



Week 1
5th – 11th January 2016

Summary

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- + 10 YEAR NOTE
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- + S&P 500

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

Euro Zone Markets

- + EURIBOR
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Japanese Markets

- + JAPANESE BONDS
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Commodities

- + GOLD
- + OIL

Disclaimer



Multi-asset fundamental strategies

John Lewis

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- SQUARE
- BULLISH v the EURO
- BEARISH

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- SQUARE
- BEARISH

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- SQUARE
- BEARISH v the DOLLAR
- SQUARE

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This week's global calendar

	Week of 4 th January
Monday	US Construct'n spndg 0.7% US ISM Mfg 49 US ISM Prices paid 36 UK Net cons CR 1.3B UK Net Indg on dwllgs 3.7B UK Mrtge apprvis 69.9k UK PMI Mfg 53 IT PMI Mfg 54.9 FR PMI Mfg 51.6 DM PMI Mfg 53 EZ PMI Mfg 53.1 DM CPI 0.2m, 0.6y DM Retail sales 0.5m, 3.7y JP PMI Mfg n/f JP Loans & Discount n/f
Tuesday	US NYK ISM n/f UK PMI Construct'n 56 UK Halifax hse prces 0.5m, 9.0y DM Unemploy'm't chge -8k DM Unemploy'm't rate 6.3% EZ CPI Estimate 0.4y JP Vehicle sales n/f JP PMI Services n/f
Wednesday	US MBA Mrtge apps n/f US ADP Emplm't chge 194k US Trade bal -\$44,25B US ISM Non-mfg 56 US Factory orders -0.2% US FOMC Minutes Dec 15-16 UK PMI Services 55.9 IT PMI Services 53.6 FR PMI Services 50 DM PMI Services 55.4 EZ PMI Services 53.9 EZ PPI -0.2m, -3.2y JP Tokyo office vacancies n/f

	Week of 4 th January
Thursday	US Jobless claims 280k DM Factory orders 0.1m, 1.1y EZ Bus climate 0.39 EZ Ind confidence -2.9 EZ Services confidence 12.6 EZ Unemploy'm't rate 10.7% EZ Retail sales 0.2m, 2.0y EZ Cons confidence -5.7 JP Bankruptcies n/f
Friday	US Unemploy'm't rate 5.0% US Non-farm payrolls 200k US Avrge hourly earngs 0.2m, 2.8y US Avrge wrk week 34.5 US Wholesale invntory -0.1% US Cons Credit \$18.50B UK Trade Bal -£10.500B UK Trade bal non-EU -£3.500B DM Ind production 0.5m, 0.5y DM Trade bal 20.2B DM C/A 21.0B

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Last week's releases

	Week of 28 th December
Monday	JP Retail trade -2.5m, -1.0y WEAKER JP Lrge retail sales -1.5% WEAKER JP Ind production -1.0m, 1.6y WEAKER JP Vehicle production 6.0% STRONGER THAN EXPECTED
Tuesday	US Advce gds trade bal -\$60.5B BETTER US Case/shiller comp-20 5.54% LESS US Cons conf 96.5 STRONGER THAN EXPECTED
Wednesday	US Pending home sales -0.9m, 5.1y LESS UK Nat'nwide hse prces 0.8m, 4.5y MORE EZ M3 (3m/3m) 5.1 AS EZ M3 (y/y) 5.1 WEAKER THAN EXPECTED

	Week of 28 th December
Thursday	US Jobless claims 287k WORSE US Chicago PMI 42.9 WEAKER THAN EXPECTED
Friday	NEW YEARS DAY HOLIDAY

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US MARKETS: economic background

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Last week's focus was the Chicago PMI and Jobless claims.

Both disappointed. The Chicago PMI slipped further into territory that flags recession and the Jobless claims report spiked.

On balance two unhelpful reports but in a holiday shortened week will they have any measureable impact.

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; **Construction spending, ISM Manufacturing survey and prices paid,**
- On Tuesday; **New York ISM,**
- On Wednesday; **ADP employment change, trade data, ISM Non-manufacturing survey, factory orders and FOMC minutes,**

- On Thursday; **Jobless claims, and**
- On Friday; **Non-farm payroll, unemployment rate, average hourly earnings, average work week, wholesale inventories and consumer credit.**

First full week back after the Christmas/New Year break and a full calendar.

The FOMC minutes stand out as traders will be seeking any new clues on the Feds thinking on rate hikes going forward.

The PMI surveys as ever offer important insight into the economic outlook, but we judge the main event is the non-farm payroll report.

Was last week's spike in the jobless claims report a seasonal aberration or an omen for a trickier labour market going forward?



