



Week 03
17th – 23rd January 2017

Summary

Global Calendar

US Markets

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

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer



Multi-asset fundamental strategies

John Lewis

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- SQUARE
- BEARISH
- BULLISH v the Euro and Sterling
- BULLISH

UK Markets

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- SQUARE
- SQUARE
- BEARISH v the Dollar and Euro
- BULLISH

Euro Zone Markets

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- SQUARE
- SQUARE
- BEARISH v the Dollar, BULLISH v Sterling
- BULLISH

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- SQUARE
- SQUARE

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- SQUARE

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This week's global calendar

	Week of 16 th January
Monday	UK Rght mve Hse prices n/f EZ Trade bal 20.8B JP Machine orders -1.4m, 8.1y JP Dmstc corp gds prices 0.4m, -1.4y JP Tertiary ind index 0.2m, JP Machine tool orders n/f JP Ind production 1.5% JP Capacity utilisation n/f JP PPI 0.3m, -1.5y
Tuesday	US Empire mfg 8.5 UK PPI Input 2.4m, 15.5y UK PPI Output 0.4m, 2.9y UK PPI Core 0.2m, 2.2y UK CPI 0.3m, 1.4y UK RPI 0.4m, 2.3y UK RPI-X 2.5y UK Hse price indx 6.1% UK PM May speaks on "BREXIT" DM ZEW 18.4
Wednesday	US MBA Mrtge apps n/f US CPI 0.3m, 2.1y US CPI Ex- f&e 0.2m, 2.2y US Ind production 0.6% US Capacity utilisation 75.4% US NAHB House mkt indx 69 UK Unemploy'm't rate 2.3% UK Unempoy'm't chge 5k UK ILO Rate 4.8% UK Avrge earngs 2.6% UK AE Ex- bonus 2.6% UK RICS House prices 30% DM CPI 0.7m, 1.7y EZ CPI 0.5m, 1.1y JP Tokyo condo sales n/f

	Week of 16 th January
Thursday	US Housing starts 1184k US Building permits 1225k US Philly Fed 16 US Jobless claims 251k EZ C/A n/f EZ ECB Rate decision 0.0% EZ ECB AP Target EU80.0B JP Machine tool orders n/f
Friday	US Presidential inauguration UK Retail sales -0.4m, 7.5y DM PPI 0.4m, 1.0y JP National dept stre sales n/f JP Tokyo dept stre sales n/f JP Convenience store sales n/f

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Last week's releases

	Week of 9 th January
Monday	US Consumer CR \$24.530B STRONGER UK Halifax 1.7m, 6.5(3m/y) STRONGER UK BRC Sales 1.0% STRONGER DM Ind production 0.4m, 2.2y LESS DM Trade bal 22.6B STRONGER DM C/A 24.6B STRONGER EZ Unemploy'm't rate 9.8 AS THAN EXPECTED
Tuesday	US NFIB Sml bus optimism 105.8 STRONGER US Whole sale invntry 1.0% STRONGER JP Consumer confidence 43.1 STRONGER THAN EXPECTED
Wednesday	US MBA Mrtge apps 5.8% STRONGER UK Trade bal -£12.160B WORSE UK Trade non-EU -£3.580B WORSE UK Ind production 2.1m, 2.0y STRONGER UK Mfg output 1.3m, 1.2y STRONGER UK Construct'n output -0.2m, 1.5y WEAKER UK NIESR GDP Estimate 0.5% AS JP C/A 1,415.5B LESS JP Trade Bal 313.4B WEAKER JP BK Lndg 2.6% STRONGER JP Eco watcher survey 51.4 AS THAN EXPECTED

	Week of 9 th January
Thursday	US Import prices 0.4m, 1.8y LESS US Jobless claims 247k BETTER US Mthly bdget statem't -\$27.5B WORSE DM GDP NSA 1.9y MORE EZ Ind production 1.5m, 3.2y STRONGER DM WPI 1.2m, 2.8y STRONGER THAN EXPECTED
Friday	US Retail sales 0.6% LESS US RS Ex-Autos 0.2% WEAKER US PPI 0.3m, 1.6y AS US PPI Ex-F&E 0.2m, 1.6y MORE US Bus invntry 0.7% STRONGER US U. of Michigan conf 98.1 LESS JP Bankruptcies 1.57% MORE THAN EXPECTED

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US MARKETS: economic background

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Last time we focused on PPI and Retail sales. Of the two Retail sales was the key release.

