



Week 29  
19<sup>th</sup> – 25<sup>th</sup> July 2016

## Summary

## Global Calendar

## US Markets

- + EUROS DOLLARS
- + 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

Authorised and regulated  
by the FSA



## SUMMARY

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### Global Calendar

### US Markets

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

● SQUARE  
● SQUARE  
● SQUARE  
● BULLISH

### UK Markets

+ SHORT STERLING  
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+ STERLING  
+ FTSE

● BULLISH  
● BULLISH  
● SQUARE  
● BULLISH

### Euro Zone Markets

+ EURIBOR  
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● SQUARE  
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● SQUARE  
● SQUARE

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

● SQUARE  
● SQUARE  
● SQUARE

### Commodities

+ GOLD  
+ OIL

● SQUARE  
● BEARISH

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# This week's global calendar

	Week of 18 <sup>th</sup> July
Monday	US NAHB Housing mkt indx 60 US TOTAL Net lg trm TIC Flows n/f UK Rght mve hse prces n/f
Tuesday	US Housing starts 1170k US Building permits 1143k UK CPI 0.1m, 0.4y UK RPI 0.2m, 1.5y UK RPI-X 1.5y UK PPI Input 1.1m, -0.8y UK PPI Output 0.2m, -0.5y UK PPI Core 0.1m, 0.6y UK Hse price index n/f DM ZEW 9.1 EZ Construction output n/f JP Nationwide dept stores n/f JP Tokyo dept stores n/f
Wednesday	US MBA Mrtge apps n/f UK unemploy'm't rates 2.2% UK Unemploy'm't chge 4k UK ILO Rate 5.0% UK Averige earngs 2.3 UK Averige earngs Ex-bonus 2.4 DM PPI 0.2m, -2.4y EZ C/A n/f JP Super mkt sales n/f JP Convenience store sales n/f

	Week of 18 <sup>th</sup> July
Thursday	US Jobless claims 259k US Philly Fed 5 US Hse price indx n/f US Existing home sales 5.46M UK Retail sales -0.6m, 4.9y UK PSNCR n/f UK PSNB 9.4B EZ ECB Rate decision 0.00% JP Machine tool orders n/f JP PMI Mfg survey n/f
Friday	EZ PMI Composite 52.6 EZ Consumer confidence n/f

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## Last week's releases

	Week of 11 <sup>th</sup> July		Week of 11 <sup>th</sup> July
Monday	UK BRC Sales -0.5% <b>AS</b> JP Machine orders -1.4m, -11.7y <b>WEAKER</b> JP Machine tool orders -19.9y <b>WEAKER</b> JP PPI -0.1m, 4.2y <b>WEAKER</b> <b>THAN EXPECTED</b>	Thursday	US PPI 0.5m, 0.5y <b>STRONGER</b> US PPI Ex -F&E 0.4m, 1.3y <b>STRONGER</b> US Jobless claims 254k <b>WEAKER</b> UK MPC/BOE Rate decision 0.5% <b>UNCHGD</b> UK BOE AP Target £375B <b>UNCHGD</b> JP Tokyo Condo sales -12.9% <b>WEAKER</b> <b>THAN EXPECTED</b>
Tuesday	US NFIB Sml bus optimism 94.5 <b>BETTER</b> US Wholesale invntry 0.1m, <b>LESS</b> DM CPI 0.1m, 0.3y <b>AS</b> DM WPI 0.6m, -1.5y <b>STRONGER</b> JP Tertiary industry indx -0.7m, <b>AS</b> <b>THAN EXPECTED</b>	Friday	US Retail sales 0.6% <b>STRONGER</b> US RS Ex-Autos 0.7% <b>STRONGER</b> US Empire mfg 0.55 <b>WEAKER</b> US CPI 0.2m, 1.0y <b>WEAKER</b> US CPI Ex -F&E 0.2m, 2.3y <b>AS</b> US Ind production 0.6% <b>STRONGER</b> US Capacity utilisation 75.4% <b>STRONGER</b> US Business invntry 0.2% <b>AS</b> US U. of Michigan confidence 89.5 <b>WEAKER</b> UK Construct'n output -2.1m, -1.1y <b>WEAKER</b> EZ Trade bal 24.5B <b>BETTER</b> EZ CPI 0.2m, 0.1y <b>AS</b> <b>THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps 7.2% <b>LESS</b> US Import prices 0.2m, -4.8y <b>WEAKER</b> US Feds Beige book US Monthly bdgt statem't \$6.0B <b>BETTER</b> UK RICS House price Bal 16% <b>STRONGER</b> EZ Ind production -1.2m, 0.5y <b>WEAKER</b> JP Ind production -2.6m, -0.4y <b>WEAKER</b> JP Capacity utilisation -2.4m, <b>WEAKER</b> <b>THAN EXPECTED</b>		

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## US MARKETS: economic background

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### Disclaimer

Last week's focus was Friday's data releases with retail sales the stand out report.

In the event Retail sales were stronger than expected, under lining the recovery flagged by the previous week's strong non-farm payroll report.

Add in the better than expected industrial production report and the outlook for the US economy is looking increasingly more positive.

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; **NAHB Housing market index,**
- On Tuesday; **Housing starts and Building permits, and**
- On Thursday; **Jobless claims, Philly Fed, House price index and existing home sales.**

The key event this week is existing home sale.

Although not counted in GDP it still offers an indication of the strength of demand within the economy.

