



Week 43  
25<sup>th</sup> – 31<sup>st</sup> October 2016

#### Summary

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#### US Markets

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

#### UK Markets

- + SHORT STERLING
- + GILT
- + 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



# Multi-asset fundamental strategies

John Lewis

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## SUMMARY

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- SQUARE
- BULLISH v the Euro
- BULLISH

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- SQUARE
- BEARISH
- SQUARE
- BULLISH

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- SQUARE
- SQUARE
- BEARISH v the Dollar
- SQUARE

### Japanese Markets

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- SQUARE
- SQUARE
- SQUARE

### Commodities

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- BEARISH
- SQUARE

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# This week's global calendar

	Week of 24 <sup>th</sup> October
Monday	UK CBI Bus optimism n/f UK CBI Trnds total orders -5 DM Import prices n/f EZ PMI Composite 52.8 JP Trade bal 366.1B JP Sml bus confidence n/f JP PMI Mfg survey n/f JP Super mkt sales n/f
Tuesday	US House price indx 0.5% <sub>m</sub> , US Case/shiller comp-20 5,1 <sub>y</sub> US Consumer confidence 101 UK Carney @Lords economic committee DM IFO 109.5 JP Corp services prices n/f
Wednesday	US MBS Mrtge apps n/f US Advce goods trade bal -\$60.5B US Wholesale invntry 0.1% US New Home sales 590k UK BBA Home buyer loans n/f DM GFK Cons confidence 10 DM Import prices 0.0 <sub>m</sub> , -2.0 <sub>y</sub> DM Retail sales n/f

	Week of 24 <sup>th</sup> October
Thursday	US Durable goods 0.1% US DG Ex-transport 0.2% US Jobless claims 258k US Pndg home sales 1.2% UK Q3 GDP 0.3 <sub>q</sub> , 2.1 <sub>y</sub> UK Indx of services 0.1 <sub>m</sub> , 0.8(3 <sub>m</sub> /3 <sub>m</sub> ) UK CBI Sales -2 UK Nat'nwide hse prices 0.2 <sub>m</sub> , 4.9 <sub>y</sub> UK GFK Consumer confidence -3 EZ M3 5.1 <sub>y</sub> JP Househld spndg -2.7 <sub>y</sub> JP National CPI -0.5% JP Tokyo CPI -0.4% JP Jobless rate 3.1%
Friday	US Q3 Core PCE 1.6 <sub>q</sub> , US Q3 ECI 0.6% US Q3 GDP (A) 2.5% US Q3 GDP Price index 1.3% US Q3 Persnl consumption 2.6% US U. of Michigan confidence 88.1 FR Q3 GDP 0.3 <sub>q</sub> , 1.2 <sub>y</sub> EZ Ind confidence -1.6 EZ Services confidence 10 EZ Consumer confidence -8 DM CPI 0.1 <sub>m</sub> , 0.8 <sub>y</sub>

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## Last week's releases

	Week of 17 <sup>th</sup> October
Monday	US Empire mfg -6.8 <b>WEAKER</b> US Capacity utilisation 75.4 <b>LESS</b> US Ind production 0.2% <b>STRONGER</b> UK Rgt mve hse prices 0.9m, 4.2y <b>BETTER</b> EZ CPI 0.4m, 0.4y <b>AS</b> JP National Dept stre sales -5% <b>BETTER</b> JP Tokyo dept stre sales -3.4% <b>BETTER</b> JP Tokyo condo sales 40.9% <b>STRONGER</b> JP Ind production 1.3m, 4.5y <b>LESS</b> JP Capacity utilisation 2.6% <b>STRONGER THAN EXPECTED</b>
Tuesday	US CPI 0.3m, 1.5y <b>AS</b> US CPI Ex- F&E 0.1m, 2.2y <b>LESS</b> US NAHB Housing mkt 63 <b>AS</b> US Tot net lg term TIC flows \$73.8B <b>MORE</b> UK CPI 0.2m, 1.0y <b>MORE</b> UK RPI 0.2m, 2.0y <b>MORE</b> UK RPI-X 2.2y <b>MORE</b> UK PPI Input 0.0m, 7.2y <b>LESS</b> UK PPI Output 0.2m, 1.2y <b>MORE</b> UK PPI Core 0.1m, 1.4y <b>LESS</b> UK House price indx 8.4% <b>STRONGER THAN EXPECTED</b>
Wednesday	US MBA Mrtge 0.6% <b>BETTER</b> US Housing starts 1.047K <b>WEAKER</b> US Building permits 1.225M <b>STRONGER</b> US Fed's Beige book UK Unemploy'm't change 0.7k <b>BETTER</b> UK Unemploy'm't rate 2.3% <b>WORSE</b> UK ILO Rate 4.9% <b>AS</b> UK Averige earngs 2.3% <b>AS</b> UK AE Ex- Bonus 2.3% <b>STRONGER</b> EZ Construct'n output -0.9m, 0.9y <b>WEAKER</b> JP All industry actvty indx 0.2m, <b>AS THAN EXPECTED</b>

	Week of 17 <sup>th</sup> October
Thursday	US Philly Fed 9.7 <b>STRONGER</b> US Jobless claims 260k <b>WORSE</b> US Existing home sales 5.47M <b>STRONGER</b> UK Retail sales 0.0m, 4.1y <b>WEAKER</b> DM PPI -0.2m, -1.4y <b>WEAKER</b> EZ C/A 29.7B <b>STRONGER</b> EZ ECB Policy decision 0.0% <b>AS</b> EZ AP Target <b>AS</b> JP Machine tool orders -6.3y <b>AS THAN EXPECTED</b>
Friday	UK PSNB 10.12B <b>WORSE</b> UK PSNCR 13.3B <b>WORSE</b> EZ Consumer confidence -8.0 <b>WEAKER THAN EXPECTED</b>

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## US MARKETS: economic background

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### Commodities

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+ OIL

### Disclaimer

Last week's focus industrial production, following several other recent reports that have shown clear signs of strengthening, all eyes were turned to industrial production.

