



Week 43
27th October – 2nd November 2015

Summary

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- + 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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● SQUARE
● SQUARE
● SQUARE
● SQUARE

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

● SQUARE
● BULLISH
● BULLISH v the EURO
● SQUARE

Euro Zone Markets

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● SQUARE
● BULLISH
● BEARISH v STERLING
● SQUARE

Japanese Markets

+ JAPANESE BONDS
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● SQUARE
● SQUARE
● SQUARE

Commodities

+ GOLD
+ OIL

● BEARISH
● SQUARE

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Commodities

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+ OIL

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This week's global calendar

| | Week of 26 th October | | Week of 26 th October |
|-----------|--|----------|---|
| Monday | US New home sales 547k UK BBA Home buyer loans 46.2k UK CBI Trnds tot orders -8 DM IFO 108.0 JP Corp sevice prices 0.7% | Thursday | US Jobless claims 264k US Q3 GDP (A) 1.9% US Q3 Persnl consumpt'n 3.3% US Q3 GDP Price indx 1.5% US Core PCE n/f US Pndg home sales 0.2m UK Net Indg on dwellings 3.4B UK Net cons cr 1.1B UK Mrtge aprvls 72.5K UK CBI Sales 35 UK GFK Cons conf 4 DM Unemploy'm't chge -5K DM Unemploy'm't rate 6.4% EZ Ind conf -3.0 EZ Services conf 12 EZ Cons conf -8.0 DM CPI -0.1m, 0.2y JP Househld spndg 0.3m, 1.2y JP National CPI 0.1y JP Tokyo CPI 0.0y JP Jobless rate 3.4% JP BOJ Policy decision 0.10% |
| Tuesday | US Durable goods -1.3% US DG Ex- Transport 0.0% US Case/shiller comp-20 5.10% US Cons confidence 102.8 UK Q3 GDP 0.6q, 2.4y UK Indx of services 0.2m, 1.0(3m/3m) EZ M3 (3M) 5.0% EZ M3 (y/y) 5.0% DM Retail sales 0.4m, 4.2y JP Retail trade 1.0m, 0.6y JP Lrge retail sales n/f | Friday | US Core PCE 0.2m, US Q3 ECI 0.6% US Persnl income 0.2% US Persnl spndg 0.2% US Chicago PMI 49.7 US U. of Michigan conf 92.5 EZ Unemploy'm't rate 11.0% EZ CPI Estimate 0.1y JP Vehicle production n/f JP Construct'n orders n/f |
| Wednesday | US MBA Mrtge apps n/f US Goods Trade bal -\$64.90B US FOMC Rate decision 0.25% UK Nat'nwide hse prices 0.5m, 3.8y DM Import prices -0.1m, -3.5y DM GFK Cons conf 9.4 JP Sml bus confidence n/f JP Ind production -0.6m, -2.9y | | |

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Last week's releases

| | Week of 19 th October | | Week of 19 th October |
|-----------|--|----------|--|
| Monday | US NAHB Housing mkt indx 64 STRONGER UK Rght mve hse prces 0.6m, 5.6y LESS EZ Construct'n output -0.2m, -6.0y WORSE THAN EXPECTED | Thursday | US Jobless claims 259k BETTER US Hse price index 0.3m, WEAKER US Existing home sales 5.55M STRONGER UK Retail sales 1.7m, 5.9y STRONGER EZ ECB Rate decision 0.05% AS EZ Cons conf -7.7% WEAKER JP PMI Mfg survey 52.5 MORE THAN EXPECTED |
| Tuesday | US Housing starts 1206k STRONGER US Building permits 1103k WEAKER DM PPI -0.4m, -2.1y WEAKER EZ C/A 13.7B WEAKER JP Tokyo dept stre sales 4.9% LESS JP National dept stre sales 1.8% LESS JP Machine tool orders -19.1% AS JP Convnienece stre sales 1.3% LESS JP Trade bal -Y114.5B BETTER THAN EXPECTED | Friday | EZ PMI Composite survey 54.0 STRONGER THAN EXPECTED |
| Wednesday | US MBA Mrtge apps 11.8% BETTER UK PSNCR 17.9B WORSE UK PSNB 8.6B BETTER JP All ind actvty indx -0.2% BETTER JP Super mkt sales 2.9% STRONGER THAN EXPECTED | | |

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US MARKETS: economic background

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Last week's focus was Jobless claims. In what was a fairly light weight calendar, Jobless claims stood out as the Fed is known to be focussed on the labour market.

In the event the number was better than expected at 259k, but will it be enough to sway the Fed into hiking rates after several months of indifferent data?

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; **New home sales,**
- On Tuesday; **Durable goods and consumer confidence,**
- On Wednesday; **Goods trade balance and FOMC policy decision,**

- On Thursday; **Jobless claims, Q3 GDP, Q3 Personal consumption, Q3 GDP price index, Q3 Core PCE and Pending home sales, and**
- On Friday; **Core PCE, Q3 ECI, Personal spending, Personal income, Chicago PMI and University of Michigan confidence.**

Several important releases due this week, including the first release of Q3 GDP, which would normally be the main event, but with the FOMC meeting this week and the Policy decision due Wednesday evening, that is the main event as traders are eager to see if the Fed will hike or play it safe and remain on hold.

