Week 47

24th – 30th November 2015

Multi-asset fundamental strategies

John Lewis

SEVEN DAYS AHEAD

SUMMARY

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This week's global calendar

	Week of 23rd November
Monday	US Existing home sales 5.43M EZ PMI Composite survey 53.9 JP PMI Mfg 52.1
Tuesday	US Adnce gds trade bal -$61.950B US Q3 GDP 1.9%(A) US Persnl consmptn n/f US Q3 GDP Prce indx 1.2% US Q3 Core PCE n/f US Case/Shiller comp-20 5.2% US Cons conf 99.2 UK CBI Sales 25 DM Q3 GDP 0.2q, 1.8y DM IFO 108.2 DM Import prices -0.2m, -3.9y JP Super mkt sales n/f JP Corp service prices 0.6% JP BOJ Minutes Oct 30 meeting
Wednesday	US MBA Mrtge apps n/f US Persnl income 0.4% US Persnl spndg 0.3% US Core PCE 0.2m, 1.3y US Durable gds 1.5% US DG Ex-transport 0.4% US Jobless claims 273k US Hse price indx 0.5m, US New home sales 500k US U. of Michigan conf 93.1 UK BBA Home buyer loans 45.5K JP Sml business conf n/f

	Week of 23rd November
Thursday	UK GFK Cons conf 3 EZ M3 (3M) 5.0% EZ M3 (y/y) 4.9% DM GFK Cons conf 9.2 JP Jobless rate 3.4% JP Househld spndg 1.1m, 0.1y JP National CPI 0.0y JP Tokyo CPI 0.2y
Friday	UK Q3 GDP 0.5q, 2.3y UK Tot business invstmnt 1.5q UK Indx of serices 0.8% EZ Ind conf -2.0 EZ Services conf 12 EZ Cons conf -8.0

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Last week's releases

	Week of 16th November
Monday	US Empire mfg -10.7**WORSE** UK Rgt mve hse prces -1.3m, 6.2y **WEAKER** EZ CPI 0.1m, 0.1y **MORE** JP Q3 GDP -0.2q, -0.8(A) **WORSE** JP Condo sales -6.5% **BETTER** **THAN EXPECTED**
Tuesday	US CPI 0.2m, 0.2y **MORE** US CPI Ex F&E 0.2m, 1.9y **AS** US Ind production -0.2 **WEAKER** US Cap Utilisation 77.5 **AS** US NAHB Hsing mrkt indx 62 **LESS** US Net lg term TIC flows $33.6B **BETTER** UK CPI 0.1m, -0.1y **AS** UK RPI 0.0m, 0.7y **WEAKER** UK RPI-X 0.8y **WEAKER** UK PPI Output 0.0, -1.3y **MORE** UK PPI Input 0.2m, -12.1y **LESS** UK PPI Core -0.1m, 0.3y **WEAKER** UK DCLG Hse prices 6.1y **STRONGER** DM ZEW Survey 10.4 **STRONGER** **THAN EXPECTED**
Wednesday	US MBA Mrtge apps 6.2% **STRONGER** US Housing starts 1160k **MORE** US Building permits 1150k **STRONGER** US FOMC Minutes Oct 27-28 meeting EZ Construct'n output -0.4m, 1.8y **WEAKER** JP Trade bal Y111.5B **STRONGER** JP BOJ Policy statement JP All ind activity index -0.2m **WEAKER** **THAN EXPECTED**

	Week of 16th November
Thursday	US Jobless claims 271k **LESS** US Philly Fed 1.9 **BETTER** UK Retail sales -0.9m, 3.0y **WEAKER** UK CBI Trnds Tot orders -11 **WEAKER** EZ C/A 29.4B **STRONGER** JP Nat'nwide dept stre sales 4.2% **STRONGER** JP Tkyo dept stre sales 7.4% **STRONGER** JP Machine tool orders -22.9% **BETTER** **THAN EXPECTED**
Friday	UK PSNB 7.5B **WORSE** UK PSNCR -4.0B **BETTER** EZ Cons confidence -6.0 **BETTER** DM PPI -0.4m, -2.4y **WEAKER** JP Convenience stre sales 2.5% **STRONGER** **THAN EXPECTED**

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US MARKETS: economic background

Last week's focus was the FOMC minutes for the October meeting.

As expected it now looks an almost certainty that policy will be tightened at the up coming December meeting after a much stronger than expected non-farm payroll report earlier this month.

BUT, the Fed continues to brief that the tightening process will be gentle and gradual will rates settling at a "normal" level much lower than in during previous hiking cycles.

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

- On Monday; **Existing home sales,**
- On Tuesday; **Advance goods trade balance, Q3 GDP, Q3 Personal consumption, Q3 Core PCE and Consumer confidence, and**
- On Wednesday; **Personal income, Personal spending, Core PCE, Durable Goods, Jobless claims, House price index, New home sales and University of Michigan confidence.**

In a holiday shortened week, data is condensed into three days. However we judge the GDP data is the main event but with the Thanks Giving break on traders minds, we doubt markets will react too much unless very much different to consensus.

