



Week 45
10th – 19th November 2015

Summary

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- + 10 YEAR NOTE
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- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
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Commodities

- + GOLD
- + OIL

Disclaimer



Multi-asset fundamental strategies

John Lewis

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- SQUARE
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- SQUARE

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This week's global calendar

| | Week of 9 th November |
|-----------|---|
| Monday | UK BRC Sales 0.7% DM Trade bal 20.0B DM C/A n/f JP C/A 2235.0B JP Trade Bal n/f JP BK Lndg Incl trusts 2.6% JP Bankruptcies n/f |
| Tuesday | US Import prices -0.3m, US Wholesale invntry 0.1% JP Eco watchers survey 48.2 |
| Wednesday | US MDA Mrtge apps n/f UK Unemployment rate 2.3% UK Unemployment chge 1.5k UK ILO 5.4% UK avrge wkly earngs 3.2% UK avrge wkly earngs ex-bonus 2.7% UK RICS House prices 45% JP Machine tool orders n/f JP Dmstic corp gds prces -0.4m, -3.5y JP Machine orders 3.3m, -4.0y JP Loans & discount corp n/f |

| | Week of 9 th November |
|----------|---|
| Thursday | US Jobless claims 260k US Monthly bdtget statem't -\$130.2B DM CPI 0.0m, 0.3y EZ Ind production 0.1m, 1.4y JP Ind production 1.0m, JP Capacity utilisation n/f JP Tertiary Industry indx 0.2% |
| Friday | US Retail sales 0.2% US RS Ex -Autos 0.4% US PPI 0.2m, -1.2y US PPI Ex- F&E 0.1m, 0.5y US Business invntry 0.0% US U. of Michigan Conf 91 UK Construct'n output n/f DM WPI 0.2m FR Q3 GDP 0.3q, DM Q3 GDP 0.3q, 1.8y IT Q3 GDP 0.3q, 1.0y EZ Q3 GDP 0.4q, 1.7y EZ Trade Bal n/f |

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Last week's releases

| | Week of 2 nd November |
|-----------|--|
| Monday | US Construct'n spndg 0.6m, STRONGER US ISM Mfg 50.1 MORE US ISM Prices paid 39.0 LESS UK PMI Mfg 55.5 STRONGER IT PMI Mfg 54.1 STRONGER FR PMI Mfg 50.6 LESS DM PMI Mfg 52.1 MORE EZ PMI Mfg 52.3 MORE JP PMI Mfg 52.4 AS JP Vehicle sales 0.2% BETTER THAN EXPECTED |
| Tuesday | US NYK ISM 65.8 STRONGER US Factory orders -1.0 WEAKER UK PMI Construction 58.8 AS UK BRC Shop prices -1.8% AS THAN EXPECTED |
| Wednesday | US MBA Mrtge apps -0.8% MORE US ADP Employ'm't chge 182k BETTER US Trade bal -\$40.81B BETTER US ISM Non-mfg 59.1 STRONGER UK PMI Services 54.9 BETTER IT PMI Services 53.4 LESS FR PMI Services 52.7 STRONGER DM PMI Services 54.5 WEAKER EZ PMI Services 54.1 LESS EZ PPI -0.3m, -3.1y STRONGER JP Cons confidence 41.5 MORE JP PMI Services 52.2 BETTER JP BOJ Minutes THAN EXPECTED |

| | Week of 2 nd November |
|----------|---|
| Thursday | US Jobless claims 276k WORSE US Q3 Non-farm prodctvty 1.6% STRONGER US Q3 Unit labour costs 1.4% WEAKER UK BOE AP Target £375B AS UK BOE/MPC Rate decision 0.50% AS UK BOE Inflation report DOVISH DM Factory orders -1.7m, -1.0y WEAKER EZ Retail sales -0.1m, 2.9y WEAKER THAN EXPECTED |
| Friday | US Unemploy'm't rate 5.0% LESS US Non-farm payroll 271k STRONGER US Avrge hrly earngs 0.4m, 2.5y STRONGER US Avrge wrk week 34.5 AS US Consumer CR n/f UK Halifax hse prices 1.1m, 9.7(3m/y) MORE UK Ind production -0.2m, 1.1y WEAKER UK Mfg output 0.8m, -0.6y STRONGER UK Trade bal -£9.351B BETTER UK Trade bal non-EU -£2.076B BETTER UK NIESR GDP Estimate 0.6% STRONGER DM Ind production -1.1m, 0.2y WEAKER THAN EXPECTED |

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US MARKETS: economic background

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Last week's focus was split between the two ISM surveys and non-farm payroll.

The ISM Manufacturing survey narrowly beat consensus, but the non-manufacturing version was much stronger than expected, pointing to a strengthening of economic activity. That was underlined by Friday's non-farm payroll report which came in much stronger than expected and potentially strengthened the Fed's case for starting the rate hiking process at its December FOMC meeting.

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; **Import prices and Wholesale inventories,**
- On Thursday; **Jobless claims and monthly budget statement, and**
- On Friday; **Retail sales, PPI, Business inventories and University of Michigan confidence.**

The key release this week is retail sales.

After last week's stronger data, a strong retail sales report would increase the odds of a December rate hike.

