-X, PPI and DCLG House prices, and**
- On Wednesday; **unemployment report and average earnings.**

The key release this week is CPI. Another flat or negative reading would place a huge question mark over the judgement of those policy makers, including Governor Carney who continue to talk of the need to raise UK interest rates early next year; Why?

More



Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

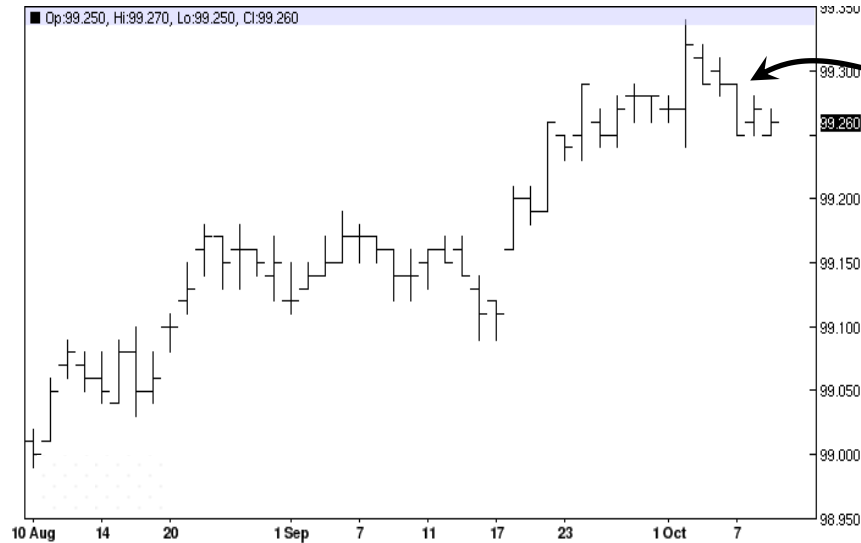
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling eased lower as policy makers continue to talk of the need to begin hiking interest rates early next year.

The Macro Trader's view of Short Sterling is: last week's data was at best mixed. The PMI Services survey was weaker and flags a general cooling of activity, but industrial production was surprisingly stronger.

However industrial production counts for around 20% of GDP where as the service sector is about 66% of GDP meaning industry would need a new industrial revolution to counter weakness in services.

Looking ahead the key release this week is CPI. An inline or weaker report would make a rate hike anytime soon or even within the next 12 months look unlikely.

However the market remains supported, but with limited scope up or down and we are staying square.

More



Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

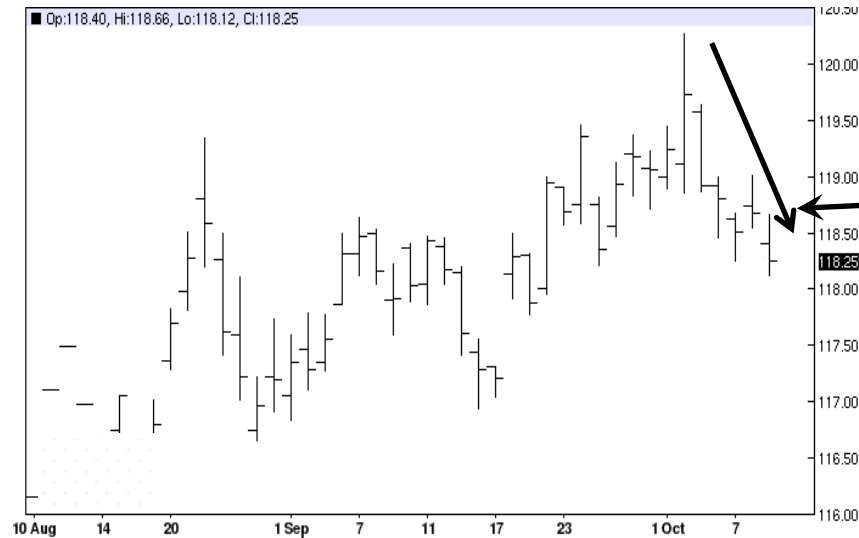
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- + OIL

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UK MARKETS: Gilt

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of the Gilt.