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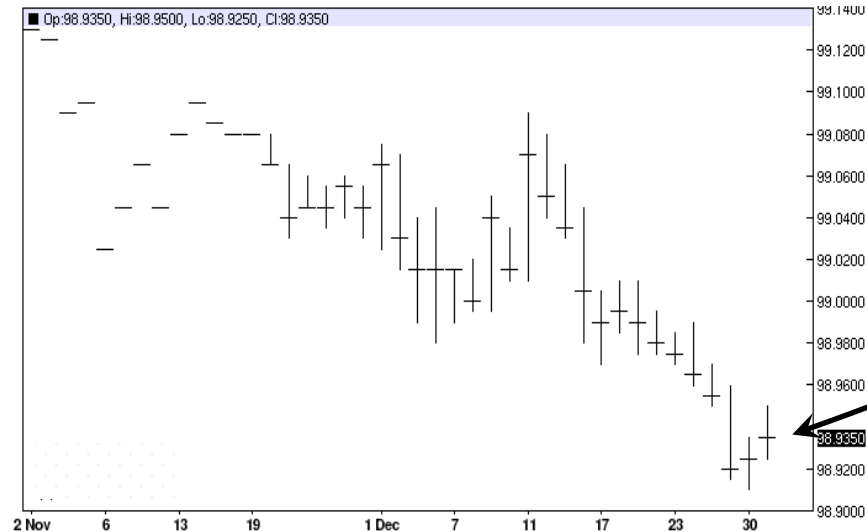
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollar remained under a degree of pressure as traders factor in several rate hikes for 2016.

The Macro Trader's view of Eurodollars is; last time our focus was on the FOMC rate decision; a hike was delivered, but traders immediately began to focus the Feds next move and consensus quickly coalesced around 3 to 4 more hikes this year.

Looking ahead there are several key releases due and the FOMC minutes and non-farm payroll stand out.

Any slowing in the pace of job creation might cause the Fed pause for thought. The recent ISM manufacturing data has been weak and jobless claims spiked.

For now we are staying square until we see Friday's payroll report. A strong read would encourage us to consider going short.

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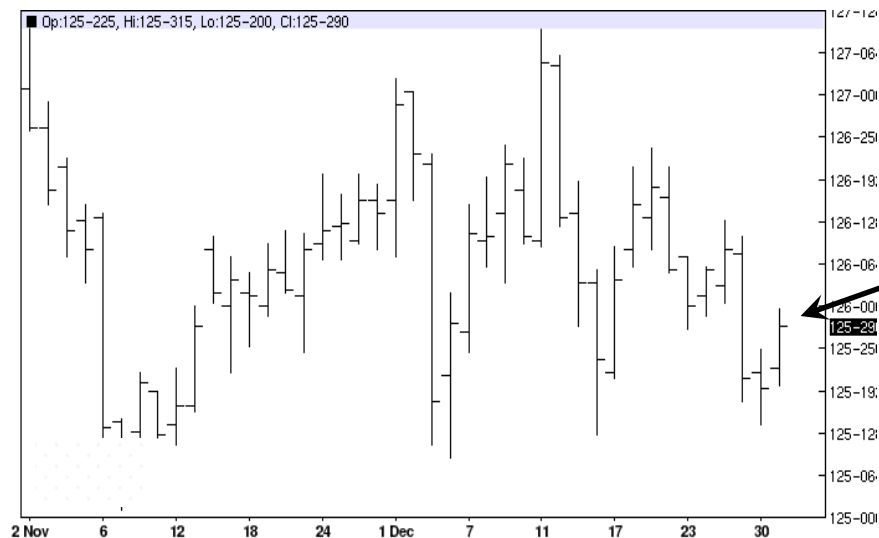
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US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note remains in a wide volatile trading range.

The Macro Trader's view of the 10 year note is:
recent price action indicates there is little or no mood for a bear market in Bonds.

Although the Fed has begun to tighten interest rates and may well move several more times throughout 2016. The Fed's actions are seen more as house keeping.

After a prolonged period of extremely permissive monetary policy, Policy makers feel the need to begin normalising interest rates. The Fed's Balance sheet is

bloated by three bouts of QE and at some point in the future that too will need shrinking, but not before interest rates are at their new norm.

Looking ahead the non-farm payroll report is due this week. A strong number will support the view that the Fed will hike several more times throughout 2016, but we do not expect that to weigh too heavily on Bonds.

For now stay square we judge this market is currently trapped in a trading range.

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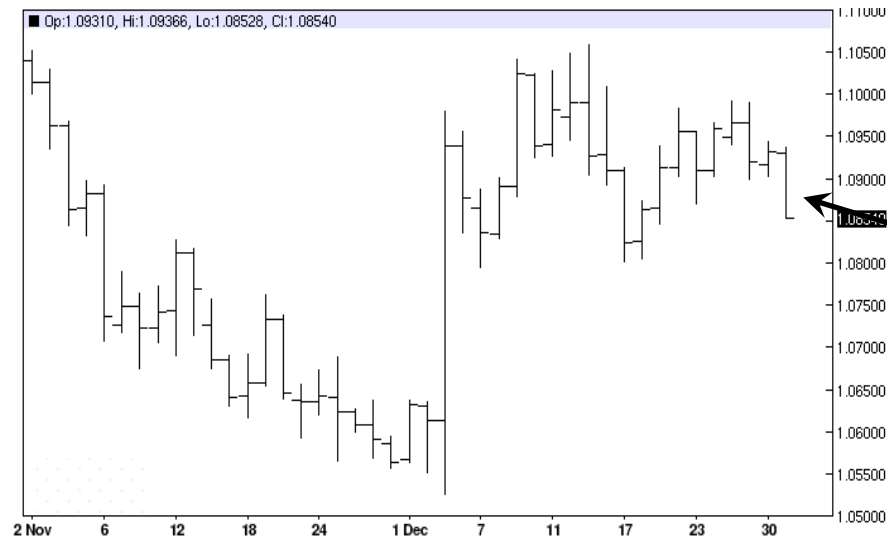
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US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the EURO.

Last week we were Bullish v the Euro



The Dollar traded mainly sideways over recent week's as the drama of the Fed's rate hike faded.