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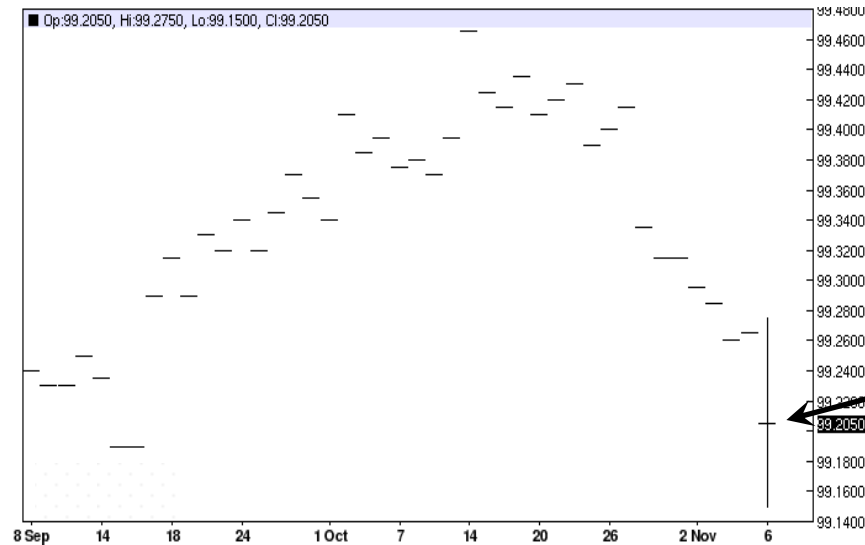
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars registered the full implications of Friday's non-farm payroll report.

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

...“Looking ahead several key releases due including non-farm payroll, a strong number would increase the risk of a rate hike in December despite the weak Q3 GDP report”...

In the event a strong payroll report it was supported by better than expected ISM surveys meaning the Fed will find it easier to hike in December if they so choose.

Looking ahead retail sales are due on Friday and a strong report would add weight to the likely-hood of a December hike.

We are staying square.

A hike in December may well be delivered, but the Fed will move slowly in in small steps.

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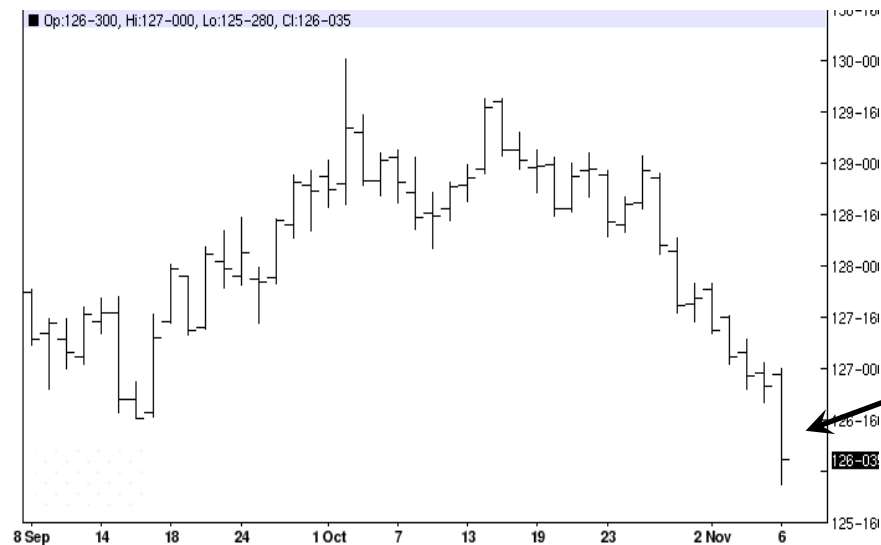
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US MARKETS: 10 Year Note

OUR TRADING STANCE: **BEARISH.**

Last week we were Square of the 10 year note.



The 10 year note extended the sell off on Friday's payroll report.

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

...“Looking ahead the two ISM surveys and non-farm payroll are due, will any of these reports give the Fed the reason to hike in December or will data continue to frustrate policy makers and keep them on hold until next year?”...

...“This week's data is important, but we doubt it will give the Fed a basis to hike next month, but then there is always December's payroll report!”...

In the event both the ISM non-manufacturing survey and non-farm payroll were much stronger than expected, putting the Fed back on track for a December rate hike.

Looking ahead retail sales are due, if this report beats expectations the market will expect a move in December.

Traders should be short of this market. Our target is 124.01 and our stop placed at 127.16 for protection.

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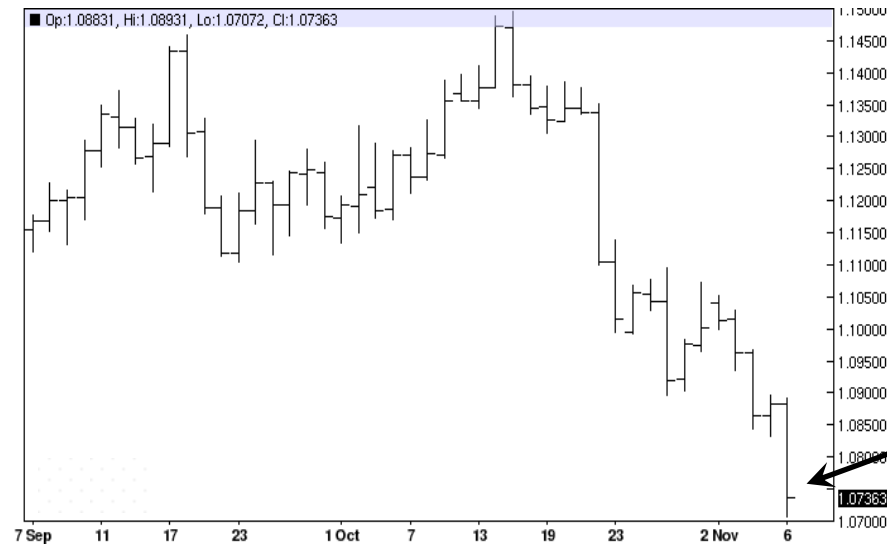
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US MARKETS: US Dollar

OUR TRADING STANCE: **BULLISH** v the **EURO**.

