



Week 48  
1<sup>st</sup> – 7<sup>th</sup> December 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

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### US Markets

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- SQUARE
- BEARISH
- BULLISH v the EURO
- SQUARE

### UK Markets

+ SHORT STERLING  
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+ FTSE

- SQUARE
- SQUARE
- BULLISH v the EURO
- SQUARE

### Euro Zone Markets

+ EURIBOR  
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- SQUARE
- BULLISH
- BEARISH v STERLING & the DOLLAR
- SQUARE

### Japanese Markets

+ JAPANESE BONDS  
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- SQUARE
- SQUARE
- SQUARE

### Commodities

+ GOLD  
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- BEARISH
- BEARISH

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# This week's global calendar

	Week of 30 <sup>th</sup> November
Monday	US Chicago PMI 54 US Pndg home sales 1.3m, UK Net cons credit 1.3B UK Net Indg on dwllgs 3.50B UK Mrtge aprvls 70.0K DM CPI 0.1m, 0.4y DM Retail sales 0.4m, 2.9y JP Ind Production 1.9m, JP Retail sales 0.8y JP Lrge RS n/f JP Vehicle prod n/f JP Construct'n orders n/f JP PMI Mfg 52.8
Tuesday	US Construct'n spndg 0.6m, US ISM Mfg 50.5 US ISM Prices paid 40.0 UK PMI Mfg 54.0 IT PMI Mfg 54.2 FR PMI Mfg 50.8 DM PMI Mfg 52.6 EZ PMI Mfg 52.8 DM Unemploy'm't chge -5k DM Unemploy'm't rate 6.4 EZ Unemploy'm't rate 10.8 JP Vehicle sales n/f
Wednesday	US MBA mrtge apps n/f US ADP Employ'm't chge 185k US Q3 Unit labour costs 0.9% US Q3 Non-farm prdctvty 2.2% US ISM NYK n/f US Feds Beige book UK PMI Construct'n 58.2 EZ PPI -0.4m, -3.2y EZ CPI Estimate 0.3% JP Loans & discount corp n/f JP PMI Services n/f

	Week of 30 November
Thursday	US Jobless claims 267k US ISM Non-mfg 58.1 US Factory orders 1.3% UK PMI Services 55.0 IT PMI Services 54.0 FR PMI Services 51.3 DM PMI Services 55.6 EZ PMI Services 54.6 EZ Retail sales 0.2m,2.8y EZ ECB Rate decision 0.05 JP Labour cash earngs 0.4%
Friday	US Unemploy'm't rate 5.0% US Non-farm payroll 198k US Avrge hourly earngs 0.2m, 2.2y US Avrge wrk week 34.5 US Trade bal -\$44.0B DM Factory orders 1.0m JP Cons confidence 41.8

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## Last week's releases

	Week of 23 <sup>rd</sup> November		Week of 23 <sup>rd</sup> November
Monday	US Existing home sales 5.36M <b>WEAKER</b> EZ PMI Composite survey 54.4 <b>STRONGER</b> JP PMI Mfg 52.8 <b>STRONGER THAN EXPECTED</b>	Thursday	UK GFK Cons conf 1 <b>WEAKER</b> EZ M3 (3M) 5.1% <b>STRONGER</b> EZ M3 (y/y) 5.3% <b>STRONGER</b> JP Jobless rate 3.1% <b>BETTER</b> JP Househld spndg 2.4y <b>STRONGER</b> JP National CPI 0.3y <b>STRONGER</b> JP Tokyo CPI 0.2y <b>AS THAN EXPECTED</b>
Tuesday	US Adnce gds trade bal -\$58.41B <b>WEAKER</b> US Q3 GDP 2.1%(A) <b>STRONGER</b> US Persnl consmptn 3.0% <b>LESS</b> US Q3 GDP Prc indx 1.3% <b>MORE</b> US Q3 Core PCE 1.3% <b>AS</b> US Case/Shiller comp-20 5.45% <b>BETTER</b> US Cons conf 90.4 <b>WEAKER</b> UK CBI Sales 7 <b>WEAKER</b> DM Q3 GDP 0.3q, 1.8y <b>BETTER</b> DM IFO 109.0 <b>STRONGER</b> JP Super mkt sales 2.8% <b>LESS</b> JP BOJ Minutes Oct 30 meeting <b>THAN EXPECTED</b>	Friday	UK Q3 GDP 0.5q, 2.3y <b>AS</b> UK Tot busnes invstmnt 2.2q, 6.6y, <b>STRONGER</b> UK Indx of serices 0.7m, 0.7(3m/3m) <b>LESS</b> EZ Ind conf -3.2 <b>WEAKER</b> EZ Services conf 12.8 <b>STRONGER</b> EZ Cons conf -6.0 <b>STRONGER THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps -3.2% <b>WEAKER</b> US Persnl income 0.4% <b>AS</b> US Persnl spndg 0.1% <b>WEAKER</b> US Core PCE 0.0m, 1.3y <b>LESS</b> US Durable gds 3.0% <b>STRONGER</b> US DG Ex-transport 0.5% <b>MORE</b> US Jobless claims 260k <b>LESS</b> US Hse price indx 0.8m, <b>STRONGER</b> US New home sales 495k <b>WEAKER</b> US U. of Michigan conf 91.3 <b>WEAKER</b> UK BBA Home buyer loans 45.437K <b>LESS</b> JP Sml business conf 49.9 <b>BETTER THAN EXPECTED</b>		

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## US MARKETS: economic background

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### Commodities

+ GOLD  
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### Disclaimer

Last week's focus was the Q3 GDP report, and as the Fed moves closer to hiking rates traders were eager to see if growth could stand tighter monetary policy.

