



Week 42  
18<sup>th</sup> – 24<sup>th</sup> October 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  
+ GILT  
+ STERLING  
+ FTSE

● SQUARE  
● SQUARE  
● BEARISH v the Euro  
● BULLISH

### Euro Zone Markets

+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

● SQUARE  
● SQUARE  
● BULLISH v Sterling  
● SQUARE

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

● SQUARE  
● SQUARE  
● SQUARE

### Commodities

+ GOLD  
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● BEARISH  
● SQUARE

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More



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# This week's global calendar

	Week of 17 <sup>th</sup> October
Monday	US Empire mfg 1 US Capacity utilisation 75.5 US Ind production -0.1% UK Rgt mve hse prices n/f EZ CPI 0.4m, 0.4y JP National Dept stre sales n/f JP Tokyo dept stre sales n/f JP Tokyo condo sales n/f JP Ind production 1.5% JP Capacity utilisation n/f
Tuesday	US CPI 0.3m, 1.5y US CPI Ex- F&E 0.2m, 2.3y US NAHB Housing mkt 63 US Tot net lg term TIC flows n/f UK CPI 0.1m, 0.9y UK RPI 0.1m, 2.0y UK RPI-X 2.0y UK PPI Input 0.4m, 7.4y UK PPI Output 0.1m, 1.1y UK PPI Core 0.2m, 1.4y UK House price indx 7.9%
Wednesday	US MBA Mrtge n/f US Housing starts 1.175M US Building permits 1.164M US Fed's Beige book UK Unemploy'm't change 3k UK Unemploy'm't rate 2.2% UK ILO Rate 4.9% UK Avenge earngs 2.3% UK AE Ex- Bonus 2.1% EZ Construct'n output n/f JP All industry actvty indx 0.2m, JP Super mkt sales n/f

	Week of 17 <sup>th</sup> October
Thursday	US Philly Fed 6.5 US Jobless claims 250k US Existing home sales 5.37M UK Retail sales 0.3m, 4.8y UK CBI Trnds tot orders n/f DM PPI 0.1m, -1.2y EZ C/A 24.3B EZ ECB Policy decision 0.0% EZ AP Target n/f JP Machine tool orders n/f
Friday	UK PSNB 8.6B UK PSNCR n/f EZ Consumer confidence -7.9

More



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## Last week's releases

	Week of 10 <sup>th</sup> October		Week of 10 <sup>th</sup> October
Monday	UK BRC Sales 0.4% <b>STRONGER</b> DM C/A 17.9B <b>STRONGER</b> DM Trade Bal 20.0B <b>AS</b> JP C/A 2,000.0B <b>STRONGER</b> JP Trade Bal 243.2B <b>STRONGER</b> JP Eco watchers survey 44.8 <b>LESS THAN EXPECTED</b>	Thursday	US Import prices 0.1m, -1.1y <b>AS</b> US Jobless claims 246k <b>BETTER</b> DM CPI 0.1m, 0.7y <b>AS</b> JP Tertiary ind index 0.0m, <b>BETTER</b> JP Domestic corp gds prices 0.0m, -3.2y <b>MORE THAN EXPECTED</b> JP PPI 0.0m, -3.2y <b>AS</b>
Tuesday	US NFIB Sml Bus optimism 94.1 <b>LESS</b> DM ZEW 6.2 <b>STRONGER</b> JP Bankruptcies -3.41% <b>BETTER</b> JP Machine orders -2.2m, 11.6y <b>STRONGER THAN EXPECTED</b>	Friday	US Retail sales 0.6% <b>STRONGER</b> US RS Ex-sales 0.5% <b>AS</b> US PPI 0.3m, 0.7y <b>MORE</b> US PPI Ex – f&e 0.2m, 1.2y <b>MORE</b> US Bus invntry 0.2 <b>AS</b> US U. of Michigan conf 87.9 <b>WEAKER</b> EZ Trade bal 18.4B <b>STRONGER THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps -6.0% <b>WEAKER</b> US FOMC Minutes Sept 20-21 meeting UK RICS House prices 17 <b>STRONGER</b> EZ Ind production 1.6m, 1.8y <b>STRONGER</b> DM WPI 0.4m, -0.3y <b>BETTER</b> JP Machine tool orders -6.63% <b>BETTER</b> JP Bank Indg 2.2y <b>BETTER THAN EXPECTED</b>		

More



## US MARKETS: economic background

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Last week's focus was divided between retail sales and the FOMC minutes.

In the event retail sales were stronger than expected, bolstering the Fed's desire to hike rates before year end.

The minutes were much as expected, with the decision to hold policy steady a close call and policy makers saying rates should rise in the coming months; we already knew that, but November still looks an unlikely candidate for the move.

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, capacity utilisation and industrial production,**
- On Tuesday; **CPI, NAHB Housing market index and total net long term TIC flows,**
- On Wednesday; **Housing starts, building permits and the Fed's Beige book, and**
- On Thursday; **Jobless claims, Philly Fed and existing home sales.**

The key release this week is industrial production.

After last week's better than expected retail sales, a chance to see how industry is holding up.

