



Week 20  
17<sup>th</sup> – 23<sup>rd</sup> May 2016

## 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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### Global Calendar

### US Markets

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

- SQUARE
- SQUARE
- BEARISH v the EURO
- SQUARE

### UK Markets

+ SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE

- BULLISH
- SQUARE
- SQUARE
- SQUARE

### Euro Zone Markets

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- SQUARE
- SQUARE
- BULLISH v the DOLLAR
- SQUARE

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

- SQUARE
- SQUARE
- SQUARE

### Commodities

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+ OIL

- SQUARE
- SQUARE

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# This week's global calendar

	Week of 16 <sup>th</sup> May
Monday	US Empire mfg 7 US NABH Housing mkt 59 US Tot net lg trm TIC flows n/f UK Rgt mve hse prices n/f JP Loans discount corp n/f JP DCGP Index 0.2m, -3.7y JP Machine tool orders n/f JP Tokyo dept stre sales n/f JP National dept stre sales n/f
Tuesday	US Housing starts 1120k US Building permits 1123k US CPI 0.4m, 1.1y US CPI Ex F&E 0.2m, 2.1y US Ind production 0.3% US Capital utilisation 75.0% UK CPI 0.3m, 0.5y UK RPI 0.3m, 1.5y UK RPI-X 1.5y UK PPI Input 1.1m, -6.8y UK PPI Output 0.2m, -0.8y UK PPI Core 0.1m, 0.3y UK DCLG House prices n/f EZ Trade bal 22.5B JP Ind production n/f JP Capacity utilisation n/f JP Q1 GDP 0.1q, 0.4 (A)
Wednesday	US MBA Mrtge apps n/f US FOMC Minutes April 26-27 meeting UK Unemploy'm't chge 4.0k UK Unemploy'm't rate 2.1% UK Averige earnings 1.7% UK AE ex-bonus 2.3% UK ILO Rate 5.1% EZ CPI -0.2y JP Tokyo condo sales n/f JP Machine orders 0.5m, 0.8y

	Week of 16 <sup>th</sup> May
Thursday	US Jobless claims 287k US Philly Fed 3 UK Retail sales 0.5m, 2.5y EZ C/A n/f EZ Construction output n/f EZ ECB Minutes JP All ind actvty index JP Machine tool orders JP Supermarket sales
Friday	US Existing home sales 5.40M UK CBI Total orders n/f DM PPI 0.1m, -3.0y JP Convenience stre sales n/f

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## Last week's releases

	Week of 9 <sup>th</sup> May		Week of 9 <sup>th</sup> May
Monday	UK BRC Sales -0.9% <b>WEAKER</b> UK Halifax hse prices -0.8m, 9.2y <b>WEAKER</b> DM Factory orders 1.9m, 1.7y <b>STRONGER</b> JP Labour cash earnings 1.4% <b>STRONGER</b> JP Consumer confidence 40.8 <b>AS</b> <b>THAN EXPECTED</b>	Thursday	US Import prices 0.3m, -5.7y <b>WEAKER</b> US Jobless claims 294k <b>WORSE</b> UK BOE Quarterly Inflation report UK BOE/MPC Rate decision 0.50% <b>AS</b> UK BOE AP Target £375.0B <b>AS</b> EZ Ind production -0.8m, 0.2y <b>WORSE</b> DM WPI 0.3m, -2.7y <b>MORE</b> JP Bankruptcies -7.08% <b>BETTER</b> <b>THAN EXPECTED</b>
Tuesday	US NFIB Sml Bus optimism 93.6 <b>MORE</b> US Wholesale invntry 0.1 <b>AS</b> UK Trade Bal -11.2B <b>AS</b> UK Non-EU Trade -3.114B <b>BETTER</b> DM Ind production -1.3m, -0.3y <b>WORSE</b> DM Trade bal 26.0B <b>STRONGER</b> DM C/A 30.4B <b>STRONGER</b> <b>THAN EXPECTED</b>	Friday	US Retail sales 1.3% <b>STRONGER</b> US RS Ex-Autos 0.8% <b>STRONGER</b> US PPI 0.2m, 0.2y <b>LESS</b> US PPI Ex- F&E 0.1m, 0.9y <b>LESS</b> US U. of Michigan conf 95.8 <b>STRONGER</b> US Business invntry 0.4% <b>STRONGER</b> UK Construct'n output -3.6m, -4.5y <b>WORSE</b> DM CPI -0.4m, -0.1y <b>WEAKER</b> DM Q1 GDP 0.7q, 1.6y <b>STRONGER</b> EZ Q1 GDP 0.5q, 1.5y <b>WEAKER</b> JP Tertiary Ind index -0.7% <b>WEAKER</b> <b>THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps 0.4% <b>BETTER</b> US Mnthly bidget statem't 106.5B <b>WORSE</b> UK Ind production 0.3m, -0.2y <b>WEAKER</b> UK Mfg output 0.1m, -1.9y <b>WEAKER</b> UK NIESR GDP Estimate 0.3% <b>BETTER</b> UK RICS House prices 41% <b>WEAKER</b> JP Bank lending 2.2% <b>STRONGER</b> JP C/A Y2980.4B <b>STRONGER</b> JP Trade Bal 927.2B <b>STRONGER</b> JP ECO Watchers 43.5 <b>STRONGER</b> <b>THAN EXPECTED</b>		

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## US MARKETS: economic background

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### Disclaimer

Last week's focus was the retail sales report, and following mixed signals from the previous week's non-farm payroll and ISM non-manufacturing, traders and indeed the Fed, were seeking clarity.