In the event retail sales were weaker than expected, especially the ex-Autos sub report. The PPI report was mixed. The headline number was as expected, but the ex-food and energy report was marginally stronger.

However we doubt these reports will alter the Fed's recently stated policy intentions; three rate hikes this year.

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; **Empire manufacturing,**

- On Wednesday; **CPI, Industrial production, capacity utilisation and NAHB Housing market index,**
- On Thursday; **Jobless claims, housing starts, building permits and Philly Fed, and**
- On Friday; **Presidential inauguration.**

The key report this week is industrial production. Traders and policy makers will want to see the economy continues to expand at a solid rate.

However we judge the main event will likely be Friday's inauguration of Trump as US President and what he has to say in his acceptance speech.



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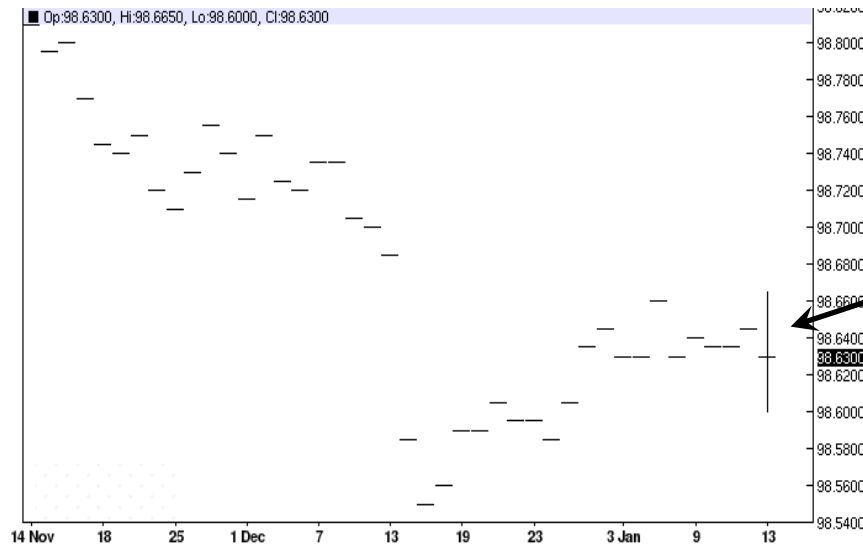
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars remains in a broad trading range.

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

...“Looking ahead retail sales are due, but once again, unless very different to consensus we do not expect this market to show much reaction”...

In the event the number was weaker than expected, but not by enough to rattle this market.

Looking ahead industrial production is due, but unless very much different to consensus we expect this market to remain within the broad trading range.

We are remaining square. Future rate hikes already look priced in.

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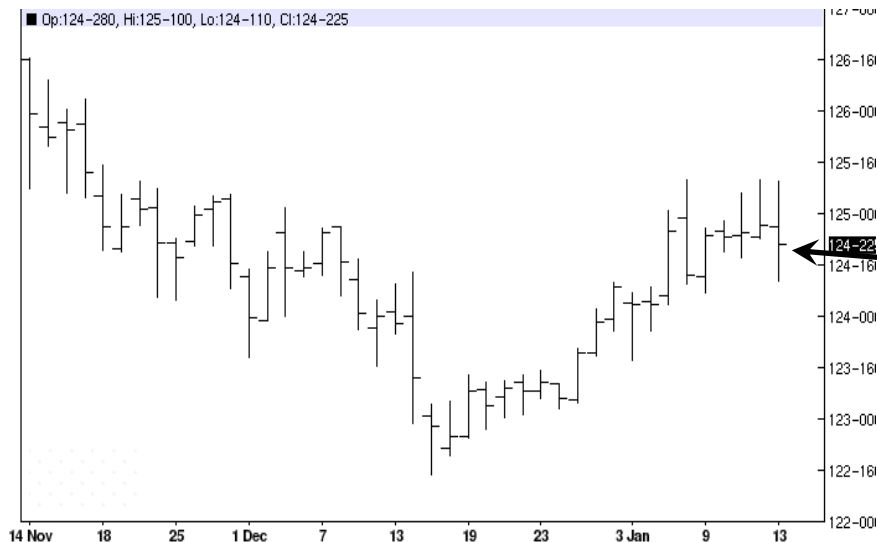
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US MARKETS: 10 Year Note

OUR TRADING STANCE: **BEARISH.**

Last week we were **Bearish** of the 10 year note.



The 10 year note consolidated its recent gains, but remains vulnerable to the downside.