In the event the number was revised higher from 1.9% to 2.1% and will likely encourage policy makers to believe the time is right to begin the long slow process of adjusting policy back to a more neutral level.

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; **Chicago PMI and Pending home sales,**
- On Tuesday; **ISM Manufacturing survey, ISM prices paid and construction spending,**

- On Wednesday; **ADP Employment change, Q3 Unit labour costs, Q3 non-farm productivity and the Fed's Beige book,**
- On Thursday; **Jobless claims, ISM non-manufacturing survey and factory orders, and**
- On Friday; **non-farm payroll, unemployment rate, average hourly earnings, average work week and trade balance.**

A full calendar this week with both ISM surveys and non-farm payroll, as ever we judge the payroll report is the main event.

A strong report would almost guaranty a Fed rate hike at the December meeting.



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## Japanese Markets

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## Commodities

### + GOLD

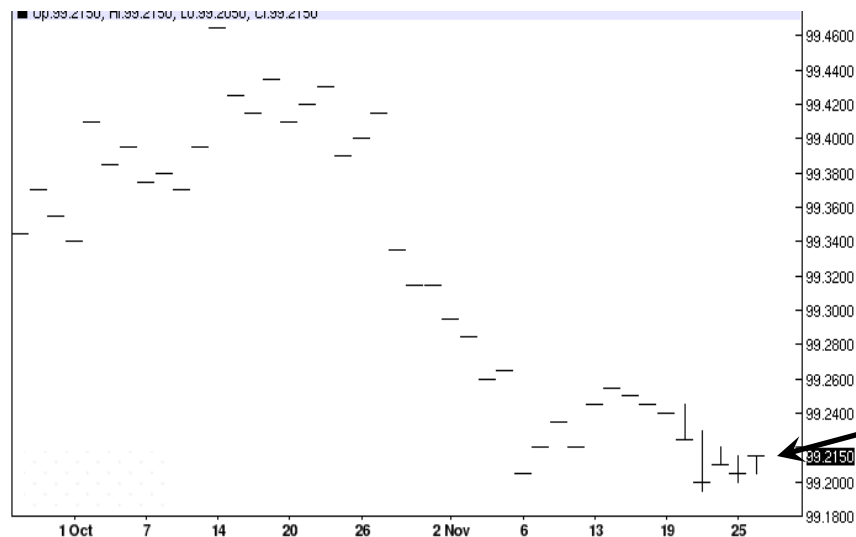
### + OIL

## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollar remained close to the recent lows as the FOMC meeting draws ever closer.

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

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

In the event the number was revised a little better but in a holiday shortened week, not by enough to move this market.

Looking ahead several important data releases due, the key one being non-farm payroll, but traders already expect the Fed to hike in December so unless very different to consensus, little impact expected here.

We are staying square.

A hike in December now looks a certainty and is priced in.

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## Japanese Markets

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## Commodities

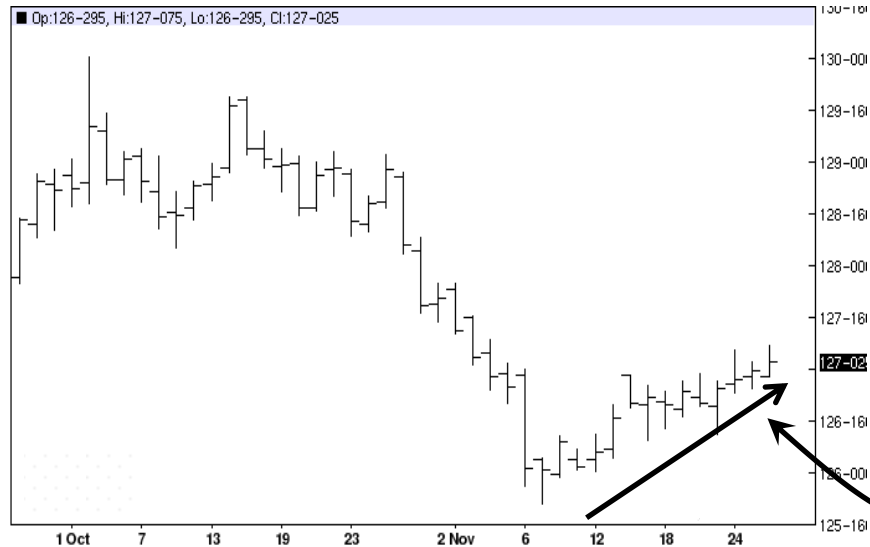
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: **BEARISH.**

Last week we were **Bearish** of the 10 year note.



The 10 year note extended the despite an upward revision to Q3 GDP.

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

...“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”...