In the event the report was stronger than expected, but housing market data threw out some mixed signals.

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; **House price index, case/Shiller comp-20 and consumer confidence,**
- On Wednesday; **Advance goods trade,**

- **wholesale inventories and New Home sales,** On Thursday; **Jobless claims, durable goods and pending home sales, and**
- On Friday; **Q3 GDP, Q3 Personal consumption, Q3 ECI, Q3 GDP Price index, Q3 Core PCE and University of Michigan confidence.**

The key release this week is Q3 GDP. A first look at how the economy performed during the third quarter and a solid report will likely encourage the Fed to hike in December.



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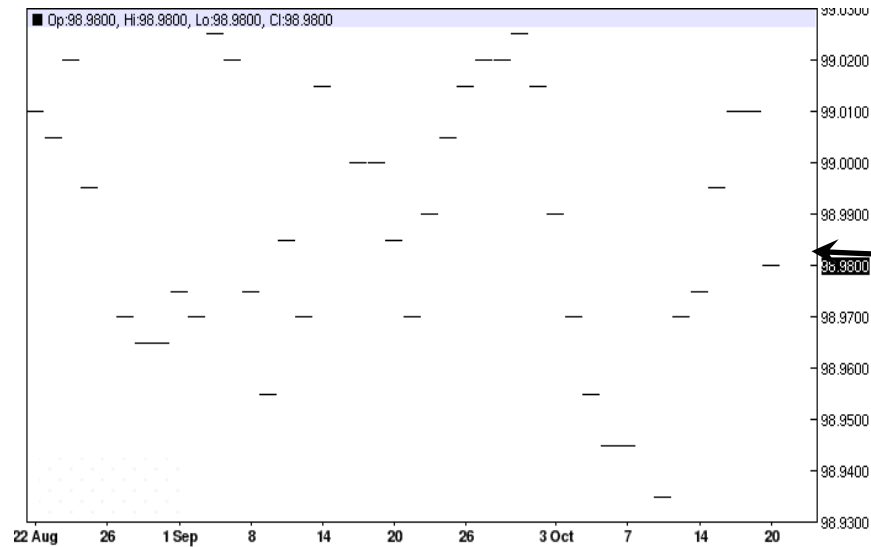
+ OIL

## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars remains in a trading range.

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

...“Looking ahead the key release this week is industrial production”...

In the event a stronger than expected report, but little reaction from this market.

Looking ahead the key release this week is Q3 GDP, a strong or at least in line with consensus report, will strengthen the Fed's resolve to hike in December.

We are remaining square.

A December rate hike is expected, but data needs to remain supportive.

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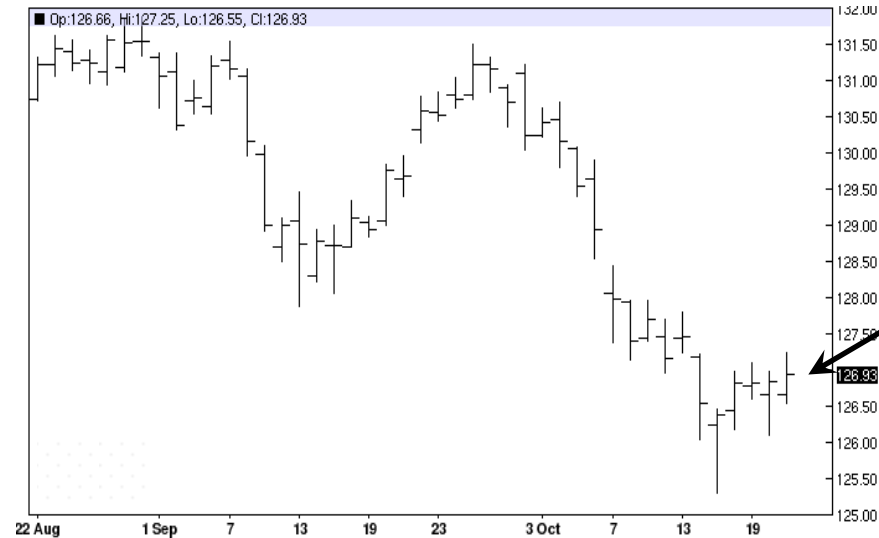
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### Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note looks increasingly under pressure as data firms up.

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

...“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”...

In the event industrial production beat consensus and although the housing market data sent some mixed signals, a December rate hike looks increasingly likely.

Looking ahead the Q3 GDP report is due and a solid

read will embolden the Fed, but several recent GDP reports have fallen short of consensus.

We are staying square.

The market looks increasingly under pressure, but if Q3 GDP were to disappoint that pressure could swiftly ease.