Last week we were Square



The Dollar re-asserted its bullishness after Friday's payroll report.

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

...“Looking ahead the two ISM surveys and non-farm payroll are due, clearly any signs of renewed strength will aide the Dollar where as weakness will likely force a correction”...

In the event ISM non-manufacturing and non-farm payroll were much stronger than expected and the Fed will hike in December unless December's payroll report is weak.

Looking ahead the retail sales report is due Friday and a strong report will shorten the odds even further on a December rate hike.

Traders should be long the Dollar/short the Euro.

Our suggested target is 104.05 and our suggested stop is set at 1.1075 for protection.

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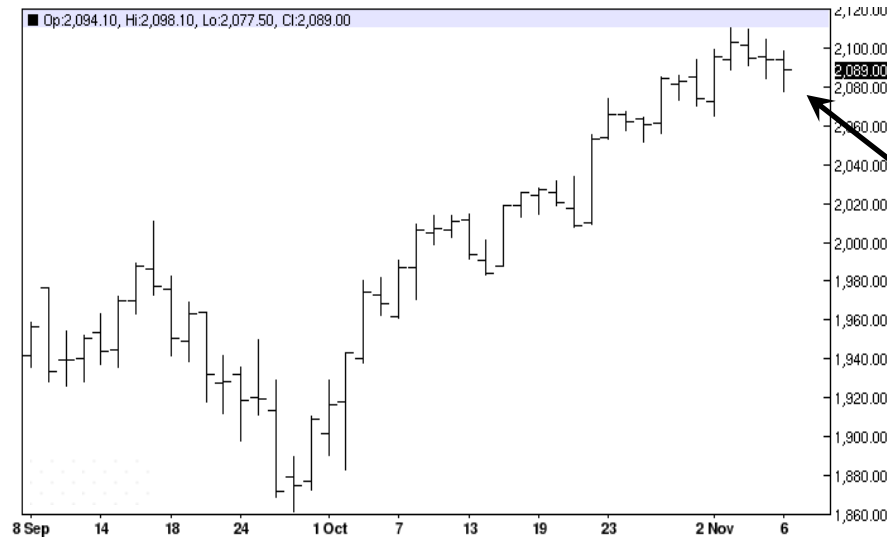
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US MARKETS: S&P500

OUR TRADING STANCE: SQUARE.

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



The S&P held up well last week on stronger data.

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

...“Looking ahead a run of heavy weight data due this week which will likely offer clues on the chances of a December rate hike. More soggy data will make it look less likely, but may just help equities as traders are clearly more concerned about a rate hike than the strength of the economy; at least for now”...

In the event two key reports were stronger than expected pointing to an acceleration in growth and a

December rate hike; the market was at best pensive. It drew support from the data but didn't rally as traders are clearly concerned about a rate hike.

Looking ahead retail sales are the main event this week and strength will likely translate to a December rate hike.

For now stay square, although the market held up, it should have rallied on the data, clearly the thought of higher rates is having a negative affect and stocks could suffer a correction if retail sales is strong.

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Commodities

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UK MARKETS: economic background

Last week's calendar was packed with heavy weight data.

The two PMI surveys were stronger than expected, the trade report was better than expected and although industrial production was weaker, manufacturing output beat consensus, but the focus of the week; the Bank of England quarterly inflation report was dovish, suggesting rates on hold throughout next 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; **BRC sales**,
- On Wednesday; **unemployment report**,

average earnings and RICS House price survey, and

- On Friday; **construction output**.

The key release this week is the unemployment report.

A small increase to unemployment is expected, but overall all the trend for falling unemployment remains in place.



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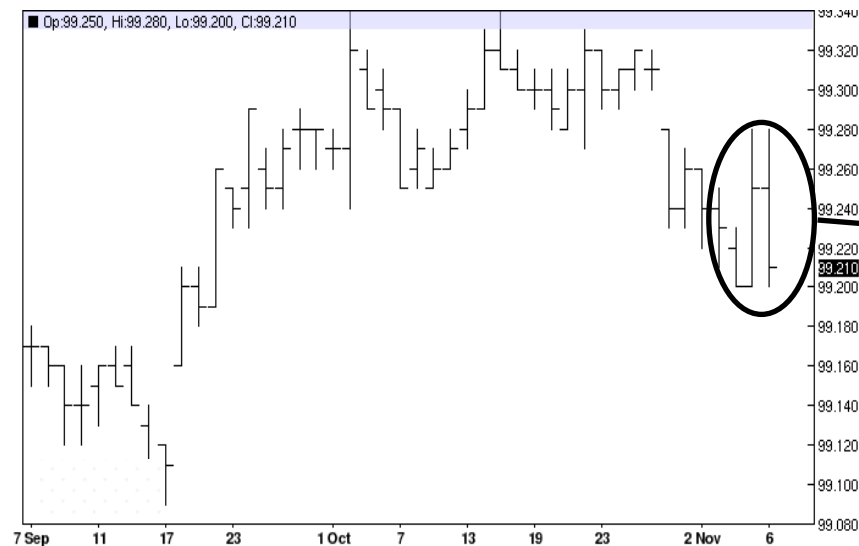
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling swung on Thursday's BOE inflation report and the US non-farm payroll report.

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

...“Looking ahead a big week for UK data with the BOE quarterly inflation report standing out”...

...“We judge the report will acknowledge the soft inflation outlook and softer growth outlook meaning a rate cut shouldn't be expected any time soon”...

In the event that was the outcome, but Thursday's rally

was cut short by Friday's strong US non-farm payroll report which put a US rate hike in December back in play.

Looking ahead the unemployment report is due. However we judge this market will likely struggle for direction as traders balance the dovish BOE against the more hawkish Fed.