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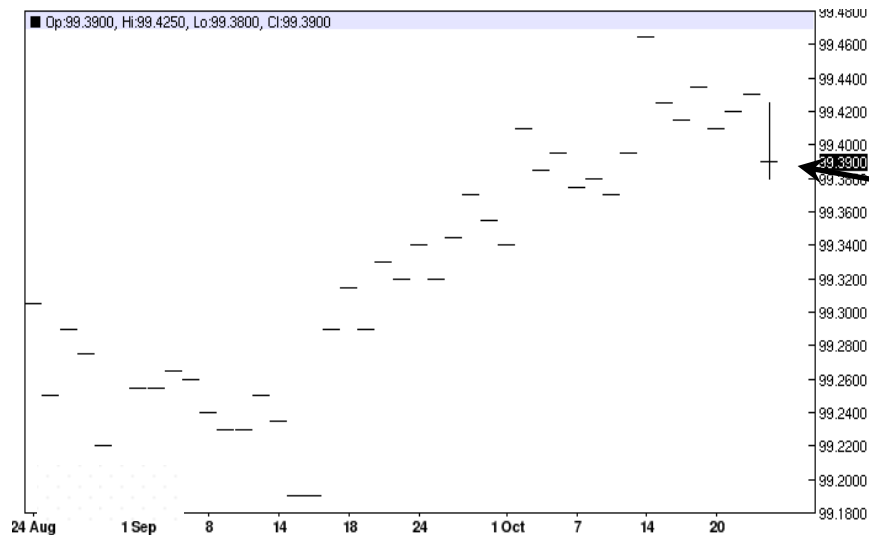
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars suffered profit taking on better data and the upcoming FOMC.

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

...“Looking ahead the key release this week is jobless claims. This number has been declining over recent week's but with soft non-farm payroll data over recent months, will it sway the Fed?”...

In the event the report was better than expected, but we doubt it is the number to decide the next policy move.

Looking ahead the FOMC policy decision is the one to watch this week and although the Q3 GDP report isn't released until the day after the Fed decision, policy makers will have had sight of it.

We are staying square.

We see little to gain from this market.

The FOMC seems split and no hike this year looks most likely on current data.

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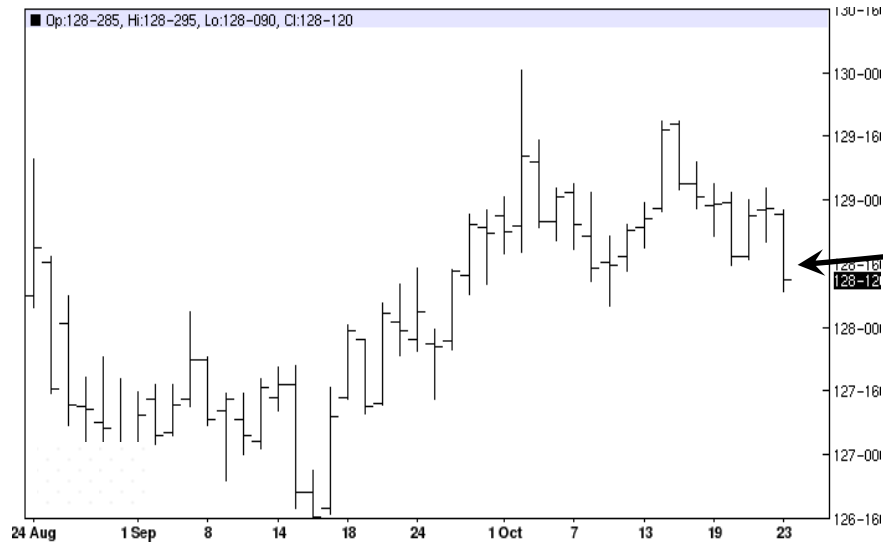
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US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note remains range bound ahead of this week's FOMC.

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

...“Looking ahead little for traders to focus on this week with Jobless claims the main event, but we doubt that number is going to be the deciding factor at the FOMC next week”...

In the event the number was better than expected, but we still doubt it will be the number that makes up the Fed's mind about whether to hike or not.

Looking ahead the FOMC policy decision is the main

event this week and the Fed will have the latest GDP report to help it make up its mind, but with consensus pointing to a Q3 GDP rate of just 1.9%, we judge the Fed will pass on the opportunity to hike and leave policy on hold.

We are staying square.

The outlook is far from clear, and the market looks range bound despite the rally in the Bund and Gilt last week driven by the ECB's clues about further easing in December.

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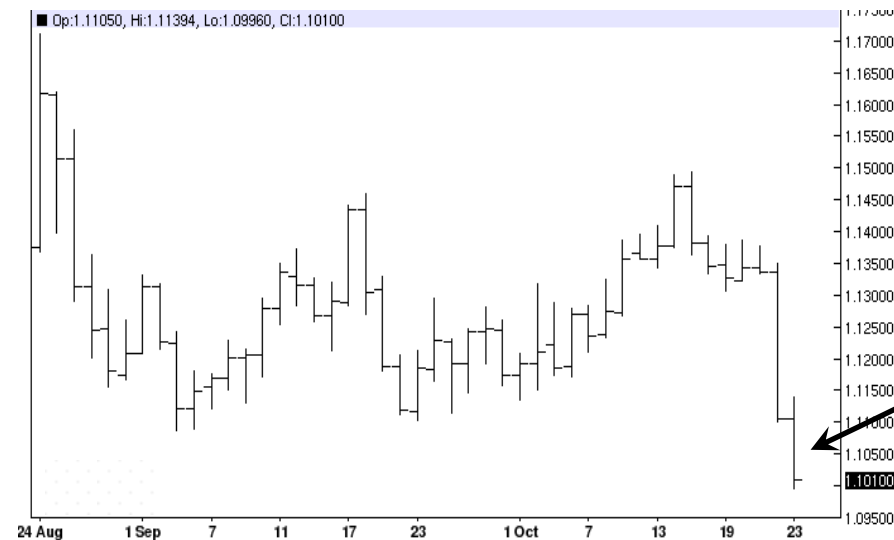
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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE.

Last week we were Square



The Dollar rallied hard against the Euro last week on the ECB's policy statement.