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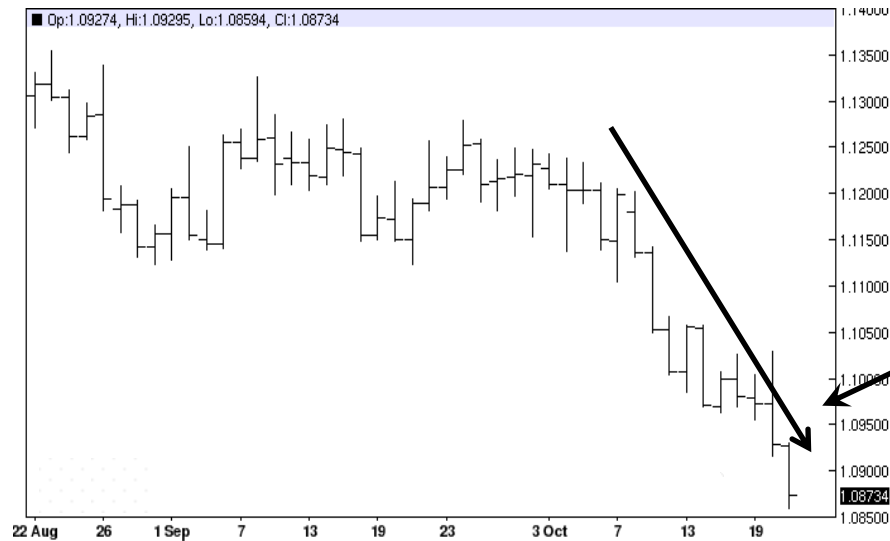
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## Disclaimer

## US MARKETS: US Dollar

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

Last week we were Square



The Dollar has rallied on a growing belief the Fed will hike in December.

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

...“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”...

In the event the report beat consensus and the Dollar stretched the nascent rally.

Looking ahead Q3 GDP is due and after several

stronger than expected reports over recent months a solid GDP report is expected, if that is the result the Dollar will rally further on firming rate hike expectations.

We are long the Dollar/Short the Euro.

Our suggested target is 1.0605 and our suggested stop is set at 1.1020 for protection.

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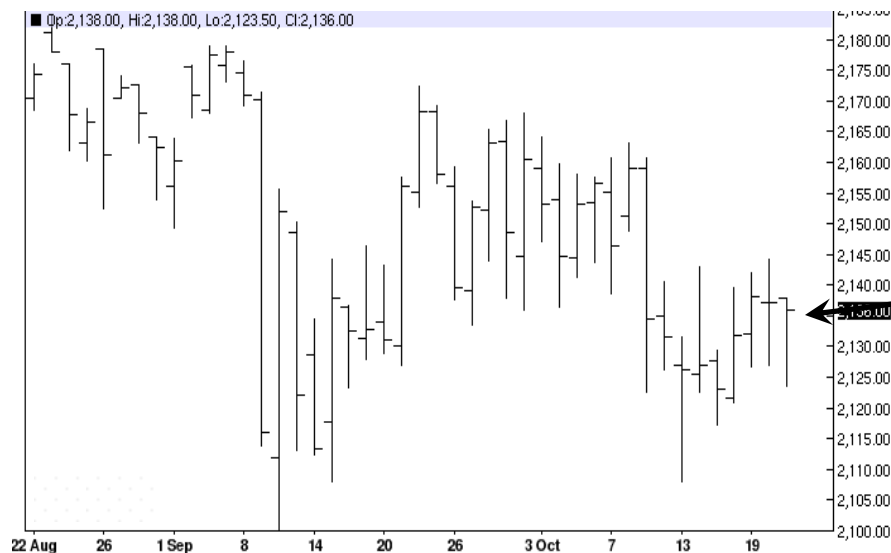
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## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: BULLISH.

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



The S&P remains in the doldrums.

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

...“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”...

In the event industrial production was stronger than expected adding to the growing list of strengthening economic reports.

Looking ahead Q3 GDP is the main event this week, but we sense it could have a counter intuitive impact

on the market; strong report, December rate hike, S&P wobble!

We are Bullish of this market.

Although strengthening data signals year end rate hike and un-nerves traders, ultimately a strengthening economy is bullish for this market and the Fed does not intend ramping interest rates up, rather nudging them gradually a little higher.

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

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## Commodities

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## Disclaimer

## UK MARKETS: economic background

Last week's focus was mainly CPI, but retail sales were due too.

In the event CPI was a little higher than expected confirming early post "BREXIT" expectations the rising inflation would result after the Pound's sell off.

As for retail sales; a little weaker than expected, but not a disaster.

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; **CBI Business optimism and**

**total orders,**

- On Tuesday; **Carnet appears before the house of Lords economic committee,**
- On Wednesday; **BBA Home buyer loans, and**
- On Thursday; **Q3 GDP, Index of services, CBI Sales, Nationwide house prices and GFK Consumer confidence.**

The key event this week is the Q3 GDP report. A first comprehensive look at the economy post the "BREXIT" vote.



