



9<sup>th</sup> July 2016

# Multi-Asset Market Update:

## Is this the S&P's break-out moment?

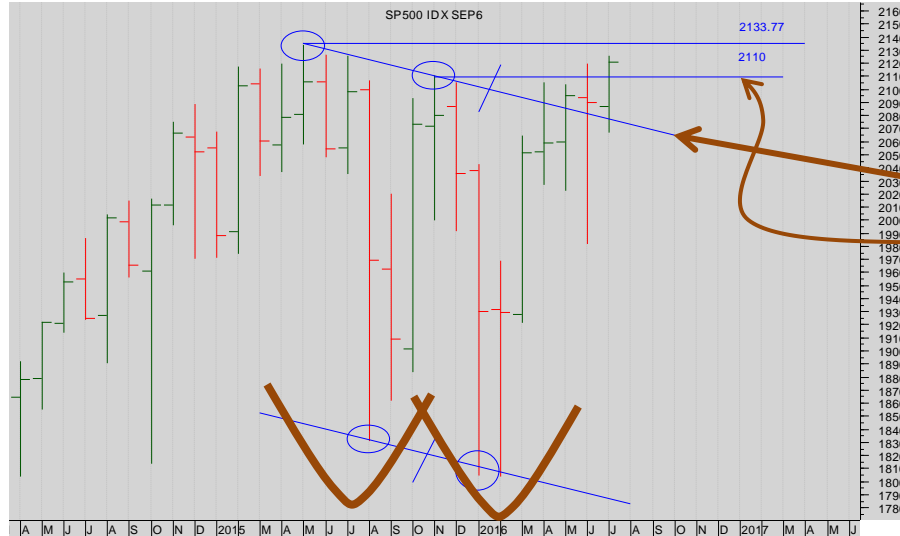
UPDATE  
Technical  
Fundamental





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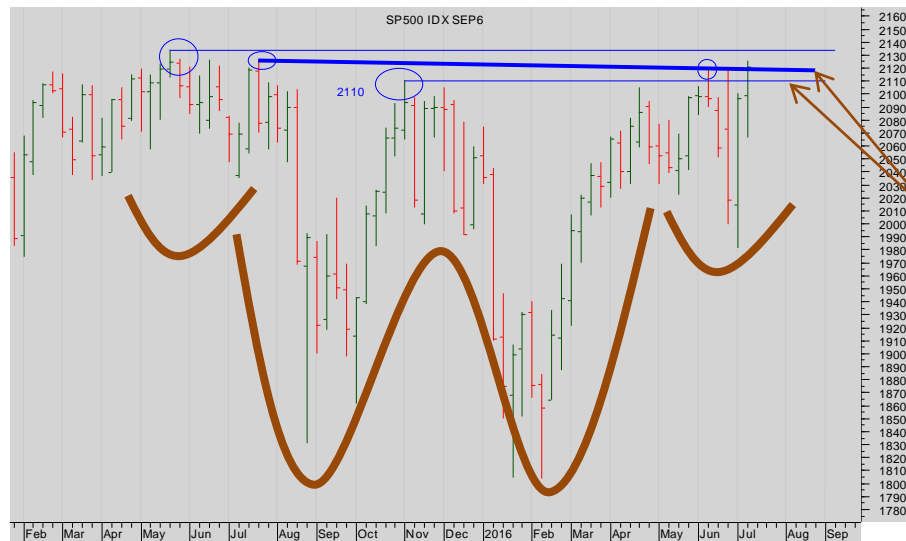


## MONTHLY S&P futures continuation chart

Collecting the various pieces of evidence from the MONTHLY chart we can see:

- the completion of a parallel flag continuation pattern
- The completion of a Double Bottom

Caution suggests: wait for a break up through the Prior High of 2133.



## WEEKLY S&P CONTINUATION chart

The market has either completed a bull Double Bottom or a complex Head and Shoulders continuation pattern....

Or both!