See how the Gilt corrected lower last week as stocks enjoyed a relief rally.

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

...“Looking ahead the PMI Services report was due this AM and fell short of consensus; all eyes on the BOE/MPC policy decision”...

In the event the Bank left policy on hold with an 8/1 vote, but the Gilt corrected lower on a relief rally in stocks driven by the release of FOMC minutes.

Looking ahead the CPI, PPI and unemployment reports

are due we judge these will ram home the fact that there is no UK inflation and the economy has hit a soft patch.

Traders should be long the Gilt. The underlying weakness of equity markets and inflation remain the main dynamics here. Add in cooling growth and the Gilt looks supported.

Our suggested target is 121.00 and our suggested stop is 117.50 for protection.

More



UK MARKETS: Sterling

OUR TRADING STANCE; BULLISH v the EURO

Last week we were Bullish v the Euro

Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

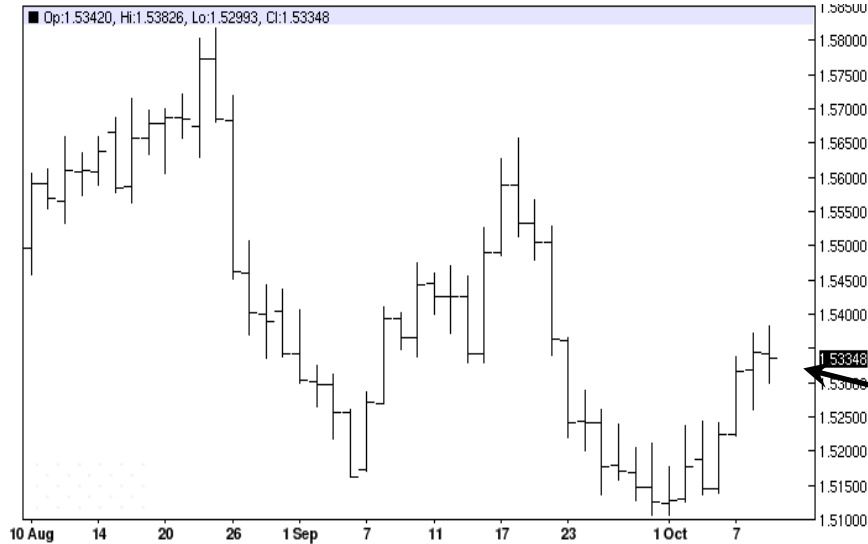
Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer



See how Sterling bounced against the Dollar as the FOMC minutes revealed the Feds dilemma.

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

...“Looking ahead we judge currencies are increasingly looking range bound. The Pound recovered a little against the Dollar and Sterling/Euro has for now lost momentum”...

In the event we judge that remains true. The FOMC minutes revealed the Feds dilemma of wanting to hike but wary of the cooling global economy.

Looking ahead the CPI, PPI and unemployment reports are due in the UK and in the US retail sales. We judge the result will be an extension of the period of range trading.

On balance we continue to advise traders should be long Sterling/Short the Euro as the UK economy continues to out perform that of the Euro zone, despite apparently hitting a soft patch.

Our long term target remains 0.6800 and our stop continues at 0.7505 for protection.