In the event the Retail sales report was stronger than expected indicating consumer demand remained alive, but, the worse than expected initial jobless claims report at 294k, served as a reminder that all was not well in the US economy.

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; **Empire manufacturing and NAHB Housing market index,**
- On Tuesday; **Housing starts, building**

**permits, CPI, Industrial production and capital utilisation,**

- On Wednesday; **FOMC Minutes April 26-27 meeting,**
- On Thursday; **Jobless claims and Philly Fed, and**
- on Friday; **Existing home sales.**

Several key data releases due this week including CPI and Industrial production, but we judge the FOMC minutes are the main event.

The Fed wants to raise rates further this year, but unexpectedly weak data has halted its intended schedule, the minutes should give important clues on the Fed's intended path.

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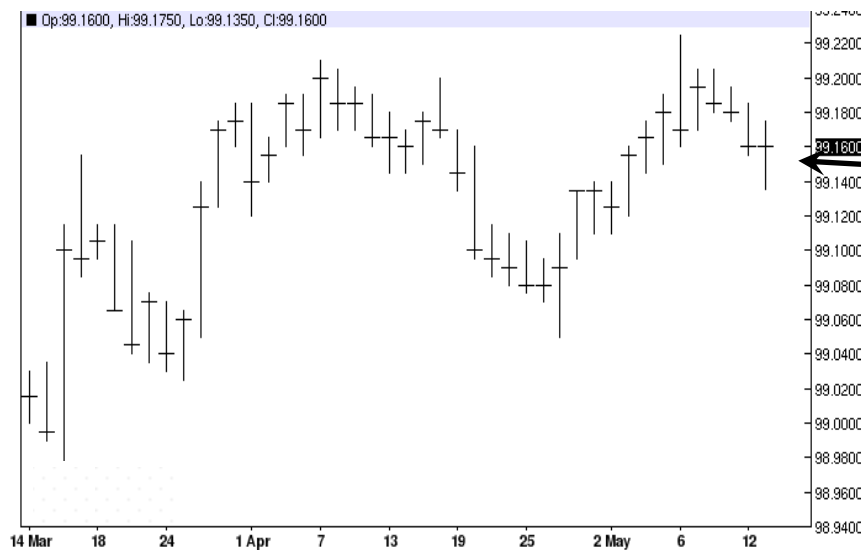
- + GOLD
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### Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars remains within a trading range seeking direction.

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

...“Looking ahead retail sales are due, will the report show strength or more likely confirm economic weakness”...

In the event the report was much stronger than expected and even after stripping out Autos the report was a solid 0.8%, suggesting consumer demand remains alive.

Looking ahead the key release this week is the April 26-27 FOMC minutes. These should give some clarity about the Fed's current thinking and potential timing of future rate hikes, but may just reveal the Fed is frustrated by current weakness.

For now we are square.

The Fed is on hold until economic data picks up, but they retain a tightening bias.

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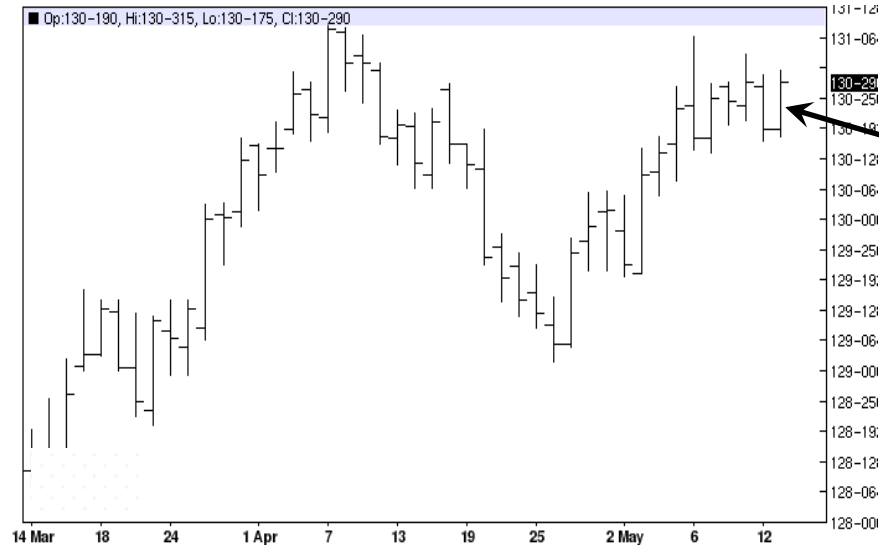
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## Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note remains supported despite strong retail sales.

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

...“Looking ahead the key release this week is Friday's retail sales report. A strong report would put a June rate hike back on the agenda, but the recent trend in this series has been weak and another weak report will push any further rate hikes further into the future and maybe off the table if the economy doesn't rebound soon”...

In the event the report was stronger than expected and

puts rate hike talk back on the agenda, but more than one strong report in one data series is needed before the Fed can feel comfortable the economy has bounced back and last week's jobless claims report at a worse than expected 294k provided a timely reminder.

We remain square.

Bonds still do not strike us as either a strong sell or buy. Growth is tepid, inflation weak and Global risks remain. For now the market looks range bound.

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## Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: **BEARISH v the EURO.**

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



The Dollar has staged something of a recovery, but within a trading range.

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

...“Looking ahead retail sales are due, a weak report will put the Dollar under renewed pressure”...

In the event the report was stronger than expected and offered the Dollar some relief.

Looking ahead the key release this week is the FOMC minutes. Traders will be looking for guidance on the timing of the next rate hike, but will they get it this time?