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

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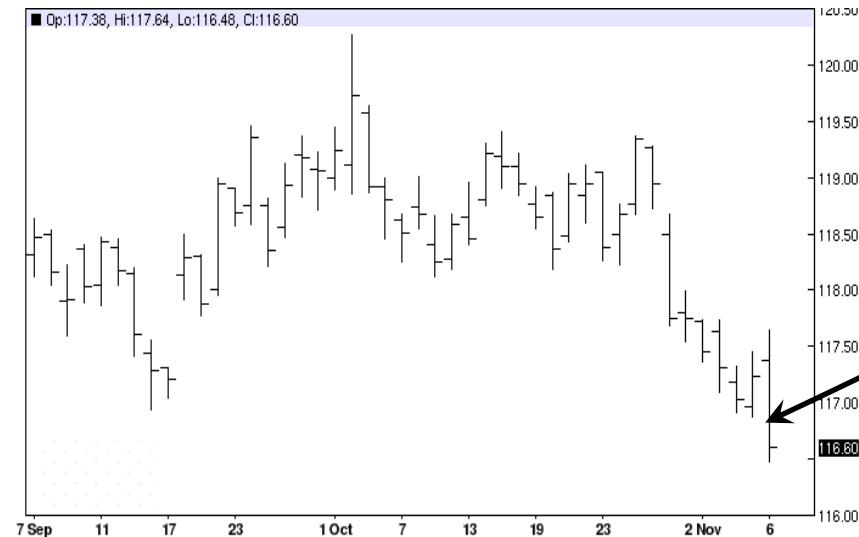
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt looks vulnerable as bonds react to the growing threat of a US December rate hike.

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

...“Looking ahead the key event this week is the Bank of England's quarterly inflation report. After a run of softer data and flat to negative CPI can policy makers still realistically hold desires to hike any time soon?”...

In the event the quarterly inflation report acknowledged

that reality, but with the Fed moving closer to a December rate hike, government bonds, including the Gilt look vulnerable.

The key release this week is the unemployment report and we expect little in the way of drama from it.

We remain square of this market, foreign sentiment is negative, domestic fundamentals are not.

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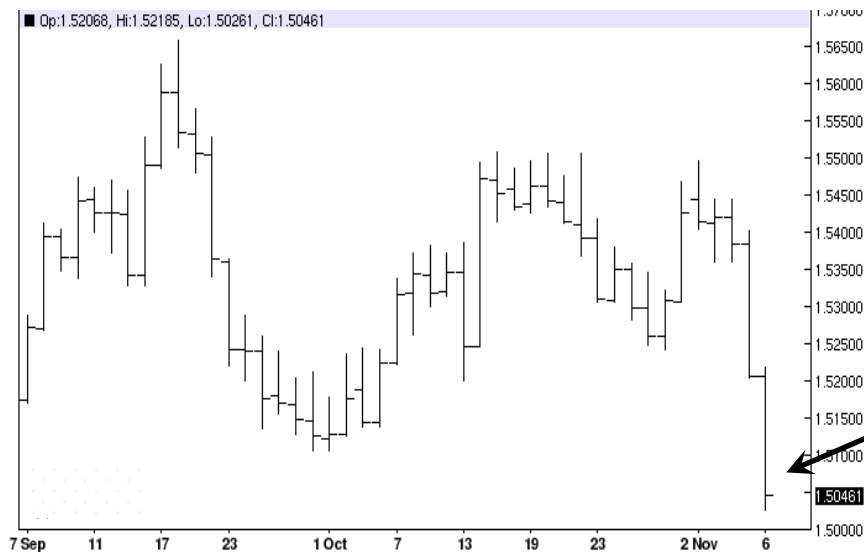
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UK MARKETS: Sterling

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

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



See how Sterling sold off against the Dollar on the combination of a dovish BOE and strong US non-farm payroll report.

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

...“Looking ahead heavy weight data due this week in the US, UK and Euro zone, but all eyes will be on Thursday's Bank of England quarterly inflation report and Friday's US non-farm payroll report, both will have implications for monetary policy in their respective economy's”...

In the event those two events were market movers and worked against the Pound.

Looking ahead the unemployment report is due and a trend report is anticipated.

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, as evidenced by the stronger UK PMI surveys.

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

Against the Dollar we remain square as we judge UK fundamentals are not Sterling negative.

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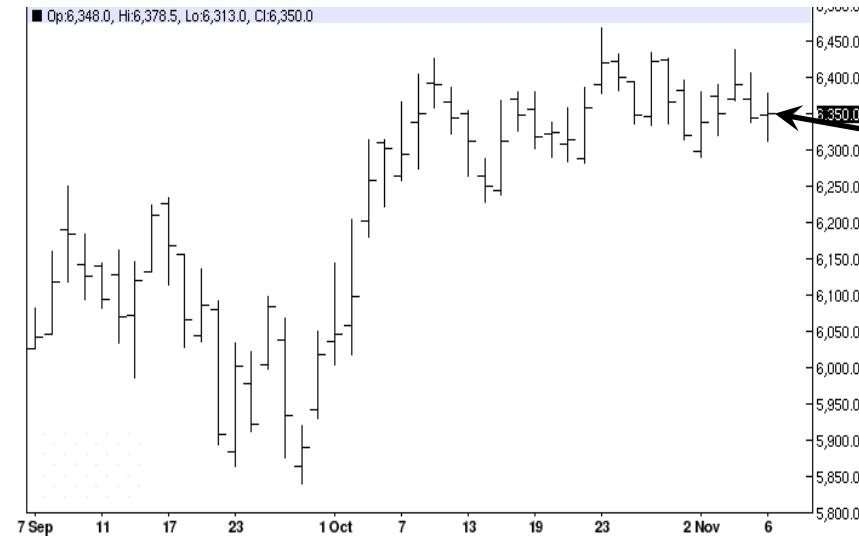
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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the FTSE continues its side ways trading pattern.