More



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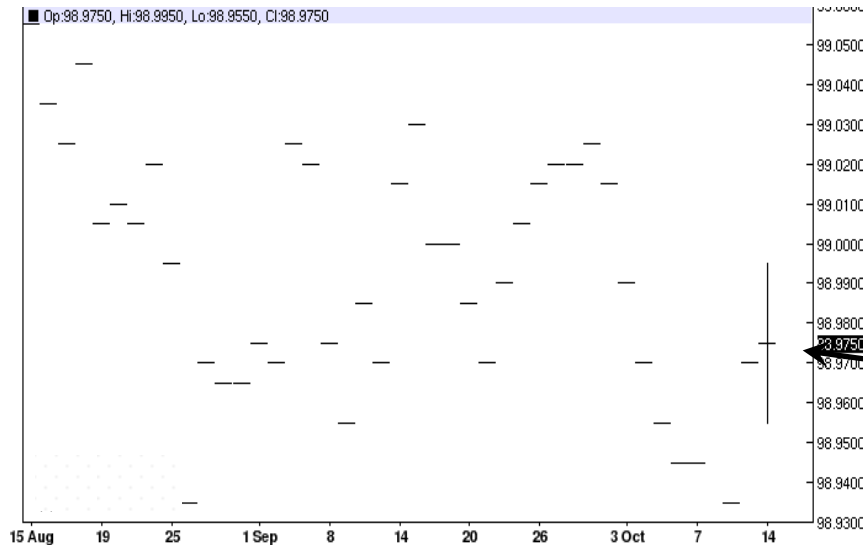
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## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars back in the middle of the trading range.

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

...“Looking ahead the FOMC minutes are due and will likely offer additional guidance on Fed thinking”...

In the event confirmation of what we knew from the policy statement; close decision to hold, hike coming in next few months, most probably December.

Looking ahead the key release this week is industrial production.

We are remaining square. A December rate hike is expected, but data needs to remain supportive.

More



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- + GILT
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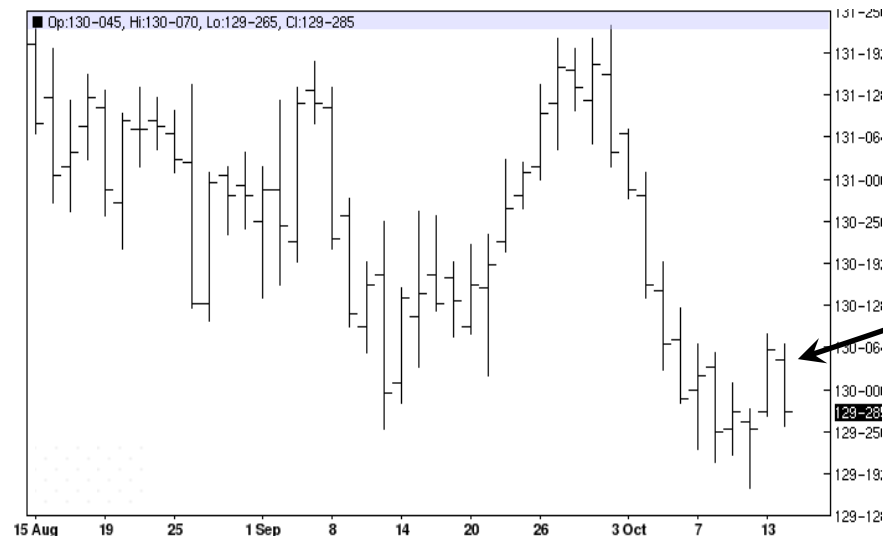
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## Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note retested the lows on the prospect of a year end rate hike.

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

...“Looking ahead the retail sales report is due, but unless weaker than expected we expect the release of the FOMC minutes to dominate as traders seek additional direction from the Fed”...

In the event a strong retail sales report and FOMC minutes that high lighted a close policy decision weighed on this market, but the minutes really only confirmed what was in the original policy statement.

Looking ahead industrial production is due, a strong report, after last week's strong retail sales will harden the view that policy will be tightened by year end.

We are staying square.

The market responded to the improving tone of data, but the Fed is still likely to move very carefully and gradually; they are in no rush!



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- + 10 YEAR NOTE
- + **US DOLLAR**
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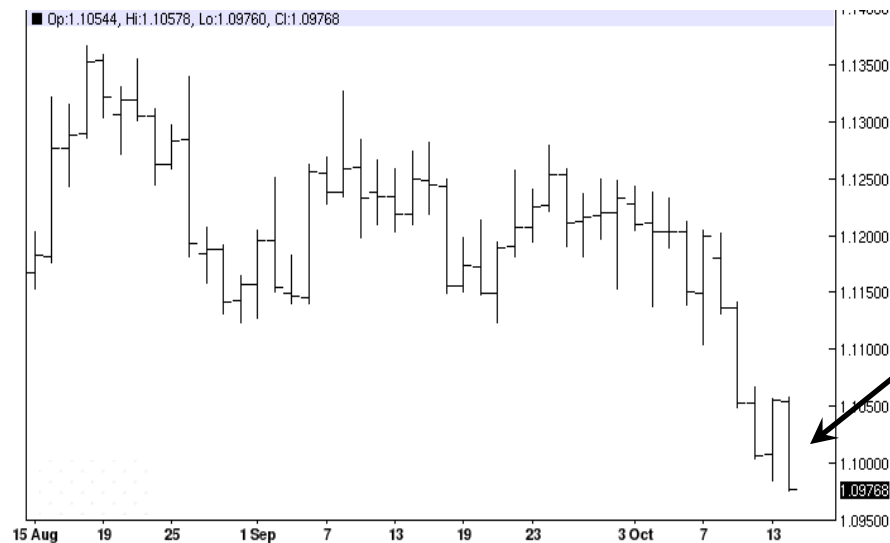
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## Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: SQUARE.