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

...“Looking ahead little to excite traders this week with the housing market in focus, we judge the Dollar will continue to range trade until next week’s FOMC decision”...

In the event the Dollar enjoyed a late week rally against the Euro driven by comments from ECB President Draghi when he dropped strong hints about further easing, possibly in December.

Looking ahead the FOMC policy decision is due on Wednesday, followed by Thursday’s release of Q3 GDP. We doubt the Fed will hike, but what they say is the key, if they sound too dovish the Dollar could correct, where as carefully crafted phraseology could see the Dollar extend its gains.

For now stay square.

The Dollar could be on the threshold of a new phase of the stalled bull run, Wednesday is likely to prove crucial!

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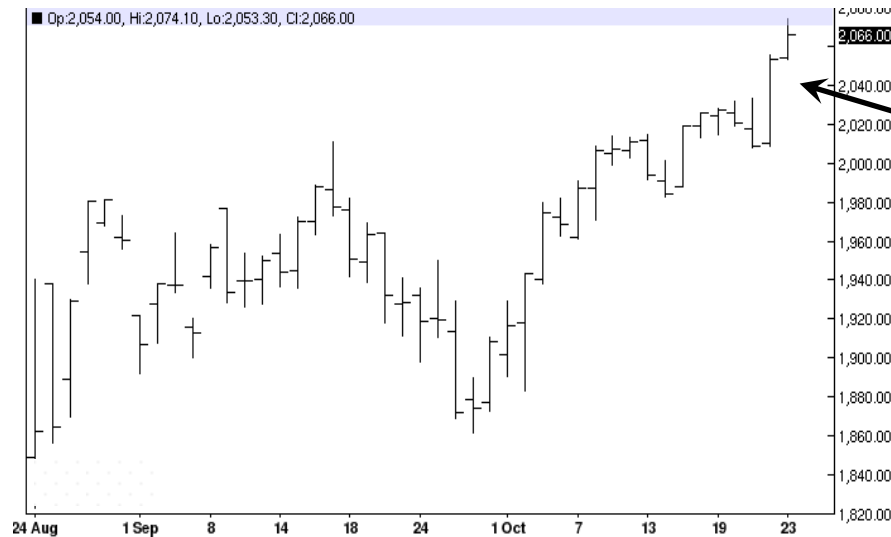
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US MARKETS: S&P500

OUR TRADING STANCE: SQUARE.

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



The S&P rallied with other leading equity markets, driven by Dovish comments from the ECB.

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

...“Looking ahead the jobless claims report is likely the main event this week, but we judge traders will be focussing on next week's FOMC decision, meaning a period of side ways trading is likely ahead of the decision”...

For much of the week that proved the case, but Thursday's press conference at the ECB shook markets up as Draghi hinted at fresh easing perhaps

in December.

Looking ahead the FOMC policy decision is the key event this week. If as we expect, the Fed remains on hold, equity markets could rally further on the combination of a wait and see policy at the Fed, the possibility of more easing this year by the ECB and a recent rate cut in China.

For now stay square, the FOMC is a big event and with only two days to go be patient.

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Commodities

+ GOLD
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Disclaimer

UK MARKETS: economic background

Last week's focus was retail sales. The Rugby Union world cup was expected to generate a boost to the economy, but after England's early exit there were some doubts.

In the event, the number was significantly stronger than expected, and will make a measureable contribution to GDP.

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; **BBA Home buyer loans and CBI Trends Total orders**
- On Tuesday; **Q3 GDP and Index of**

Services,

- On Wednesday; **Nationwide building society house prices, and**
- On Thursday; **Net lending on dwellings, Net consumer credit, mortgage approvals, CBI Sales and GFK Consumer confidence.**

The key release this week is Q3 GDP.

Recent data has been pointing to a soft patch in the economy, but last weeks retail sales was strong and as a major component of GDP might have been enough to have improved the reading.



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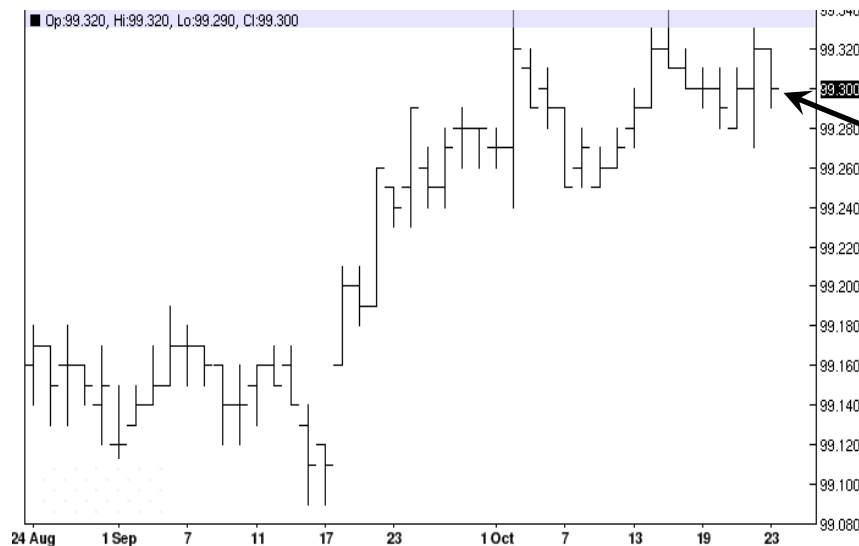
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling remains supported by the economy's current soft patch.

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

...“Looking ahead the retail sales report is due, a strong report would highlight the divide among policy makers over the need for a near term rate hike”...