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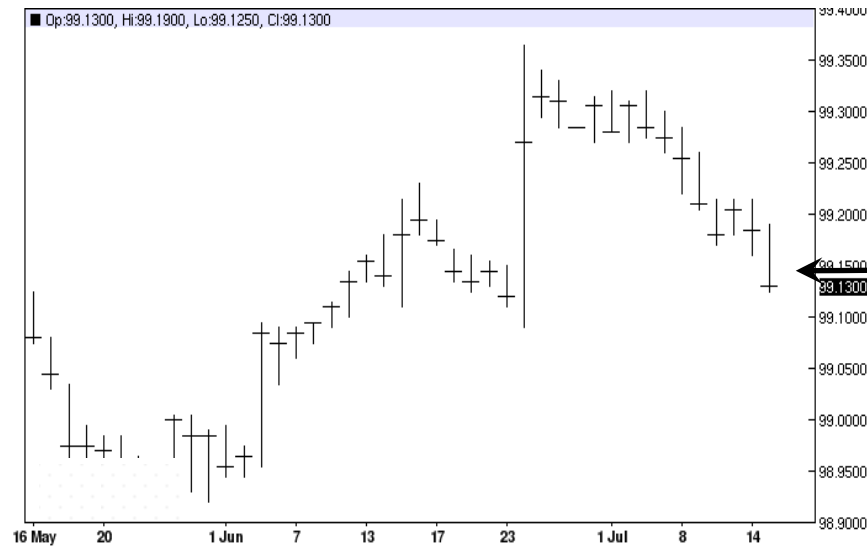
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### Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars continued to drift lower as data continues to improve.

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

...“Looking ahead retail sales are due, a strong report here would relieve a great deal of residue anxiety about US economic health”...

In the event not only stronger retail sales but also industrial production; the economy suddenly looks in better shape!

Looking ahead a light weight calendar with existing home sales the main event; little excitement expected!

We are remaining square.

The Fed is still in wait and see mode, at least for now.

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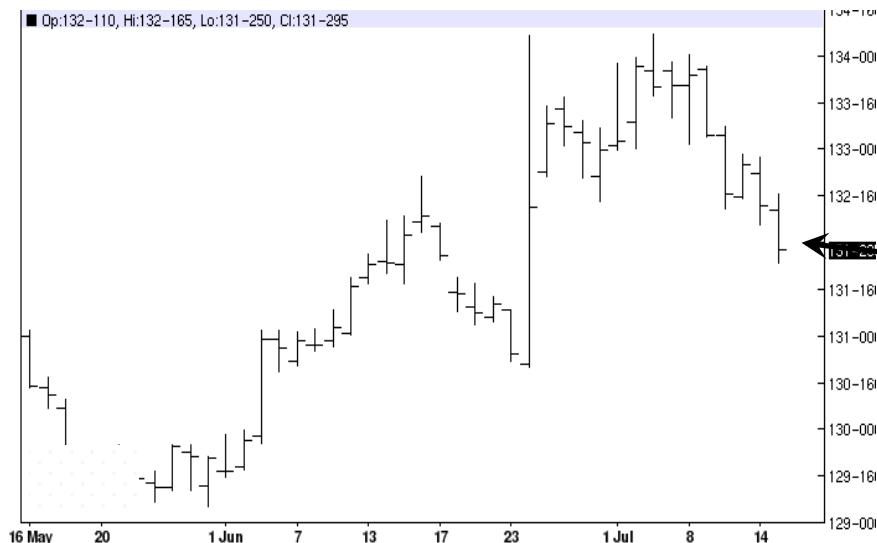
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### Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note continued to trade lower on the back of better data and stronger stocks.

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

...“Looking ahead retail sales are due, but unless very much stronger than expected we judge this market will remain supported”...

In the event a stronger number was the outcome and this market couldn't hold the higher levels, and with

equity markets looking positive the it could slip further.

Looking ahead a light weight calendar with only Existing home sales to gauge demand by, meaning Bonds are likely to react to movements in equity markets.

We are staying square, preferring to be long the S&P .

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## Global Calendar

### US Markets

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

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### Commodities

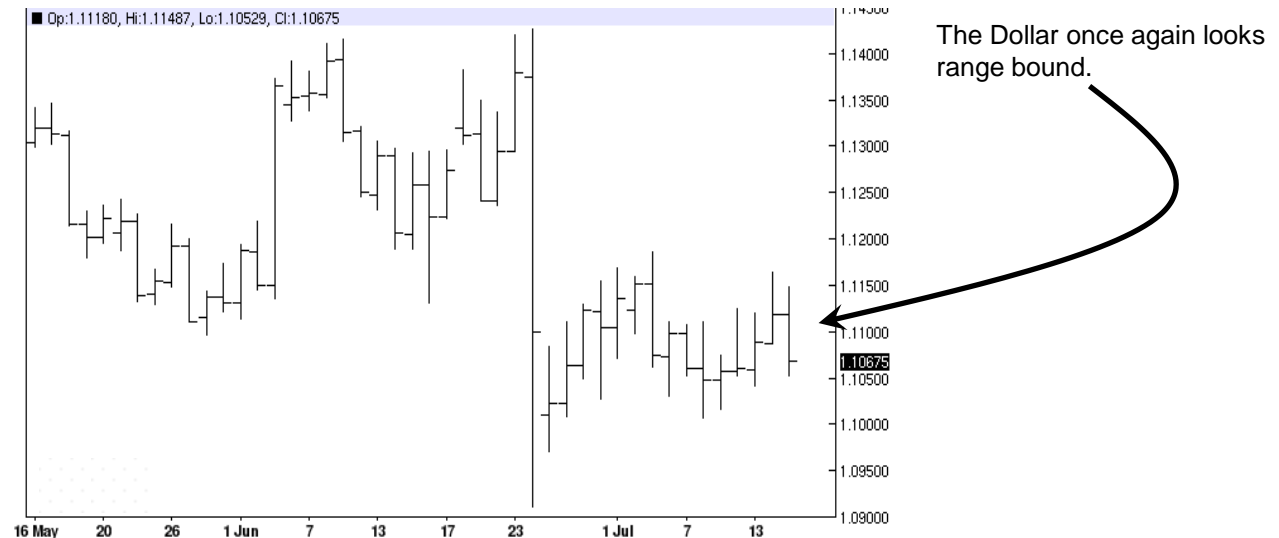
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### Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: SQUARE.

Last week we were Square



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

...“Looking ahead retail sales are due, a solid report would underline the sense of an economy emerging from a “soft” patch, lets see!”...