If the Fed continues to indicate a desire to hike, but qualifies that with phraseology alluding to global risks and when data permits, we judge the Dollar will give back its recent gains, but if the minutes adopt a more hawkish tone and focus more squarely on their intention to hike twice this year, the Dollar will respond positively to future stronger data.

We remain bearish. Traders should be short the Dollar/ long the Euro.

Our suggested target remains 1.1720 and our suggested stop continues at 1.1450 for protection.

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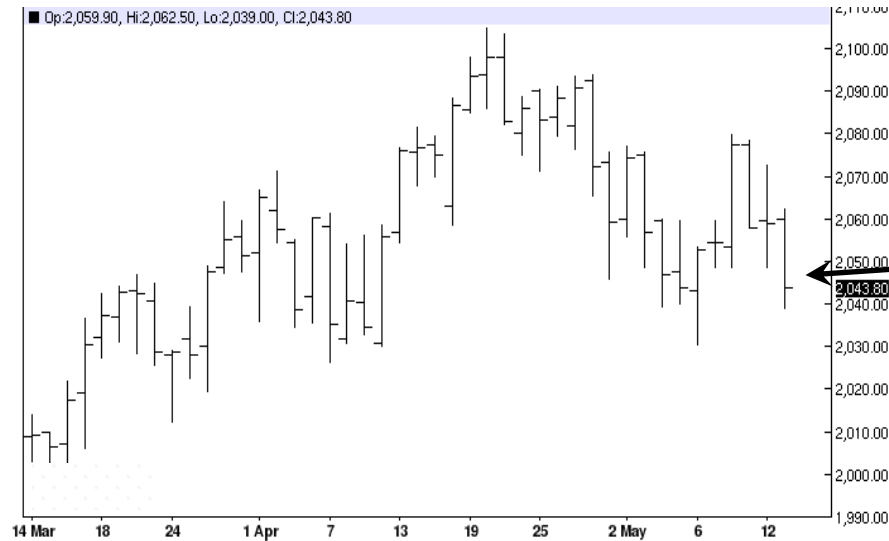
- + GOLD
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## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: SQUARE.

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



The S&P remains hobbled by signs of economic weakness.

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

...“Looking ahead retail sales are due, but this report has been weak over recent months, so we expect it to offer this market little help”...

In the event the report was strong, but the S&P derived little or no support from it as traders began to fret it potentially reopened the door to the Fed hiking rates, perhaps as early as June.

Looking ahead the FOMC minutes are due, will they offer clarity on the timing of future rate hikes or yet more fog about global risks and the intention to move cautiously as data permits, meaning little or no guidance for this market short term.

We are square.

Although we remain long term bulls, for now we remain side lined and watching.

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## Commodities

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## Disclaimer

## UK MARKETS: economic background

Last week's focus was the Bank of England. The policy decision was due, no change expected and none delivered, but the Quarterly inflation report was due and expectations were running high that the Bank would deliver a report that attempted to cover two post referendum scenarios; a vote to leave or a vote to stay.

In the event the report was quite clear in that a vote to leave the EU would have significant negative consequences for the UK economy and could lead to recession.

A vote to stay was less negative, but acknowledged the UK economy has cooled, but that was mainly attributed to the uncertainty caused by the looming "BREXIT" vote.

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; **CPI, RPI, PPI and DCLG House prices,**
- On Wednesday; **unemployment report, average earnings and ILO Unemployment rate,**
- On Thursday; **Retail sales, and**
- On Friday; **CBI Total orders.**

Several key events due this week, including CPI, PPI and the unemployment report, but we judge Retail sales due on Thursday is the main event.

The UK economy is clearly cooling, last month's retail sales was weak and blamed on the early Easter, a recovery this time was forecast but given the cool weather for most of the period will it materialise?



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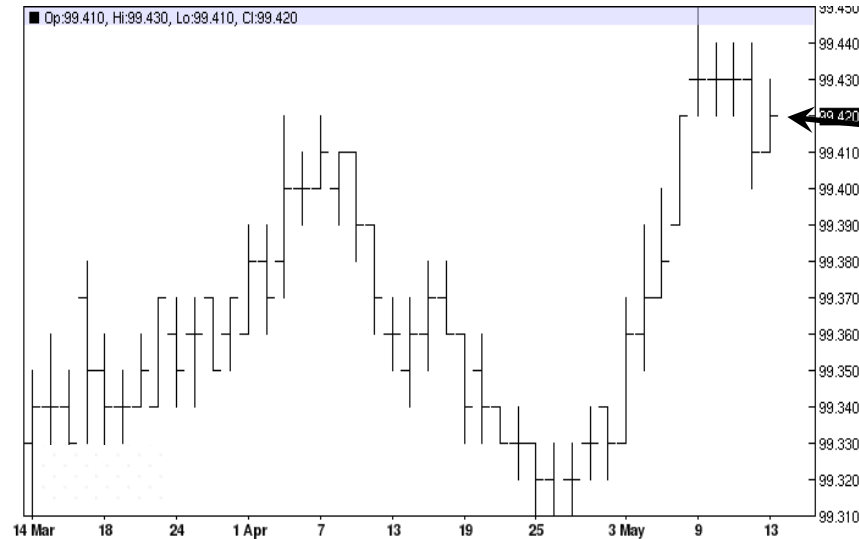
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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: BULLISH.

Last week we were Square of Short Sterling.



Short Sterling remains supported by weak data.

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

...“Looking ahead the key event this week is the Bank’s quarterly inflation report. It should give forecasts based on a hoped for in vote, but also an out vote”...

...“However, although we judge current weakness due to “BREXIT” uncertainty, if activity cools too much further a rate cut might be on the cards what ever the referendum result”...