In the event a better than expected Q3 GDP report but the market extended the recovery on weaker personal consumption and a weaker than expected personal spending report, but will it hold back the Fed? We doubt it.

Looking ahead non-farm payroll is due, a strong number, together with solid ISM surveys will see this market retest the down side.

Although a deep Bear market in bonds isn't our current expectation, a run of strong data would weigh on this market and this week's calendar has several heavy weight reports.

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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## Commodities

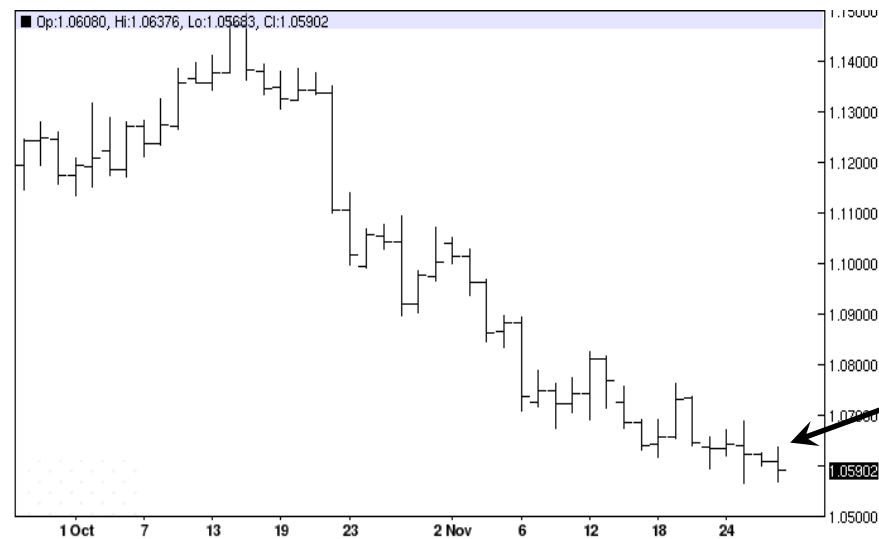
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: US Dollar

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

Last week we were Bullish v the Euro



The Dollar remains well supported by expectations of divergent Central Bank policy actions in the US and Euro zone.

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

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

In the event the report was revised higher, but we judge the expectation of a Fed tightening and an ECB ease is currently driving the Dollar higher against the

Euro.

Looking ahead the ECB will likely ease on Thursday and then on Friday US non-farm payroll, a combination that could propel the Dollar even higher.

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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## Japanese Markets

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## Commodities

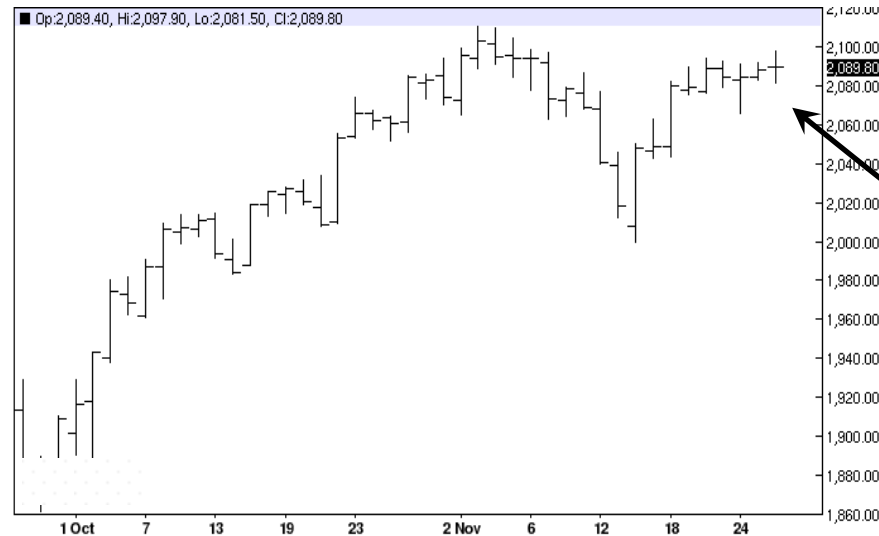
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: SQUARE.

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



The S&P remains supported, but looks tired!

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

...“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”...

In the event the report was better than expected, but only managed to hold the market at current levels.

Looking ahead several important data releases due with non-farm payroll the main event; strength will almost guaranty a rate hike but will it send this market lower? That depends on the size of the hike, we will know in a couple of weeks time.

For now stay square the market looks tired.

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## Japanese Markets

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## Commodities

- + GOLD
- + OIL

## Disclaimer

## UK MARKETS: economic background

Last week's focus was Q3 GDP and an unrevised figure was expected.

In the event that was the result, but attention was focused on the Chancellor's Autumn statement.

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; **net consumer credit, net lending on dwellings and mortgage**

**approvals,**

- On Tuesday; **PMI Manufacturing survey,**
- On Wednesday; **PMI Construction survey, and**
- On Thursday; **PMI Services survey.**

The key releases this week are the PMI surveys with all eyes on Thursday's Services release.