The Macro Trader's view of the Dollar is; recent Price action indicates to us that although the Fed has begun to adjust policy higher, the economy isn't exactly roaring away and the moves are more Fed house keeping rather than driven by any economic need.

With the US economy growing at only a moderate pace. Traders currently see little to choose between the US and Euro zone. We think there is plenty of difference.

The ECB may very well need to top up its recently extended QE program to keep the Euro zone economy

from slipping back into recession where as the Fed is trading softly towards normalising policy with the backdrop of a self sustaining recovery, albeit only moderate.

Looking ahead several key indicators due this week with non-farm payroll the main event on Friday. Solid reports should help the Dollar renew its rally.

Traders should be long the Dollar/short the Euro, we judge a correction is still playing out.

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

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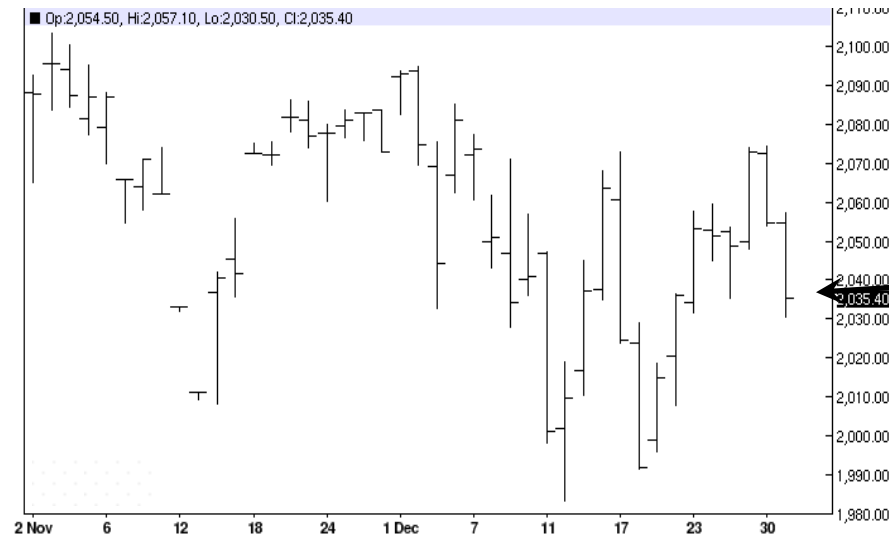
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US MARKETS: S&P500

OUR TRADING STANCE: **BEARISH**.

Last week we were **Bearish** of the S&P 500.



The S&P looks trapped within a trading range, but is it?

The Macro Trader's view of the S&P 500 is: recent price action suggests the S&P has entered a period of range trading.

We disagree. The global economic environment still looks fragile. China continues to report weak activity, Japan remains subdued, Brazil and Russia in recession, the Euro zone still struggling to find its feet and the US economy experiencing a moderate upturn with the Fed on a new course of higher interest rates.

Looking ahead several key data releases due this week, but a stronger payroll report might be negated by Wednesday's FOMC minutes if they allude to further rate hikes this year as we suspect.

We see this market testing the downside further and although our stop was hit we advise remaining short.

Our suggested target is 1910.0 and our suggested stop is set at 2085.0 for protection.

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UK MARKETS: economic background

Last week's only data release was the better than expected Nationwide house price survey; is the housing market starting to heat up again?

The week before saw the release of a weaker than expected Q3 GDP report; is the economy slowing?

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 secured on dwellings, mortgage approvals and PMI Manufacturing survey,**

- On Tuesday; **PMI Construction survey and Halifax house price survey,**
- On Wednesday; **PMI Services survey, and**
- On Friday; **Trade data.**

This week sees a packed calendar with the PMI surveys and trade report standing out.

Net trade has been a drag on growth recently will that improve going forward?

We judge the PMI Services survey is this week's key event.



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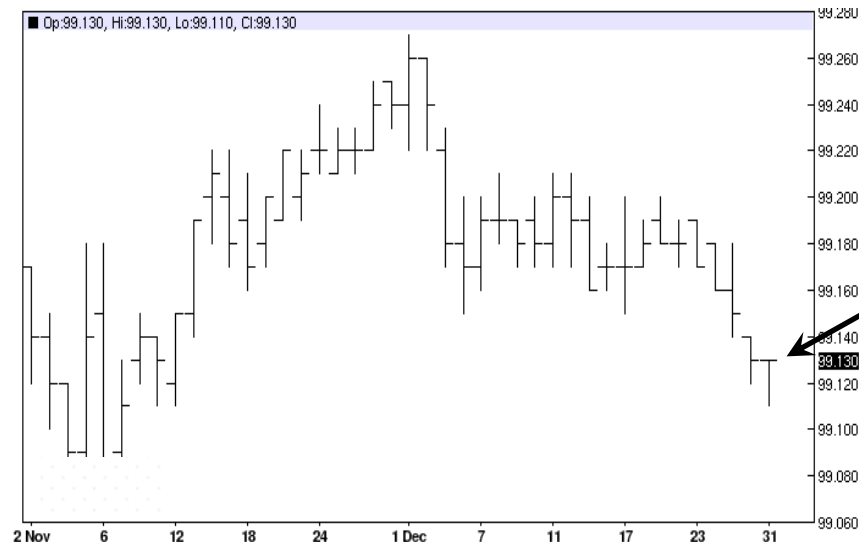
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling continues to price in a rate hike in the later half of this year.