In the event the Bank’s inflation report made it clear a vote to leave the EU would likely lead to recession, but

it also acknowledged the economy might be slow to recover lost momentum even in the event of a vote to remain in the EU.

Looking ahead the key release this week is Retail sales. Will it bounce back after the previous months weakness blamed on the early Easter, if not a rate cut will move further up the agenda.

Traders should be long DEC16 Short Sterling. We judge the odds of a further rate cut have significantly improved.

Our suggested target is 99.51 and our suggested stop is set at 99.32 for protection.

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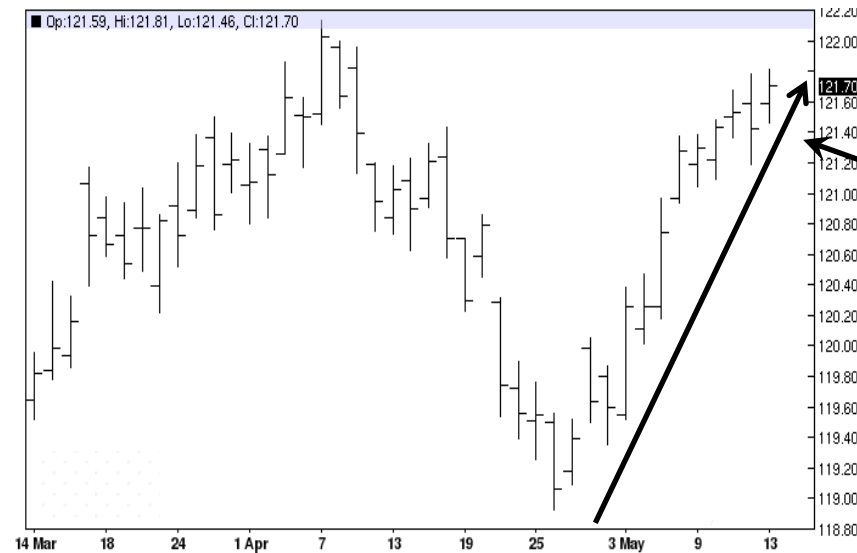
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## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Gilt.



See how the Gilt remains supported by weak data and thoughts of a rate cut.

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

...“Looking ahead the Bank of England takes centre stage this week with the quarterly inflation report and policy decisions. We expect unchanged policy, but their forecasts on inflation and growth should cover an in and out vote”...

In the event policy was left unchanged, but the quarterly inflation report did attempt to look at both post referendum scenarios and the Bank's vision of a vote to leave the EU was one of economic recession and a

prolonged period of currency weakness and potentially higher inflation. A vote to stay looked rosier but weakness remains, but only for a relatively short period; 2-3 quarters.

Looking ahead retail sales are due and a tepid report is expected.

The “BREXIT” vote will be an important event for the UK's future well being. A vote to leave may see rates rise or more likely fall, but the Gilt could be a casualty.

We are square.

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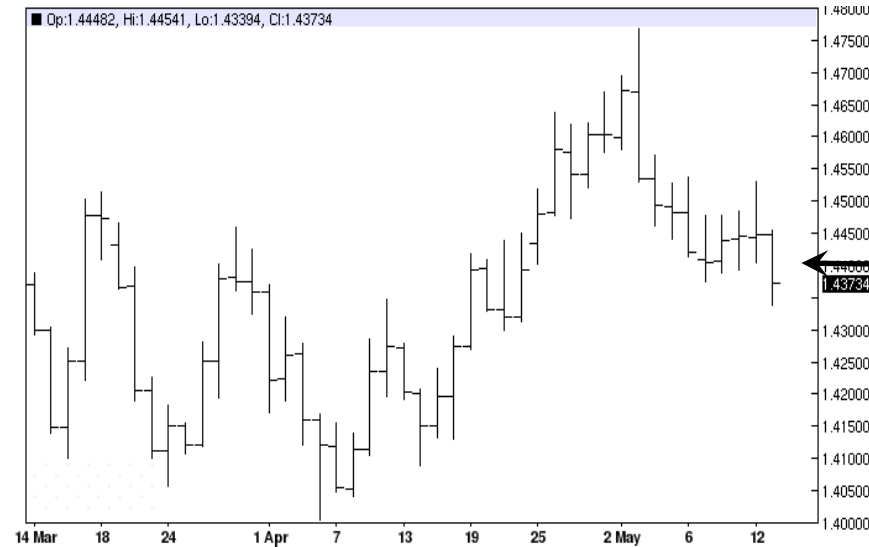
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## Disclaimer

## UK MARKETS: Sterling

### OUR TRADING STANCE; SQUARE

Last week we were Square



See how Sterling remains directionless ahead of the EU referendum on June 23<sup>rd</sup>.

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

...“Looking ahead the Bank of England quarterly inflation report is the main event this week. Expectations are the Bank will offer two versions of its growth and inflation forecast based on whether the UK remains in the EU or not”...

In the event that was the outcome and an out vote risks recession and a sharp currency devaluation.

Looking ahead CPI and retail sales are due. CPI remains low, so all eyes on Retail sales, but ahead of the “BREXIT” vote the Pound looks increasingly becalmed, since the two results have diametrically opposed consequences for the value of Sterling.

We are remaining square of Sterling amid the current level of uncertainty and lack of direction.