More



Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

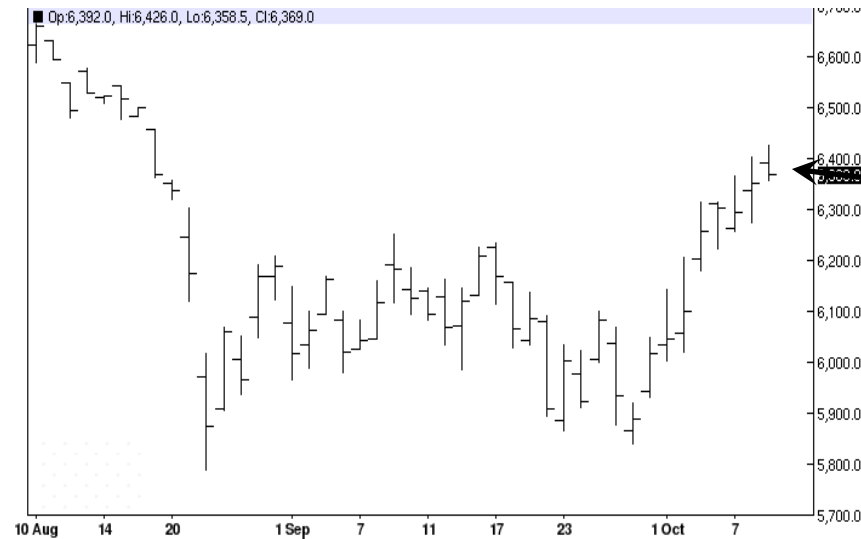
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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the FTSE rallied as the Fed and BOE look unlikely to hike any time soon.

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

...“Looking ahead the market is likely to respond to the US FOMC minutes due later this week. Weaker US data has made a US rate hike look less likely if the FOMC minutes support that view than Stocks could edge a little higher, but a full recovery looks a tall order right now”...

In the event that was the result. But is that a good foundation for a resumption of the Bull market?

Looking ahead important data due from the UK and US, but we judge it is likely to reinforce the view that global weakness will prevent both Central Banks from hiking anytime soon.

We advise remaining square. Markets are rallying on relief interest rates are not going up any time soon, but the reason is fragile economies and that is no reason buy stocks.

More



Summary

Global Calendar

US Markets

+ EURODOLLARS
+ 10 YEAR NOTE
+ US DOLLAR
+ S&P 500

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: economic background

Last week's focus was the various Euro zone PMI services surveys and German industrial production.

In the event the PMI surveys mainly weaker than expected, as was German industrial production. Even the German trade and C/A data fell well short of consensus.

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 Tuesday; **German CPI and ZEW survey**,
- On Wednesday; **Euro zone industrial**

production, and

- On Friday; **Euro zone trade balance and CPI.**

The key release this week is Euro zone industrial production, but after last week's weaker German data, the result is likely to be on the soft side.

More



Summary

Global Calendar

US Markets

- + EUROSHELLS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

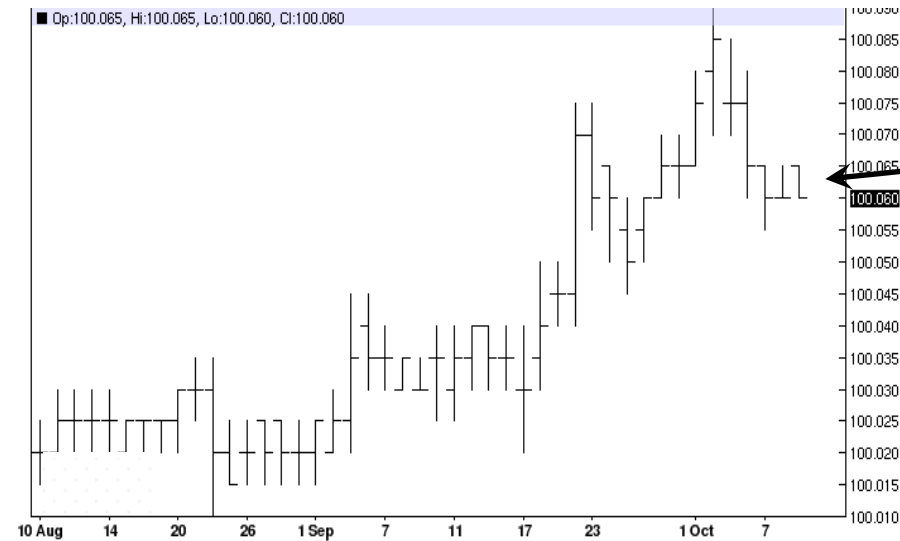
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor retreated despite weaker data.