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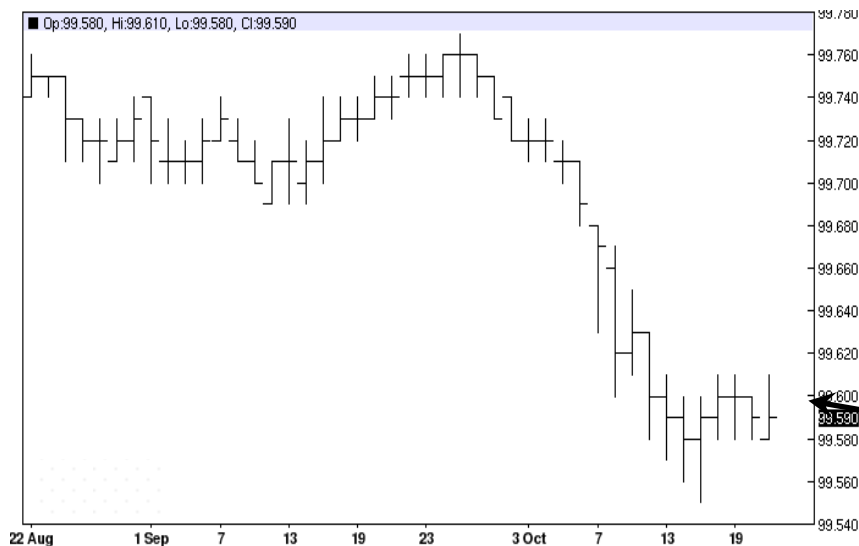
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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



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

...“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”...

In the event inflation was a little worse than expected and is likely to be on a rising trend for some time.

Looking ahead Q3 GDP is due, will it report a resilient

economy or show ominous early signs of post “BREXIT” weakness?

We are square of Short Sterling.

The Bank of England may not ease further, 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.

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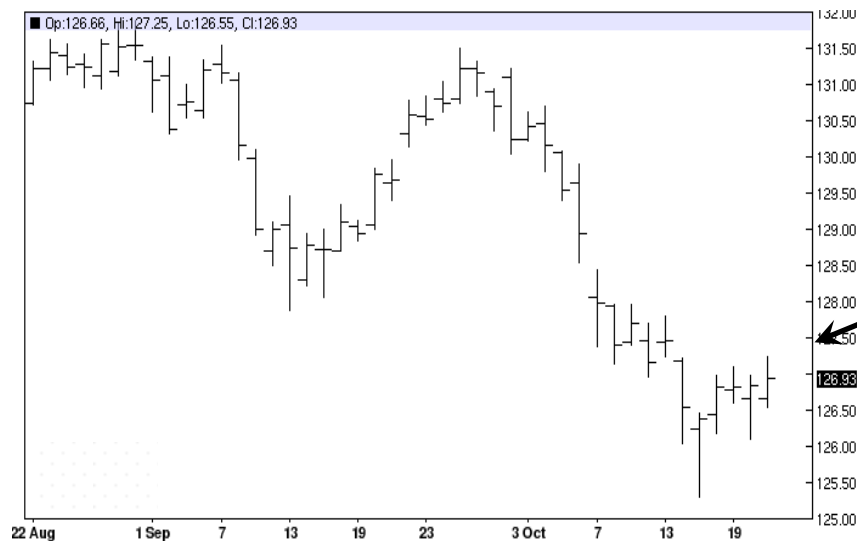
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## Disclaimer

## UK MARKETS: Gilt

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

Last week we were Square.



See how the Gilt remains under downward pressure.

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

...“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”...

In the event CPI a little worse, unemployment steady and retail sales a little softer, but Friday's Government

borrowing was worse than expected leaving the Chancellor little room for fiscal manoeuvre.

We are now Bearish the Gilt, and while we do not expect a virulent Bear market we do expect it to trade lower as the reality of “BREXIT” takes it's toll on confidence.

Our suggested target is 125.0 and our suggested stop is set at 128.55 for protection.

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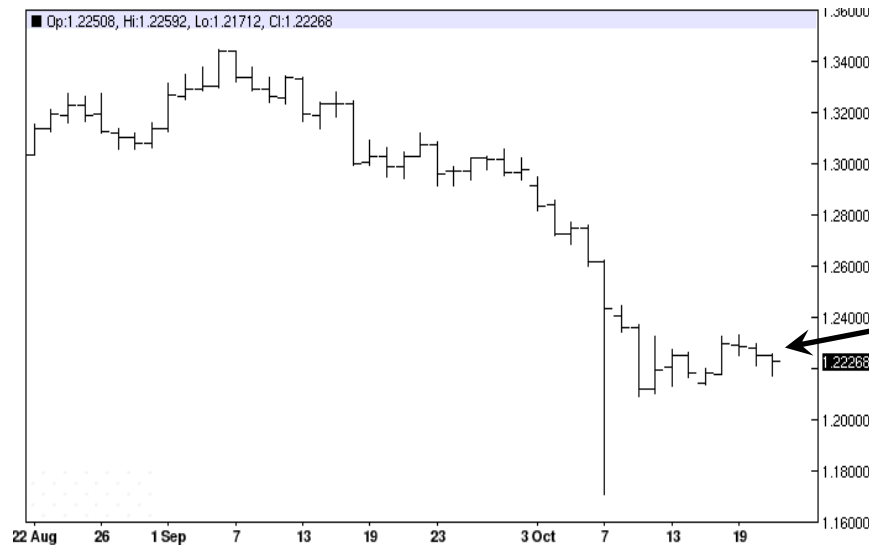
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## Disclaimer

## UK MARKETS: Sterling

### OUR TRADING STANCE: SQUARE

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



See how the Pound traded sideways against the Dollar but steadied against the Euro.