Last week we were Square



The Dollar strengthened as traders reacted to last week's stronger data.

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

...“Looking ahead retail sales are due, a strong report will feed rate hike expectations, the FOMC minutes are due, these will likely offer further clues on Fed thinking”...

In the event the combination of the stronger retail sales report and FOMC minutes offered the Dollar some support as traders judged a year end rate hike

was looking an increasing certainty.

Looking ahead the Industrial production report is due and if strong, more fuel for the Fed in its quest to engineer a year end rate hike; Dollar positive.

We are remaining square for now. The Dollar improved but we want to see a more concerted attempt to rally at currencies other than Sterling.

More





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- + US DOLLAR
- + S&P 500

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- + GILT
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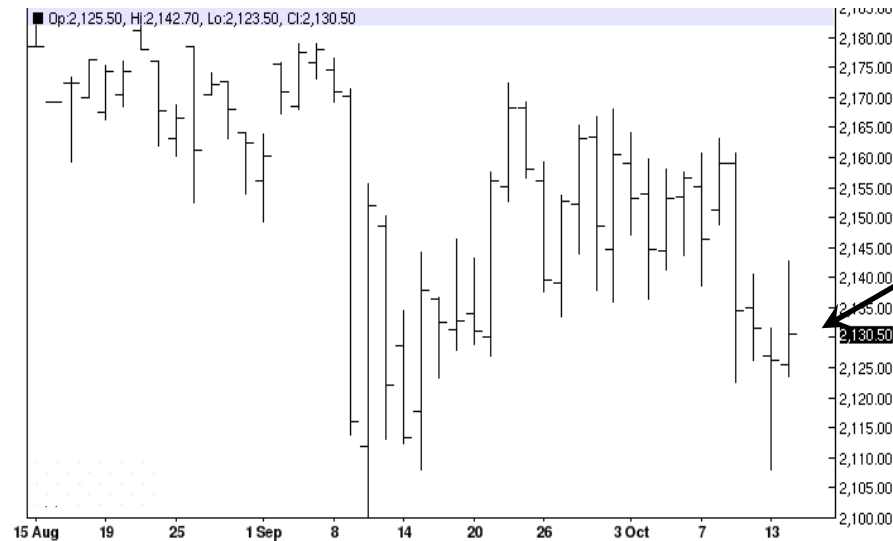
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## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: BULLISH.

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



The S&P sold off despite strong retail sales.

**The Macro Trader's view of the S&P 500 is:** last week's price action appeared to be driven more by the increasing likely hood of a year end rate hike, which has been on the cards for quite some time, rather than the stronger than expected retail sales report and improved jobless claims report which point to an uptick in economic activity, which is surely bullish for stocks medium/long term?.

Looking ahead the key release this week is the industrial production report, but it seems fear of the year end rate hike spooks the market.

We are Bullish of this market despite our stop being hit.

The economy showed some early evidence it was gaining momentum last week, but the Fed will still need to move very carefully with policy, something they have always said they will do, and that supports this market medium/long term.

Our suggested target remains 2180.0 and our suggested stop is reset at 2095.0 for protection.

More



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- + US DOLLAR
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- + GILT
- + STERLING
- + FTSE

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## Commodities

- + GOLD
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## Disclaimer

## UK MARKETS: economic background

Last week we noted the paucity of economic data and suggested sentiment and political comment would drive UK markets.

In the event we judge that was the case as comments about a hard "BREXIT" continued to dominate.

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 Tuesday; **CPI, RPI, PPI and house price index,**
- On Wednesday; **Unemployment report and average earnings,**

- On Thursday; **Retail sales, and**
- On Friday; **PSNB and PSNCR.**

The calendar is packed with heavy weight data this week and give a good indication of the economy's underlying health.

We judge the main event is the CPI report. After the recent sell off in Sterling inflation is a hot topic, but keep an eye on retail sales, if consumer demand holds up the economy will hold up too!



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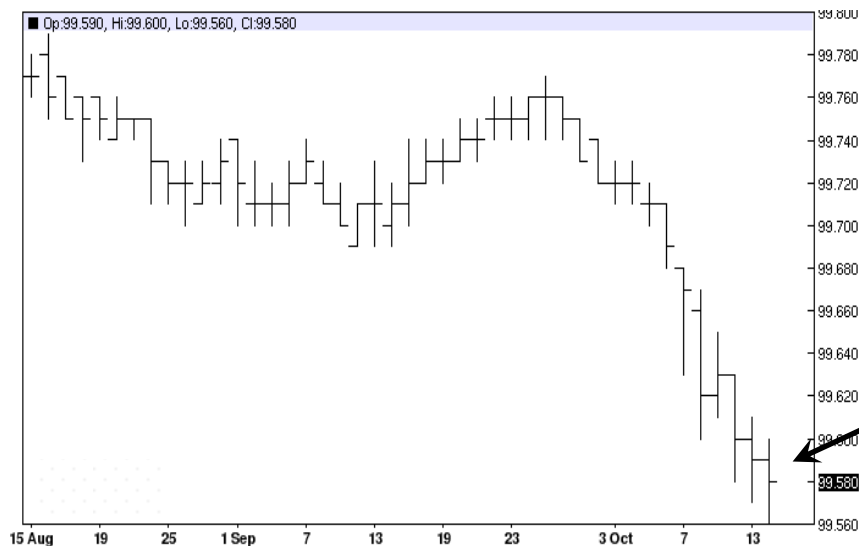
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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling sold off further as the weak Pound raised questions about the Bank's appetite for further rate cuts.