The Macro Trader's view of Short Sterling is: last week's price action continued to price in a rate hike later this year, but with growth at a comfortable 2.3%, inflation at, or close to zero with little prospect of it reaching 1% let alone the MPC target of 2%, we expect UK interest rates to remain on hold throughout much of 2016 and doubt the Bank will have need to act at all until early 2017.

Looking ahead the key release this week is the PMI Services survey.

We expect a steady as she goes report.

For now we advise remaining square.

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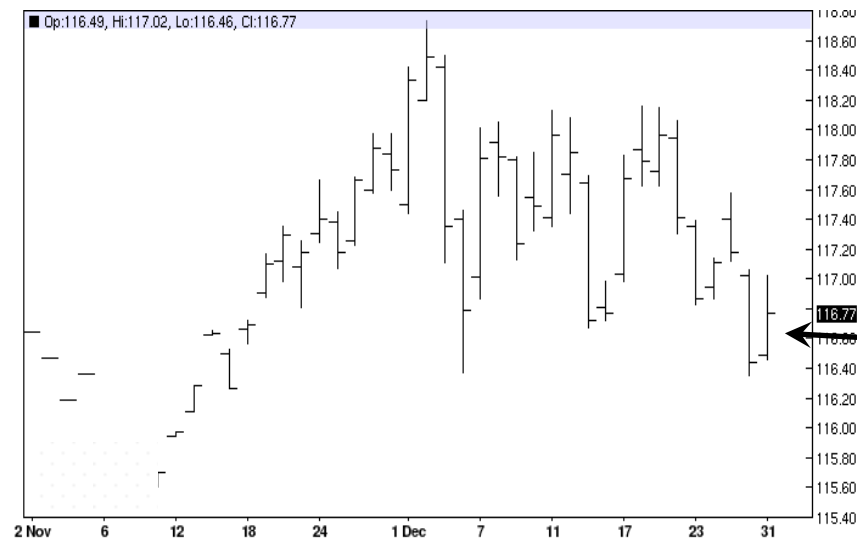
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt looks under a degree of pressure as the spotlight falls on the UK's relationship with the EU.

The Macro Trader's view of the Gilt is; recent price action suggests the Gilt is beginning to feel the effect of the UK's renegotiations with her EU partners and the looming referendum on continued UK membership.

To date the UK Government seems to have achieved little or nothing that it can use to persuade UK voters that it remains in the National interest to remain in the EU, The PM has only a short period left to achieve his goals!

Looking ahead several key data releases due but we judge the PMI Services survey is the key event.

We remain square of this market.

Both the upside and downside currently looks limited. The economy is in ok shape with steady growth and low inflation only the trade account looks mildly problematic. With regard to the EU membership question, it is still too early to trade on any possible outcome of the referendum.



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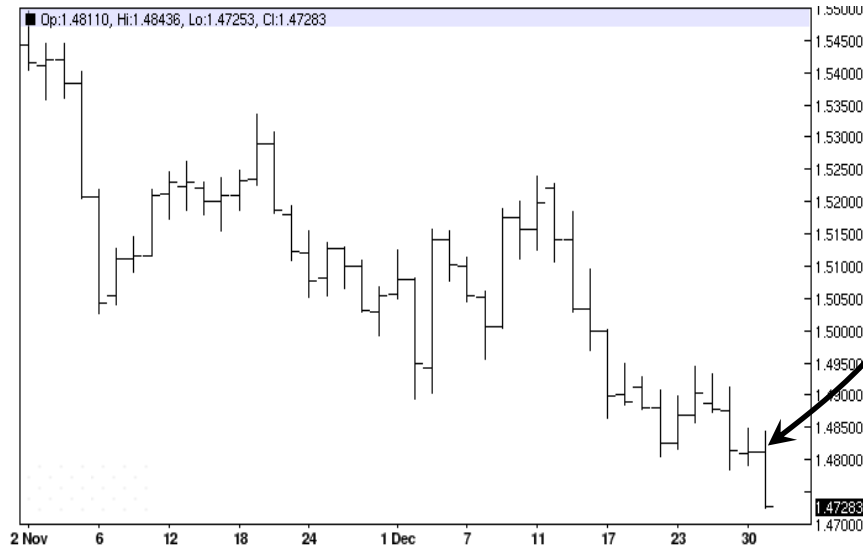
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UK MARKETS: Sterling

OUR TRADING STANCE; SQUARE

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



See how Sterling remains under pressure against the Dollar and has given back ground to the Euro.

The Macro Trader's view of the Pound is: recent price action has not favoured Sterling Bulls!

Against both the Dollar and the Euro the Pound has lost ground. This has not been due to unfavourable economic fundamentals, to the contrary. The growth rate remains solid, inflation very low and unemployment low too.

The two negatives are the trade data; a mild concern and the looming EU in/out referendum.

Although Cameron has yet to win any of his stated

concessions from the UK's EU partners that would allow him to whole heartedly campaign for the UK to remain in the EU, we judge UK voters are able to see for themselves that it is wiser to remain within the EU and try to change it rather than walk away and have no influence what so ever.

However the next few months could prove difficult for Sterling, but if a referendum is held mid year and the UK votes to remain in, we think the Pound will prove a strong buy.

For now stay square.