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

...“Looking ahead the PMI Services surveys are due, will they offer any thing new?”...

In the event the answer was no.

Looking ahead the Euro zone industrial production report is due, but we expect a mirror of last week's German version.

We are square here as we judge market movement in either direction is likely small.

More



Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

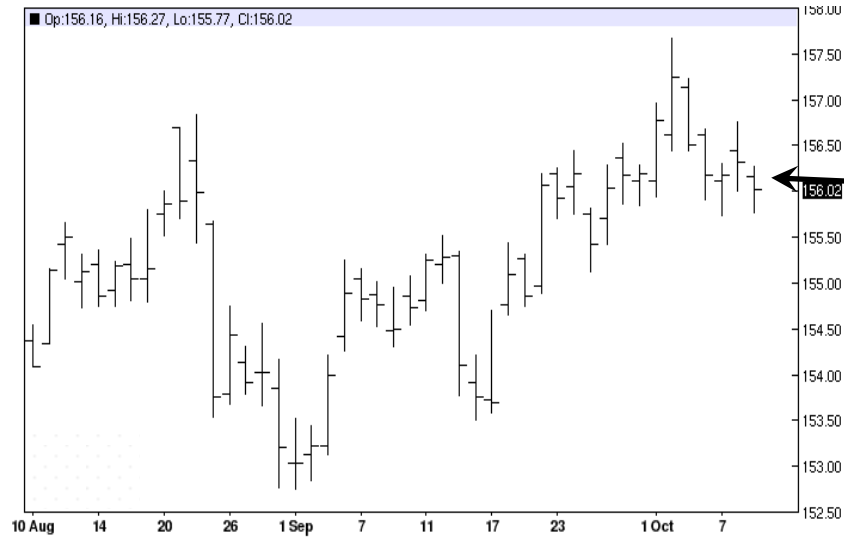
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of The Bund.



The Bund corrected lower last week on a global equity market relief rally.

The Macro Trader's view of the Bund is: Last week's price action followed a pattern seen in other global Bond markets; a correction lower driven by a relief rally in stocks.

And although domestic data disappointed, Bonds were out of favour; temporarily.

Looking ahead the Euro zone industrial production

report is due, if weak and it coincides with weaker than expected US retail sales, bonds will likely recover.

Traders should be long the Bund.

Our suggested target is 158.00 and our suggested stop is placed at 154.70 for protection.

More



Summary

Global Calendar

US Markets

- + EUROS DOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

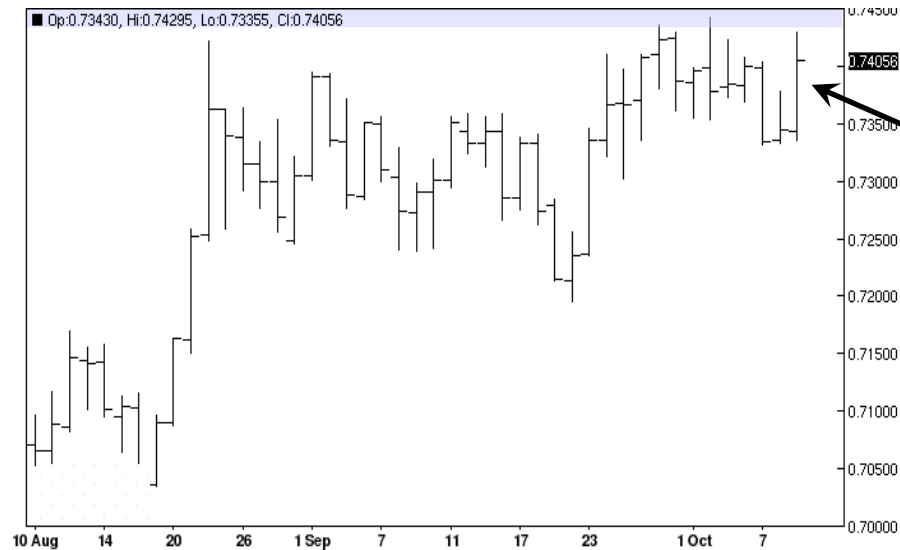
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BEARISH v STERLING

Last week we were **Bearish v Sterling and the Dollar**



The Euro held up against the Dollar and Sterling as US and UK rate hikes look less imminent.