In the event retail sales were strong, but Bank Governor Carney seems to have softened his tone in recent days as the ECB considers further easing,

China has eased over the weekend and the Fed is likely to leave policy on hold at this week's meeting as concerns over the global economy's health deepen.

Looking ahead Q3 GDP is due, will it confirm a soft patch or was last week's strong retail sales enough to deliver a firmer performance?

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

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Japanese Markets

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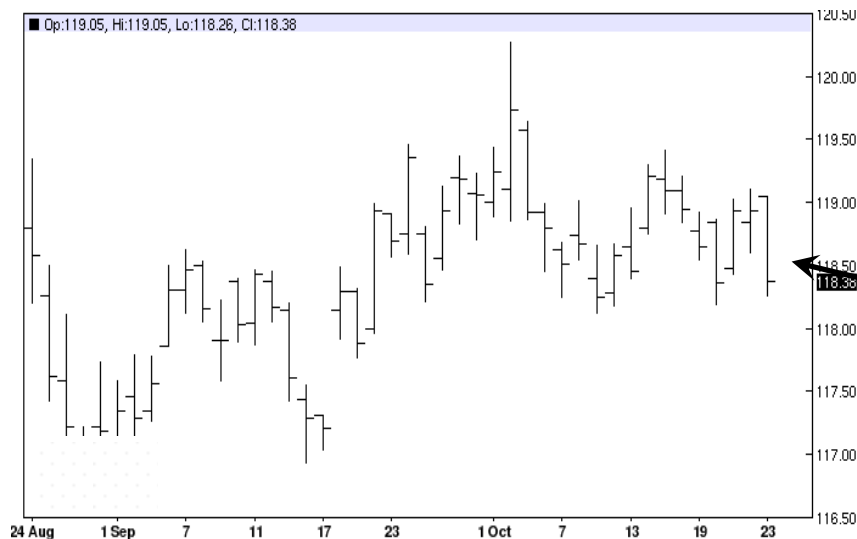
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UK MARKETS: Gilt

OUR TRADING STANCE: BULLISH.

Last week we were [Bullish](#) of the Gilt.



See how the Gilt looks range bound as global economic weakness and uncertainty about the Fed linger.

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

...“Looking ahead the key release this week is retail sales, will that report confirm a slowdown is indeed under way, or will the number come in stronger, suggesting Q2 GDP was merely a blip”...

In the event retail sales were much stronger, but will it be enough to nudge growth higher?

Looking ahead Q3 GDP is due and a solid reading of

0.6q is expected, but all eyes will be on Wednesday's FOMC policy decision.

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 still looks supported.

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

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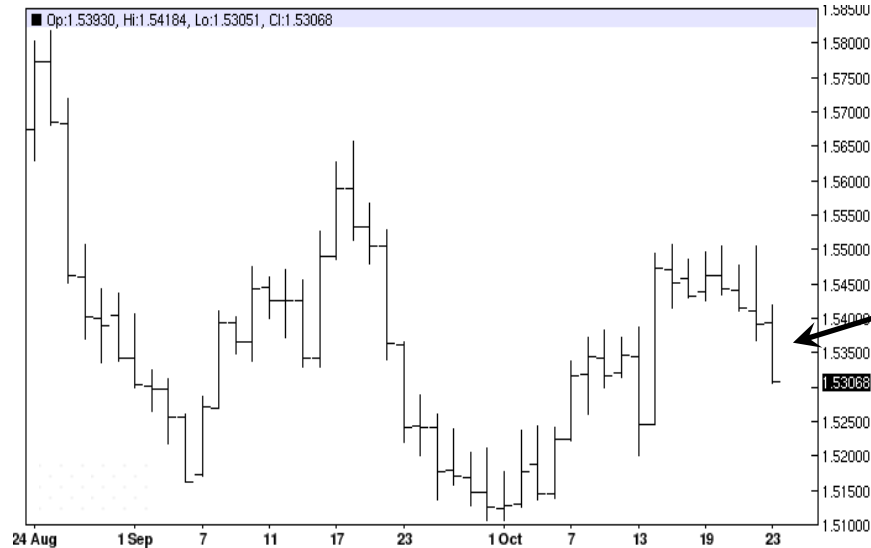
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UK MARKETS: Sterling

OUR TRADING STANCE; **BULLISH** v the **EURO**

Last week we were **Bullish** v the **Euro**



See how Sterling retreated against a surging Dollar.

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

...“Looking ahead the key release this week is UK retail sales, a strong number would offer Sterling support and further fuel the monetary policy debate, but with inflation non-existent are higher rates needed any time soon?”...

In the event an interesting week. UK retail sales were stronger than expected, but the ECB dropped strong hints last week that policy could be eased again by December, sending the Dollar higher and knocking

Sterling in the cross winds.

Looking ahead Q3 GDP is due, a solid report would support Sterling especially if as we expect, the Fed leaves policy on hold.

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 mild soft patch.

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

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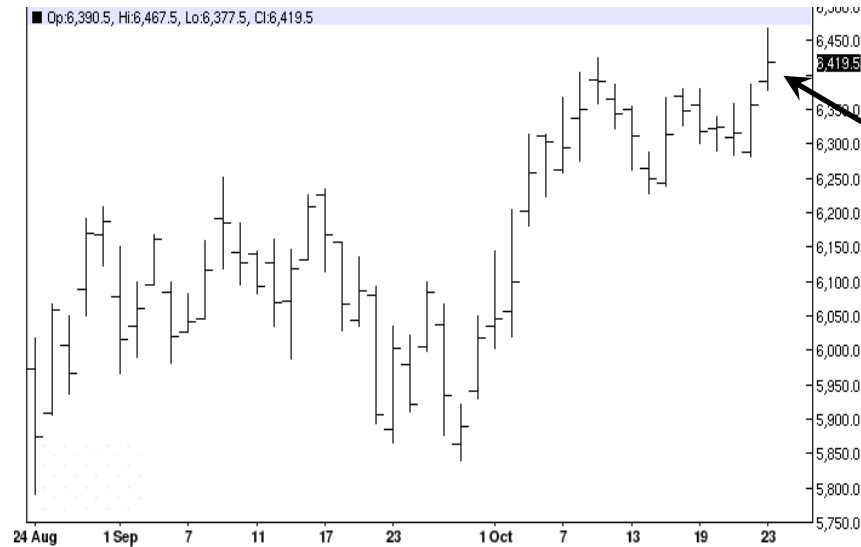
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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the FTSE rallied as the ECB alluded to fresh easing later this year.