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

...“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 its self for the currency in addition to “BREXIT” uncertainty”...

In the event inflation was a little worse than expected

but the government borrowing data was worse too and that limits the Chancellors room for fiscal tweaking to support the economy.

Looking ahead the Q3 GDP report is due, we expect it to show the economy held up well, but the real tests lay ahead!

We are now square, our stop wasn't hit, but after the inflation report we judge volatility in Sterling will be the most likely dominant factor.

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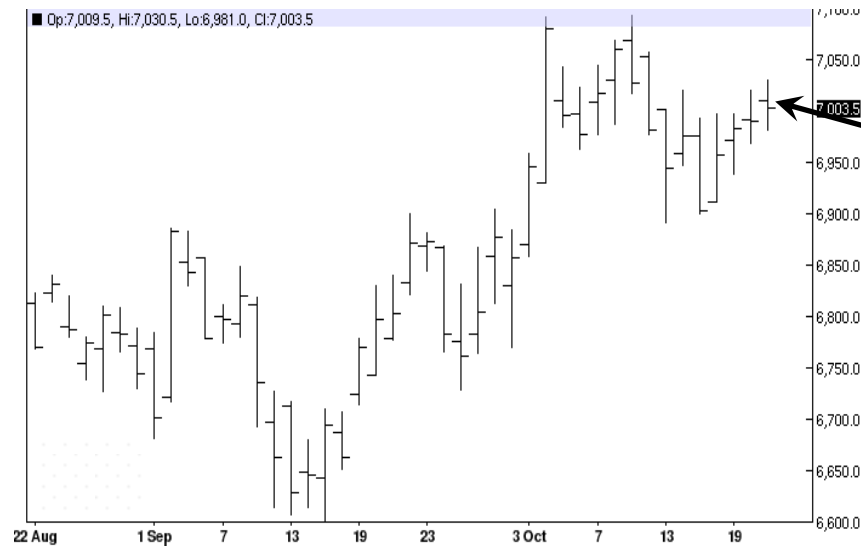
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## Disclaimer

## UK MARKETS: FTSE

### OUR TRADING STANCE: BULLISH.

Last week we were **Bullish**.



See how the FTSE remains well supported by the weak Pound.

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

...“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”...

In the event CPI was a little worse and retail sales a

little weaker, but not enough to dampen this market's spirits as the weak Pound continues to influence trading.

Looking ahead Q3 GDP is due and a solid report would add support to the market.

Traders should be long the FTSE.

Our suggested target is now 7125.0 and our suggested stop continues at 6885.0 for protection.

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## EURO ZONE MARKETS: economic background

Last week's focus was the ECB policy decision, would policy makers announce a taper or continue unchanged.

In the event policy was left unchanged. Other data released recorded weaker construction output and weaker consumer confidence.

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 PMI Composite and German import prices,**
- On Tuesday; **German IFO,**

- On Wednesday; **German GfK Consumer confidence, Import prices and retail sales,**
- On Thursday; **Euro zone M3, and**
- On Friday; **Euro zone industrial confidence, Services confidence, consumer confidence and German CPI.**

There are several key events this week, but we judge the Euro zone PMI Composite survey is the main event.

Aside from GDP it gives a broad picture of the economy; is it strengthening or just chugging along?



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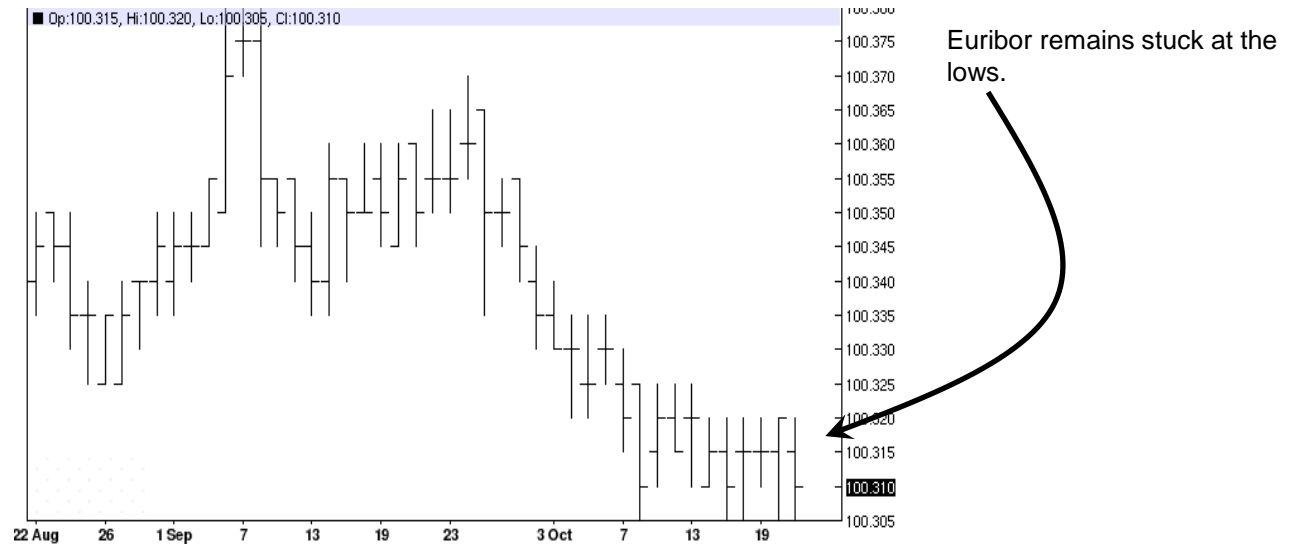
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## Disclaimer

## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



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

...“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!”...