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

...“Looking ahead very little in the calendar to focus on meaning traders will react to politicians remarks about “BREXIT”...

In the event that was the out come and with Sterling still under pressure Short Sterling looked vulnerable.

Looking ahead CPI stands out and it is expected to

report a rise in inflation, but the Bank has already said it will live with a burst of inflation.

We are square of Short Sterling.

The Bank of England may not ease further in a hurry, indeed if at all, but we don't see them risking a rate hike with the current level of uncertainty that has the potential to do great damage to the economy.

More



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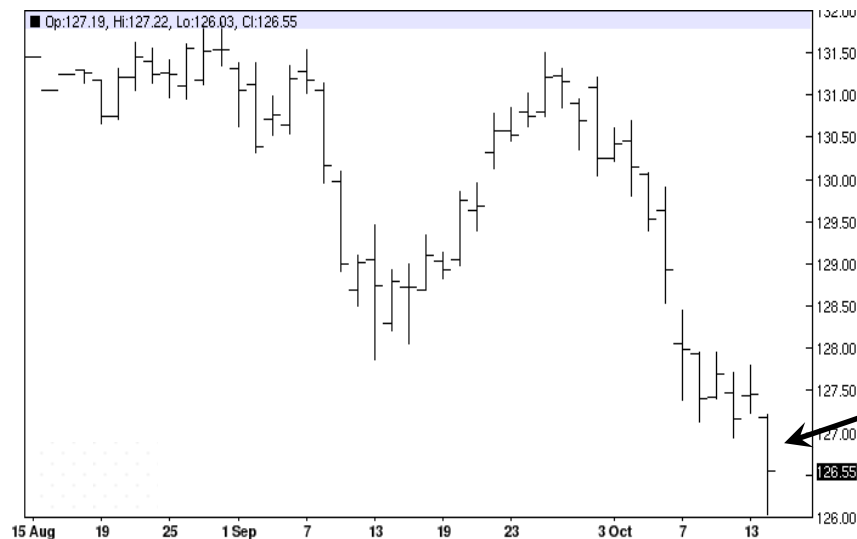
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## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt took a hit last week as traders registered their unease about the weakness of Sterling and its implications for Inflation and general economic health.

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

...“Looking ahead no data of any weight to focus on, we judge traders will react to any new moves in the currency and to comments from the government”...

In the event that proved the case.

Looking ahead much to focus on this week with CPI, unemployment and retail sales all due. Of the three we

judge CPI will have the greatest impact. A rise in inflation is expected, the speed at which it arrives will be a serious dynamic for this market.

We are staying square of the Gilt.

Despite the sell off again last week we are not yet ready to turn Bearish.

More



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- + GILT
- + **STERLING**
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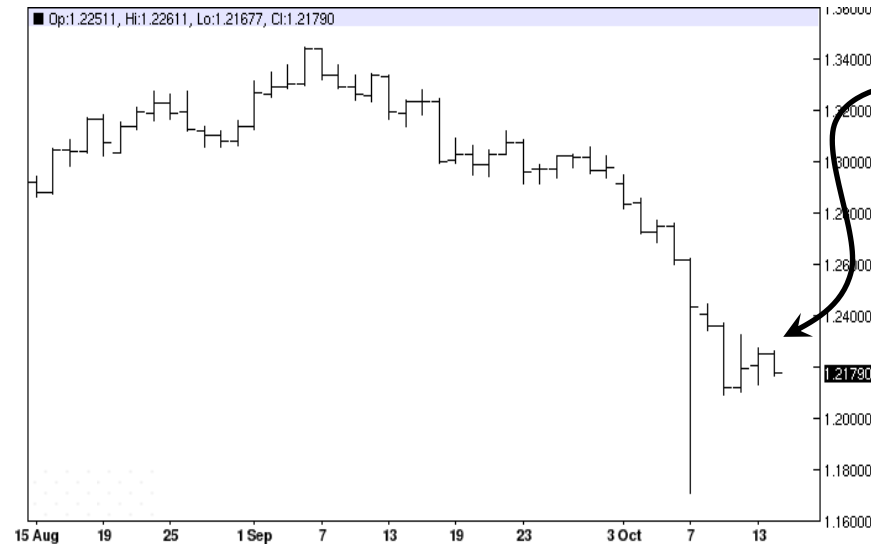
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## Disclaimer

## UK MARKETS: Sterling

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

Last week we were Square



See how the Pound remains under pressure against the Dollar and also the Euro not shown here.

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

...“Looking ahead little in the calendar this week. We judge the Pound will trade off political comment and we hope the Government has learnt a lesson about un-nerving financial markets”...

In the event the uncertainty about how the Government will deliver “BREXIT” continued and will continue to drive the Pound.

Looking ahead the stand out report this week in a packed calendar is CPI. Inflation is expected to rise

due to the weakness of Sterling and other lesser factors, how far and fast it does will be an issue in itself for the currency in addition to “BREXIT” uncertainty.

Traders should be Short the Pound/ Long the Euro. Although the Euro zone has few merits, it is a known quantity where as the UK's future trading relationship with the EU is unknown and until there is some clarity the Pound will remain highly vulnerable.

Our target in Sterling/euro is 0.9900 and our stop is set at 0.8750 which we doubt very much will be seen any time soon.