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

...“Looking ahead key data due at home and abroad, but we judge Thursday's BOE inflation report is the main event. IF the growth forecast looks steady and inflation remains benign, this market will be supported, but may still need external good news to push ahead”...

In the event that was the outcome, but with US non-farm payroll coming in stronger on Friday and the Fed

looking on course for a December rate hike, the FTSE remained stuck in its trading range.

Looking ahead the unemployment report is due and a trend report is expected, but US retail sales are due on Friday, a strong report would increase the odds on a Fed rate hike in December and weigh on stocks.

For now stay square.

This market is under performing and is starting to look vulnerable.

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EURO ZONE MARKETS: economic background

Last week's focus was divided between domestic and US data.

Domestic data offered fresh clues on the health of the Euro zone economy, but US data had the potential to impact global markets as it had implications for US monetary policy.

In the event domestic data was mixed with German factory orders and industrial production weaker than expected.

But US non-farm payroll was strong and the Fed is increasingly likely to act at its December FOMC meeting.

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 trade and C/A data,**
- On Thursday; **German CPI and Euro zone industrial production, and**
- On Friday; **German, French, Italian and Euro zone Q3 GDP and Euro zone trade data.**

There are several key data releases due this week, but the most important are the various Q3 GDP reports due on Friday.



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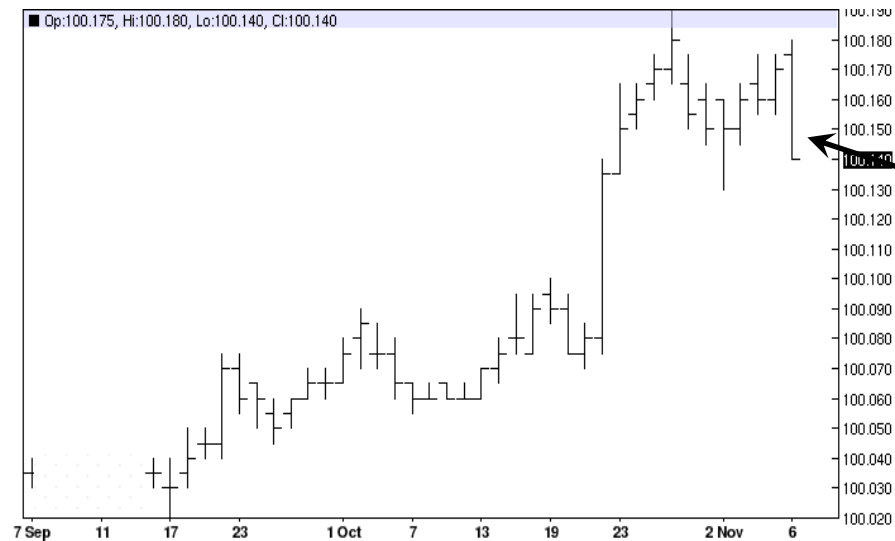
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor sold off on Friday even though the ECB plans more easing.

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

...“Looking ahead several key data releases due, including the PMI surveys. Will they support the ECB's talk of policy action in December or will unexpected strength cause the ECB to pause”...

In the event the PMI's were a little mixed but weak German factory orders and industrial production will

keep the ECB focused on additional easing.

Looking ahead the Q3 GDP reports are due and will reveal the degree to which the ECB's QE program has been a success or not!

For now we are square. The ECB is expected to ease in December where as the Fed is expected to tighten.

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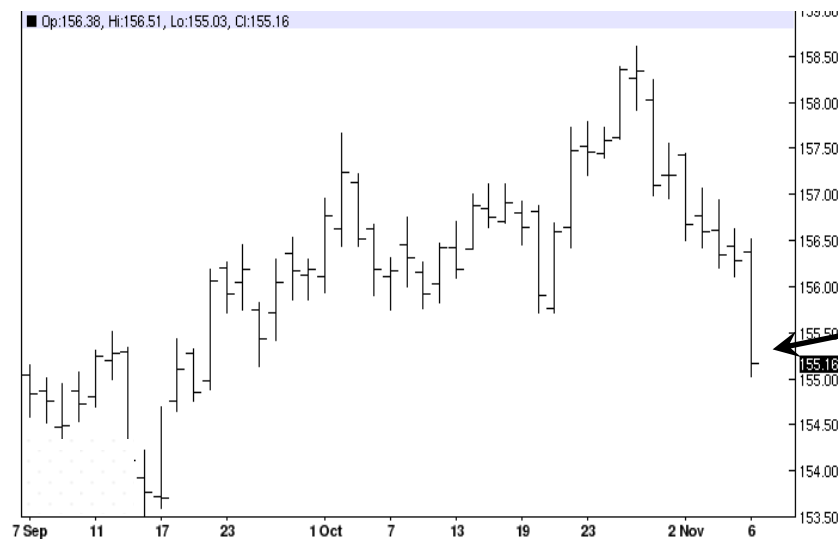
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund joined other global Government Bonds and sold off.

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

...“

Looking ahead several key data releases due at home and abroad. Domestic data focusses on the PMI surveys, and foreign data is the US non-farm payroll report; a strong report would make a US rate hike more likely, but will the number measure up”...

In the event the PMI's were mixed and key German

data weak, but the Bund sold off on a strong US non-farm payroll report that increased the odds of a US rate hike in December.

Looking ahead the various Q3 GDP reports are due, weakness will underscore the need for additional ECB easing, but will it support the Bund; traders are focussed on the Fed.