In the event policy was left unchanged.

Looking ahead the Euro zone PMI composite survey is due.

We remain square here.

The market remains glued to the lows as further policy easing seems unlikely. For now.

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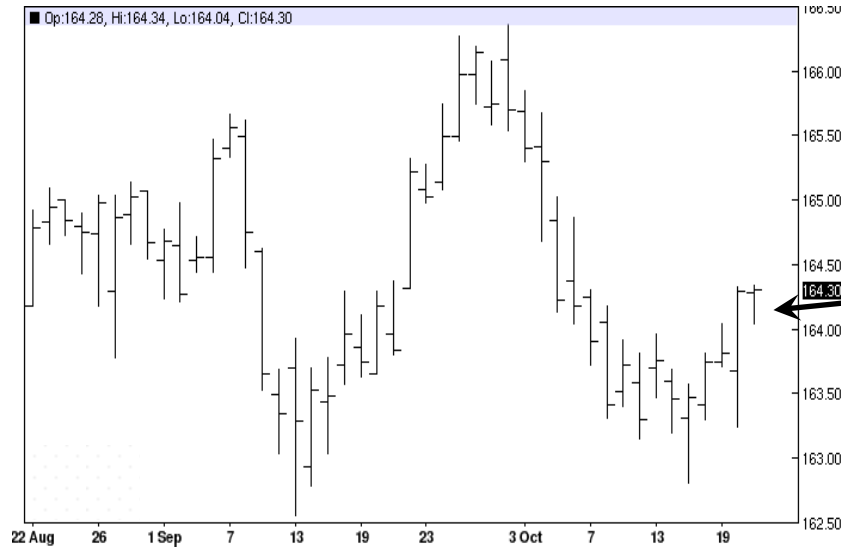
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## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund looks in better shape from a Bull perspective than the Treasury Note or Gilt.

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

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

And they did.

Looking ahead the key release is the Euro zone PMI

composite survey. Will it point to a quickening of activity or more of the same?.

We are square of the Bund.

Despite the weakness of US and UK bond markets the Bund remains range bound. Why should it turn Bearish given low inflation and sluggish growth

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- + FTSE

## Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

## Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

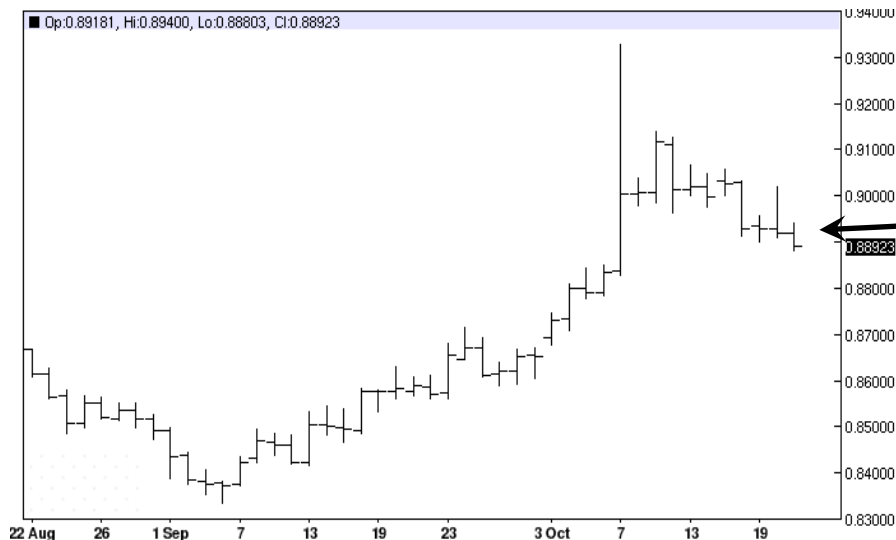
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: BEARISH V THE DOLLAR

Last week we were Bullish v the Pound



The Euro gave back some of its gains against Sterling and the Dollar too.

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

...“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”...

In the event the ECB left policy unchanged, but a worse than expected UK CPI report helped the Pound recover and stronger US data aided the Dollar too.

Looking ahead the key domestic release is the Euro zone PMI Composite survey, but we judge currency markets will be driven more by this week's release of US and then UK Q3 GDP.

We are now square the Pound, our stop wasn't hit but data forced a short/medium term rethink.

We are now short the Euro/Long the Dollar.

Our suggested target is 1.0605 and our suggested stop is set at 1.1020 for protection.