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## Japanese Markets

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## Commodities

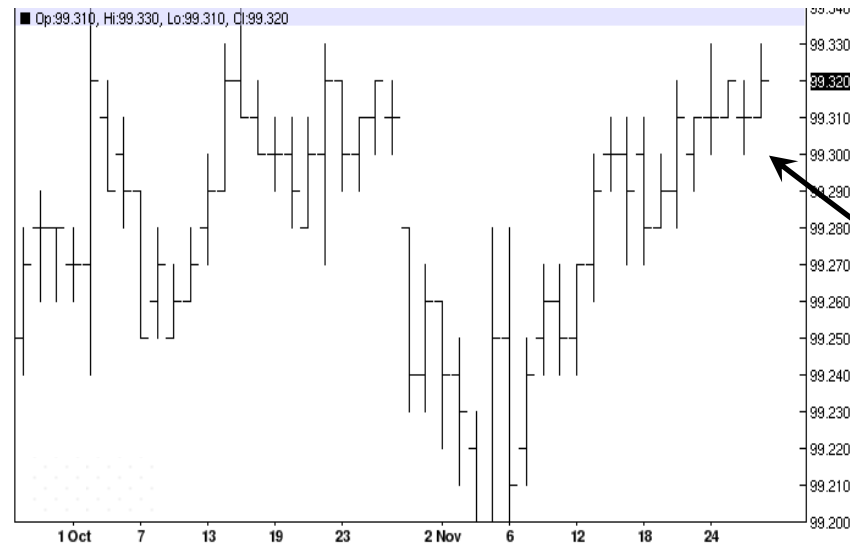
- + GOLD
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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling remains supported by a lack of evidence to support a rate hike any time soon.

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

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

In the event that was clearly the out come; no revisions and a market support by virtually zero chance of a rate hike for ay least 6 months and probably the next 12.

Looking ahead the PMI surveys are due but we expect them to confirm the economy continues to grow at the current sustainable speed.

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 unspectacular 2.3%?

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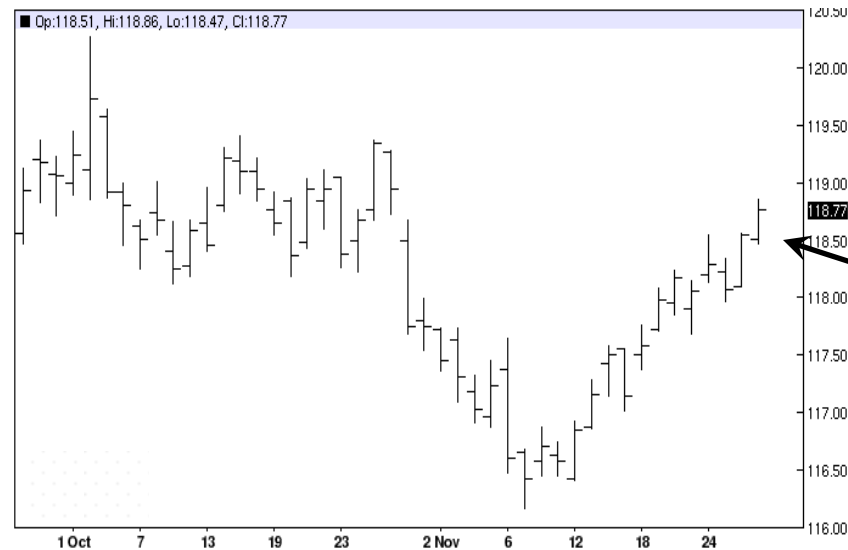
- + GOLD
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## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt remains supported by the current benign mix of data.

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

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

In the event that proved the case and the Gilt extended the current correction, but will it make new highs, we think a trading range is more likely.

Looking ahead the three PMI surveys are due but we doubt they will change the current perception of a benign mix of data with the Bank of England forced to remain on the side lines.

We remain square of this market.

Both the upside and downside currently looks limited.

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## UK Markets

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- + FTSE

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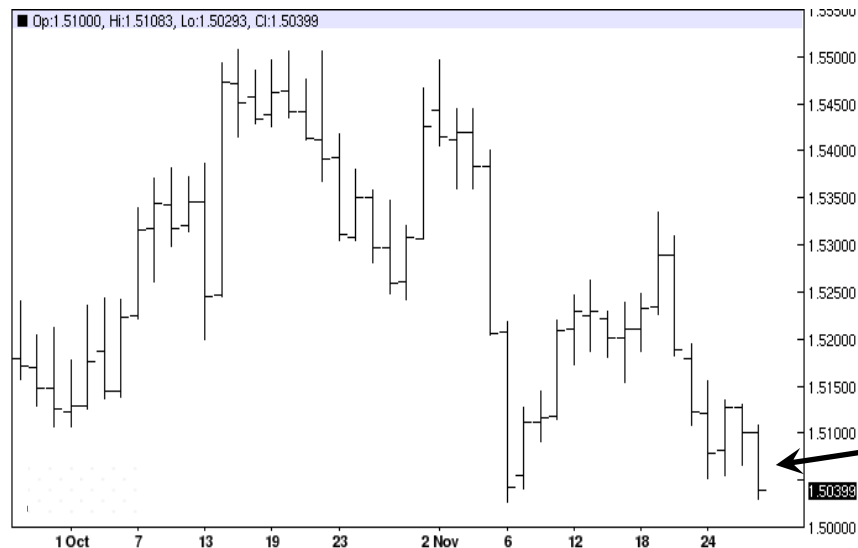
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## Disclaimer

## UK MARKETS: Sterling

### OUR TRADING STANCE; BULLISH v the EURO

Last week we were Bullish v the Euro



See how Sterling remains subdued but in a wide trading range against the Dollar.