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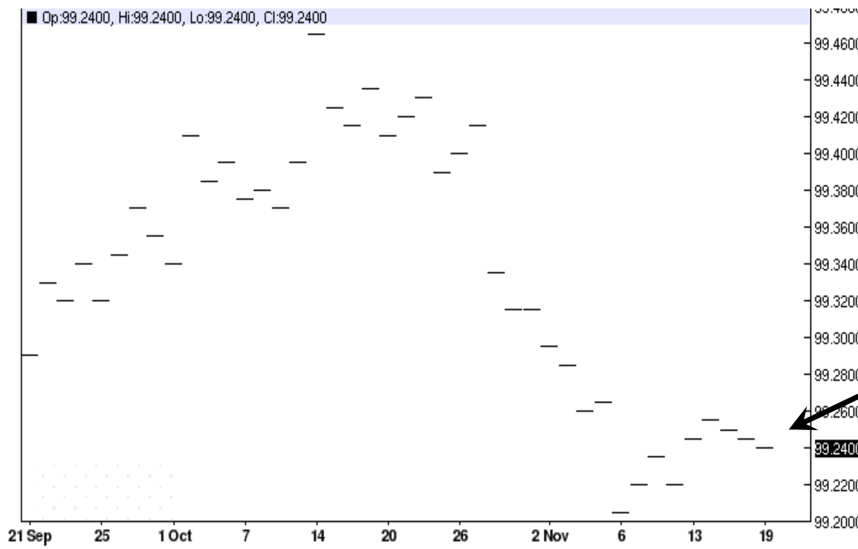
US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollar showed little reaction to the FOMC minutes.

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

…"Looking ahead the FOMC minutes are the main event this week and traders will be seeking additional clues on what the Fed is set to do and when"…

In the event the Fed looks set to hike in December, but will be in no rush thereafter.

Looking ahead the Q3 GDP report is due, but barring a major surprise we expected little impact on this market.

We are staying square.

A hike in December now looks a certainty, but is likely priced in especially since the Fed has said progress will be slow and gradual towards normalising policy.

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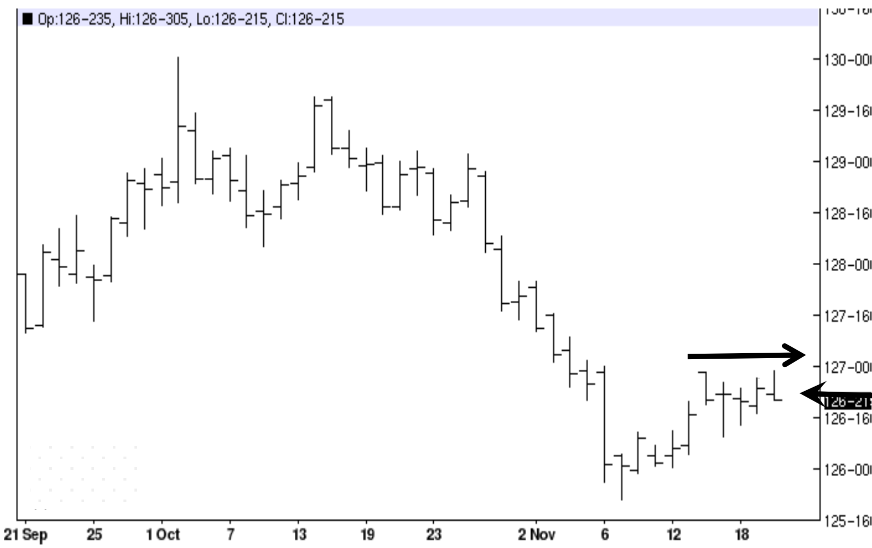
US MARKETS: 10 Year Note

OUR TRADING STANCE: BEARISH.

Last week we were Bearish of the 10 year note.



The 10 year note corrected last week, but the upside looks limited.

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

…"Looking ahead several key data releases due including industrial production and CPI, but we judge the FOMC minutes are the main event as traders seek yet more clues on Fed thinking"…

Industrial production was weaker than expected, but the FOMC minutes made it clear the Fed wants to tighten in December.

Looking ahead a short week with data compressed into three days; the key event is Q3 GDP, but barring any surprises we judge this market will drift lower.

Although s deep Bear market in bonds isn't our current expectation, we judge equities will likely rally after traders get over that first rate hike and bonds will be the looser, which we already saw something of last week after the FOMC minutes were released.