The Macro Trader's view of the FTSE is; last week's price action was shaken up by the ECB dropping strong hints that they could ease again later this year.

Add in strong UK retail sales and a growing belief that the Fed will keep policy on hold at its up coming FOMC meeting and stocks rallied.

Looking ahead Q3 GDP is due. A solid report would dispel concerns about the durability of the UK

economic recovery, but with CPI so soft and the global economy looking fragile, UK policy is surely on hold well into next year, meaning this market might find reason to extend the rally; a lot of ifs and buts and maybes!

For now stay square and await the Fed's decision which will impact all markets.

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EURO ZONE MARKETS: economic background

Last week's focus was divided between the ECB policy decision and the Euro zone PMI Composite survey.

In the event the ECB policy statement and press conference set the markets alight with strong hints of further easing, possibly in December.

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; **German IFO**,
- On Tuesday; **German retail sales and Euro zone M3**,

- On Wednesday; **German import prices and GFK Consumer confidence**,
- On Thursday; **German unemployment report, CPI and various Euro zone confidence measures**, and
- On Friday; **Euro zone CPI estimate and unemployment report**.

There are several important Euro zone data releases due this week, but following last week's surprise from the ECB, all eyes will be fixed on the US Federal Reserve FOMC policy decision on Wednesday; will they or won't they hike?



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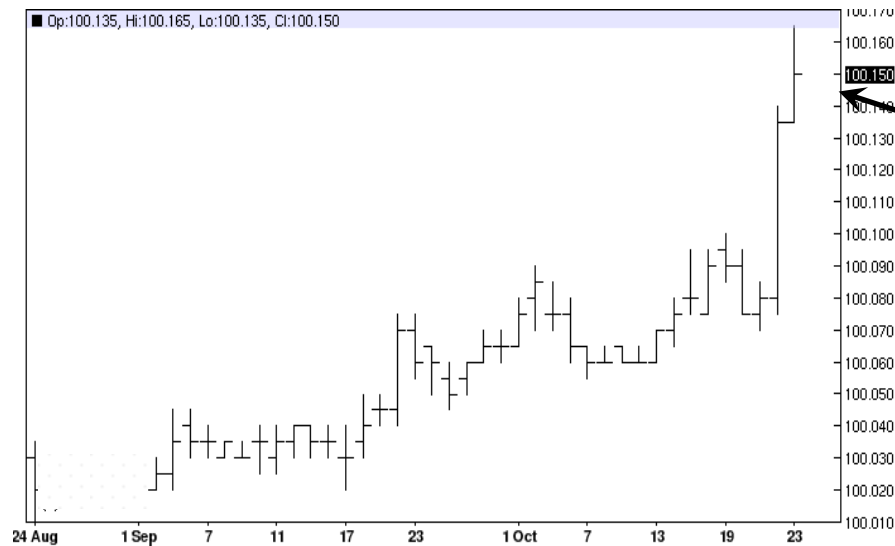
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor rallied on the ECB policy comments.

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

...“Looking ahead the ECB policy decision is due, but no change is expected, throwing the spot light onto the Euro zone PMI Composite survey”...

In the event the PMI Composite survey was pushed into the back ground as the ECB enlivened markets

with hints about fresh policy easing.

Looking ahead the key event for markets this week isn't domestic but the FOMC policy decision.

We are square here as we judge we missed the move and a correction is likely as December is a long way off.

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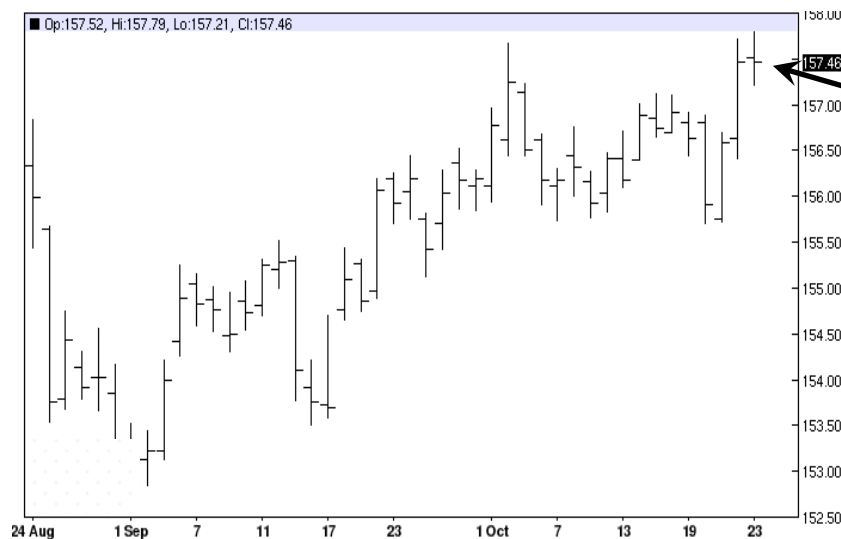
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of The Bund.



The Bund rallied late last week on the ECB's remarks.