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

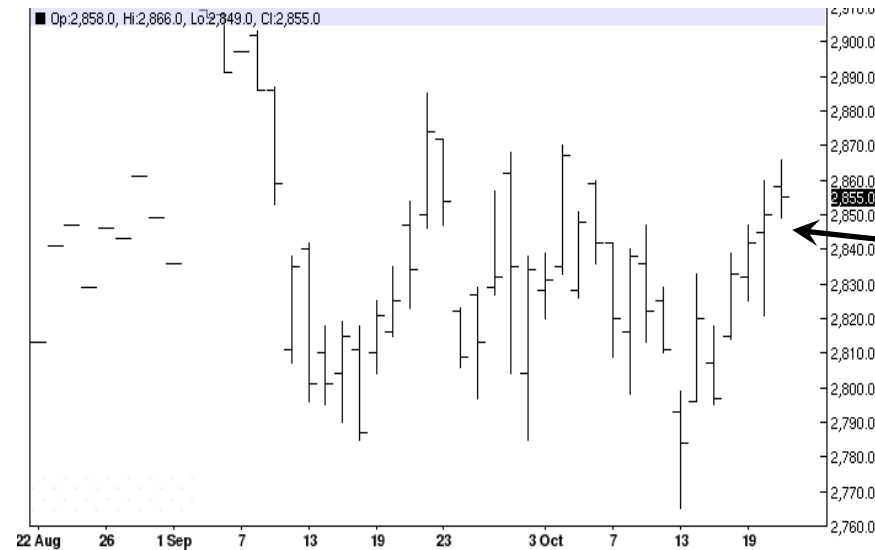
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market remains in a clear trading range.

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

last week we said...

...“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”...

In the event unchanged it was, and the market drew support from the decision.

Looking ahead the key release is the Euro zone PMI Composite survey, but we judge the UK and US Q3 GDP releases will have an impact on global equity markets.

We are staying square here the market looks range bound where as the FTSE looks Bullish by comparison.

More



## 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

## JAPANESE MARKETS: economic background

Last week's focus was Industrial production, a key report for an economy still geared towards manufacturing exports.

In the event the report was weaker than expected perpetuating the see saw nature of Japanese data.

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; **Trade balance and PMI Manufacturing survey,**

- On Tuesday; **Corporate services prices, and**
- On Thursday; **Household spending, the jobless rate and National and Tokyo CPI reports.**

The key release this week is the CPI report.

The economy remains dogged by deflation, has it eased? Probably not!



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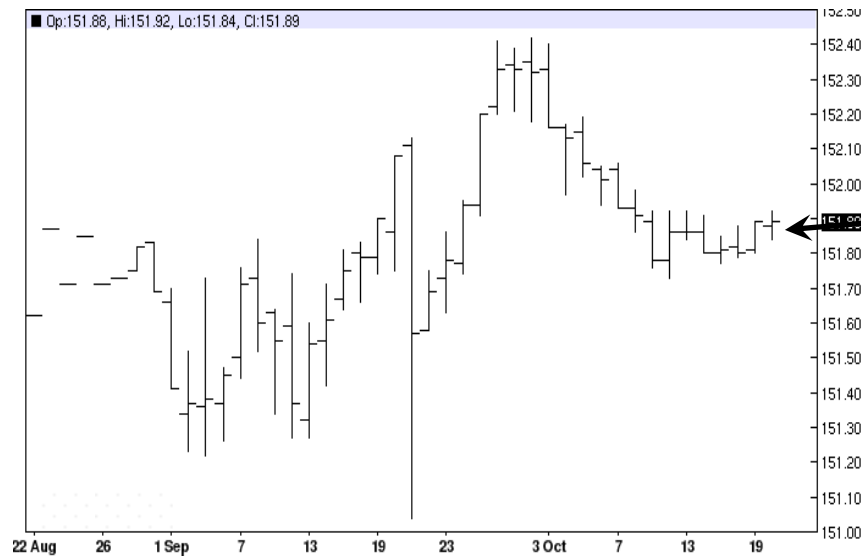
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB traded in a narrow sideways pattern.

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

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

In the event; no! the report fell short of expectations and confirmed the patchy nature of economic activity.

Looking ahead the key release is CPI, we judge it will confirm deflation maintains its grip on the economy.

We are square. The market looks in need of fresh direction.

More



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- + NIKKEI

## Commodities

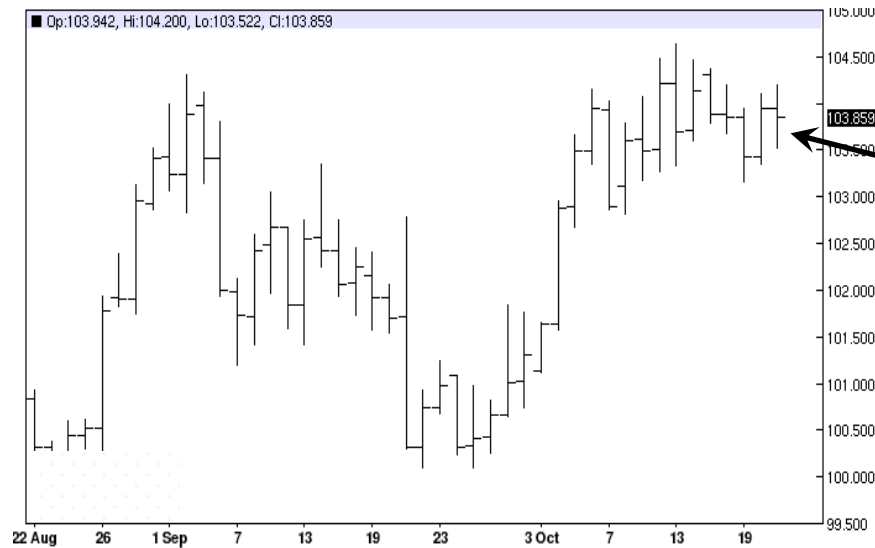
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen remains weaker against a Dollar buoyed by the prospect of a year end rate hike.