In the event a strong retail sales was the result, but the Dollar drew no support from it, the US Presidential

election is likely starting to have an impact.

Looking ahead Existing home sales are due, but we see little to move the Dollar out of its current trading band.

We are remaining square.

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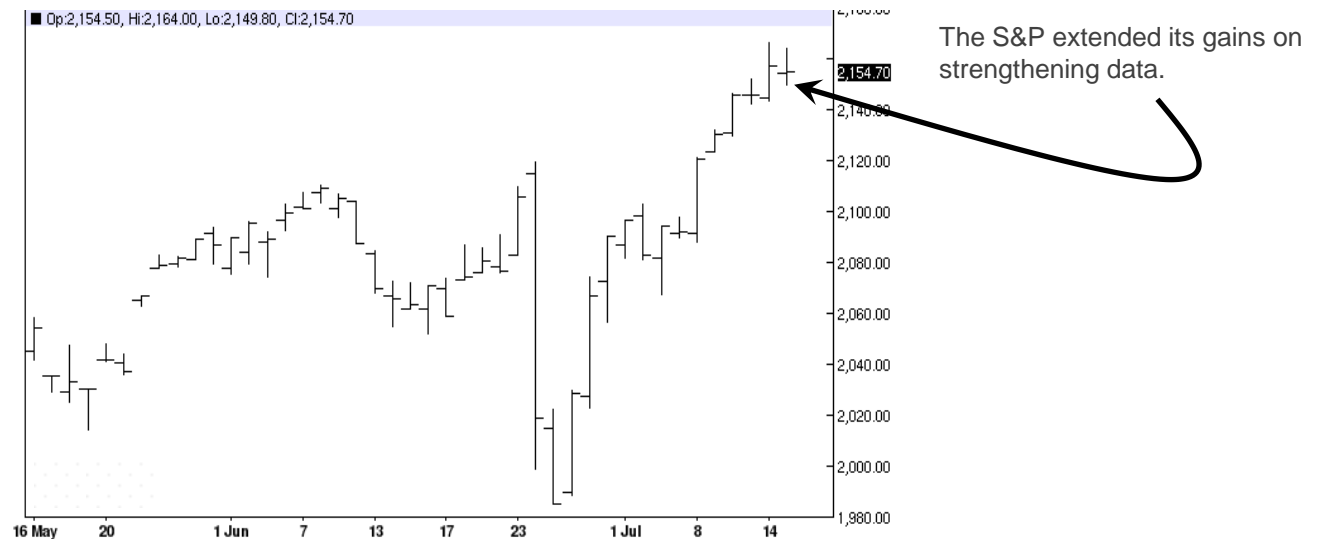
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## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: BULLISH.

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



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

...“Looking ahead Retail sales are due, but unless worse than expected we judge this market can rally further”...

In the event a stronger than expected number with other data stronger too sending this market higher.

Looking ahead little or no heavy weight data due with

existing home sales the key event, we expect this market to make further gains.

We are still bullish of this market.

Our suggested target of 2150.0 was met.

Our suggested target is now set at 2190.0 and our suggested stop raised to 2118.0 for closer protection.

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+ US DOLLAR  
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## Commodities

+ GOLD  
+ OIL

## Disclaimer

## UK MARKETS: economic background

Last week's focus was the Bank of England's policy decision when we anticipated a policy change.

In the event the Bank left policy on hold, but we sense that was likely due to discussions between the Bank Governor and New chancellor being held that morning, we still expect the Bank to ease very soon.

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; **Right move house prices,**
- On Wednesday; **CPI, RPI, PPI and house price index,**

- On Wednesday; **unemployment report and average earnings, and**
- On Thursday; **Retail sales, PSNB and PSNCR.**

The main event this week is retail sales.

The main concern and indeed expectation is the UK economy slips into a post "BREXIT", whether or not it will is still a little early to tell, but retail sales will offer some solid clues.



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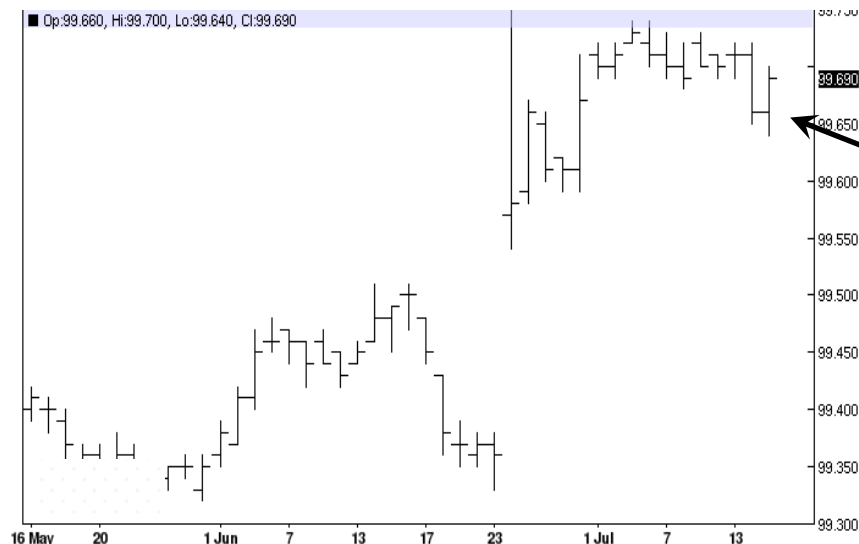
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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: BULLISH.

Last week we were [Bullish](#) of Short Sterling.



Short Sterling eased off the highs on the Bank's unchanged decision.

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

...“Looking ahead the Bank of England policy decision is the main event this week and we think they will act to stimulate the economy with the small room for manoeuvre they have left with interest rates now rather than wait for growth to stall”...

In the event the Bank passed on the opportunity to ease this time and traders took profit, but a move at

the next meeting looks highly likely.