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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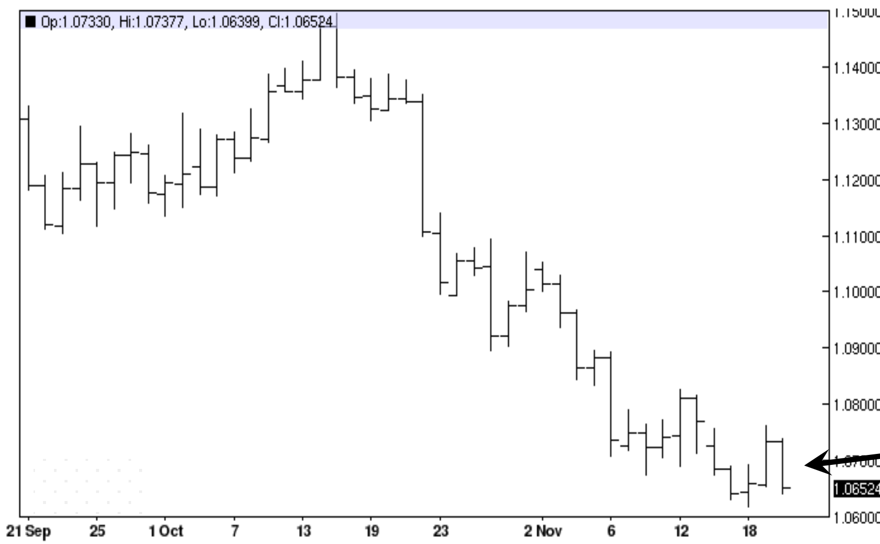
US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the EURO.

Last week we were Bullish v the Euro



The Dollar remains supported by the reality of a Fed set to tighten and an ECB set to ease further..

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

…"Looking ahead several key data releases but the FOMC minutes are the main event"…

In the event that proved the case and although the minutes re-iterated the Fed's intension to move gradually, policy is tightening in the US and currently no where else.

Looking ahead a holiday shortened week with several key data releases but we judge the Q3 GDP report is the one to watch.

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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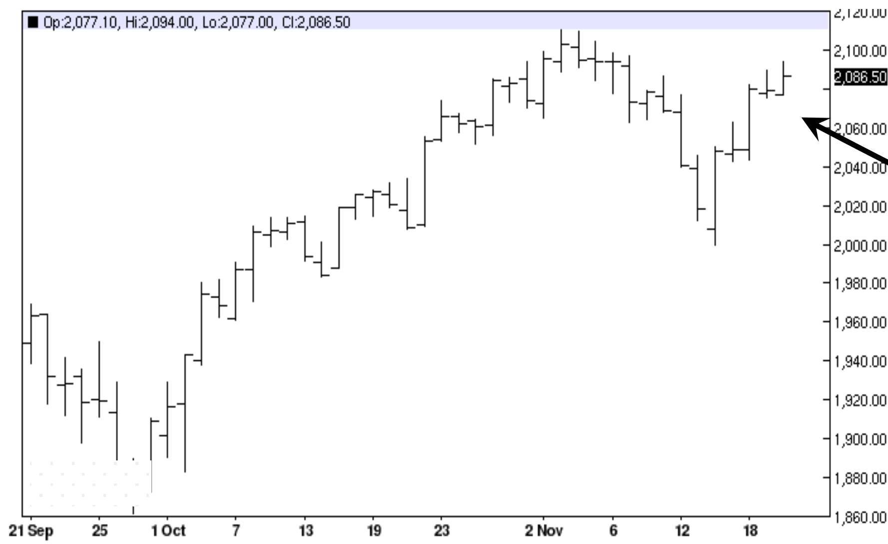
US MARKETS: S&P500

OUR TRADING STANCE: SQUARE.

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



The S&P bounced smartly on the FOMC minutes.

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

…"Looking ahead the FOMC minutes due on Wednesday should offer some clarity about the Fed's intentions"…

In the event they did as traders fears were somewhat alleviated by the Fed declaring that further hikes will be small and gradual.

Looking ahead the Q3 GDP report stands out, but in a holiday shortened week, we doubt this market will move significantly unless data is materially different from consensus.

For now stay square.

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UK MARKETS: economic background

Last week's focus was CPI and retail sales reports.

Our expectation for CPI was confirmation that inflation remains non-existent and that was the result, leaving retail sales as the main event.

In the event the report was weaker than expected, leading traders to conclude the Bank is even less likely to hike any time in the Short or medium term and likely not at all in 2016..

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; **CBI Sales,**
- On Wednesday; **BBA Home buyer loans,**
- On Thursday; **GFK Consumer confidence, and**
- On Friday; **Q3 GDP, Total business investment and index of services.**

The key release this week is Q3 GDP, an unrevised figure is expected.

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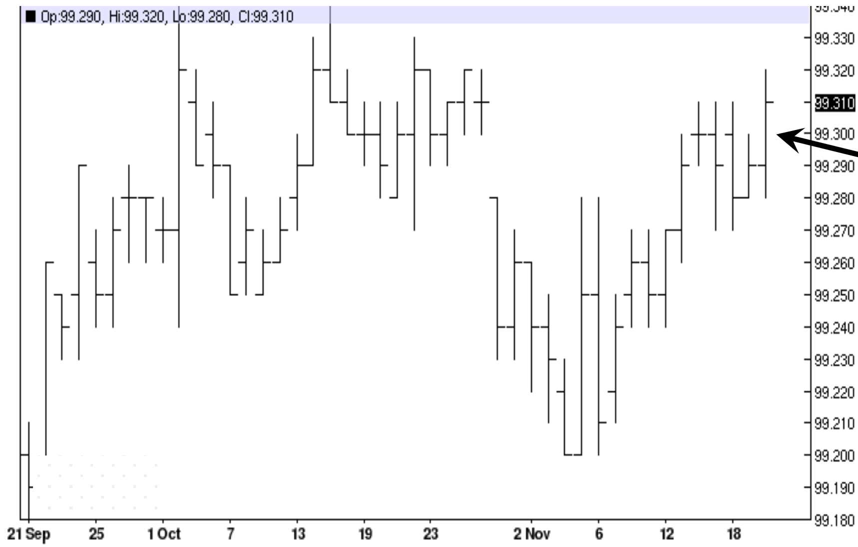
UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling remains supported by the growing belief that the Bank will not hike during 2016.