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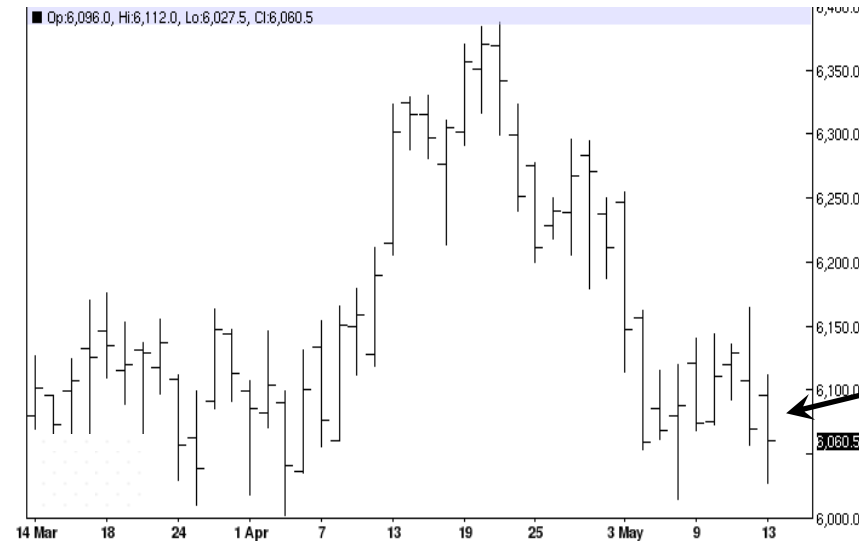
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## UK MARKETS: FTSE

### OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the FTSE remains under pressure from EU membership uncertainty, global equity market sentiment and cooling UK economic growth.

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

...“Looking ahead there are several key releases due at home and abroad, but we judge the Bank of England inflation report is the main event for this market. If as expected the Bank gives two versions of its inflation and growth forecasts, traders will have a little more information to base decisions on and if a rate cut looks to be creeping onto the agenda, the market might just find a floor”...

In the event the report was broadly as expected; bad news if the UK leaves, not so bad if it stays with an

expected recovery of lost momentum in the months after the vote. As for a rate cut, we think a cut is an increasing possibility, but global equity market sentiment remains negative, so together with domestic UK uncertainty the FTSE looks vulnerable.

Looking ahead retail sales are due, little comfort expected from that report this time.

For now we are staying square.

The market has re-tested the lows of the trading range again, and too many questions remain unanswered, both economic and political.

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## EURO ZONE MARKETS: economic background

Last week's focus was divided between German and Euro zone industrial production and German and Euro zone Q1 GDP data.

In the event both industrial production reports were worse than expected. The German Q1 GDP report was surprisingly better than forecast, but the Euro zone version fell short of consensus on lingering weakness in other Euro zone economies.

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 Tuesday; **Euro zone trade balance**,

- On Wednesday; **Euro zone CPI**,
- On Thursday; **Euro zone C/A and ECB minutes, and**
- On Friday; **German PPI**.

A thin calendar this week, but we judge the Euro zone CPI report is the main event.

The ECB's main policy aim is to get inflation up towards the 2% target in the hope it will fuel a rebound in growth. Japan has pursued that policy without success.



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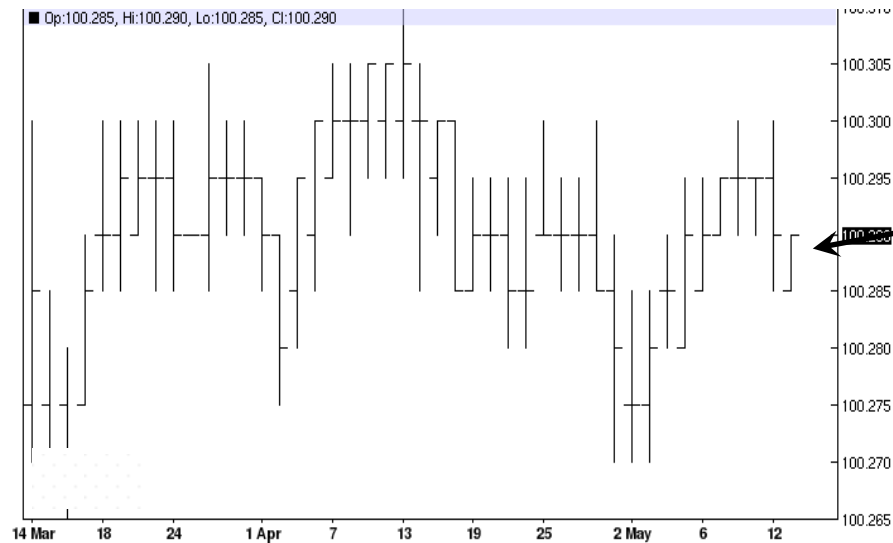
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## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains range bound, no more to add!

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

...“Looking ahead the key releases this week are the German and Euro zone Q1 GDP reports, but watch the industrial production data too”...

In the event both industrial production reports and Euro zone Q1 GDP were weak, the German Q1 GDP report was stronger, but the Euro zone economy

remains fragile.

Looking ahead the CPI report is due, but inflation is expected to remain negative.

We are staying square.

We see little for either the Bulls or Bears right now as evidenced by the markets price action. The ECB will not move policy for some while yet.