Looking ahead retail sales are due and we expect them to have an impact on this market; weakness will see the market regain last week's losses, strength will see an additional small drift lower.

Traders should be long MARCH17 Short Sterling.

Our target in MAR17 is set at 99.90 and our suggested stop continues at 99.59 for close protection.

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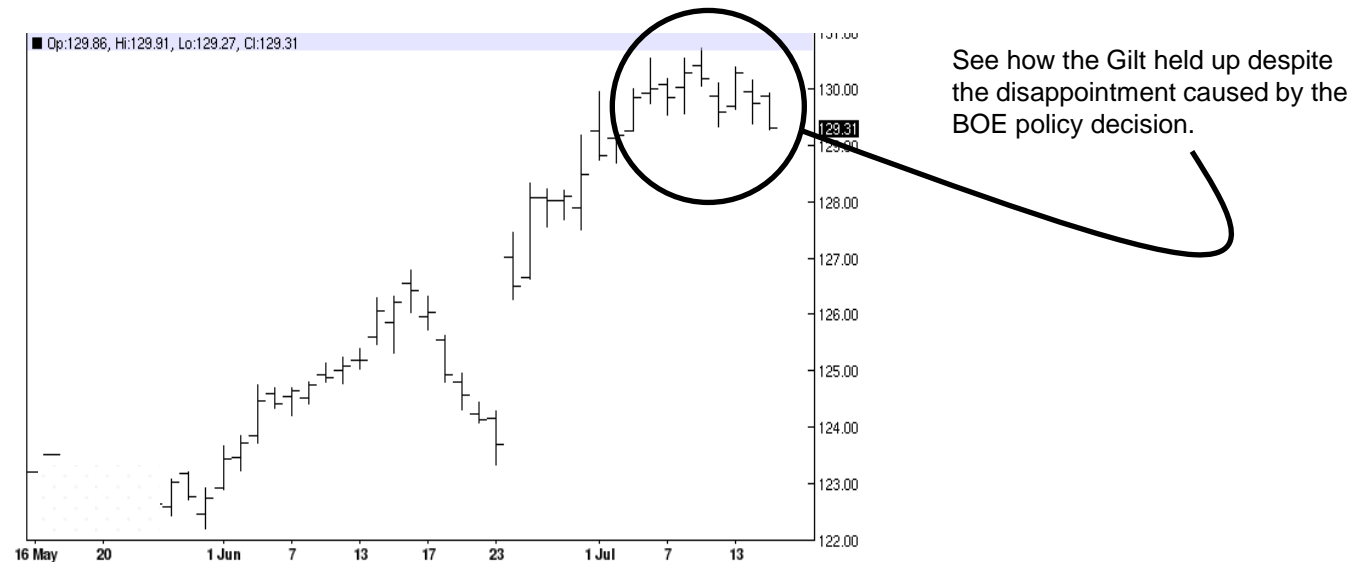
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## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: BULLISH.

Last week we were [Bullish of the Gilt](#).



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

...“Looking ahead, all eyes on Thursday’s BOE/MPC policy decision. We expect action to ease policy and the Gilt will rally further”...

In the event no policy ease and no extension to the rally, but the Bank’s decision was more tactical due to a New Government and New Chancellor.

Looking ahead, the key release this week is retail

sales, but watch government borrowing data too. A weak retail sales report combined with a worse than expected PSNB, shouldn’t weigh too heavily on the Gilt as it will make an extension of QE look more likely which is Bond positive.

Traders should be long the Gilt.

Our suggested target remains 132.05 and our suggested stop continues at 125.80 for protection.

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- + **STERLING**
- + FTSE

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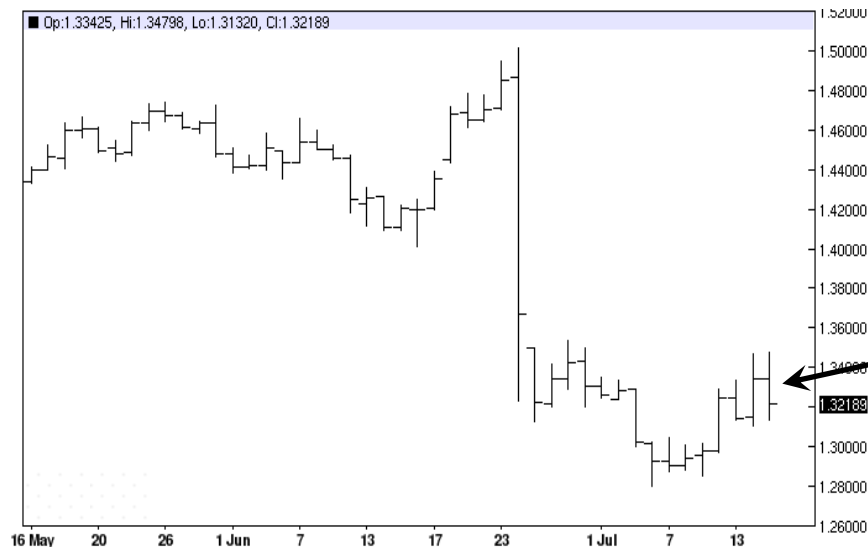
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## Disclaimer

## UK MARKETS: Sterling

### OUR TRADING STANCE; SQUARE

Last week we were Square



See how Sterling continues to settle just above the recent lows.

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

...“Looking ahead the main event this week is the Bank of England policy decision, we expect a rate cut and an extension to QE”...

In the event the Bank held steady and the Pound traded a little higher, but we judge the Bank passed on the chance to ease due to the formation of a New government with the incoming Chancellor announcing his intention to co-ordinate fiscal policy with the Bank's monetary policy.

Looking ahead the key release is retail sales; a first look at consumer demand post the “BREXIT” vote.

We judge the Pound is likely to continue forming a trading range around current levels with all the bad news already in the market.

For now we are staying square we think the worst of Sterling weakness has occurred; can it rally? We think so but not for several months yet and not until a clearer picture of the UK's new trading arrangements take shape.