The Macro Trader's view of Short Sterling is: last week's data showed inflation remains dead and retail sales disappointing, meaning why would the Bank want to hike any time soon?

Looking ahead the key release this week is the Q3 GDP report. No revisions are expected and we doubt there will be any surprises!

We are square.

This market is likely to remain supported as the current mix does not argue in favour of a rate hike any time in the next 12 months, but how much higher can this market go when growth sits at a respectable if un-spectacular 2.3%?

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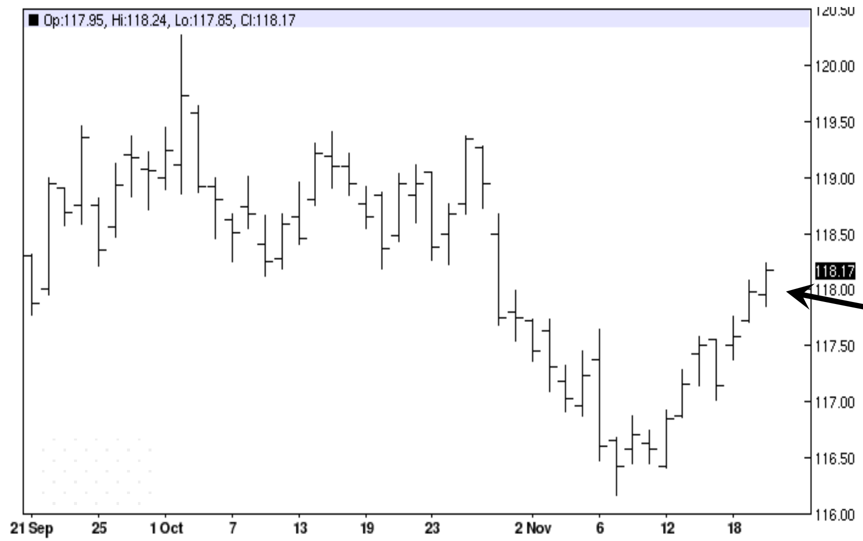
UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt ignored the disappointing government borrowing data and reacted to CPI and retail sales.

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

…"Looking ahead CPI and retail sales are due. We expect inflation to remain non-existent and a tepid retail sales report"…

In the event that was the outcome; no inflation and a weaker than expected retail sales report meaning no pressure on the Bank to hike rates for some time yet.

Looking ahead Q3 GDP is due, no revisions are expected, meaning the current benign mix in the economy should argue against selling the Gilt.

We remain square of this market.

Both the upside and downside currently looks limited.

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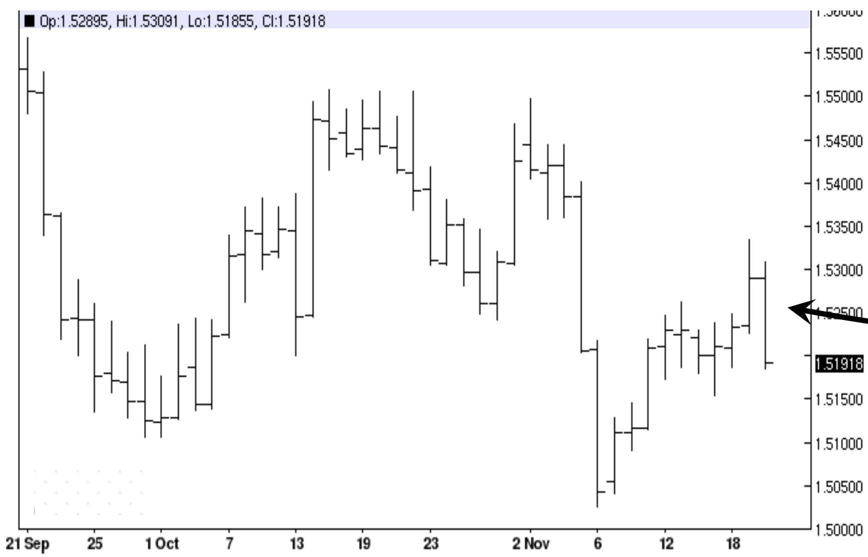
UK MARKETS: Sterling

OUR TRADING STANCE; BULLISH v the EURO

Last week we were Bullish v the Euro



See how Sterling remains supported against the strong Dollar.

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

…"Looking ahead the CPI and retail sales reports are due. The CPI report should confirm inflation remains non-existent and retail sales should be tame, however the economy continues to grow at a solid rate"…

In the event no inflation and a weaker than expected retail sales report, but the Pound held up well against the Dollar and made gains against the Euro.

Looking ahead the key release this week is Q3 GDP, we judge the report will confirm growth remains solid at 2.3%.

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.