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

...“Looking ahead more PMI surveys due, the Service sector this time, but we expect them to show growth remains tepid”...

In the event that was the outcome as the PMI surveys were mainly weaker and so too were German factory orders and industrial production, but the Euro drew support from the growing reality of no US or UK rate hike in the Short/Medium term.

Looking ahead the key domestic release is the Euro

zone industrial production report, a mirror or the German report is expected, but the Euro is supported not by Euro zone economic strength, but by the perception of fading US and UK economic strength even if only a temporary phenomenon!

The Euro has held its own impressively against the Pound recently, but we judge this a pause and longer term expect the Pound to resume its rally.

Traders should be Long Sterling/Short the Euro.

Our longer term target in Sterling/Euro remains 0.6800 and our stop continues at 0.7505 for protection.

More



EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.

Summary

Global Calendar

US Markets

- + EUROS DOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

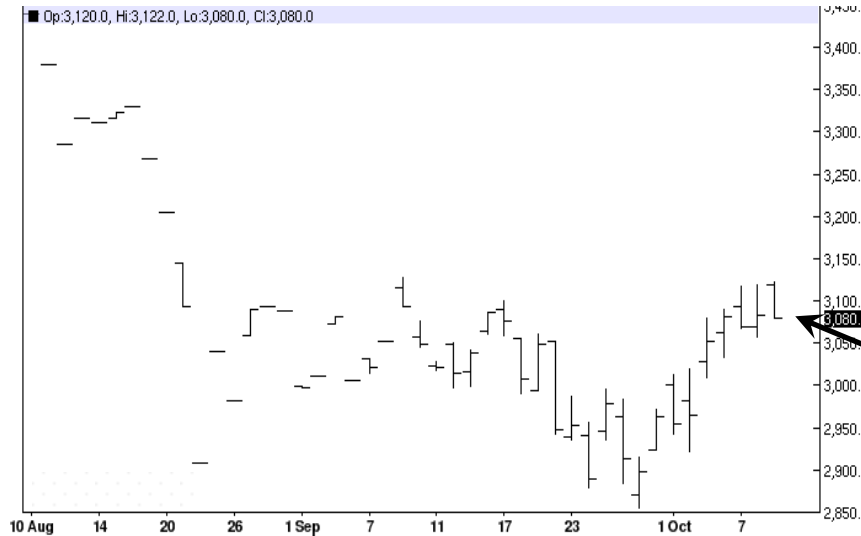
Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer



See how the market staged a less than convincing recovery on changing interest rate outlook in the US and UK.

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

last week's price action was driven mainly by the US FOMC minutes which showed Fed policy makers wanting to hike on current domestic circumstances, but unsure of the impact on the US economy from global economic weakness.

We judge a Central Bank passing up on a rate hike due to such concerns isn't good reason to expect a sustainable bull market.

Looking ahead key data releases due in the Euro zone, US and UK which will add to the interest rate debate and likely make near term moves in the US and UK more unlikely.

We think stocks remain vulnerable and could sell off on any new bad news.

For now stay square; too much uncertainty.

More



Summary

Global Calendar

US Markets

+ EURODOLLARS
+ 10 YEAR NOTE
+ US DOLLAR
+ S&P 500

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
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JAPANESE MARKETS: economic background

Last week's focus was the Bank of Japan's policy statement when they said...

...“Japan's economy is expected to continue recovering moderately. The year-on-year rate of change in the CPI is likely to be about 0 percent for the time being, due to the effects of the decline in energy prices”...