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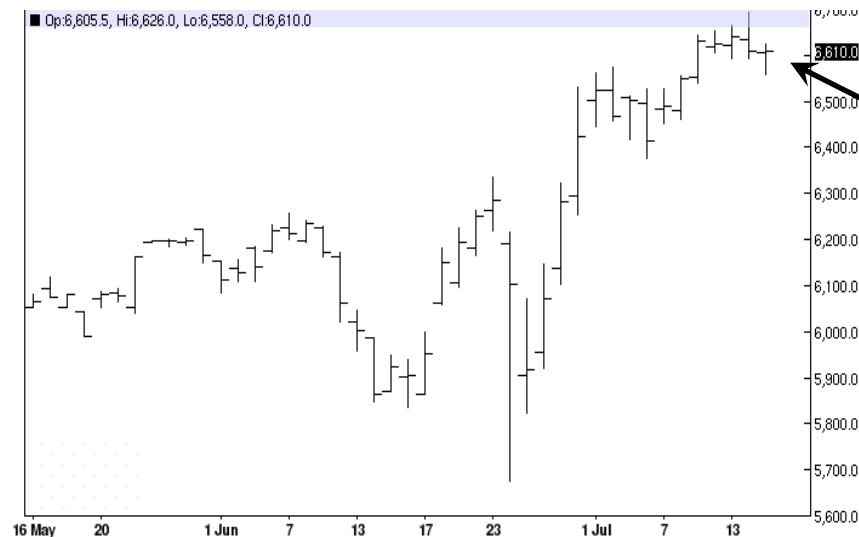
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## Disclaimer

## UK MARKETS: FTSE

### OUR TRADING STANCE: BULLISH.

Last week we were **Bullish**.



See how the FTSE has held its bullish tone.

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

...“Looking ahead the main event this week is the Bank of England policy decisions, we expect the Bank to ease”...

In the event the Bank didn't ease this time but traders expect a move at the August meeting and the market remains well set to make additional gains.

Looking ahead retail sales are due, a weak report is expected. A stronger outcome would add additional strength to this market.

We are bullish of this market.

Our suggested target remains 6650.0 and our suggested stop continues at 6380.0 for close protection.

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## Disclaimer

## EURO ZONE MARKETS: economic background

Last week's focus was Euro zone industrial production, but after the previous week's release of a weak German report, expectations were not too high.

In the event the report fell short of consensus mirroring the weak German offering.

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; **German ZEW survey and Euro zone construction,**
- On Wednesday; **Euro zone C/A and German**

### **PPI,**

- On Thursday; **ECB policy decision and**
- On Friday; **Euro zone PMI Composite and Consumer confidence.**

The key events this week are the Euro zone PMI composite survey and ECB policy decision.

The ECB isn't expected to alter policy but the press conference could prove interesting.

The PMI Composite survey will provide a snap shot on the Euro zone economy's health.



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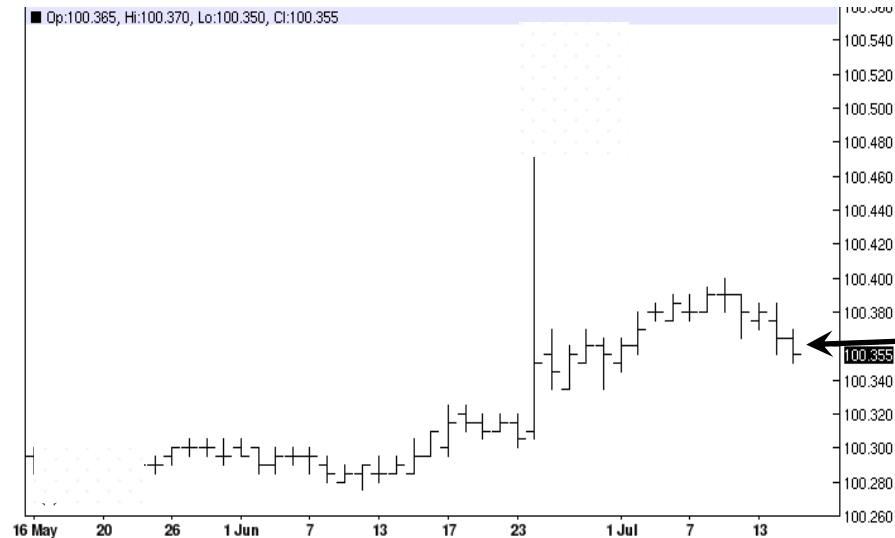
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## Disclaimer

## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains supported by the ECB's easy policy stance.

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

...“Looking ahead the main event this week is Euro zone industrial production, but we doubt it will be strong after last week's worse than expected German version, but the market is held up by the under performance of Euro stocks index”...

In the event no surprises; the Euro zone industrial production report fell short of expectations and the

market held in quite well.

Looking ahead the key events to watch this week are the Euro zone PMI Composite and the ECB's policy meeting for their view of risks after the UK voted to leave the EU.

For now we are square, no rate cut is expected, but the market looks supported by the relative weakness of European equity markets compared to the S&P and FTSE.

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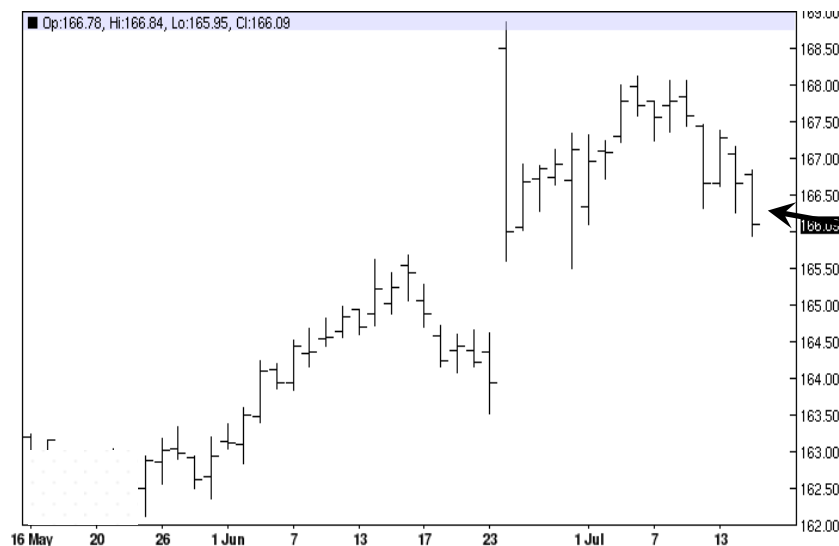
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## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: SQUARE.