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

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

And it did.

Looking ahead the three PMI surveys are due will they change the outlook or confirm the current picture of a

benign economic mix with steady sustainable growth?

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 and the ECB is expected to ease this week.

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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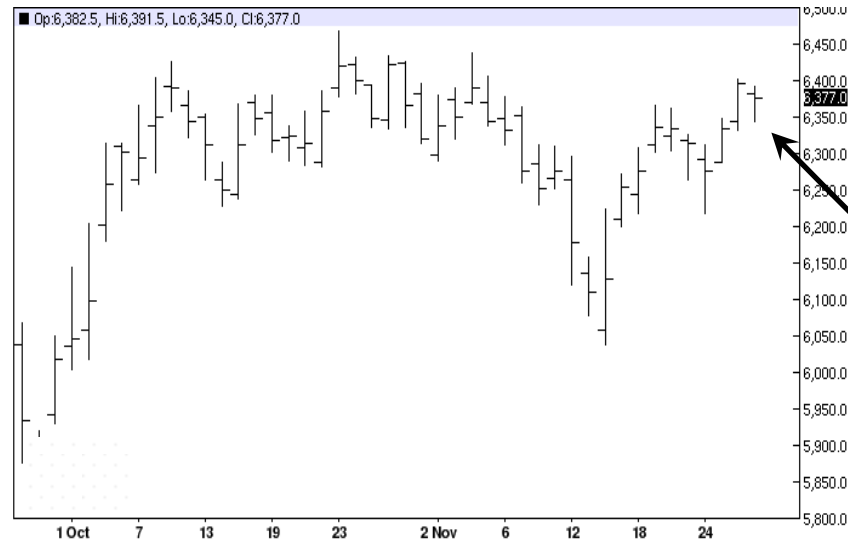
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## UK MARKETS: FTSE

### OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the FTSE rejected the lows but continues to under perform its peers.

**The Macro Trader's view of the FTSE is;** last week's price action confirmed to us that despite a solid economic expansion with low or no inflation, this market continues to under perform its peers, in the current environment year on year growth of 2.3% is a good performance.

Looking ahead the three PMI surveys are due with the

Services version the key event, but we doubt it will do much to lift this market out of the long period of range trading and under performance.

For now stay square.

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## EURO ZONE MARKETS: economic background

Last week's focus was the Euro zone PMI Composite survey and German Q3 GDP.

We doubted these two would do little to alter the ECB's intention to ease in December and although the PMI Composite survey was stronger than expected, ECB policy makers are still talking up additional easing; we shall find out on Thursday if it is to be!.

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 CPI and retail sales,**
- On Tuesday; **Italian, French, German and Euro zone PMI Manufacturing surveys,**

**German unemployment report and Euro zone unemployment report,**

- On Wednesday; **Euro zone PPI and CPI estimate,**
- On Thursday; **Italian, French, German, Euro zone PMI Services surveys, Euro zone retail sales and ECB policy decision, and**
- On Friday; **German factory orders.**

This week sees a packed calendar with several heavy weight data releases, but the main event is the ECB policy meeting and decision on Thursday.

Expectations are for more easing and that has been fuelled by the ECB its self, lets see if they deliver.



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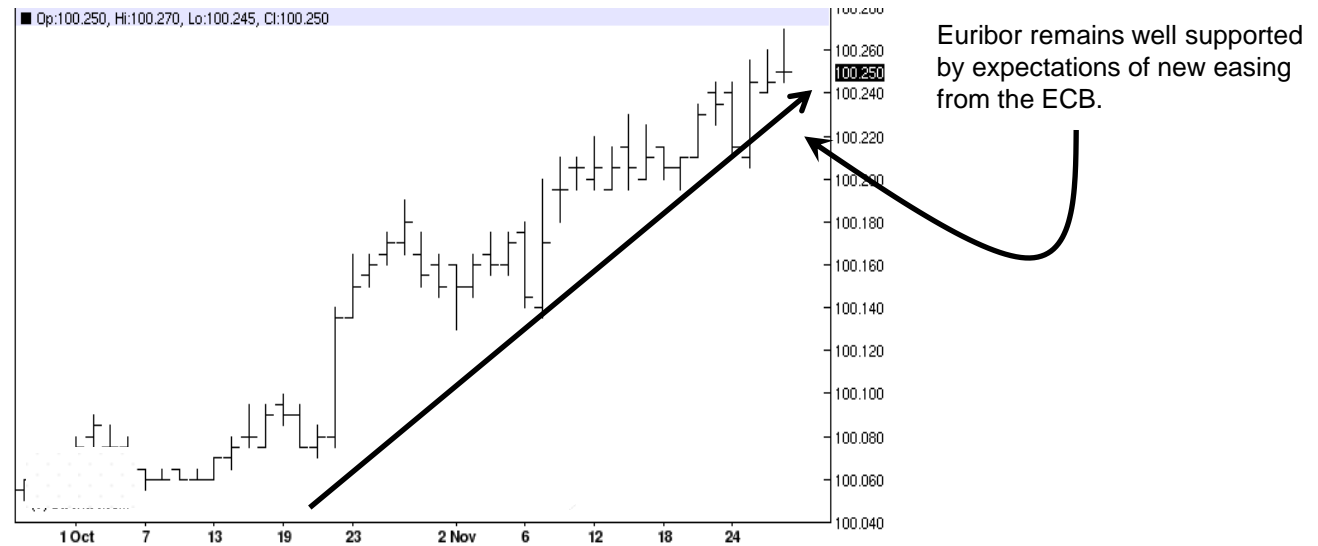
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## Disclaimer

## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



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

...“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”...

In the event the PMI survey was stronger than expected, but the ECB is still concerned inflation will remain weak and that sets the stage for this

Thursday's policy decision.

Looking ahead the ECB policy decision and statement is the main event this week, new easing measures are expected, likely in the form of additional QE.

For now we are square.

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





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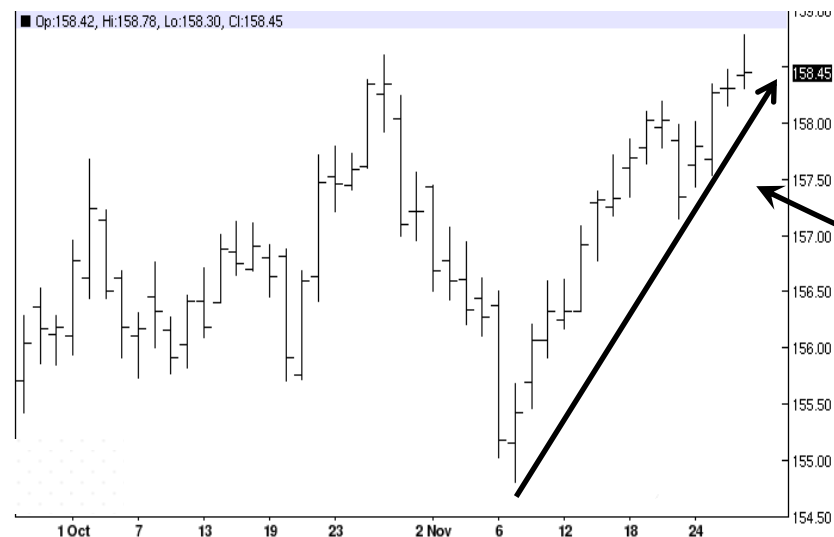
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## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: **BULLISH.**

Last week we were Square of The Bund.



The Bund has recovered from the earlier sell off on expectations of more easing.

**The Macro Trader's view of the Bund is:** Last week's price action saw the Bund further extend the recent recovery as the ECB continues to make known its intention to ease again at the December meeting.

And even though the German Q3 GDP report was better than expected, as was the Euro zone PMI composite survey, policy makers continue to talk up the need for additional easing.

Looking ahead the ECB policy announcement is the

main event this week, we expect them to do exactly what they have for weeks been briefing; ease policy further.

Traders should be long the Bund, as we judge it remains bullish.

Our target is 159.80 and our suggested stop is set at 157.15 for protection.

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## UK Markets

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

## Euro Zone Markets

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

## Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

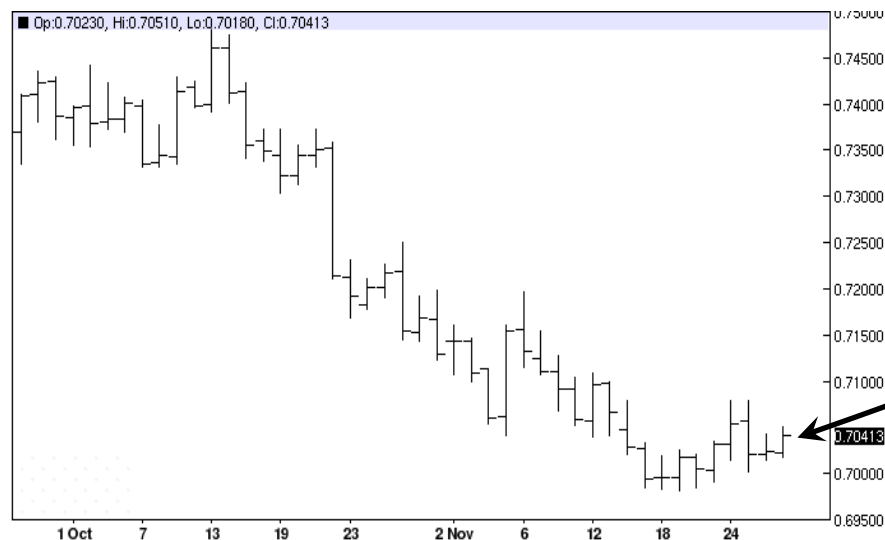
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: BEARISH v STERLING & the DOLLAR

Last week we were **Bearish v Sterling**



The Euro remains under pressure as the ECB readies additional easing.