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

Against the Dollar we remain square.

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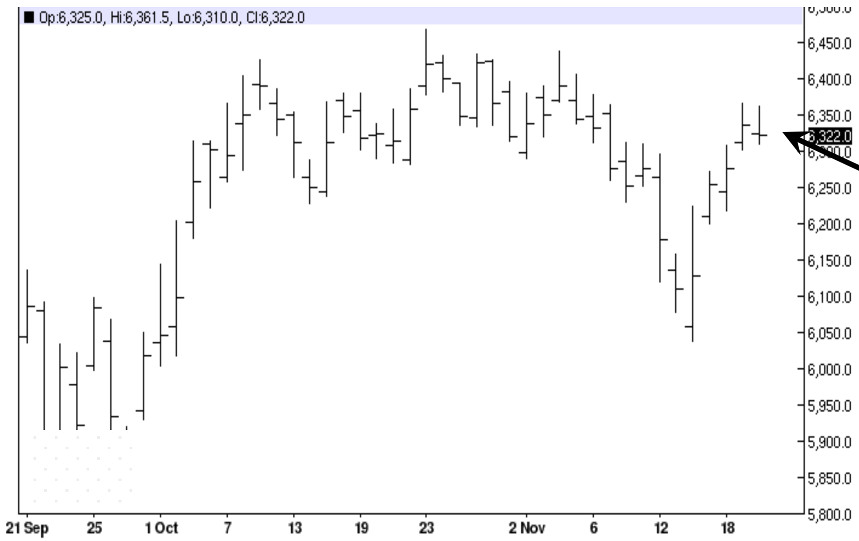
UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the FTSE rallied as traders see the Bank of England remaining on hold for many months yet.

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

…"Looking ahead CPI and retail sales are due, but we judge equity markets will be driven by sentiment once more as the US FOMC minutes are released and traders continue to react to the terrorist outrage in Paris on Friday"…

In the event the outrage in Paris has already receded from most trading decisions, but the US FOMC minutes showed that although the Fed will likely move in December thereafter the pace will be gradual, and that supported equity markets generally, add in weak UK inflation and weak retail sales and the Bank of England will struggle to make a case to hike for probably another 12 months, but the FTSE continues to under perform.

For now stay square.

This market is under performing.

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EURO ZONE MARKETS: economic background

Last week's focus was the ZEW survey as traders sought clues on the health and durability of the Euro zones largest economy.

In the event the report was a little better than expected, but the ECB remains on course to ease further as it remains concerned about the sluggish recovery and low inflation rate.

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

- On Monday; **Euro zone PMI Composite survey,**
- On Tuesday; **German Q3 GDP, IFO and import prices,**
- On Thursday; **Euro zone M3 and German GFK consumer confidence, and**
- On Friday; **Euro zone, industrial, services and consumer confidence surveys.**

The two key releases this week are the Euro zone PMI Composite survey and German Q3 GDP.

We doubt these reports will do anything to alter the ECB's intention to ease policy further before year end.

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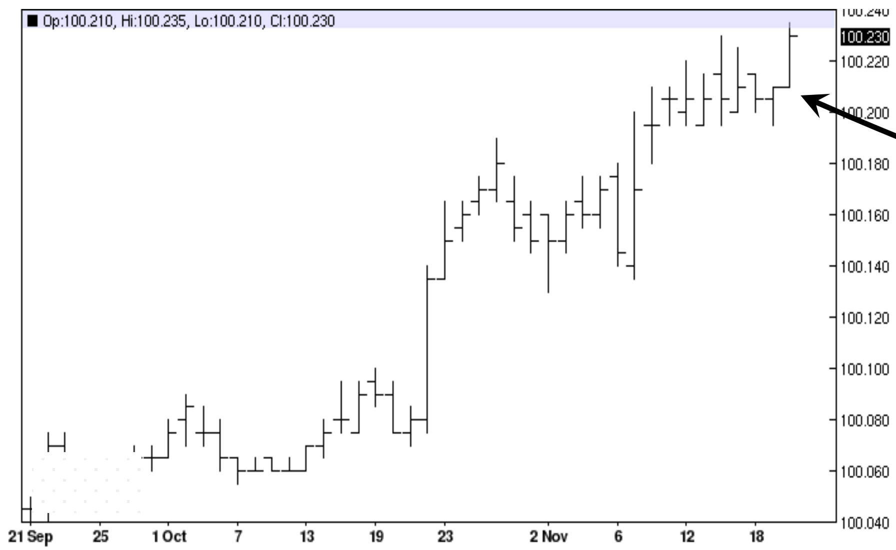
EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains supported by the ECB.

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

…"Looking ahead the calendar lacks heavy weight data this week so all eyes on any fresh utterances from the ECB"…

In the event the ECB remains set to further ease policy in December, keeping this market well supported.

Looking ahead the two key reports this week are the Euro zone PMI composite survey and German Q3 GDP, of the two the PMI survey stands out.

For now we are square.

The ECB remains on course to ease in December but it is already priced in.