For now stay square the Bund correction looks a little more serious.

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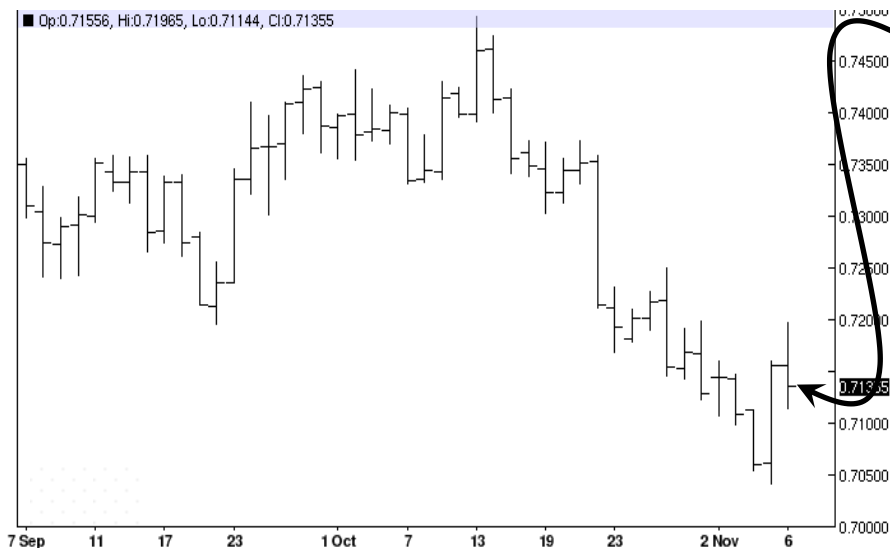
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BEARISH v STERLING & the DOLLAR

Last week we were **Bearish v Sterling**



The Euro recovered a little against the Pound but sold off against the Dollar.

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

...“Looking ahead there are several key data releases due in the Euro zone, UK and US. All are centred on the PMI/ISM surveys plus the US non-farm payroll report. By the week's end we should have a good feel for whether the two Central Banks; the Fed and ECB will be able or willing to deliver their respective policy moves”...

In the event strong US data makes a Fed tightening much more likely, similarly weak German data makes an ECB ease more likely and that was demonstrated in Dollar/Euro.

Looking ahead the Euro zones Q3 GDP reports are due and are likely to re-enforce the Dollars supremacy on the foreign exchanges, and although the Pound weakened late last week, UK economic fundamentals are still very good.

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

Our longer term target in Dollar/Euro is 104.05 and our suggested stop is set at 1.1075 for protection.

In Sterling/Euro our longer 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

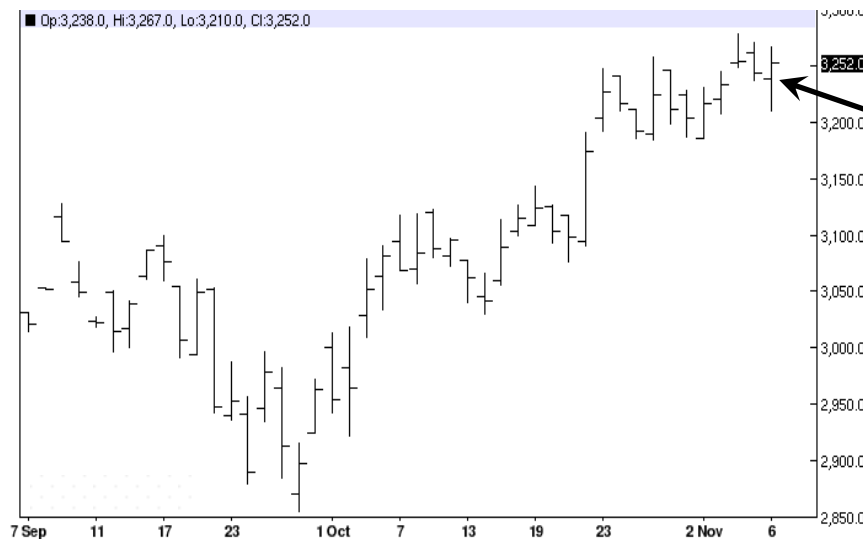
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market held up well on the prospect of an ECB ease.

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

last week's price action was driven mainly by disappointing Euro zone data; mixed PMI surveys and weak German industrial production and factory orders indicating an ECB ease before year end.

Looking ahead the various Q3 GDP reports are due, will they surprise on the upside or re-enforce the view that the ECB will ease in December, we judge they will.

For now stay square.

Stocks are rallying essentially on economic weakness which is forcing more easing in the case of the ECB, but with the Fed moving much closer to hiking rates in December, a correction may well be due.

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JAPANESE MARKETS: economic background

Last week's focus was the two PMI surveys, would they flag a recovery or more stagnation?

In the event the outlook improved slightly, but only slightly.

The manufacturing version was as expected, the Services version slightly stronger.

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; **Trade Balance, C/A, Bank lending**

and Bankruptcies,

- On Tuesday; **Eco watchers survey,**
- On Wednesday; **Machine tool orders, Machine orders, and**
- On Thursday; **industrial production, capacity utilisation and Tertiary industry index.**

The key report this week is industrial production as it reports on the core strength of Japan's economy.

Will it show strength or weakness?