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

..."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"...

In the event that proved the case despite stronger than forecast Euro zone PMI Composite survey.

Looking ahead the Main event this week is the ECB policy meeting and we, like most others in the market

expect them to announce new easing measures.

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.

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## Summary

## Global Calendar

## US Markets

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

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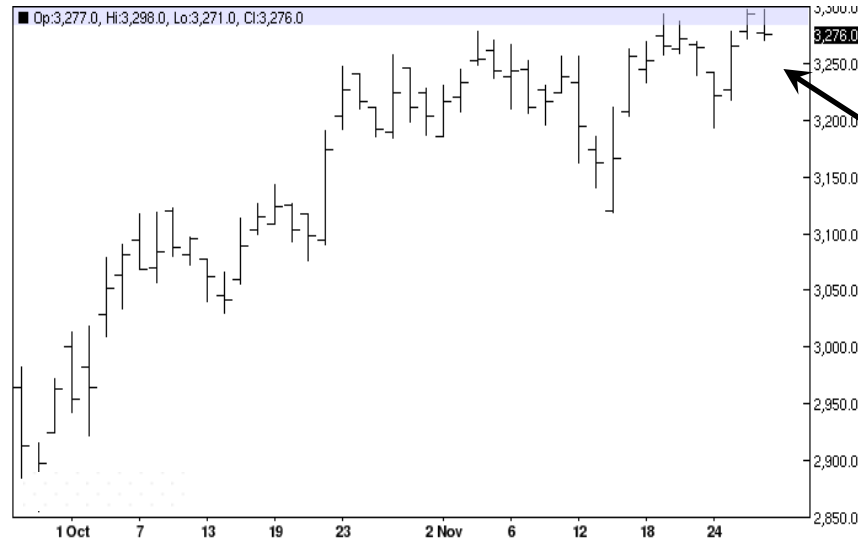
- + GOLD
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## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market remains supported by expectations of fresh ECB policy action.

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

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

In the event German Q3 GDP was indeed better than expected and so too was the Euro zone PMI Composite survey, but the market could only manage to cling to the recent highs, it didn't have the legs to achieve new highs and that with the expectation of

fresh ECB easing.

Looking ahead the ECB policy decision due Thursday is the main event, they are expected to ease and it has been in the market for some time so if they deliver will this market rally, or will traders shift their focus to something else...say the FOMC meeting due in two weeks when the Fed is expected to hike.

We remain square.

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## Commodities

+ GOLD  
+ OIL

## Disclaimer

## JAPANESE MARKETS: economic background

Last week's focus was the CPI report.

The policy to raise inflation through a combination of fiscal and monetary stimuli has so far failed and Japan is again in recession.

In the event the report revealed slightly stronger than expected National year on year CPI but at 0.3% policy success remains currently out of reach.

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; **Industrial production, retail sales, construction orders and PMI Manufacturing**

**survey,**

- On Tuesday; **Vehicle sales,**
- On Wednesday; **PMI Services survey,**
- On Thursday; **labour cash earnings, and**
- On Friday; **consumer confidence.**

The three key releases this week are industrial production, PMI Manufacturing and PMI Services.

All three offer important clues on the economy, but where are the policy makers and how do they intend to get Japan moving again?



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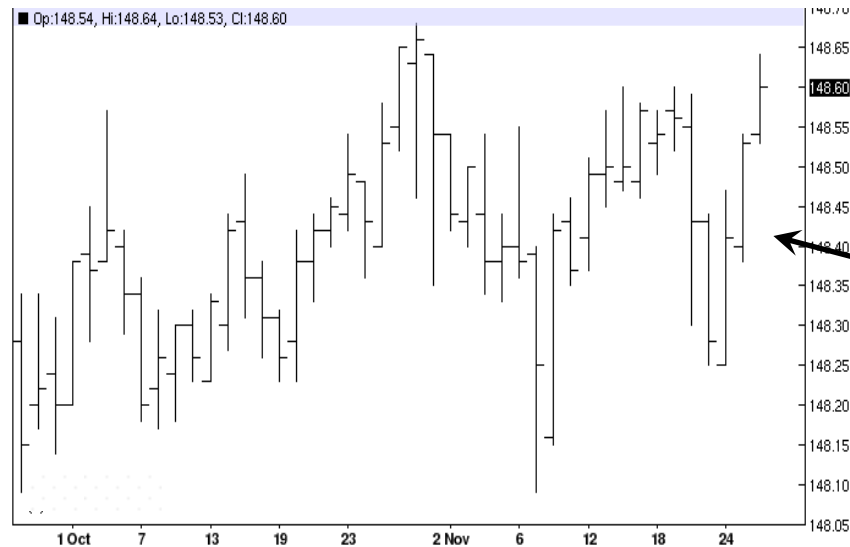
- + GOLD
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## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB has become volatile.

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

...“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?”...

In the event a slightly stronger report than expected, but still too weak.

Looking ahead several key data releases due, but we doubt they will reveal a path out of Japan's current economic malaise.

For now we are square.

The JGB looks is in an increasingly volatile trading range despite economic weakness.