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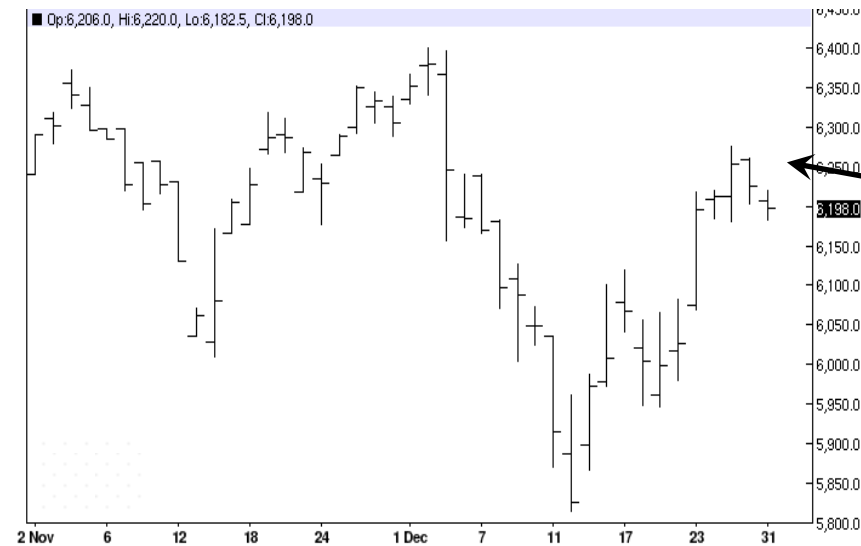
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UK MARKETS: FTSE

OUR TRADING STANCE: **BEARISH.**

Last week we were Square.



See how the FTSE enjoyed a yearend rally, but can it last?

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

...“We are now medium term bearish of this market even though growth remains a respectable 2.3% and inflation non-existent. The problem is stocks are struggling to come to terms with the Fed's desire to hike interest rates at a time of weak inflation globally, including in the US, weak growth globally and only a moderate recovery in the US, resulting in falling oil and commodity prices that are symptomatic of weak global trade and growth”...

And despite the yearend rally we still hold that view.

Looking ahead the PMI Services survey stands out, but we judge equity markets will be led from sentiment derived from Asia and by Friday's US non-farm payroll report.

Traders should be short this market despite our stop being hit last week.

Our target is 5790.0 and our stop set at 6285.0 for protection.

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EURO ZONE MARKETS: economic background

Last week's key release was Euro zone M3 but in a holiday shortened week the number had little impact.

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; **Italian, French, German and Euro zone PMI Manufacturing surveys, German CPI and retail sales,**
- On Tuesday; **German unemployment report and Euro zone CPI estimate,**
- On Wednesday; **Italian, French, German and Euro zone PMI Services surveys and Euro zone PPI,**
- On Thursday; **Euro zone unemployment**

rate, retail sales, consumer confidence and several other Euro zone confidence measures, and

- On Friday; **German industrial production, Trade data and C/A.**

This week's calendar is packed with key data releases. The various PMI Surveys provide a look at the Euro zone economies health and German industrial production reports on the Euro zone's leading economy.



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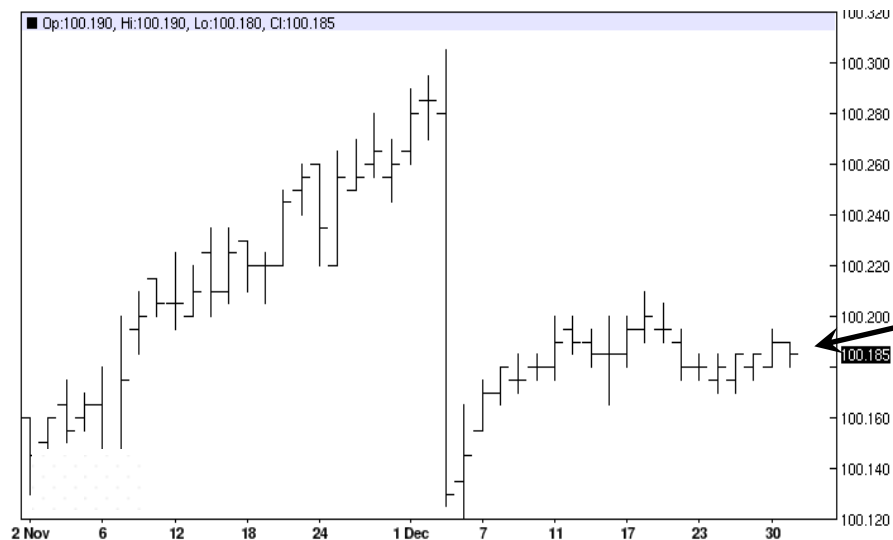
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor continues to trade in a narrow trading range.

The Macro Trader's view of Euribor is; recent price action looks like traders have concluded the ECB is done for now, at least until several months of data have had the chance to reveal whether or not the QE medicine is working or if more is needed.

Looking ahead the various PMI surveys are due and these will give a fresh look at how the recovery is shaping up.

We judge the economy has reached a level of activity that points to recovery but isn't yet self sustaining.

The ECB is unlikely to act again in the near term and this market looks range bound.

For now stay square.