More



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- + S&P 500

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- + SHORT STERLING
- + GILT
- + STERLING
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- + EURIBOR
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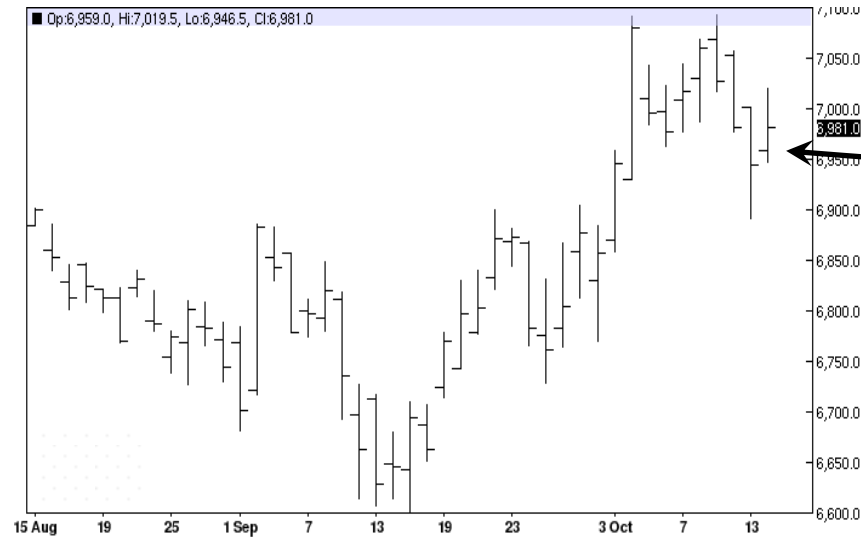
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## UK MARKETS: FTSE

### OUR TRADING STANCE: BULLISH.

Last week we were Bullish.



See how the FTSE wobbled last week as uncertainty hit the market.

**The Macro Trader's view of the FTSE is;** last week's price action was mainly a product of a lack of UK data combined with uncertainty about "BREXIT" and the growing likely hood of a year end US rate hike.

Looking ahead the CPI report stands out, but we judge retail sales will be important to. Although inflation is expected to rise, it is important that consumer demand holds up. A combination of sharply rising inflation and

collapsing demand would be bad news for this market..

Traders should be long the FTSE even though our stop was hit.

Our suggested target is now 7150.0 and our suggested stop is reset to 6885.0 for protection.

More



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## EURO ZONE MARKETS: economic background

Last week's focus was the Euro zone industrial production report, after a strong German report the previous week the Euro zone version was expected to deliver a similar result.

In the event, surprise, surprise it did, comfortably beating consensus.

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; **Euro zone CPI**,
- On Wednesday; **Euro zone construction output**,

- On Thursday; **German PPI, Euro zone C/A data and ECB policy decision**, and
- On Friday; **Euro zone consumer confidence**.

The key event this week is the ECB policy decision.

There has been chatter about the ECB tapering its QE program, will that occur, or is it still too early to judge the economy is strong enough to stand on its own two feet?



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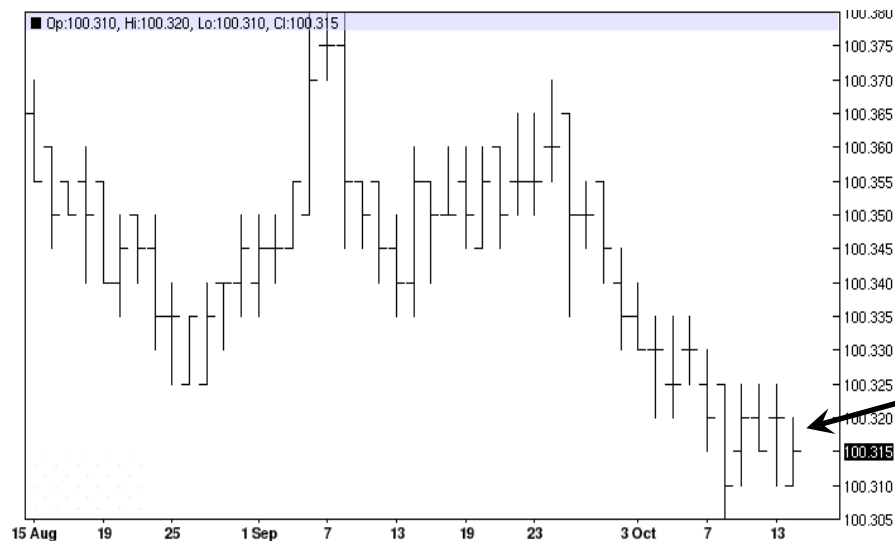
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## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor reacted to stronger data and talk of an ECB taper.

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

...“Looking ahead Euro zone industrial production is due, after last week's strong German report a solid Euro zone version is anticipated”...

In the event no prizes for guessing that indeed was the result.

Looking ahead the ECB policy decision is due, there is much talk of a taper we think it premature, but we will know on Thursday!

We remain square here.

The market tested the lows, but apart from Germany the rest of the Euro zone remains fragile.