Not much different to their last statement.

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; **BOJ minutes September 14th – 15th meeting,**
- On Tuesday; **Machine tool orders, consumer confidence and domestic corporate goods prices, and**
- On Thursday; **Industrial production, capacity utilisation and Tertiary index.**

The key event this week is the industrial production report.

Following last week's assessment by the BOJ policy statement, industrial production is the first chance to measure the forecasts accuracy.

More



Summary

Global Calendar

US Markets

- + EURODOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
- + S&P 500

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
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- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

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- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

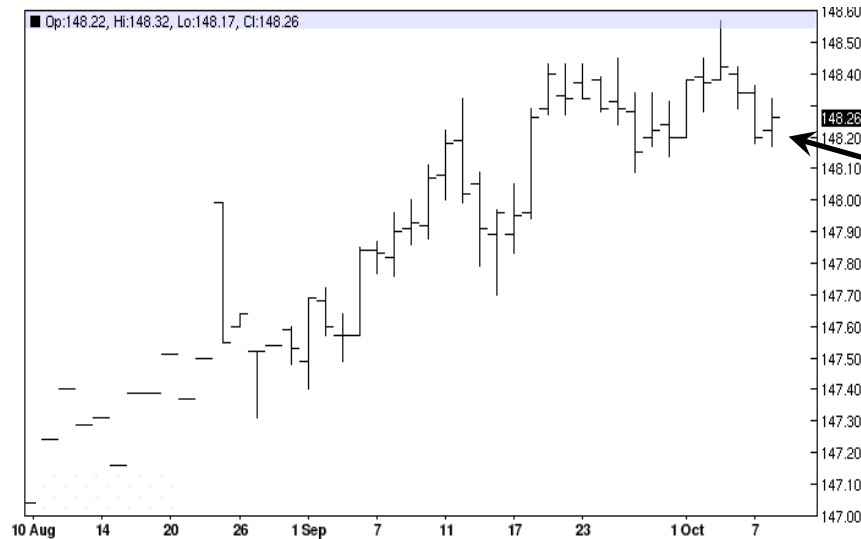
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JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB joined other global bond markets and eased lower on a relief rally in stocks.

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

...“Looking ahead the Bank of Japan policy statement is due. Will the BOJ revise its outlook for the economy and inflation or does the narrative remain unchanged? We judge it will”...

In the event we judge the report was broadly unchanged, but the JGB eased lower despite a weaker PMI Services survey and eco watchers survey, as the FOMC minutes fed a relief rally in stocks, depressing

Looking ahead industrial production is due, but we judge activity remains tepid, meaning longer term the JGB should re-join its Bull trend.

For now we are square.

The Japanese economy refuses to respond to the policy medicine administered over many years as growth remains weak and inflation zero.

More



Summary

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- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

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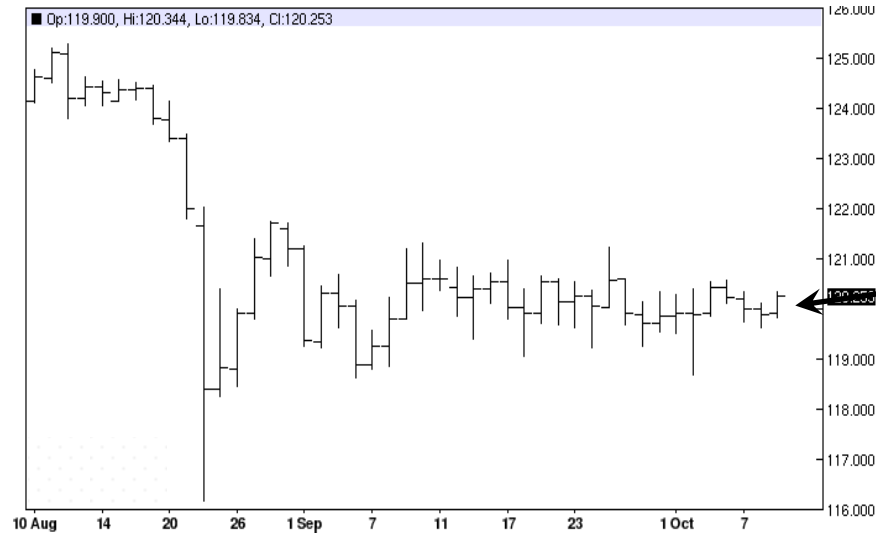
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JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen, like the Dollar is clearly range bound.