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- + DJ EURO STOXX 50

## Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

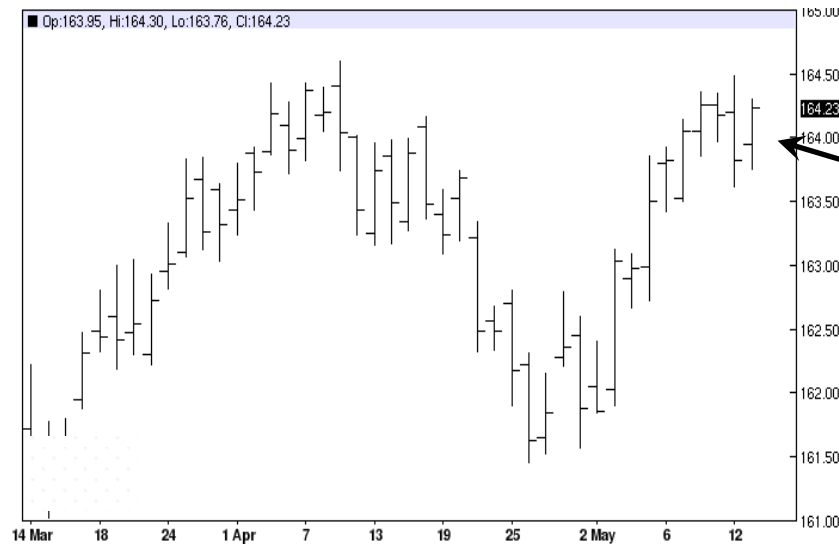
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: SQUARE.

Last week we were square of The Bund.



The Bund rallied further last week on mainly weak data and weak equity markets.

**The Macro Trader's view of the Bund is:** last time we said...

...“Looking ahead the German and Euro zone Q1 GDP and industrial production reports are due, we expect more mixed messages”...

In the event more weakness was the outcome with only the German Q1 GDP report beating consensus.

Looking ahead Euro zone CPI is due, a negative reading is expected; Bund supportive.

We are remaining square.

We judge the Bund can extend the rally, as it did last week, but we expect a cycle of rally and correction to dominate as it did last week, with little over all gain.

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

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- + YEN
- + NIKKEI

## Commodities

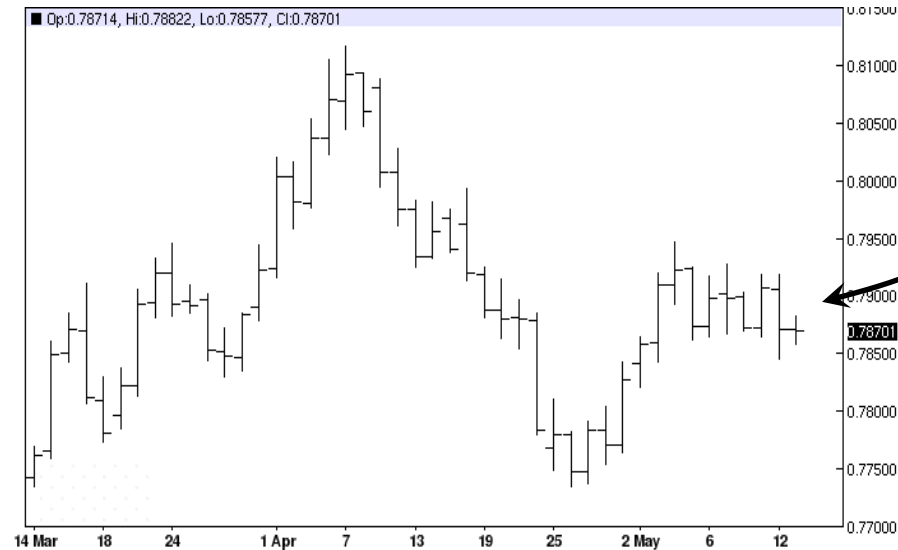
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: BULLISH v the DOLLAR

Last week we were Bullish v the Dollar



The Euro has slipped into a trading range against both the Pound and the Dollar.

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

...“Looking ahead the German and Euro zone industrial production and Q1 GDP reports are due, will they prove Euro supportive?”...

In the event no. Industrial production was weaker, Euro zone Q1 GDP was weaker, only German Q1 GDP was a little stronger.

Looking ahead, the Euro zone CPI report is due, but can it break the torpor in the currency market; we doubt it, but the US FOMC minutes due on Wednesday night!

Traders should be short the Dollar/ long the Euro.

Our suggested target remains 1.1720 and our suggested stop continues at 1.1450 for protection.

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## Summary

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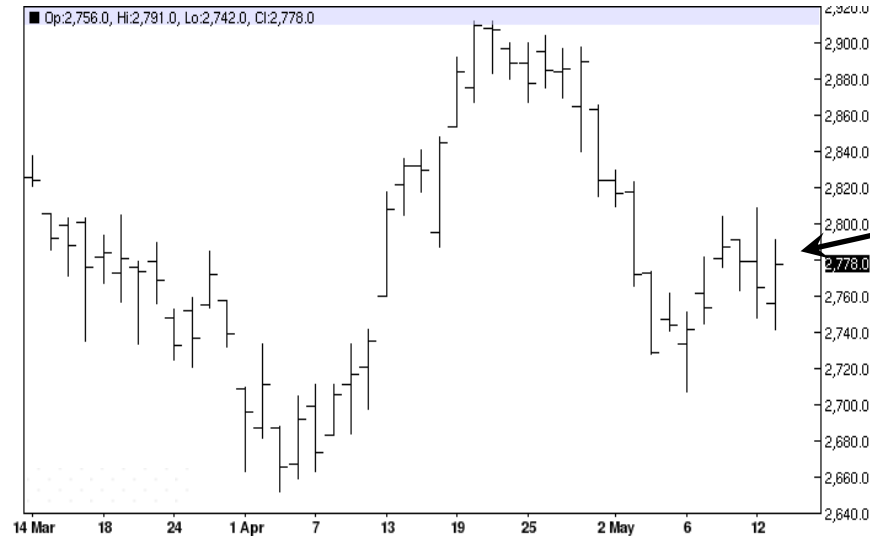
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market looks ever more vulnerable.