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

...“Looking ahead retail sales are due, but unless materially different to expectations we judge traders will increasingly focus on the inauguration of President Trump and what that means for growth and the deficit”...

In the event a marginally weaker retail sales report allowed the market to consolidate the gains; for now!

Looking ahead industrial production is due, but unless

stronger than expected we judge the market will mark time ahead of Friday's Presidential inauguration.

We are bearish of Bonds. The policies Trump has articulated will be pro-growth, but at the expense of a bigger budget deficit and a likely burst of inflation.

Traders should remain short.

Our suggested target remains 121.30 and our suggested stop reset to 125.25 for close protection.

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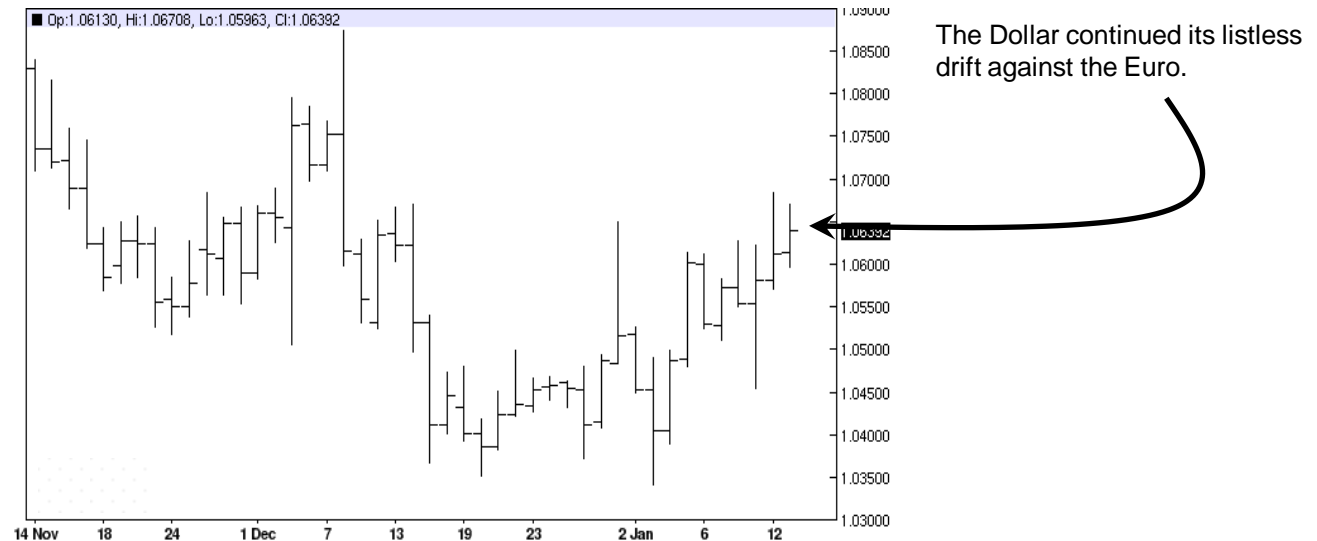
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US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the EURO and STERLING.

Last week we were Bullish v the Euro



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

...“Looking ahead retail sales are due and traders will be seeking a solid report”...

In the event retail sales fell short of consensus and that robbed the Dollar of potential support at a time when traders are focussing on tentative signs of a revival in the Euro zone economy.

Looking ahead industrial production is the key release, but all eyes are trained on Friday's inauguration of

Trump as US President.

We remain long the Dollar/Short the Euro and also long Dollar/Short the Pound following Prime minister May's remarks on “BREXIT” and ahead of a speech that is likely to confirm a so call “HARD BREXIT”.

Our suggested target in Dollar/Euro remains 1.0230 and our suggested stop reset to 1.0695 for protection.

Against the Pound our target remains 1.1795, but our stop is reduced to 1.2375 for closer protection.