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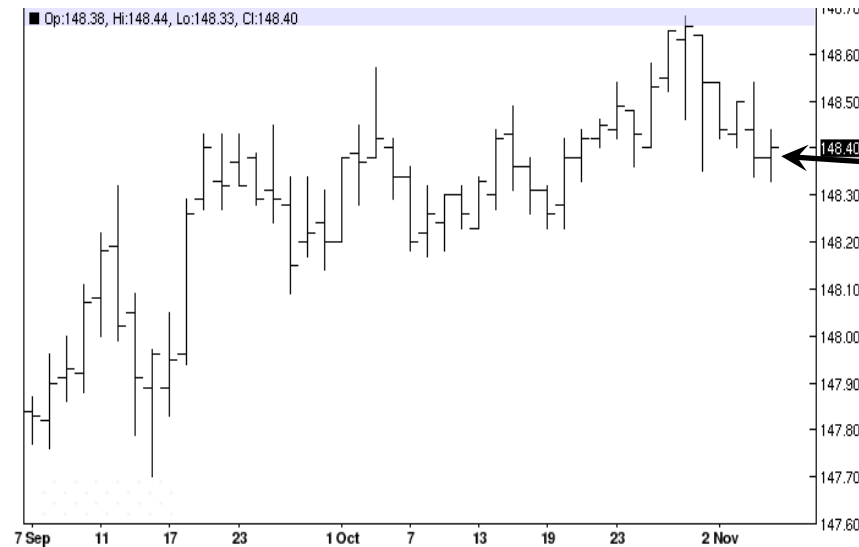
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JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



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

Looking ahead the two PMI surveys are due, together with the BOJ minutes, but we judge the economy continues to under perform and that is supporting this market"...

In the event the two PMI surveys were slightly better than expected, but not by enough to dispel fears of the

underlying health of the recovery, hence the resilience of the JGB.

Looking ahead the key release is industrial production, but we doubt it will reveal anything we don't already know.

For now we are square. Bonds are under pressure and although the JGB is resilient it looks vulnerable to a correction.

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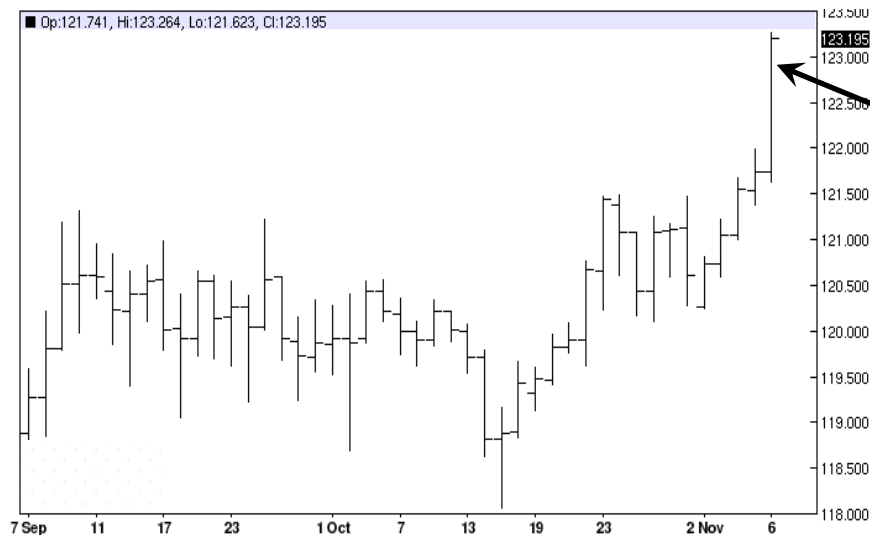
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JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen sold off hard against the Dollar after US non-farm payroll..

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

...“We judge Dollar/Yen is range bound and unless Friday's US non-farm payroll report is much better than expected, it will remain so”...

In the event US non-farm payroll was much stronger than expected and the Yen weakened.

Looking ahead the industrial production report is due in Japan and retail sales in the US. These two reports could send the Yen lower yet, but weakness in Japan and strong retail sales are needed, will the US number deliver.

For now stay square Friday saw a big move.

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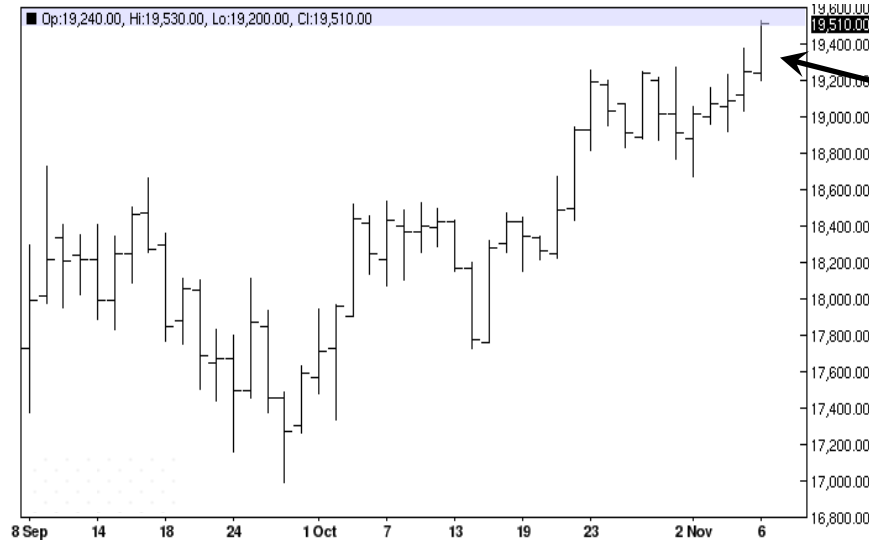
- + GOLD
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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei looks well supported by the weaker Yen.

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

...“Looking ahead the PMI surveys are due, will they flag economic improvement or more under performance meaning this market would be ripe for a correction”...

In the event it wasn't Japanese data that moved this market, but strong US non-farm payroll which made a

December rate hike look more likely, drove the Dollar higher against the other majors, including the Yen and fed directly into this market.