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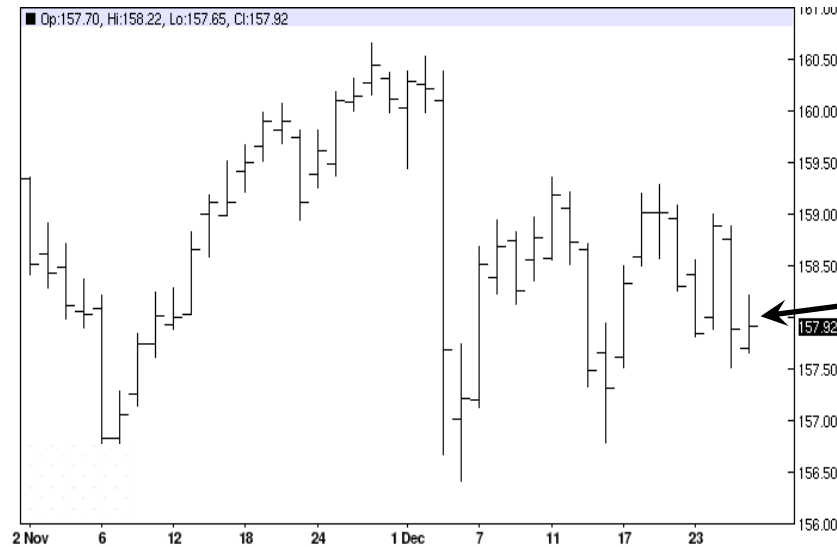
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund much like US Treasuries looks range bound.

The Macro Trader's view of the Bund is: recent price action points to a market stuck in a trading range with a degree of volatility.

Although the Fed has begun hiking rates, global and Euro zone economic activity remains fragile.

The ECB is still easing and may ease again, and the Fed its self may in a few months, regret hiking when there was no compelling need.

We judge this market currently looks range bound. Supported by the ECB QE program and tepid domestic growth, but restrained by talk of yet more US rate hike this year.

For now we see no compelling reason to trade this market and advise remaining square.

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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: **BEARISH** the DOLLAR

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



The Euro has staged a solid recovery against Sterling.

The Macro Trader's view of the Euro; the Euro has so far successfully resisted the Dollar despite the Fed's rate hike and has gained ground on Sterling despite the UK economy out performing the Euro zone.

We judge the reason is:

1. Did the Fed really need to hike with global and domestic US growth in its current state with inflation so subdued, and
2. The looming UK in/out referendum on continued EU membership likely due in July this year is

starting to rattle the Pound.

Looking ahead several key data releases due, but we judge traders will continue to move out of Sterling until the referendum result is known, but we see the Dollar gradually regaining strength against the Euro as US economic data slowly improves.

Traders should be Long the Dollar/Short the Euro.

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

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Commodities

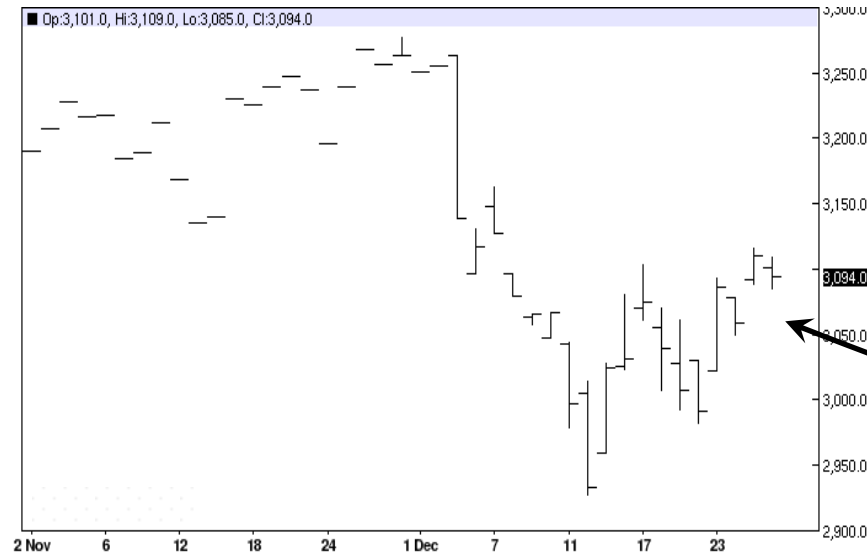
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market enjoyed a year end correction.

The Macro Trader's view of DJ Euro Stoxx 50 is:
recent price action has evolved into a yearend correction, but can the market rally further?

We are mildly bearish of stocks generally short/medium term.

The Fed is now set on a hiking path in an economic environment that does not of its self call for such action.

The Euro zone economy remains alive due to the

ECB's life support and the wider global economy, including Japan and China looks far from rude health.

Looking ahead all the various Euro zone PMI Surveys are due this week, but we doubt they will breath life into this market.

We are already short of the S&P and FTSE and that is sufficient exposure to equity markets so are remaining square here.

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

JAPANESE MARKETS: economic background

A mixed bag recently for Japanese data.

The recent Tankan report release mid December was mainly stronger than expected, but last week's data which included retail sales and industrial production was weaker.

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; **Vehicle sales and PMI Services**,
- On Wednesday; **Tokyo office vacancies**, and
- On Thursday; **Bankruptcies**.

The key releases this week are the two PMI surveys.

But with a packed US calendar containing the FOMC minutes for the December meeting and Friday's non-farm payroll report, we think attention will be focussed overseas rather than on domestic data.