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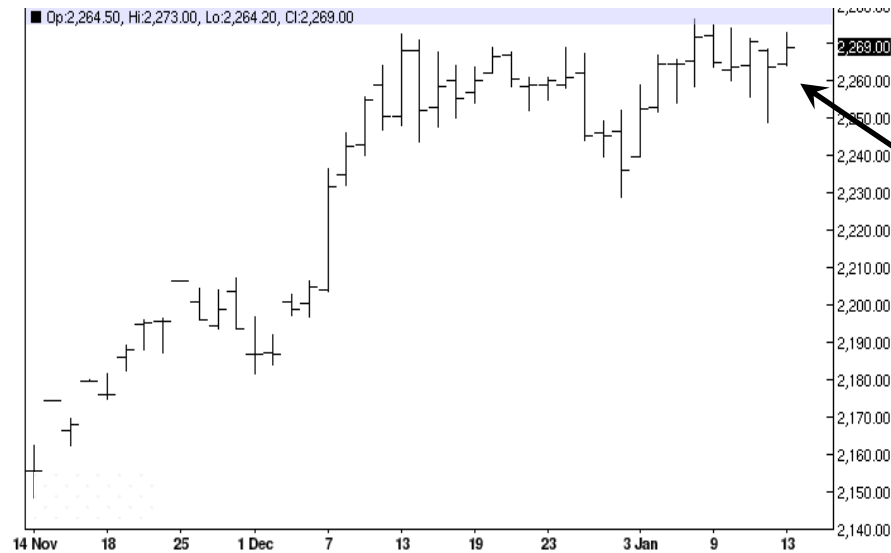
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US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



The S&P remains well supported as traders digest corporate earnings and await President Trump.

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

...“Looking ahead retail sales are due, but unless weaker than expected, this market should push higher”...

In the event the number fell short of consensus, but not by enough to upset this market.

Looking ahead two key events due this week, Industrial production and the Inauguration of President Trump.

We remain Bullish of this market data remains on a broad upward trend and Trump's policies are looking pro-growth.

Our suggested target is raised to 2330.0, but our suggested stop continues at 2205.0 for protection.

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Commodities

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UK MARKETS: economic background

Last week we focused on the industrial production report. After a strong PMI Manufacturing survey the previous week, would the two reports agree.

In the event industrial production and manufacturing output were both much stronger than expected, not only validating the PMI survey but indicating the Sterling devaluation is having an impact on that sector of the economy.

Looking ahead there are several reports due this week, as detailed on the global calendar, but we judge these are the week's **key** releases:

- On Monday; **Right move house price**

survey,

- On Tuesday; **CPI, PPI, RPI, RPI-X, House price index and a PM May's speech on "BREXIT",**
- On Wednesday; **unemployment report, average earnings and RICS House price survey, and**
- On Friday; **Retail sales.**

There is a whole raft of key data releases due this week; retail sales, CPI and unemployment, but we judge the market mover will likely be the speech delivered by PM May on Tuesday.



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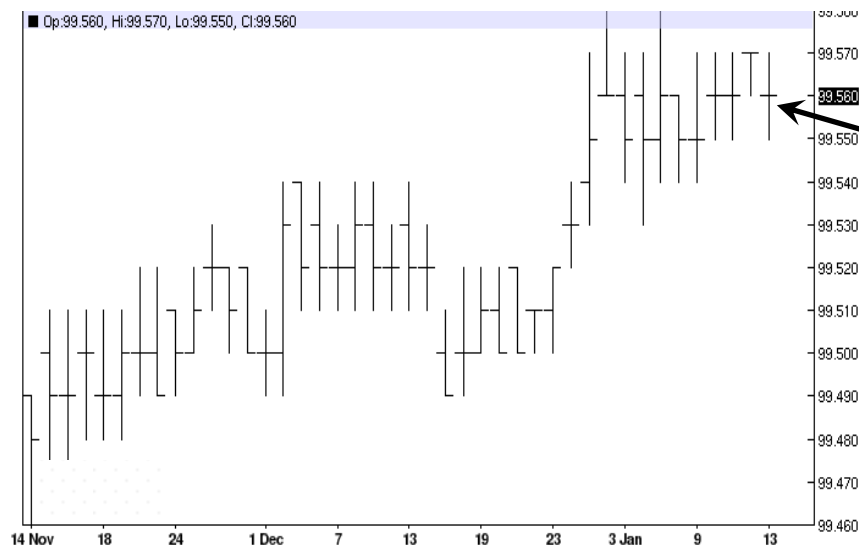
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling looks supported by speculation over a so called "HARD BREXIT".

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

...“Looking ahead the industrial production report is due. The official data doesn't always align with the PMI surveys?”...

In the event it did this time as the report significantly beat consensus.

Looking ahead there are several key reports due, but the main event is Tuesday's speech by PM May.

We are square of Short Sterling. It looks well supported but we doubt it can rally much further while data remains so strong.