The Macro Trader's view of the Bund is: Last week we said...

...“Looking ahead the ECB policy decision is likely to be unchanged, so all eyes on the Euro zone PMI Composite survey; will it show improvement or confirm the status quo?”...

In the event the ECB grabbed the headlines with hints of further easing, leaving the PMI Composite survey in the back ground and propelling the Bund higher.

Looking ahead several domestic data releases are due, but all eyes are on the Fed this week for their latest policy decision; unchanged is expected, but will they deliver a surprise?

Traders should be long the Bund. The Euro zone economic recovery remains tepid with the ECB setting its self up to do more.

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

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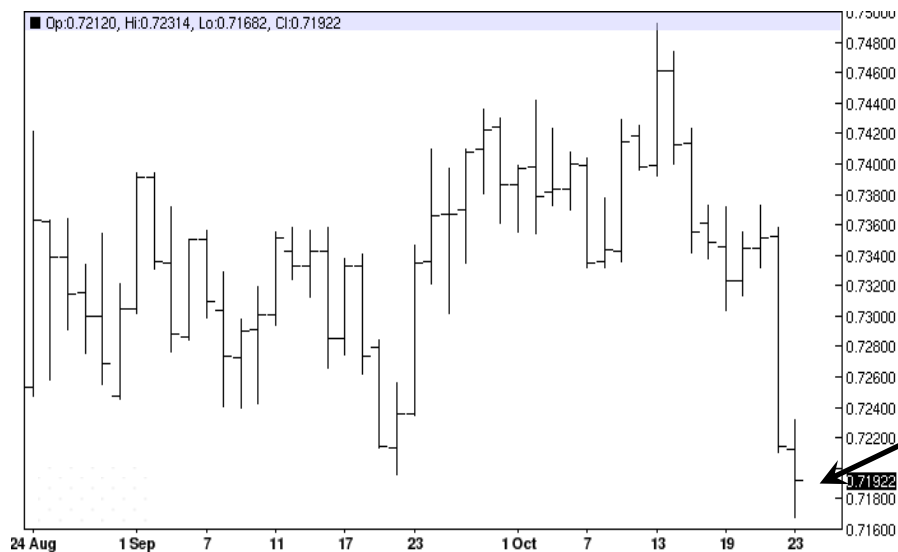
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BEARISH v STERLING

Last week we were **Bearish v Sterling**



The Euro sold off against the Dollar and Sterling.

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

...“Looking ahead the Euro zone PMI Composite survey stands out as the one to watch, but we judge traders will be more interested in the out come of next week's FOMC meeting”...

In the event neither was the dominant feature last week, as the ECB surprised with strong hints about delivering fresh policy easing, possibly in December,

sending the Euro lower against the other majors.

Looking ahead several domestic data releases due, but all eyes will be on the Fed. Wednesday sees the FOMC policy decision, and it has the potential to move markets globally.

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



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

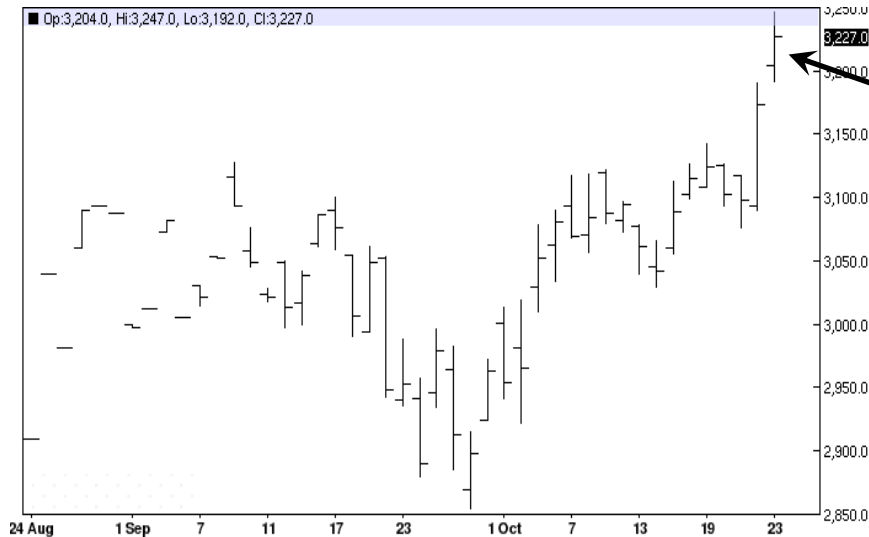
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market rallied on the ECB'S press conference.

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

last week we said...

...“Looking ahead the Euro zone PMI composite survey is due, but all eyes are on next week's FOMC meeting”...

In the event we were too eager to dismiss the ECB's policy meeting last week. The strong hints of fresh easing eclipsed all else and sent equity markets and bond futures higher.

Looking ahead the focus this week is the FOMC. A rate hike would send equity markets into sharp reverse but we judge US policy makers will elect to remain on hold amid the current softness in the global economy.

For now stay square; the wait will soon be over and if as we expect the Fed leaves policy unchanged, markets could extend the rally a little further before the reality of economic weakness returns.

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JAPANESE MARKETS: economic background

Last week's focus was the PMI Manufacturing survey.

In the event the report beat expectations and came in better than expected and with machine tool orders holding up and the trade balance improving the doom Sayers were silenced for once.

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; **Corporate service prices**,
- On Tuesday; **Retail sales**,

- On Wednesday; **small business confidence and industrial production**,
- On Thursday; **Household spending, National CPI, Tokyo CPI, jobless rate and BOJ policy decision, and**
- On Friday; **vehicle production and construction orders.**

There are several key reports due this week but our attention is taken by Industrial production and the Bank of Japan policy decision.