Looking ahead industrial production is due, but we doubt it will offer anything new, rather the Nikkei is likely to react to the direction of the Yen.

For now we are staying square. Global equity markets look vulnerable given global economic weakness.

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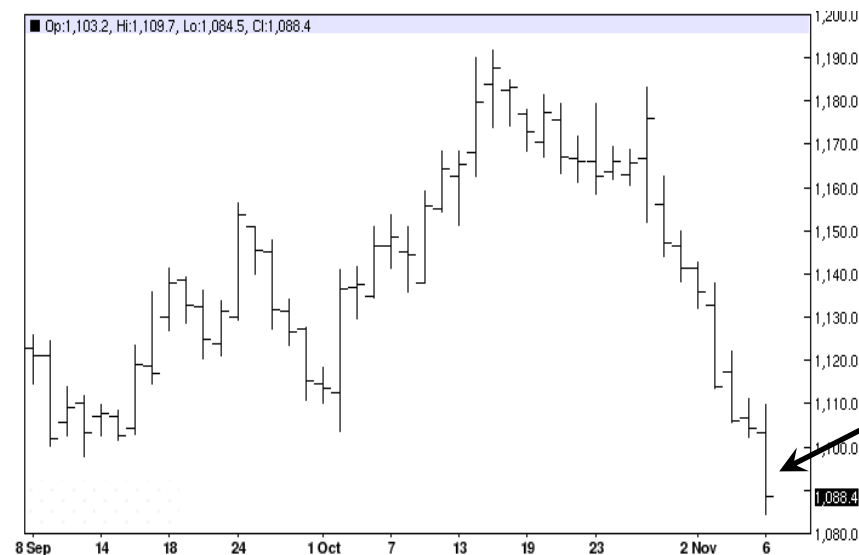
- + GOLD
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COMMODITIES: Gold

OUR TRADING STANCE: **BEARISH**

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



See how Gold extended the sell off as the Dollar rallied.

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

...“Looking ahead the key release for many markets including Gold is Friday's US non-farm payroll report. A strong report would re-enforce the view the Fed will follow through with its desire to hike in December, where as a weak report would place a question mark over such a move and likely force another pause”...

In the event the ISM non-manufacturing survey was strong and so too was non-farm payroll and Yellen said the Fed was looking to hike in December, all of which

sent the Dollar higher and weighed on Gold.

Looking ahead the US Retail sales report due on Friday is another key release, once again a strong report will boost the Dollar at Gold's expense.

Traders should be short of Gold.

Our long term target is \$400.00 and our suggested stop is placed at 1195.00 for protection.

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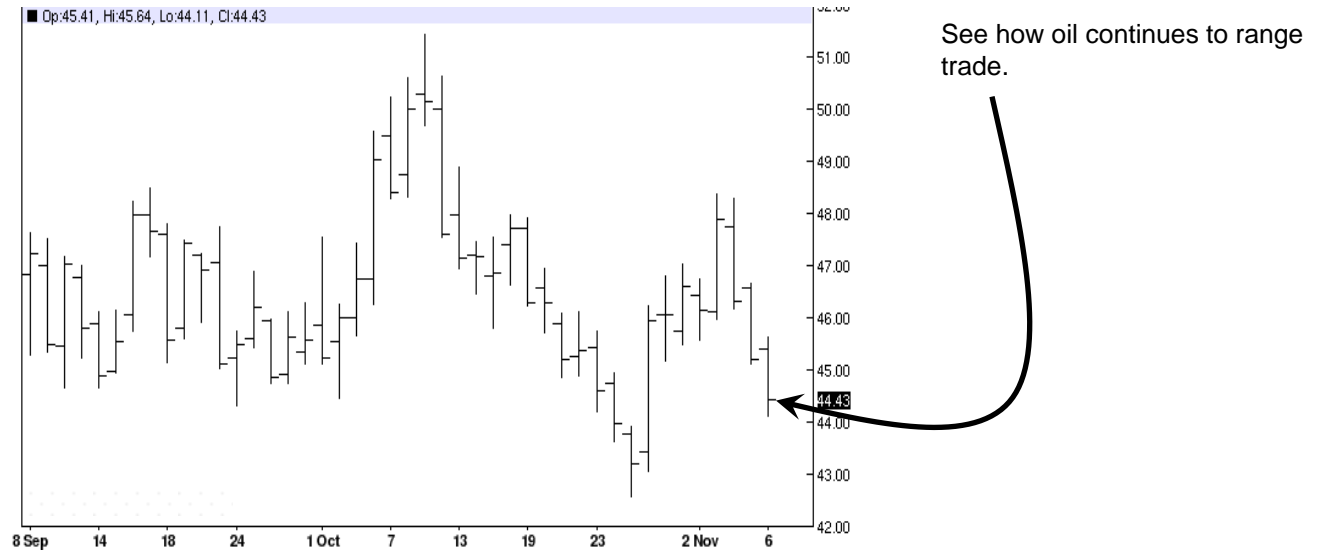
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



The Macro Trader's view of oil is: last week's price action once again confirmed this market remains stuck in a trading range.

The global economic outlook is weak. The Fed held off from raising rates last week due to Global economic weakness but said it could move in December, and last week's US data makes a move much more likely, but Yellen said increases would be small and very gradual.

But apart from the US, China, Japan and the Euro zone continue to under perform and the Fed isn't seeking to

hike because of a run away economic recovery, but because policy is so slack it is going to take a long time to move it to anything that equates to normal without upsetting the recovery and the markets.

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

For now stay square. The Saudi's remain firmly against cutting out put and Iran is soon to resume exports, so patience is required a little longer.



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- + NIKKEI

Commodities

- + GOLD
- + OIL

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