Last week we were square of The Bund.



The Bund drifted further away from the highs as global sentiment favoured stocks.

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

...“Looking ahead the Euro zone Industrial production report is due, but we expect a weak report and safe haven buying has by no means been exhausted”...

In the event weak industrial production and safe haven buying has eased, but the market holds up well albeit off the highs.

Looking ahead the main events this week are Euro

zone PMI Composite and ECB policy decision/press conference. However the new British PM is to visit the German Chancellor on Wednesday and French President the next day, markets will be alert for any comments that give clues on the inevitable “BREXIT” negotiations yet to come.

For now we are square of the Bund.

The Gilt looks a better bet given the anticipated ease from the Bank of England, now expected next month, which will likely include an expansion of QE.

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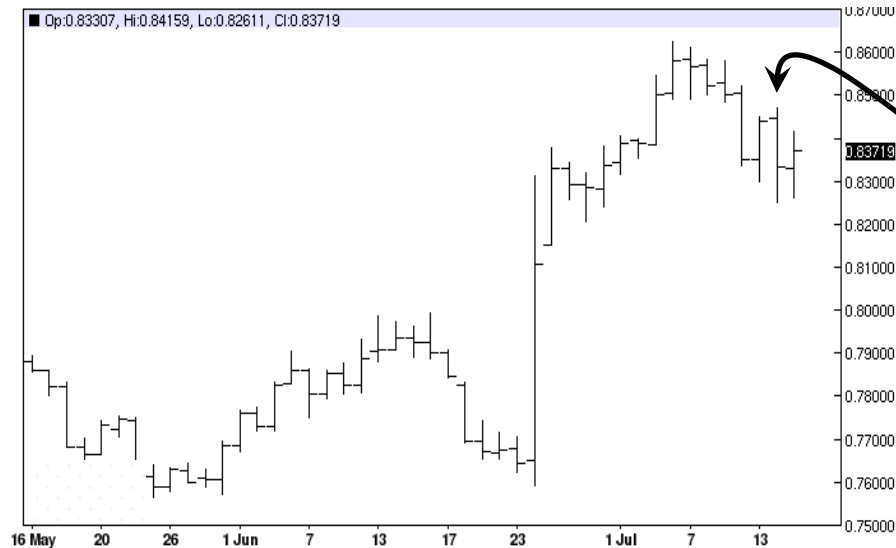
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## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: SQUARE

Last week we were Square



The Euro has run out of energy against the Pound as a newly installed UK government, coming two months sooner than expected has calmed anxieties somewhat.

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

...“Looking ahead Euro zone industrial production is due, but for Sterling Euro events in the UK seem key; the new UK prime minister may well be announced today removing a good deal of political uncertainty and the Bank of England could cut rates on Thursday, although a policy move was pre-announced by the Bank governor in recent speeches”...

In the event a new UK government and no rate cut, but

easier policy is expected in one months time.

Looking ahead the main event this week in the Euro zone is the ECB policy press conference. But keep an eye on the UK for Thursday's retail sale, a weak report is expected so unexpected strength would help Sterling.

We are staying square, we judge the violent post “BREXIT” currency moves are done and the Pound looks to be settling into a trading range between 1.2800 and 1.3300.

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

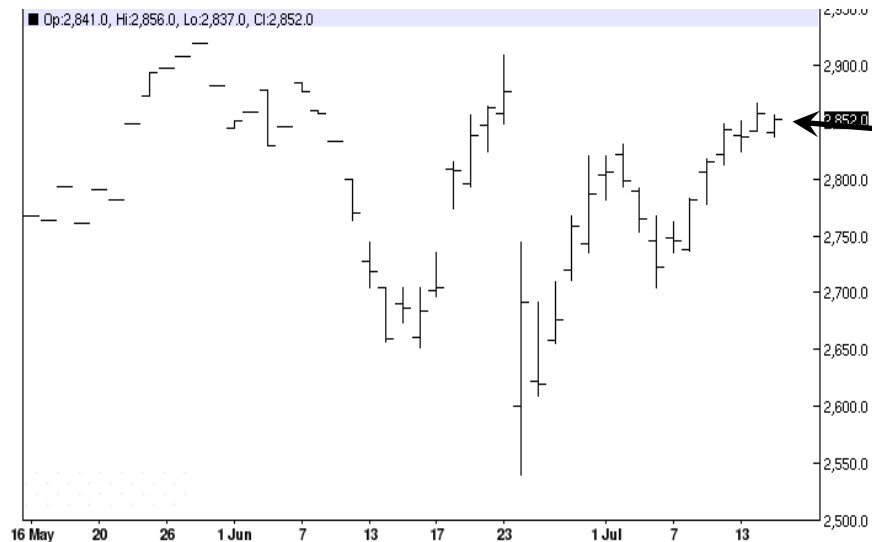
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market extended the recent rally, but still lags the S&P and FTSE.

### The Macro Trader's view of DJ Euro Stoxx 50 is:

last week we said...

...“Looking ahead the Euro zone industrial production report is due, but we doubt it will energeise this market”...

In the event a weak report, but this market continued to rally in the wake of a strong S&P and FTSE.

Looking ahead we expect the market to follow behind the two leading equity markets; S&P and FTSE, unless the ECB judges fresh easing may be required post “BREXIT” but we doubt it.

We are staying square here the S&P and FTSE are more interesting.