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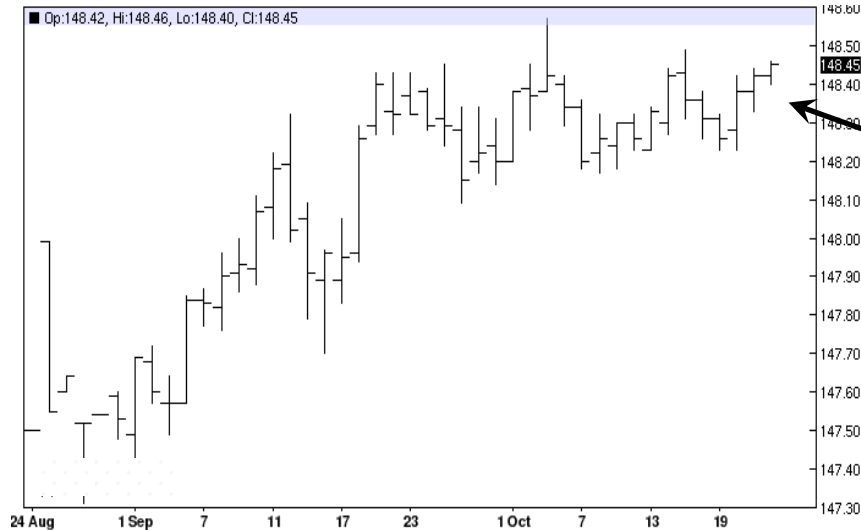
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JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB remains well supported by tepid economic performance.

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

...“Looking ahead the PMI Manufacturing survey is due, will it offer any hope of recovery of just more of the same?”...

In the event the report was a little better than expected and with machine tool orders meeting consensus the outlook improved very slightly.

Looking ahead the Industrial production report is due together with the BOJ policy decision; are there any more Central Bank surprises left after the ECB last week and Chinas rate cut over the weekend?

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.

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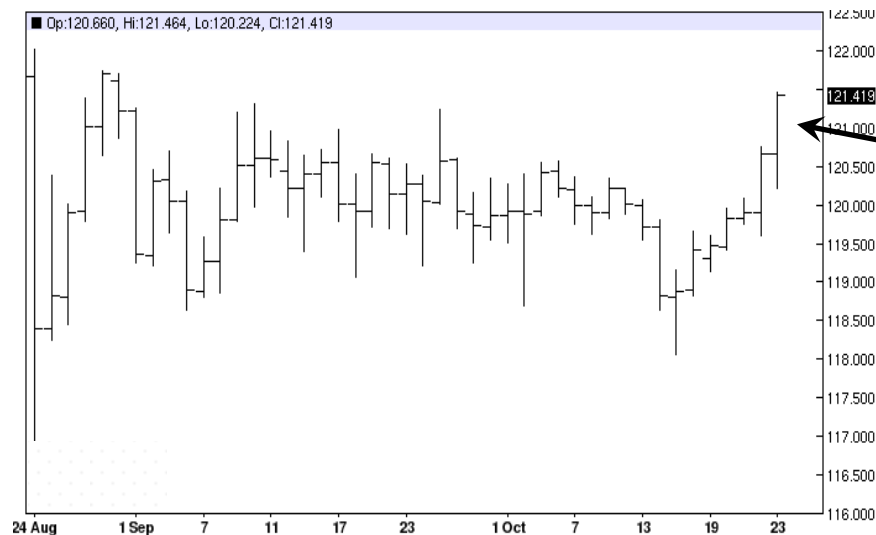
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JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen weakened against the Dollar but the trading range held.

The Macro Trader's view of the Yen is; last week's price action was mainly driven by Central Bank activity or to be precise; words.

The ECB dropped strong hints it could ease again later this year; there are only two months left!

The Fed meets this week to decide US interest rates, will they remain on hold or decide they can hike after

the ECB's comments and a Chinese rate cut?

Looking ahead several reports due including Industrial production and the BOJ policy statement, but for Dollar/Yen we judge the FOMC rate decision and policy statement is likely to prove the main event.

For now stay square. What ever the out come this pair looks range bound.

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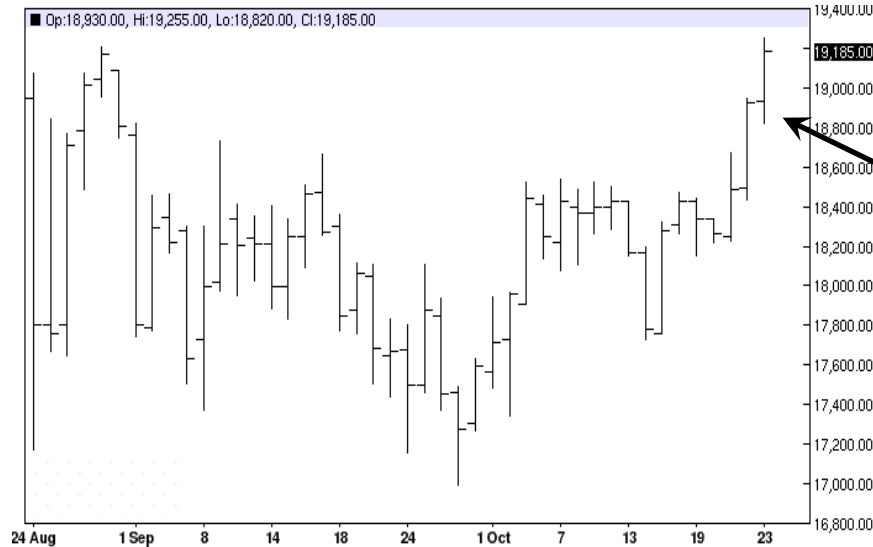
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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei joined the global equity market rally on hope of more ECB easing.