More





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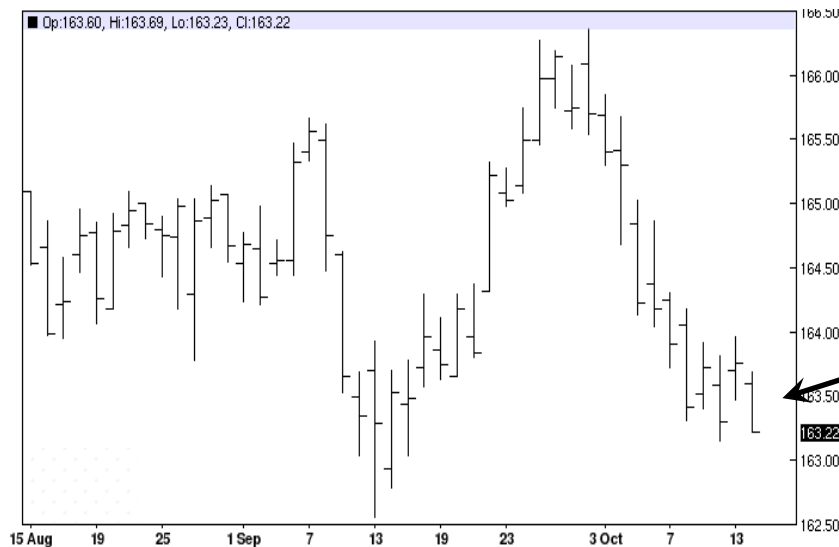
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## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund looks fragile, but the fundamentals don't argue for a rise in long term rates.

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

...“Looking ahead the key release this week is the Euro zone industrial production report due on Wednesday, but we sense the US FOMC minutes due Wednesday evening might have the greater impact on global bond markets, especially if they sound unexpectedly hawkish”...

In the event the Euro zone industrial production report indeed mirrored the German version seen the previous week, and although the FOMC minutes pointed to a

close call on keeping rates steady, that was known from the policy statement after the meeting also it was understood from the policy statement that a hike in the coming months was what the Fed was aiming for, really no new surprises!

Looking ahead the ECB policy decision stands out, we expect them to leave policy as is.

We are square of the Bund.

More



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- + NIKKEI

## Commodities

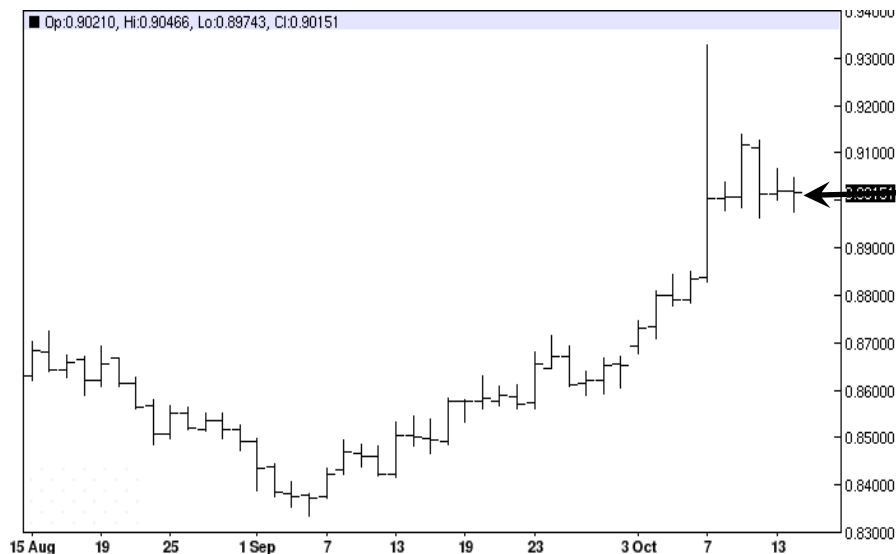
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: BULLISH v the POUND

Last week we were Square



The Euro wilted against the Dollar but looks solid against Sterling.

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

...“Looking ahead the key release is Euro zone industrial production, a solid report is expected”...

In the event that was the outcome.

Looking ahead the ECB policy statement is due, market chatter about a policy taper has been doing the rounds, but we expect the ECB to hold to its current course.

We are now long the Euro/Short the Pound.

Although we judge the Euro zone economy has much that remains defective, the Euro zone is a known quantity and traders will prefer that to the complete uncertainty currently settled over the UK's future relationship with the EU which will continue to undermine the Pound.

Our target in Sterling/euro is 0.9900 and our stop is set at 0.8750 which we doubt very much will be seen any time soon.

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

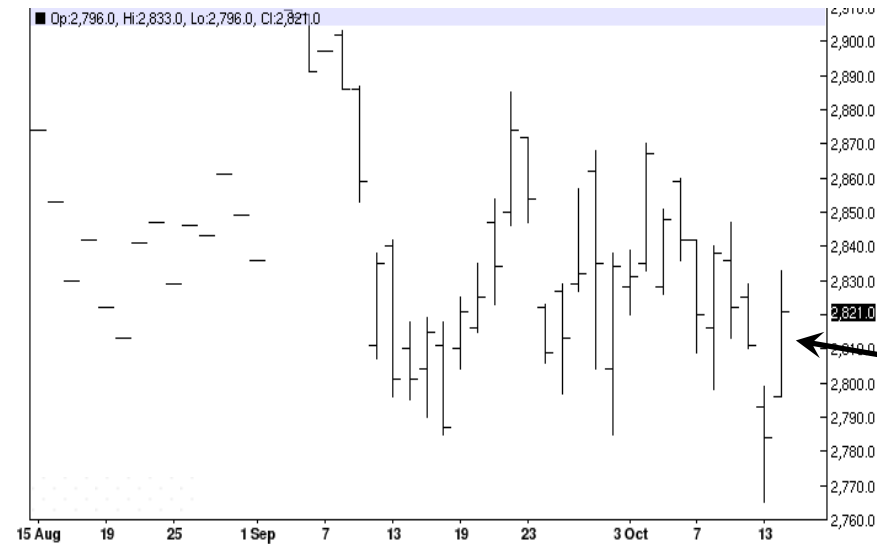
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market continues to under perform its peers.