More



## Summary

## Global Calendar

## US Markets

+ EURODOLLARS  
+ 10 YEAR NOTE  
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## UK Markets

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+ STERLING  
+ FTSE

## Euro Zone Markets

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+ BUND  
+ EURO  
+ DJ EURO STOXX 50

## Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

## Commodities

+ GOLD  
+ OIL

## Disclaimer

## JAPANESE MARKETS: economic background

Last week's focus was the industrial production report, always seen as a keen indicator.

In the event the report was weaker than expected, as were Machine orders and Machine tool orders, two other important indicators.

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; **Department store sales**,
- On Wednesday; **supermarket and convenience**

**store sales, and**

- On Thursday; **Machine tool orders and PMI Manufacturing survey.**

The main event this week is the PMI Manufacturing survey.

This number needs to move and stay above 50 for the economy to appear on a path to growth.



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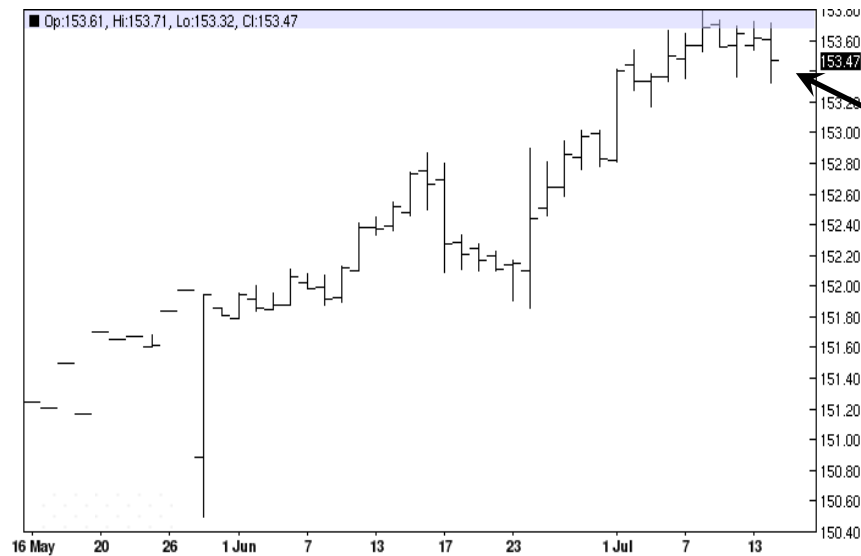
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB is supported by the relative weakness of the Yen against the Dollar.

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

...“Looking ahead the Industrial production report is due, but we judge safe haven buying of bonds generally including the JGB will remain a key dynamic”...

In the event safe haven buying continues to play its part, but the Yen's retracement has clearly been a

factor.

Looking ahead the PMI manufacturing survey is due, but little is expected from it so we advise watching the Yen.

For now we are square here preferring to focus on the UK Gilt as our primary interest in Bonds, but stocks in the US and UK look a better bet.

More



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## Commodities

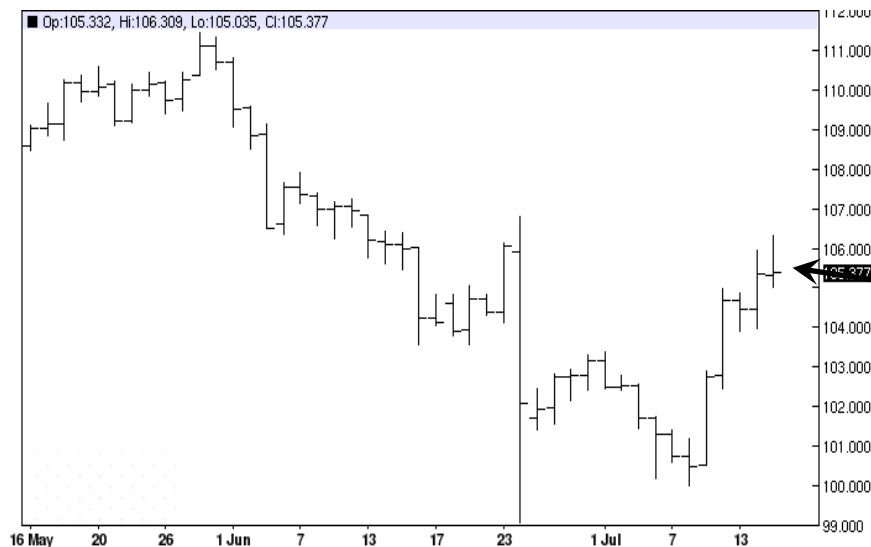
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE

Last week we were Square



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

...“Looking ahead industrial production stands out, but if US Retail sales, also due are strong the Yen’s run may pause for the time being”...

In the event retail sales were stronger and Japanese industrial production weaker, sending the yen further away from the recent highs against the Dollar.

Looking ahead the key release this week is the PMI manufacturing survey, a key indicator, but expected to remain weak, so the Dollar/Yen correction will likely continue.

We are remaining square Dollar/Yen our target having been recently met.

More



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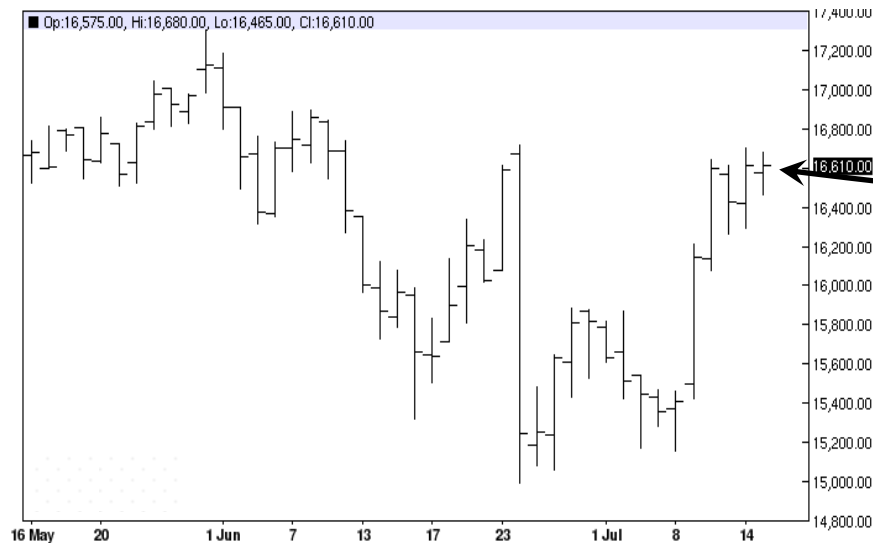
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei's recovery has been fuelled in large part by the weaker yen.