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

...“Looking ahead several key data releases due both at home and abroad but we judge Dollar/Yen will struggle to find direction”...

In the event that was the result; do we expect that to

change any time soon? No.

Looking ahead several key releases due, in Japan industrial production, in the US retail sales, we sense the result will be more side ways trading.

For now stay square.

More



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- + US DOLLAR
- + S&P 500

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- + SHORT STERLING
- + GILT
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- + YEN
- + NIKKEI

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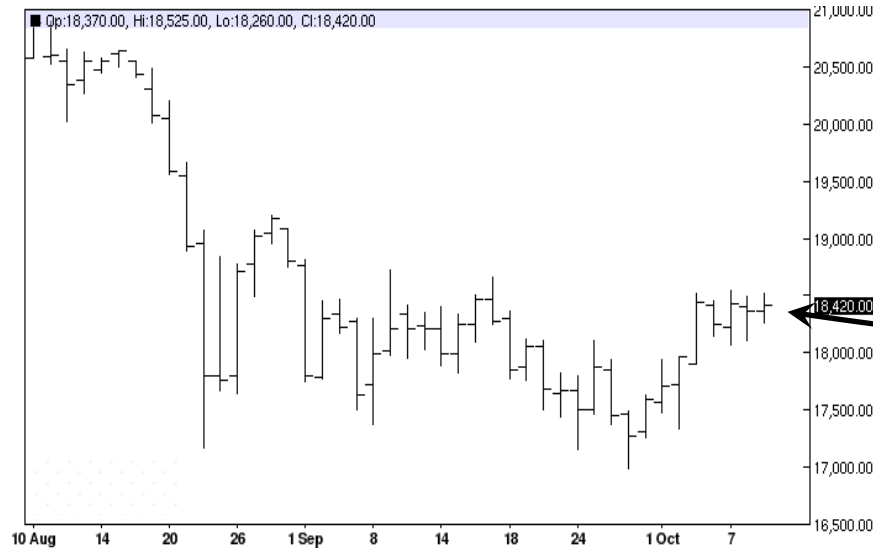
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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei staged a tepid recovery along with other global equity markets and for the same reasons.

The Macro Trader's view of the Nikkei is; last week's price action wasn't a product of renewed economic strength, but rather relief caused by the FOMC minutes which indicate the Fed will be nervous about raising interest rates until they fully understand the potential impact on the US economy from the current global economic weakness.

Not a sound basis for a long term Bull market.

Looking ahead Industrial production due in Japan and retail sales are due in the US. Both are likely to confirm the perception of uncertainty derived from global economic weakness and Fed dithering, meaning no US rate hike this year.

For now stay square.

The market still looks vulnerable.