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

...“Looking ahead German and Euro zone Q1 GDP data are due, traders will be looking out for revisions, additionally US Retail sales are due, another weak report will push a US rate hike back further, but stocks are no longer happy to rally simply because the Fed can't raise rates”...

In the event Euro zone Q1 GDP data was weaker than expected, German Q1 GDP stronger, but both Euro

zone and German industrial production reports were weak, so too was German CPI at -0.1 year on year.

Looking ahead the key event this week is the Euro zone CPI report. A negative reading is expected meaning deflation, despite the ECB's QE program.

For now we are square of equities. Global sentiment remains negative and all eyes are turned to the US FOMC minutes due on Wednesday for guidance.

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## Summary

## Global Calendar

## US Markets

+ EUROS DOLLARS  
+ 10 YEAR NOTE  
+ US DOLLAR  
+ S&P 500

## UK Markets

+ SHORT STERLING  
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+ 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

Last week's focus was the trade data, viewed as an important indicator of Japan's economic health.

In the event the report was better than expected, as was the ECO Watchers survey, but the Tertiary industry index was weaker; still mixed signals from Japan.

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; **Loans discount Corp, domestic**

**corporate goods prices and machine tool orders,**

- On Tuesday; **industrial production, capacity utilisation and Q1 GDP,**
- On Wednesday; **Machine orders,**
- On Thursday; **All industry activity index and Machine tool orders, and**
- On Friday; **Convenience store sales.**

There are several key releases due this week, but we judge the ones to watch are industrial production and Q1 GDP.



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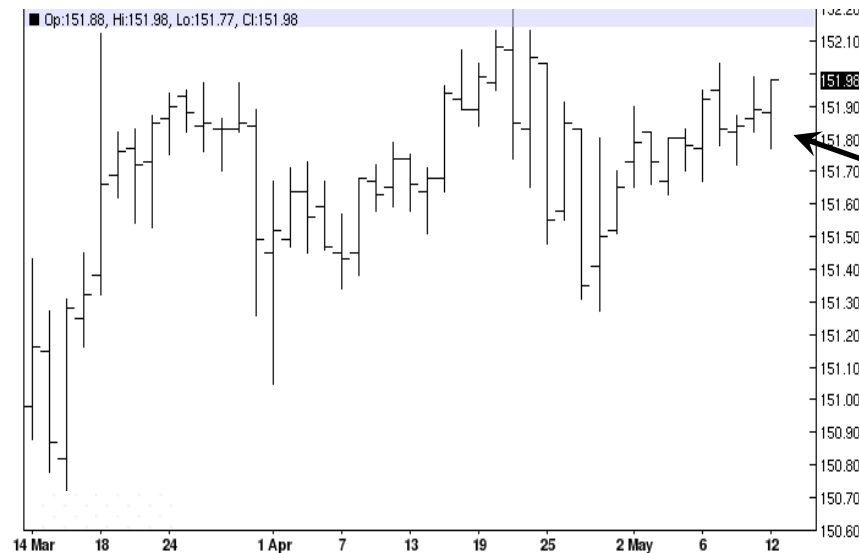
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB remains in a trading range that has endured for the past two months.

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

...“Looking ahead the key release this week is the trade data, but we doubt it will tell us anything we don't already know; the economy is weak and the Yen makes matters worse!”...

In the event the trade data beat consensus, but the current assessment of Japan's economy is one of

weakness with deflation looming once more.

Looking ahead the key release this week is Q1 GDP. Of all the data releases GDP gives an accurate report on economic strength, which to date has been lacking.

We are staying square.

The market is range bound close to the highs, but for now capped.

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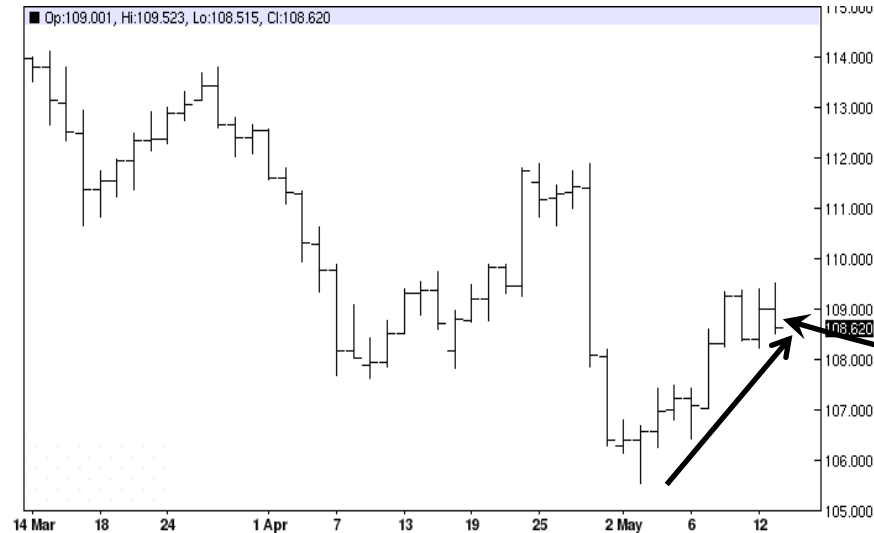
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen corrected last week, but the move was driven by the Dollar and stronger US retail sales.

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

...“Looking ahead the trade data is due together with several other data releases, but the economy remains moribund and the Bank of Japan seems in no hurry to intervene if at all”...

In the event the trade data was marginally better than expected, but the Yen corrected? The reason was mainly due to a general US Dollar correction driven by

stronger than expected US Retail sales.