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

...“Looking ahead several reports due but the focus is industrial production”...

In the event industrial production, Machine tool orders and Machine orders all fell short of consensus, but the Yen gave back a good part of its recent gains and combined with solid international sentiment the market

extended the recovery.

Looking ahead the key release is the PMI Manufacturing survey, but we judge this market will continue to respond to movements in Dollar/Yen and the influence of global equity market sentiment.

For now we are staying square and focussing on the S&P and FTSE.

More



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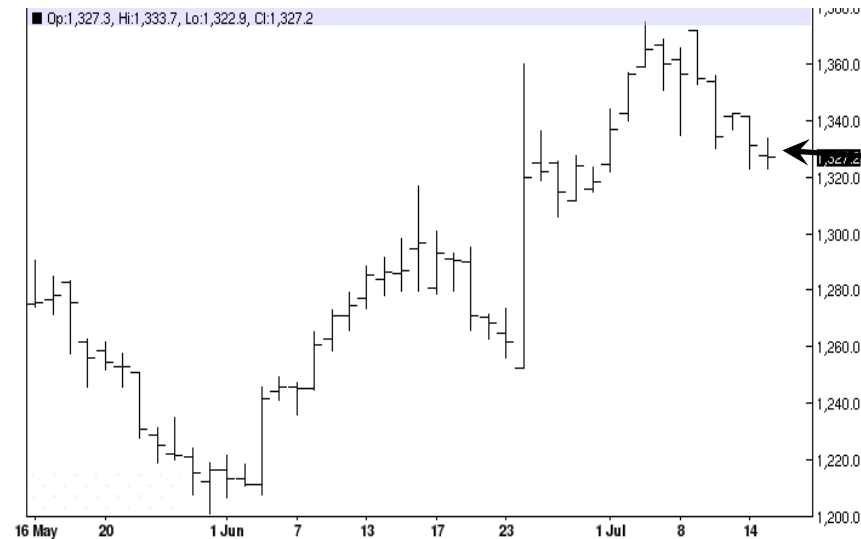
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold is drifting lower as "BREXIT" anxiety wanes.

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

..."Looking ahead there is a new PM for the UK set to take up her post on Wednesday, hopefully the way forward for the UK will begin to become a little clearer, but there is a lack of compelling reason to buy gold, especially after US non-farm payroll reported such strong job growth last Friday"...

In the event New PM in place. The US lead trade negotiator has said the US seeks a trade deal with the UK, India wants a deal, Canada a deal and Australia, suddenly the outlook is less grim, only now need to

establish the UK's new relationship with the EU and the sooner the better, but clearly much of the anxiety is reduced.

Looking ahead light weight data due in the US in the UK retail sales and in the Euro zone the ECB policy decision, but the focus could be the UK PM's visit to Berlin and Paris on Wednesday and Thursday, the welcome she gets could say much about how negotiations could go once the start.

We are staying square here, we see limited appeal in gold and judge the US Bond and UK Gilt offers better rewards, but US and UK stocks look even better.

More





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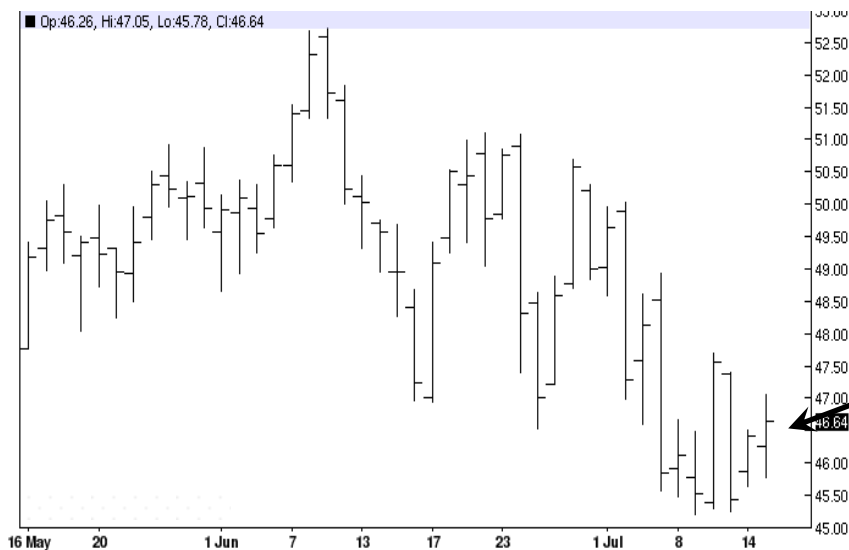
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Oil

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

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



See how oil remains under downward pressure.

**The Macro Trader's view of oil is:** recent events appear to have crystallised the realities facing oil; over production, building inventories and still lagging global economic growth.

In the near term little seems likely to change and although US non-farm payroll has bounced back strongly and US retail sales beat consensus last week, the Fed is on hold throughout the summer awaiting further additional evidence the US economy is mending

and the fall out from "BREXIT" will be limited.

The rally in oil has had its run and the UK's vote to leave the EU seems to have focused minds among traders in this market.

Traders should be short of oil.

Our suggested target is initially 42.00 and our suggested stop is set at 48.10 for protection.

More



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- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

### SEVEN DAYS AHEAD

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