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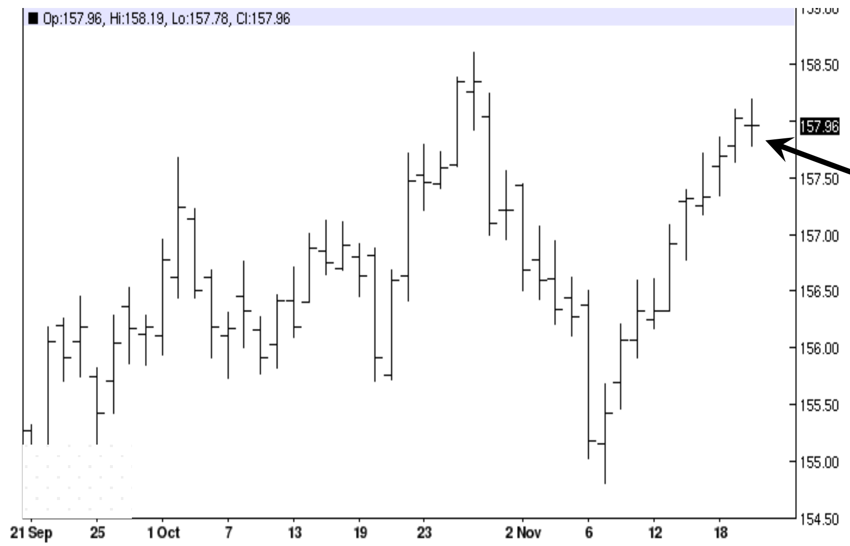
EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund continues to recover from the earlier sell off but today's PMI survey has checked the move.

The Macro Trader's view of the Bund is: Last week's price action saw the Bund extend the recent recovery as the ECB once again made it known it was looking to ease again this month.

However today's better than expected Euro zone PMI Composite survey has halted the Bunds progress, whether or not that proves temporary or leads to yet another period of weakness remains to be seen.

Looking ahead the German Q3 GDP report is due on Tuesday and that will offer fresh clues on the health of the German and Euro zone recoveries.

We judge the Bund can go on to make new highs, but after today's PMI report, the market will likely need a fresh infusion of weak data to give it a lift.

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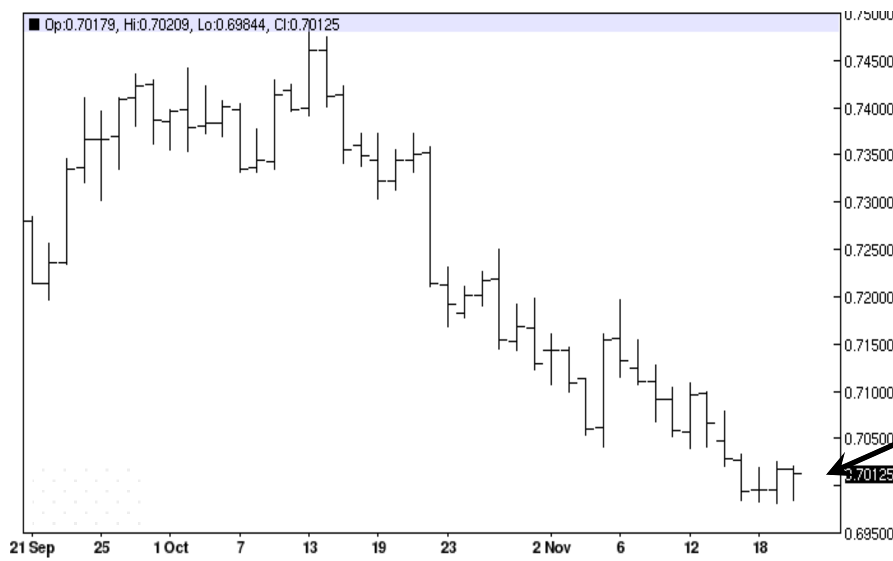
EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BEARISH v STERLING & the DOLLAR

Last week we were Bearish v Sterling



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

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

…"Looking ahead little to excite in this week's calendar, but we judge expectations of Central Bank policy changes and the fall out from last Friday's terrorist outrage in Paris will weigh on the Euro"…

In the event that largely proved the case and even weaker than expected UK retail sales couldn't help the Euro.

Looking ahead Q3 German GDP stands out, but with policy set to diverge; Fed rate hike, ECB ease, the Euro is likely to sell off further.

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

Our longer term target in Dollar/Euro is104.05 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.