Looking ahead the key release this week is Q1 GDP, but once again we judge it will be US data that drives currencies in the shape of the US FOMC minutes due on Wednesday.

For now we are square.

The BOJ could yet intervene.

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## Commodities

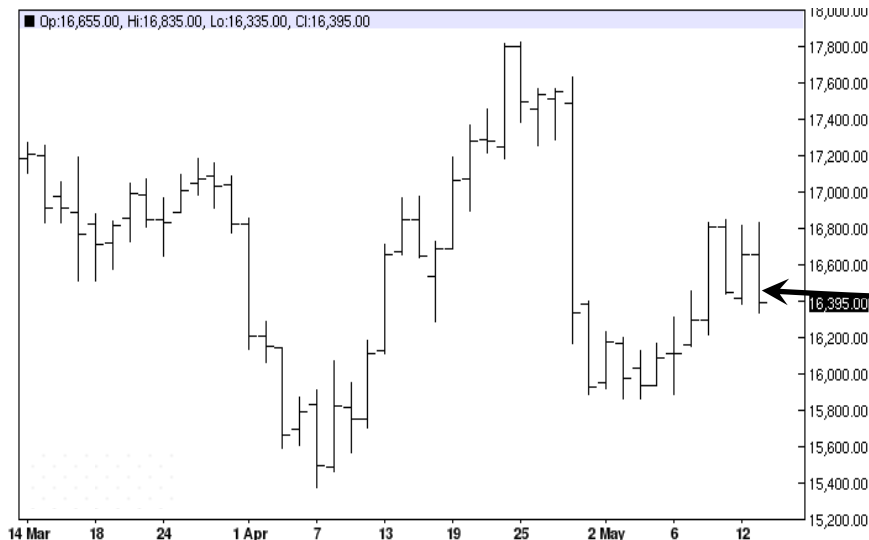
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were **Bearish** of the Nikkei.



The Nikkei's recovery mirrors the Yen's correction.

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

...“Looking ahead the key release this week is the trade report, but after last week's two sub 50 PMI's we see little other than Yen weakness induced by intervention capable of driving this market higher”...

In the event no yen intervention, but the market staged a corrective recovery induced by a weaker Yen resulting from a Dollar recovery following better than

expected US retail sales.

Looking ahead Q1 GDP is due, but we judge sentiment will be driven by the tone of US FOMC minutes due on Wednesday.

The recovery hit our stop and we are now square, but equity markets remain vulnerable and a renewed Yen rally would send this market lower..

More



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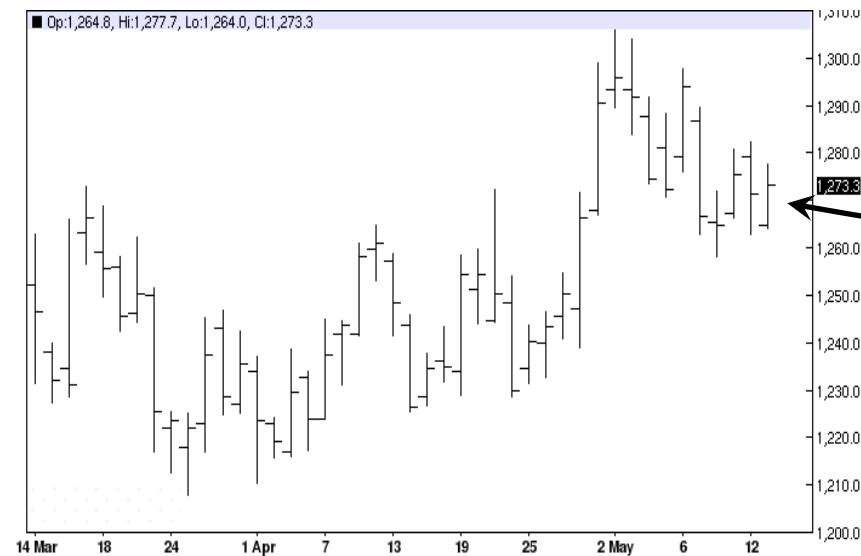
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## Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



**The Macro Trader's view of the Gold is:** gold corrected further last week as the Dollar regained some lost ground against the Euro and other major currencies helped by a stronger than expected US retail sales report.

After a long run of weak data, including disappointing retail sales extending over several months, last week's retail sales report offered hope the US economy might be on the road to recovery and started speculation up once more, but a weak Jobless claims report offered a cautionary note.

The FOMC minutes are due on Wednesday and what they say about the US economy and their prospects for

hiking interest rates this year will have a direct bearing both on the Dollar and Gold.

Some Fed policy makers continue to talk up the prospects for two rate hikes this year; as early as June, we think that a little optimistic. However if data develops a strong recovering trend then the Fed will act again this year, but to date only last week's retail sales report has shown any life, so we judge policy makers will continue to voice caution.

For now we are remaining square, the Dollar remains in a trading range and Gold has had plenty of opportunity to stage a strong rally, but so far hasn't.

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- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil continues to push higher despite continued concerns about global economic weakness.

**The Macro Trader's view of oil is:** last week's price action revealed yet again market sentiment is yet to adjust to the reality of no agreement to significantly reduce output, in fact Saudi Arabia looks set to increase output in the run up to an IPO of its state owned oil company.

Take into account the still sluggish nature of the global economy, weak US Q1 GDP at just 0.5% annualised, and logical conclusion must be the oil glut can only continue to grow.

Moreover, the higher the current correction takes the oil price, other more expensive forms of oil production; US Shale, begin to look attractive once more.

We remain bearish of this market based on current known fundamentals.

However for now we are square.

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- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

### SEVEN DAYS AHEAD

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## MAIN MENU