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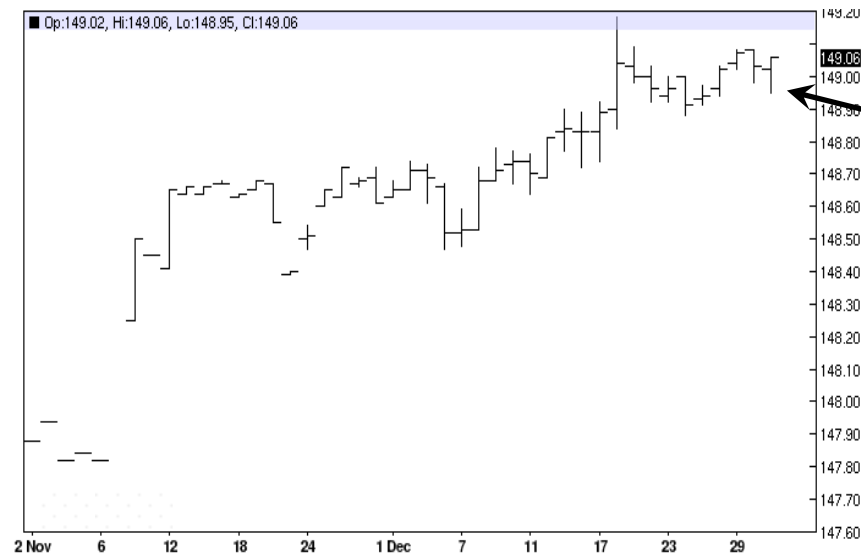
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB remains supported by economic softness.

The Macro Trader's view of the JGB is: the JGB continues to enjoy support derived from economic weakness and persistently low inflation.

The Bank of Japan recently decided to sit on its collective thumbs after a TANKAN report that was mildly better than expected. However subsequent data has been less flattering.

Looking ahead the two PMI surveys are due but with stocks looking under pressure as trading starts at the beginning of the New Year, this market remains supported.

We are square here.

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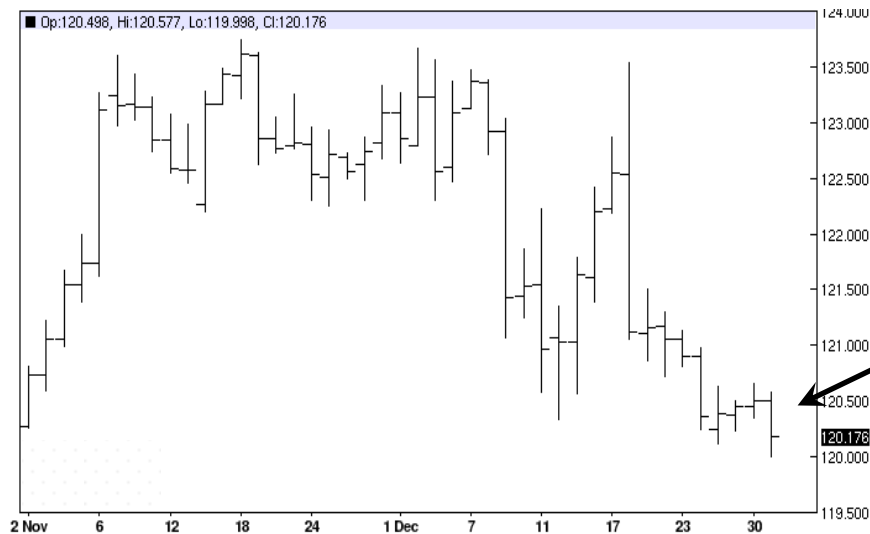
- + GOLD
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Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen has benefitted from safe haven buying but will the authorities be dis-pleased!

The Macro Trader's view of the Yen is; the Dollar has failed to garner much if any support yet from the recent Fed rate hike.

Traders seem to be relieved it is out of the way, but given US and global economic conditions has the Fed acted prematurely?

The Yen has emerged as a short term buy as stocks

look under pressure globally especially in China, but are we bullish of the Yen? Not medium/long term! Looking ahead the two PMI surveys are due, but currencies are likely to be driven by the balance of global economic health and longer term that does not favour the Yen against the Dollar.

For now stay square.

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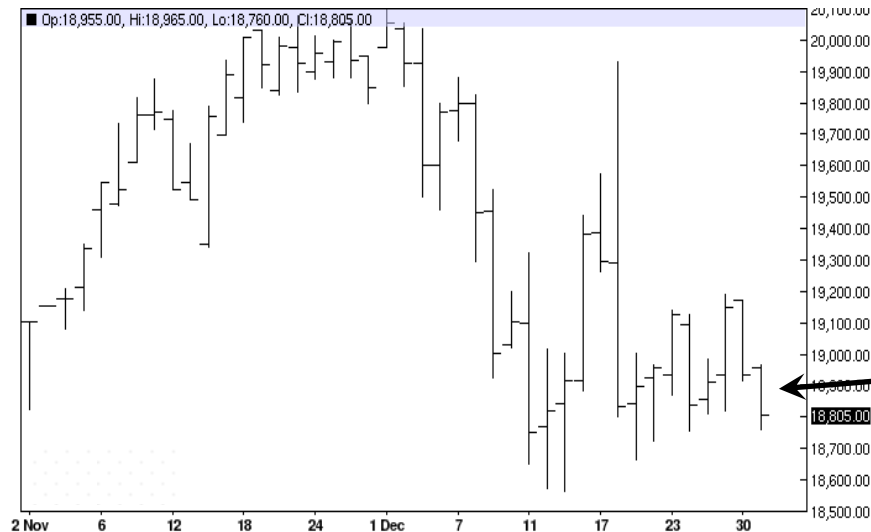
- + GOLD
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Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: **BEARISH.**

Last week we were Square of the Nikkei.