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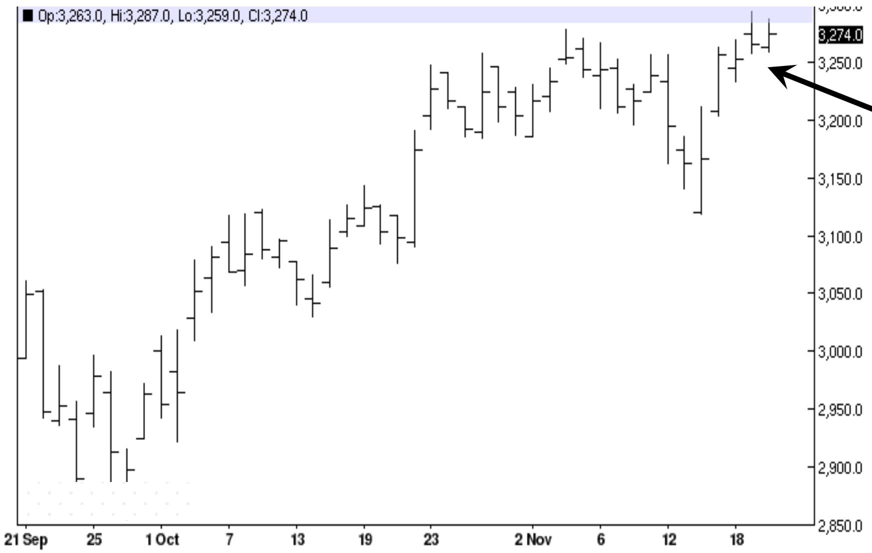
EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market looks well supported by the promise of a fresh ECB policy ease.

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

…"Looking ahead a light weight calendar this week, meaning this market will be driven by sentiment which has been newly affected by the terrorist outrage in Paris on Friday"…

In the event the market refocussed and reacted to the ECB's latest remarks concerning further easing and rallied.

Looking ahead German Q3 GDP is due tomorrow, unless stronger than expected traders might exhibit an air of disappointment.

For now stay square. The EU has a refugee crisis that looks like an entry point for terrorists, and France and Belgium remain warry of fresh attacks, which if occurred could send this market lower.

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Summary

Global Calendar

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

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+ GILT
+ STERLING
+ FTSE

Euro Zone Markets
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+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets
+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities
+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: economic background

Last week's focus was the Bank of Japan's policy statement and Q3 GDP report.

The GDP report revealed Japan was back in recession, the forth in five years, what then of the Bank of Japan?

The BOJ elected to hold policy steady, forecasting a moderate recovery yet again, despite the relapse into recession and virtually zero inflation.

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

- On Monday; **PMI Manufacturing survey,**
- On Tuesday; **Super market sales, corporate service prices and BOJ Minutes from October 30 meeting,**
- On Wednesday; **small business confidence, and**
- On Thursday; **Jobless rate, household spending, National CPI and Tokyo CPI.**

The key report this week is CPI.

Japan is back in recession and the policy to raise inflation has failed, what will or indeed what more can policy makers do to revive the economy?

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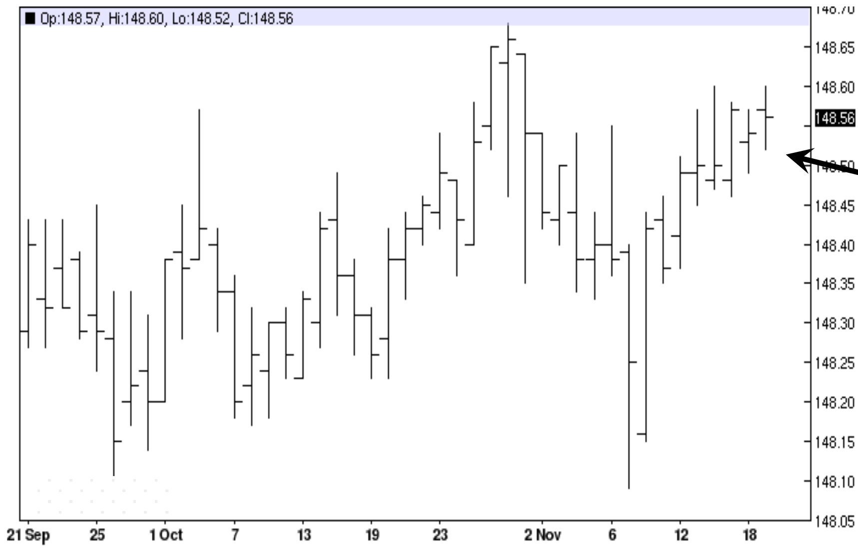
JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB has fallen into a volatile trading range.

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

…"Looking ahead the key event this week is the BOJ policy statement, will they announce fresh measures to resuscitate the economy"…

In the event, no they didn't and that was disappointing. The economy is in its fourth recession in five years and inflation is back to zero.

Looking ahead the key release this week is CPI. A zero report is expected, the authorities need to come up with a new plan, but what more can they do?.

For now we are square.

The JGB looks in a volatile trading range despite economic weakness.

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JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square

The Yen seems to have found a floor, at least for now!

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

…"Looking forward after today's weaker Japanese Q3 GDP report showing the economy back in recession, all eyes on the BOJ for help and inspiration"…

In the event there was a distinct lack of either help or inspiration from the Bank of Japan; they seem bereft of new ideas, and after 25 years of struggling to reset the economy, not surprising.

Looking ahead the CPI report and BOJ minutes are due. The CPI report will almost certainly confirm inflation remains zero, and the minutes…the policy statement offered nothing new, why then should the minutes.

For now stay square, despite the weakness the Yen seems to have found a temporary floor.

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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.

The Nikkei seems unperturbed by the relapse into recession, persistently zero CPI and lack of BOJ help.

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

…"Looking ahead the BOJ policy statement is due, after today's news that Japan is back in recession what more can policy makers try that hasn't already been done?"…

The response to the question we posed las week was obviously; nothing.