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

...“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”...

In the event weaker industrial production in Japan, stronger in the US meaning the chances of a year end rate hike in the US are growing stronger.

Looking ahead CPI is the main event this week and it is likely to confirm two things; deflation continues to dog the Japanese economy and monetary policy, where as in the US the Fed is moving towards a December rate hike.

We are square here. The US economy has thrown out some better than expected data recently, meaning the Fed will take any chance offered to hike.



## Summary

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## Commodities

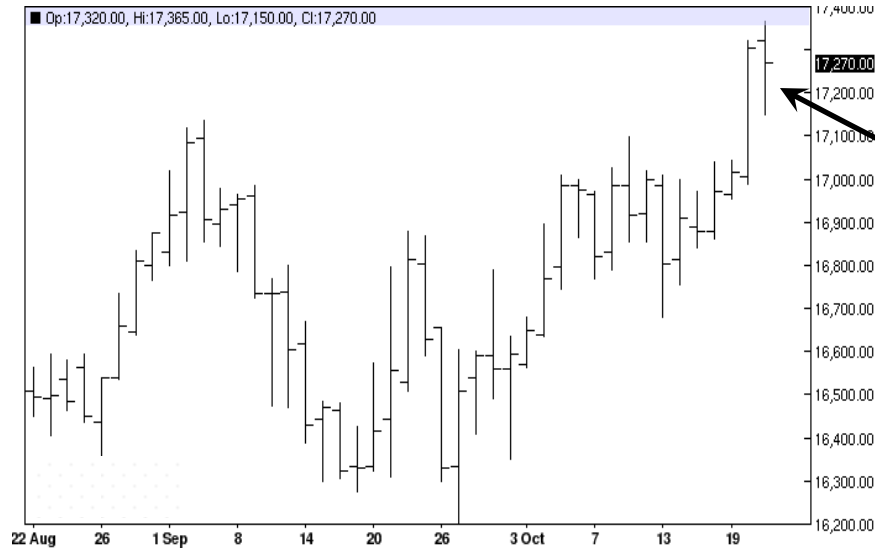
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei drew support from the weaker Yen.

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

...“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”...

In the event Japan's report weaker the US report stronger, Dollar firmer, Nikkei rally.

Looking ahead the key domestic release is CPI. We judge it will indicate the Bank of Japan still has work to do if it is to end deflation.

We are square here.

The Nikkei responds to the strength of the Yen, so trade Dollar/Yen!

More



## Summary

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- + STERLING
- + FTSE

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## Japanese Markets

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- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Gold

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

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



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

...“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”...

In the event US industrial production was stronger and a December rate hike still does look on track, but the market edged away from the lows despite a firmer Dollar.

Looking ahead US Q3 GDP is due, a solid report will make a December US rate hike look even more likely and where then for Gold?

We are Bearish of gold. The trading range has broken and data in the US reveals 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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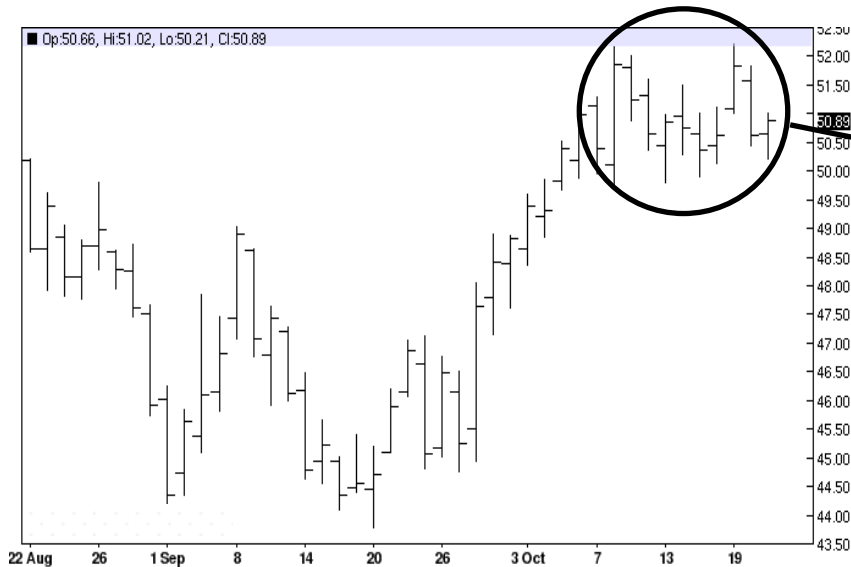
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE; SQUARE.

Last week we were Square of Oil.



See how oil appears to have run out of steam.

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

...“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”...

In the event that appears to be the case. US data was stronger but the rally looks to have stalled as OPEC's

output cut agreement doesn't appear to be in play.

Looking ahead US Q3 GDP is due. After China announced solid GDP data a solid US report would seem to place a floor under energy demand, but the market will only rally if OPEC can make its deal stick.

For now stay square.

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

More



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- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

### SEVEN DAYS AHEAD

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