### 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 and after the strong German report last week, a strong release is expected”...

In the event that indeed was the outcome.

Looking ahead the ECB policy statement is due, we expect unchanged even though there has been some market chatter about the ECB adopting a taper on its QE policy.

We are staying square here the market still looks vulnerable compared to the FTSE and S&P.

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

Last week's focus was split between the trade data, machine orders and machine tool orders, as we judged they would offer solid clues on the health of Japan's economy.

In the event all three came in better than expected indicating the economy may be approaching a turning point.

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; **Department store sales, Industrial production and capacity utilisation,**
- On Wednesday; **All industry activity index, and**
- On Thursday; **Machine tool orders.**

The key release this week is the industrial production report.

As ever an important window into the health of the manufacturing side of the economy.

More



## Summary

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- + DJ EURO STOXX 50

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- + YEN
- + NIKKEI

## Commodities

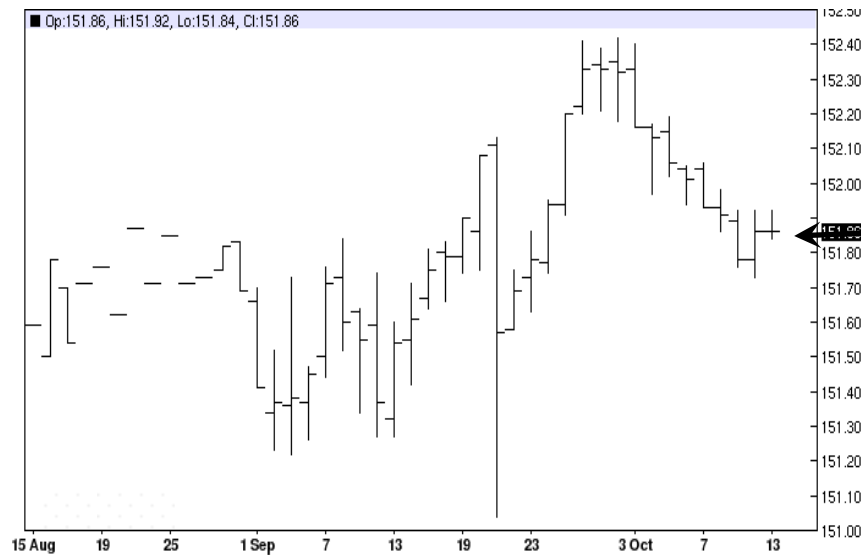
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were **Bullish** of Japanese Bonds.



The JGB dipped further last week as global Government bond markets weakened.

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

...“Looking ahead several key reports to watch which report on the underlying health of the economy; The Trade data, Machine orders and Machine tool orders”...

In the event all three reports were better than expected offering some welcome relief.

Looking ahead the Industrial production report is due, can it keep last week's momentum going and start a new positive trend in data?

We are now square after our stop was hit as the JGB followed international sentiment in government bonds and traded lower.

More



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## Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen weakened further against the Dollar on increasing expectation of a US rate hike before year end.

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

...“Looking ahead several key data releases due that offer clues on the health of the economy, but we judge Dollar/Yen will be influenced mainly by the release of US FOMC minutes on Wednesday, as traders seek further clues on the timing of the next US rate hike”...

In the event that analysis proved correct. The domestic data was better than forecast, but US retail sales were strong and the FOMC minutes made a year end rate

hike look more likely than not.

Looking ahead the key release is the industrial production report, but we judge traders will be more interested to see what bearing US data has on the outlook for US monetary policy.

We are square here. The US economy has thrown out some better than expected data recently, apart from disappointing non-farm payroll, meaning the Fed will take any chance offered to hike, but can the economy maintain the improvements seen in recent weeks?

More



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- + NIKKEI

## Commodities

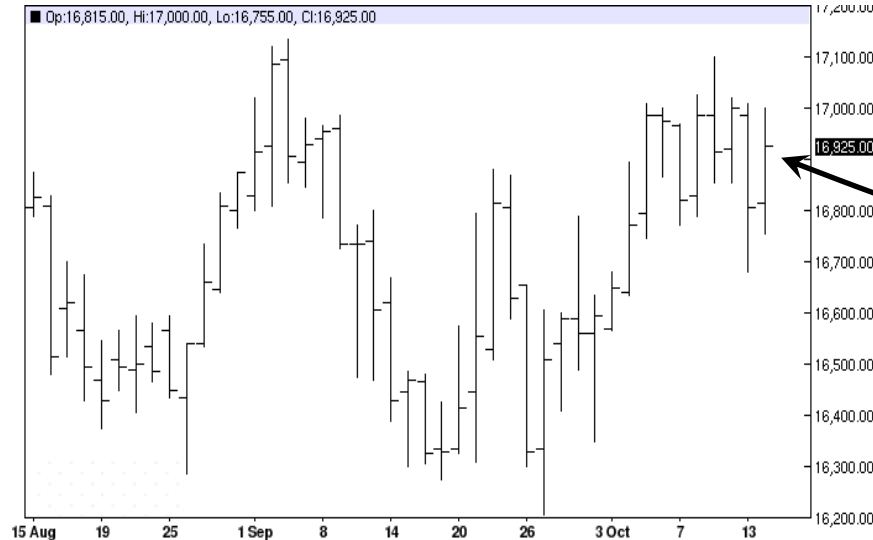
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei is supported by better than expected data and a weaker Yen.