Looking ahead the CPI report is due and another zero report is expected. With the economy in recession and the Bank of Japan saying in last week's policy statement that it still expected a moderate recovery and offered no new help, the reality is quite different, why then is this market rallying?

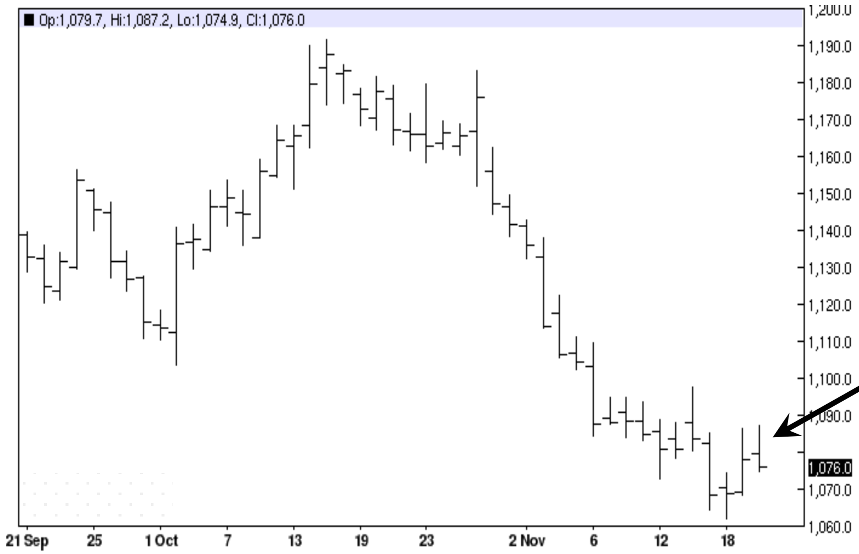
For now we are staying square. The Japanese economy has stalled yet again, but policy makers have gone quit about what to do to rectify it; have they run out of ideas?

More

COMMODITIES: Gold

OUR TRADING STANCE: BEARISH

Last week we were Square of Bearish.



See how Gold remains under pressure as the Dollar remains well supported.

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

…"Looking ahead the key event this week is the release of US FOMC minutes. If they show a December rate hike is odds on favourite, Gold will start to look expensive even at these levels"…

In the event the FOMC minutes set the scene for a rate hike at the Fed's December meeting, offering the Dollar support and keeping gold near the lows.

What stands out in the Gold market is, that at a time when Europe is dealing with a deadly terrorist threat, partly concealed in a refugee crisis with its origins in the Middle East, gold has failed to rally, meaning the next significant move is down.

Traders should be short of Gold.

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

SEVEN DAYS AHEAD

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Commodities
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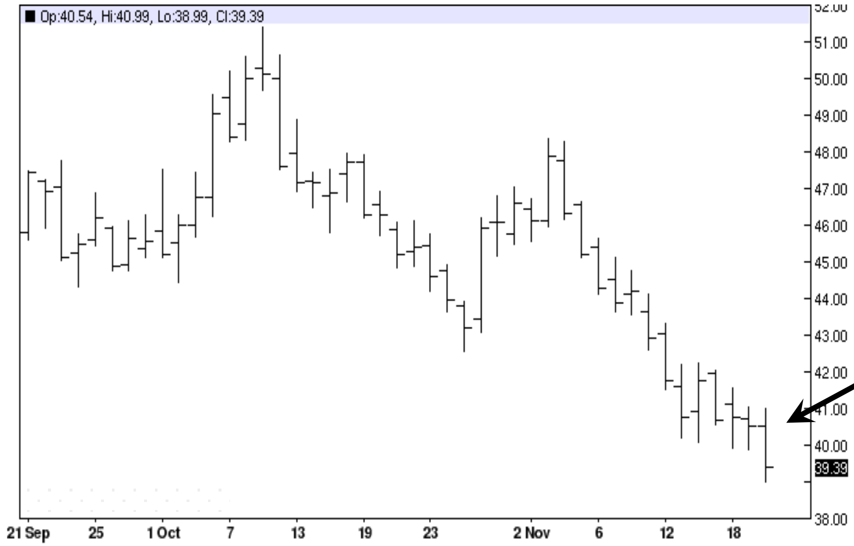
COMMODITIES: Oil

OUR TRADING STANCE: BEARISH.

Last week we were Bearish of Oil.



See how oil remains under pressure.

The Macro Trader's view of oil is: last week's price action saw oil test new recent lows once again, as global economic activity remains subdued and Chinese data continues to disappoint and with he IEA forecasting a prolonged period of over supply this market looks ever more vulnerable.

Of even greater interest though is this markets continued reaction to the terrorist outrage in Paris Friday week ago organised by the Middle East terror group ISIS.

Given the western response backed by a rare show of unity at the UN Security council, and given the fact that any increased military activity will be taking place in the oil producing/exporting region of the Middle East the fact the oil price has failed to rally, reveals the true weakness of this market.

Traders should be short of oil our long term target is US$25.00 and our suggested stop is placed at 44.75 for protection.

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SEVEN DAYS AHEAD
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MAIN MENU