More



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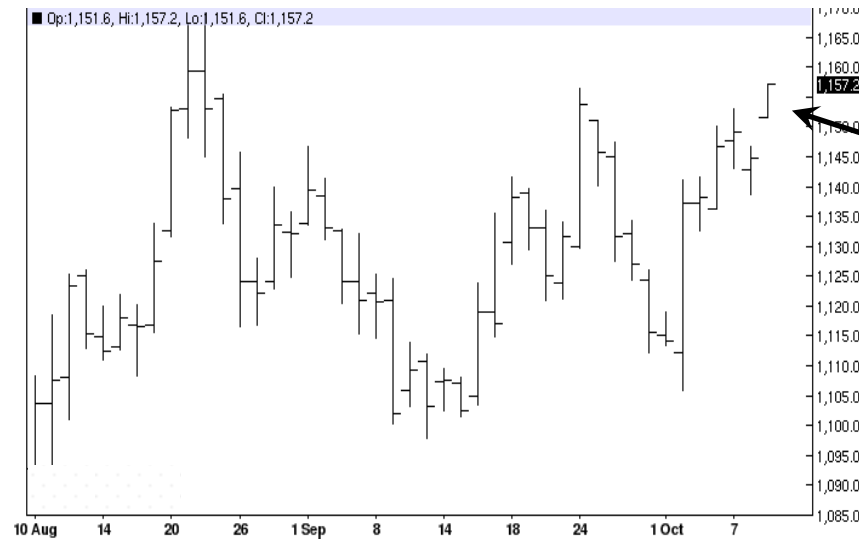
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COMMODITIES: Gold

OUR TRADING STANCE: **BEARISH**

Last week we were Square of **Bearish**.



See how Gold found support from last week's FOMC minutes.

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

...“Looking ahead there are several key reports due globally, but we judge the US FOMC minutes is the one to watch for this and many other markets”...

In the event that proved the case as the FOMC minutes revealed the Fed's angst about the health of the global economy and its unknown impact on the US economy which led them to leave policy on hold in September and will likely keep rates unchanged until

next year, leaving the Dollar directionless. But is that reason to buy Gold? Not yet since the US economy may well weather the current global cooling.

Looking ahead the key report for this market this week is US retail sale. Weakness; Dollar negative, but strength; Gold negative.

Traders should be short of Gold.

Our long term target is \$400.00 and our suggested stop is placed at 1195.00 for protection, not far off.

More



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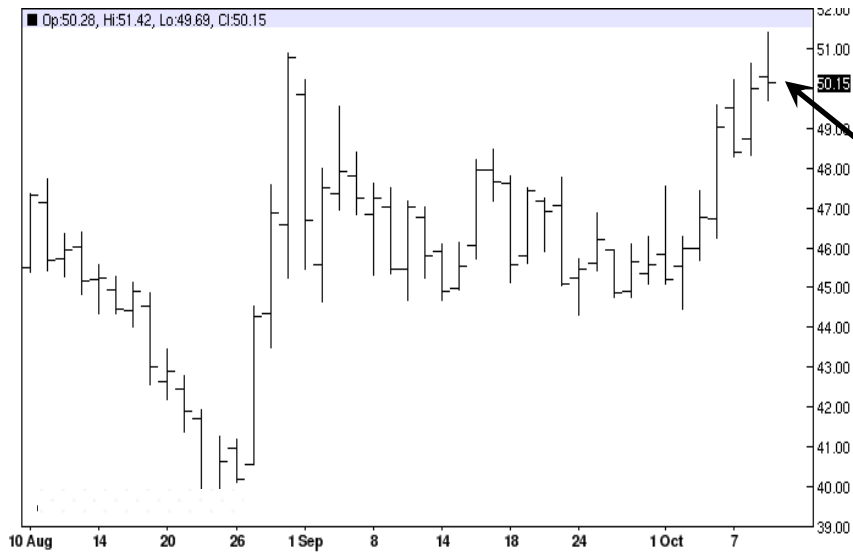
- + GOLD
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Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil rallied despite concerns about the health of the global economy.

The Macro Trader's view of oil is: last week's price action was interesting.

The FOMC minutes released last week revealed the Fed held policy steady because of the weakness of the Global economy and the unknown impact it might potentially have on the US economy.

Why then did oil rally.

There is a perception that the oil glut is soon to end, but why with global economic activity sub-par?

We judge the current rally is a correction that could extend a little further, helped by the unrest in the Middle East. But ultimately the price will be decided by supply and demand and unless Saudi Arabia/OPEC are prepared to cut production, or global economic activity accelerates, the current rally looks unsustainable to us.

We are staying square, but seeking a new selling opportunity.

More



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Commodities

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- + OIL

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