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

...“Looking ahead several data releases due, but once more we judge US data likely holds the key to this markets fate via the strength or otherwise of the Currency. Wednesday sees the release of the US FOMC minutes and if traders detect anything approaching a hawkish tone it will support the Dollar meaning a weakening of the Yen which could further fuel the Nikkei's recovery”...

In the event the Nikkei enjoyed a double boost. Domestic data was stronger and the FOMC minutes pointed to a rate hike in December which boosted the Dollar against the Yen.

Looking ahead industrial production reports due in Japan and the US, but of the two the US version has the potential to move this currency pair the most.

We are square here like so many markets the Nikkei is currently range bound, albeit near the top of that range.



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- + FTSE

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- + YEN
- + NIKKEI

## Commodities

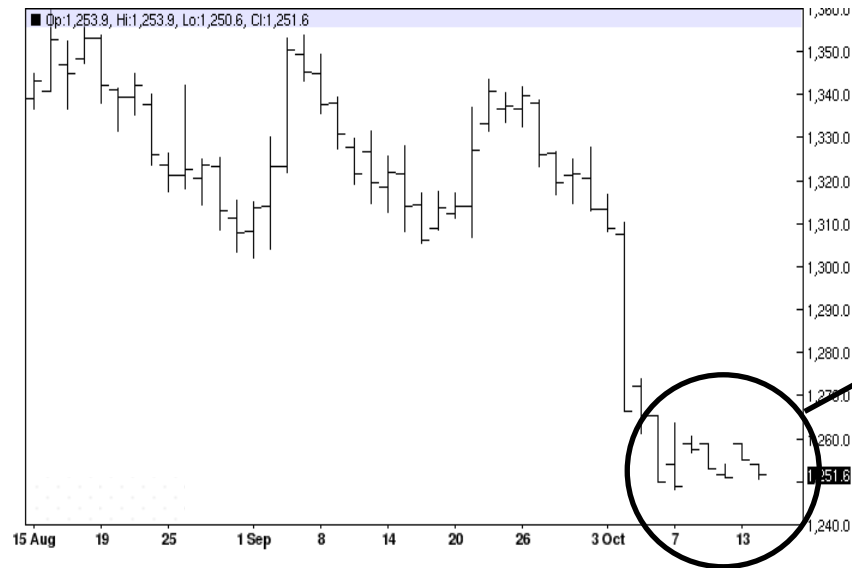
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Gold

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

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



See how Gold clung to the lows last week.

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

...“Looking ahead the key release this week is the US FOMC minutes, we judge they will confirm the Fed's intention to hike in December; data notwithstanding”...

In the event that was broadly the message and although that too was the message from the original policy statement, traders seem to have placed more weight on the content of the minutes, offering the Dollar some fresh support.

Looking ahead we judge all eyes are on the US. Industrial production is due and if that number seems to keep a December rate hike on track the Dollar will draw support and Gold drift lower.

We are Bearish of gold. The trading range has broken and data in the US revealed a pick up in activity.

Traders should be short Gold, our suggested target is 1220.0 and our suggested stop is set at 1315.0 for protection.

More





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## Commodities

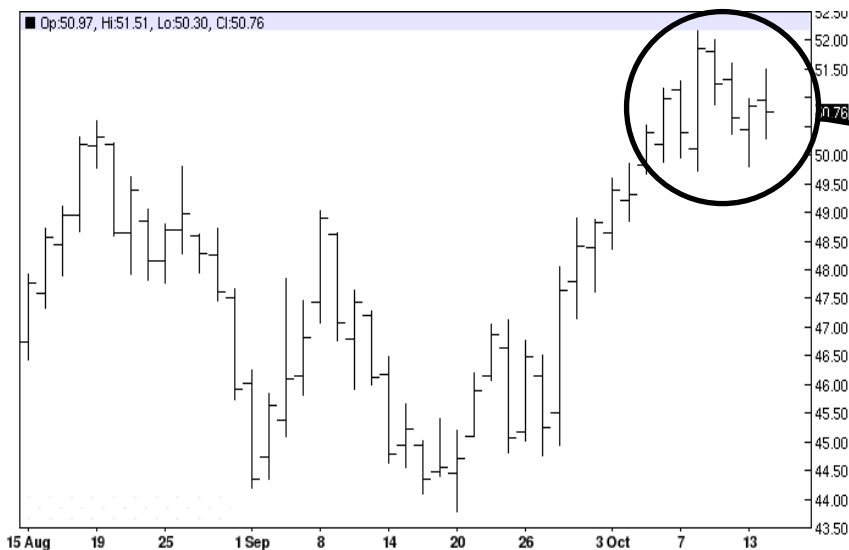
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE; SQUARE.

Last week we were Square of Oil.



See how oil paused as OPEC has yet to cut production.

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

...“Looking ahead US retail sales are due and a strong report would add to the sense the US economy might at last be picking up the pace. Additionally the FOMC minutes are due, any hint of a hawkish tone would embolden oil traders to judge demand for oil could be about to pick up”...

In the event stronger US retail sales and FOMC minutes that makes a year end rate hike look more likely, but apparently OPEC has yet to cap oil production as recently agreed, in fact reports suggest

out put is still climbing not too bullish for oil.

Looking ahead US industrial production is due, a strong report might further encourage expectations of a pick up in demand for energy, but if OPEC cannot keep to their recent agreement to cap output, US data could have limited impact even if stronger than expected.

For now stay square.

As ever OPEC agrees a deal, but no one sticks to it.

More



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- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

### SEVEN DAYS AHEAD

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