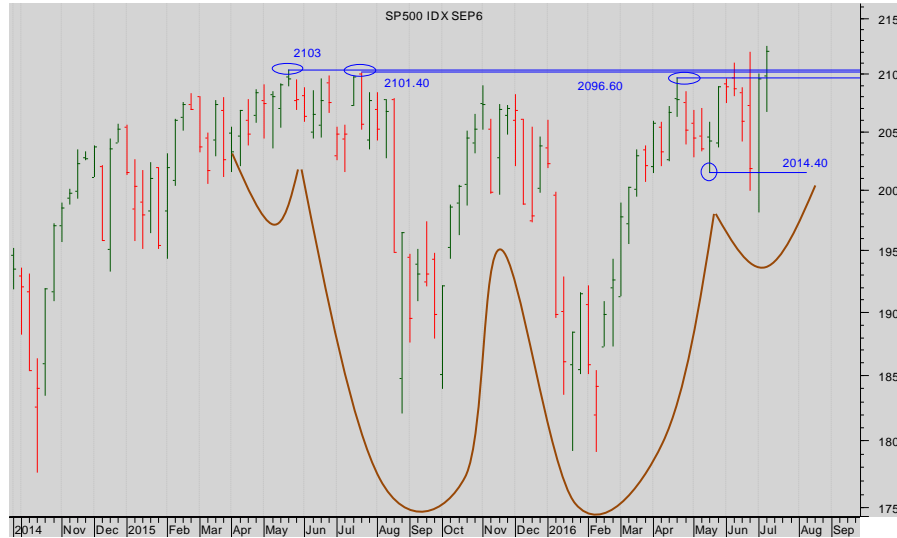
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### Weekly Sep 16 S&P futures chart

This is an unambiguous bull break out if the Sep 16 contract

- The Prior High has been overcome,
- the Double Bottom completed,
- the H&S continuation pattern completed.

**This is a compelling bull chart that lacks the doubts of the Continuation pattern because it has yet to overcome the Prior Highs.**



### DAILY S&P Sep 16 chart

This is a stunning bull chart. The Prior Highs clearly overcome.

The band 2096-2110 will be good support for the next bull leg.

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## FUNDAMENTALS:

In recent months global equity markets have had two major anxieties to contend with:

1. The UK vote on whether or not to remain in the EU.
2. The health of the US economy after two months of very weak non-farm payroll reports.

The so called “BREXIT” decision is now known. The UK voted out but much uncertainty still remains as the ruling Conservative party elects a new leader and Prime Minister. Whoever it is will then in turn construct a new government and develop policies to reshape the UK’s relationship with the EU 27. At least the direction of travel is known.

The US has been of greater concern. The US jobs market had held up well, despite a Q1 GDP report of little more than 1%. So when that started to show signs of serious weakness in the May and June releases, the S&P came under a degree of downward pressure that was exacerbated by the surprise result of the UK referendum.

But, the Fed made it clear it is prepared to delay further rate hikes until the fog surrounding BREXIT clears and they have a better handle on what is happening in the US economy and Labour market, in fact in the FOMC minutes released on Wednesday one policy maker said “the weakness of non-farm payroll may prove to be just statistical noise”!

Well Friday’s non-farm payroll report makes that comment look somewhat prophetic.



## UPDATE

### Technical Fundamental

Is this the S&P's break-out moment?

### FUNDAMENTALS: CONTINUED

The release of non-farm payroll was strong, coming in at 287k. Not only was this much stronger than the consensus of 180k, but it is also much stronger than the trend number and the strongest payroll report for 8 months.

Although we do not expect this to provide the Fed with a green light to consider a rate hike at its next FOMC meeting, it will have alleviated a major anxiety. Traders and investors will be able to move concerns about “BREXIT” and its impact on the global economy away from centre stage, meaning what is going on in the US economy will again be a primary concern.

But is this number alone enough to re-energise the Bull momentum in this market?

The US is only 4 months away from electing a new President and both candidates have their own unique shortcomings. Most of all a Trump Presidency runs the risk of isolationism which would flag a further fragmentation of globalisation following the UK's vote to leave the EU.

For now, we think the US Presidential election is still far enough off for it not to be traders' ruling concern. Their more immediate focus is the strength of the economy (which looks more promising than it did) and what the Fed does next.

Given that we expect the Fed to continue biding its time; policy makers will want to see more data before declaring the economy on the up, especially Q2 GDP and they will want to get a feel at least, for how the UK and EU intend arranging their trading relations in the post “BREXIT” world.

So what does all this mean for the S&P?

**We think the market can advance from here, the combination of reduced angst about the health of the US economy and a Fed likely to remain on hold throughout the summer is bullish.**



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#### SEVEN DAYS AHEAD

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