The Nikkei looks vulnerable to the downside.

The Macro Trader's view of the Nikkei is; the Japanese economy remains at best fragile. Chinas economy continues to under perform.

The Fed has hiked, but the US economy as low inflation, moderate growth and an ISM Manufacturing survey that is flashing warning signals; are stocks a buy? No;!

Looking ahead the two PMI surveys are due, but they

are unlikely to do much to alter current negative sentiment towards stocks derived from perceptions of global economic weakness born out by data.

We are bearish the Nikkei and advise a short position.

Our target is 17500.0 and our suggested stop is set at 19000.00 for protection.

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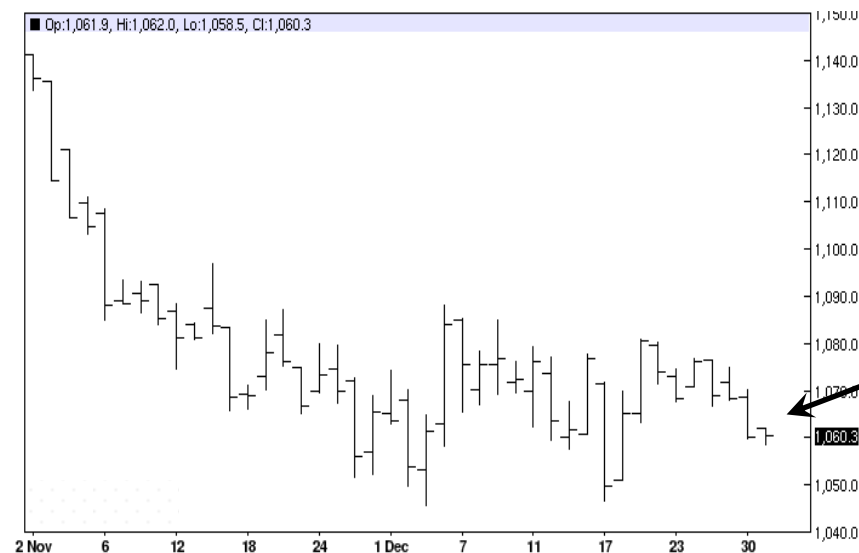
- + GOLD
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Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: **BEARISH**

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



See how Gold remains within the trading range.

The Macro Trader's view of the Gold is: last week's price action was disappointing for both Bears and lingering Bulls.

The Dollar has failed to revive much after the Fed's rate hike and concerns about global economic health remain, but still gold sits within a trading range.

We judge this week's US data holds the key to Gold's longer term future. A solid set of data will consolidate the consensus view in markets that the Fed will push

ahead and raise rates several more times this year as it seeks to return policy to a new normal level.

Assuming they have got their sums right and the US economic recovery doesn't stall we judge the outlook for gold remains bearish.

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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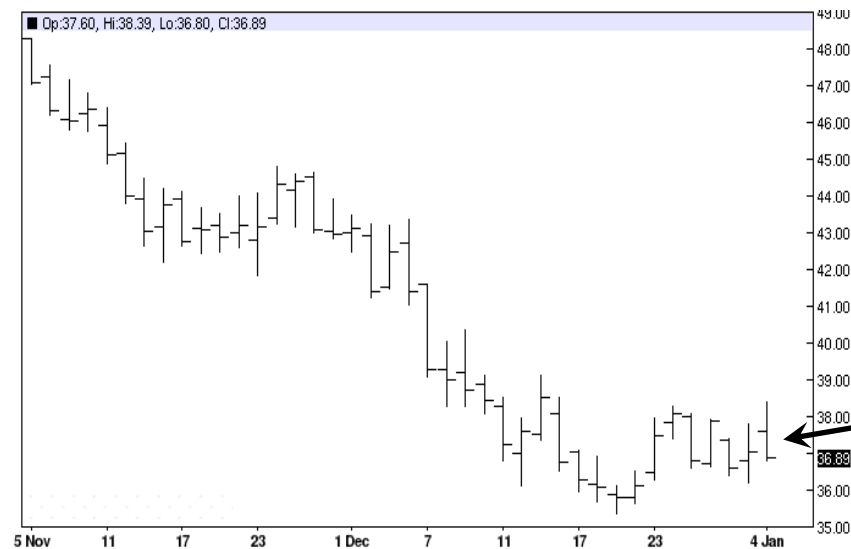
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: **BEARISH.**

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



See how oil remains under pressure despite the new diplomatic stand off between Saudi Arabia and Iran.

The Macro Trader's view of oil is: recent price action continues to point to yet lower oil prices.

Global economic activity remains sub-optimal with China still under performing.

Saudi Arabia's recent execution of a prominent Shia cleric has caused a diplomatic spat with Iran, but still oil prices do not stage a material rally.

If anything, the dispute is likely to harden Saudi will to keep pumping as much oil as it can, in an attempt to hit Iran's revenues as she tries to restore her former oil exporting volumes.

We remain bearish of oil prices.

Traders should be short of oil, our long term target is US\$25.00 and our suggested stop continues at 41.95 for closer protection.

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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

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