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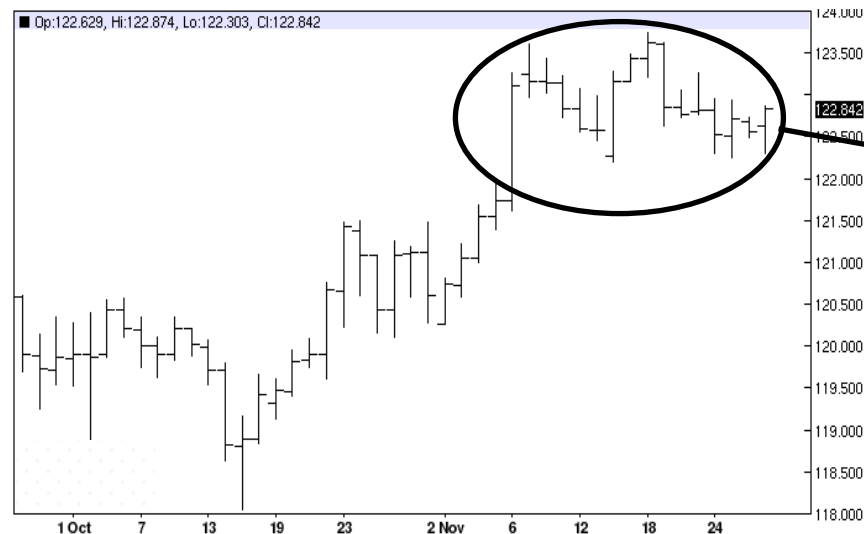
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## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen run of weakness against the Dollar has for now paused.

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

...“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”...

In the event the CPI report was a little stronger than expected, but not by much and the minutes? Some

sighted an output gap for low inflation, some weak oil prices, but all agreed that the target of 2% was not being met as per the mandate and pushed the target rate back by six months, on balance sounds like Japan still has insufficient demand.

For now stay square, despite the weakness the Yen seems to have found a temporary floor, likely due to safe haven buying in the wake of the terror alert in Europe.

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## Commodities

- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei remains well supported despite economic weakness.

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

...“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?”...

The CPI continues to report persistently weak inflation despite the slightly stronger than expected reading last

week, and policy makers seem at a loss to explain why judging by the BOJ minutes.

Looking ahead the PMI surveys and industrial production are due, but we doubt they will tell us anything we don't already know.

For now we are staying square. The Japanese economy has stalled yet again, but policy makers have gone quiet about what to do to rectify it; have they run out of ideas? Last week's minutes seemed to suggest so!

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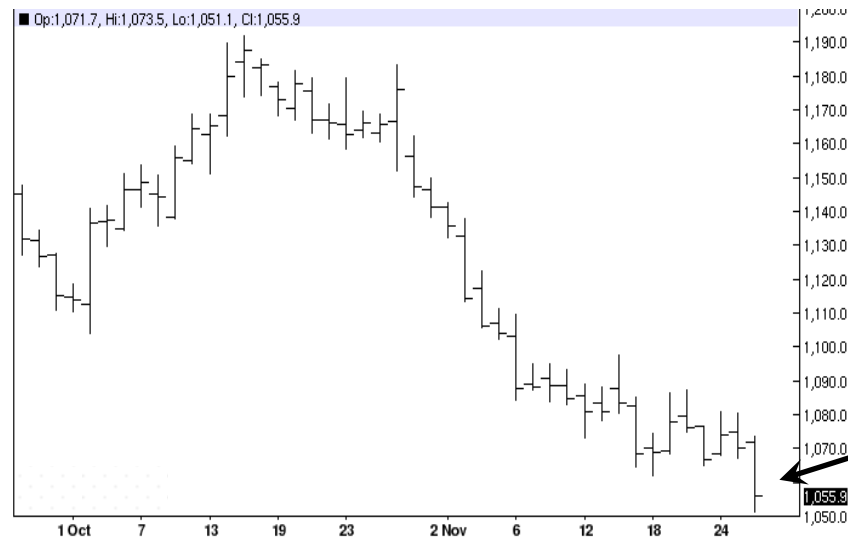
- + GOLD
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## Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: **BEARISH**

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



See how Gold extended the recent period of weakness.

**The Macro Trader's view of the Gold is:** last week's price action validated our long held view that gold is in a long term downward move.

With the Fed set to begin hiking rates at its December meeting in approximately two weeks time as US policy makers begin the long slow process of returning US monetary policy back to a more neutral level, the rationale for holding gold is all but gone.

Despite the tensions caused by Russia's trouble

making in Ukraine the rise of ISIL have drawn the leaders of the West and Russia together as they see the need to tackle what looks set to become a global terror threat. Why then hold gold?

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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## Commodities

- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE: **BEARISH.**

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



See how oil continues to bounce about near the lows.

**The Macro Trader's view of oil is:** last week's price action did little to encourage the Bulls. In fact the opposite is true, the Bears are simply looking for the next opportunity to take this market lower.

The oil glut continues, Iran is eager to get her oil to market, Iraq is selling its oil at US\$30.00 a barrel

meaning the futures prices still looks too expensive.

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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## Disclaimer

### SEVEN DAYS AHEAD

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