The Macro Trader's view of the Nikkei is; last week's price action tested the upper boundary of the established trading range.

Although the PMI Manufacturing survey was better than expected, the Machine tool orders report was as expected and the trade balance showed improvement, we judge the rally in this market was driven by the same dynamic that drove other leading global equity markets higher late last week; the ECB's strong hints of more easing this year.

Looking ahead several data releases are due with the Bank of Japan's policy statement due on Thursday, but we judge this and other equity markets will be driven by the outcome of the FOMC policy meeting on Wednesday. In a nutshell a US rate hike isn't now expected, but if the Fed were to hike this and other equity markets would correct lower.

For now we are staying square until the result of the FOMC is known.

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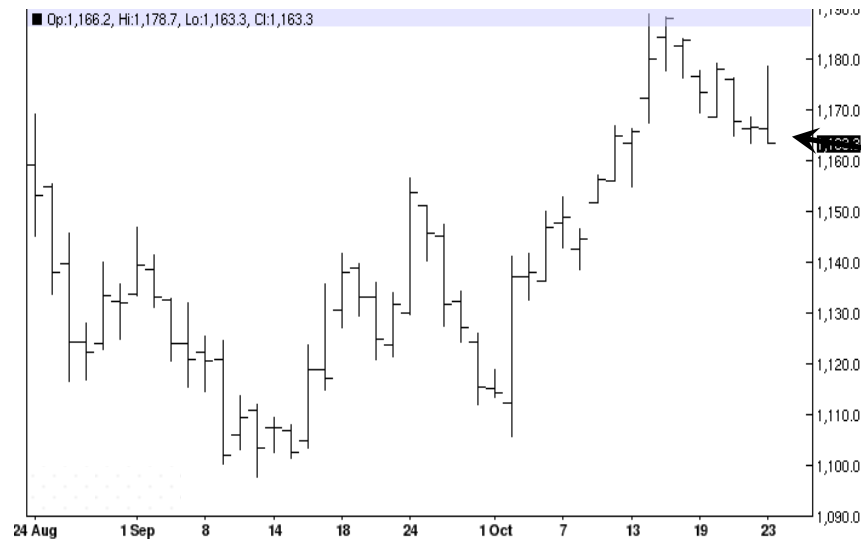
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COMMODITIES: Gold

OUR TRADING STANCE: **BEARISH**

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



See how Gold corrected lower as the Dollar rallied.

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

...“Looking ahead there is little US data wise to get too excited about this week, meaning all eyes are turned towards next week's FOMC policy decision”...

In the event the ECB delivered a surprise with talk of fresh easing which propelled the Dollar higher, principally against the Euro and sending Gold away from the recent highs.

Looking ahead the FOMC policy decision is due this week, unchanged is now widely expected, but what

policy makers say in their statement is likely to be of greater interest, if it sounds too dovish the Dollar could correct and offer Gold a life line.

We judge the Fed will remain on hold and allude to global economic weakness while talking up the health of the US economy and framing their decision as one of a short term hold rather than a fundamental change of heart which should support the Dollar.

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.

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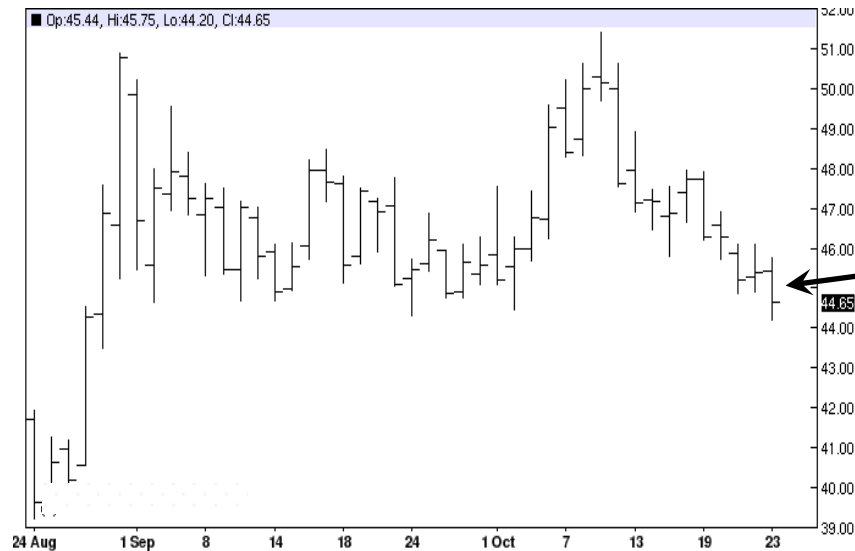
- + GOLD
- + OIL

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COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil continues to drift lower as concerns about the health of the global economy persist and over supply continues.

The Macro Trader's view of oil is: last week's price action confirmed this market remains stuck in a trading range, but for how much longer?

Some predict a break out to the up side, we don't.

The global economic outlook is weak, Chinas Q3 GDP was the weakest in many years at 6.9%, prompting a rate cut. The Fed held off from raising rates in September due to Global economic weakness and will likely do the same at this weeks FOMC meeting.

The IEA forecast supply will again outstrip demand in 2016, where is the dynamic capable of driving oil prices higher? A Saudi/OPEC production cut?

Saudi Arabia wants to maintain market share especially as Iran is close to getting the all clear to restart oil exports.

We judge the next move in oil prices will be **lower but as ever timing is the key.**

For now stay square a little longer, if the Fed does hike this week; we don't think it will, Oil prices could sell off as traders fret about the impact on the global economy of higher US interest rates and if they keep policy unchanged that will just confirm the outlook of global economic weakness, meaning oil could still sell off.

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Commodities

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- + OIL

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