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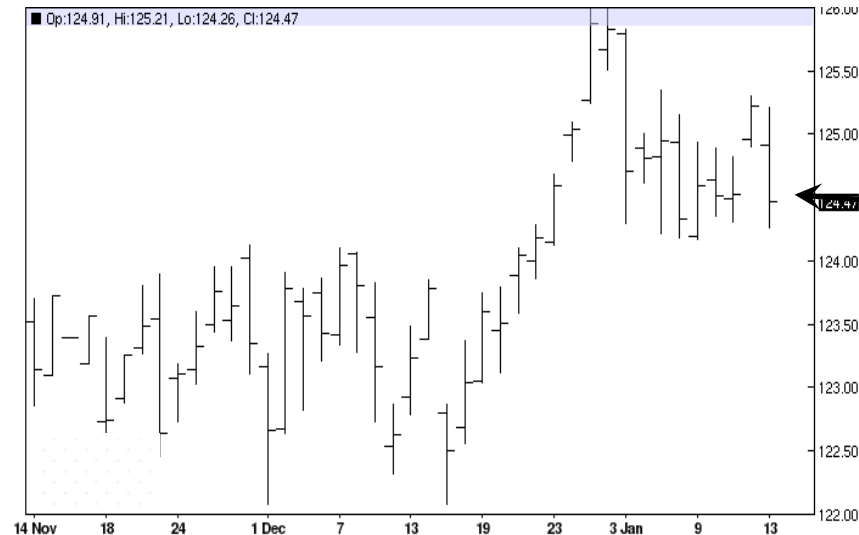
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square.



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

...“Looking ahead the Industrial production report is due, will it concur with the PMI Manufacturing survey released last week?”...

In the event it did and the gilt is holding up on the premise that stronger than expected growth will help government finances.

Looking ahead PM May delivers a key note speech on “BREXIT”, she is expected to drop strong clues that the UK will leave the single market and customs union in order to regain full control of law making, borders and trade deals.

We remain square of the Gilt. Although it is holding up well, how well will it perform if the UK is indeed pulling out of the single market etc.

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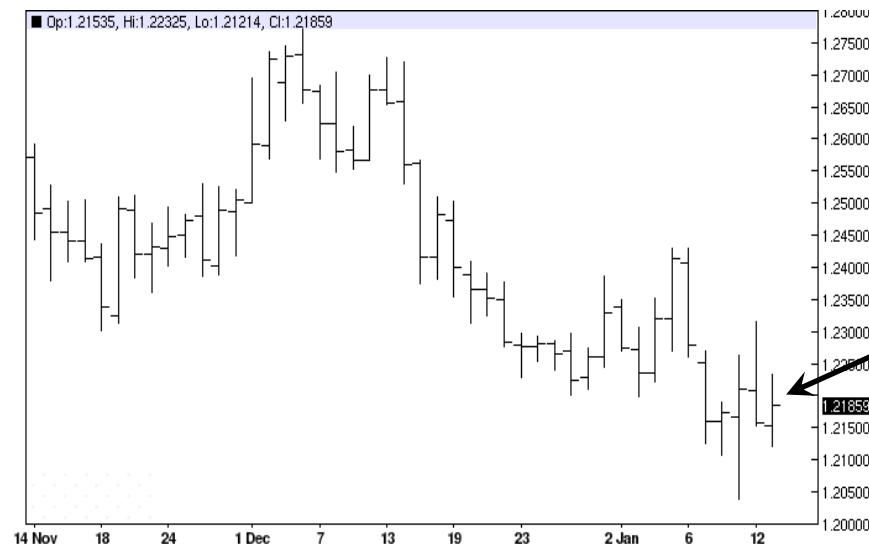
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UK MARKETS: Sterling

OUR TRADING STANCE: **BEARISH** v the **DOLLAR** and **EURO**.

Last week we were **Bearish** v the Dollar and Euro.



See how the Pound weakened further against the Dollar on yet more "BREXIT" fears.

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

...“Looking ahead the Industrial production report is due, but it frustratingly seldom matches the PMI survey”...

In the event both industrial production and manufacturing output handsomely beat consensus.

Looking ahead retail sales, CPI and unemployment are all due. Ordinarily the current run of strong data would see Sterling travelling in the opposite direction, but “BREXIT” dominates and May is set to speak on

Tuesday and give an out line of her negotiating stance which is expected to mean leaving the Single market and customs union.

We are bearish of Sterling against both the Dollar and the Euro on concerns over a so called “Hard BREXIT”.

Traders should be Short the Pound/Long the Dollar and our target remains 1.1795 but our stop is lowered to 1.2375 for protection.

And Short the Pound/Long the Euro, our suggested target remains 0.9220 and our suggested stop continues at 0.8285 for protection.

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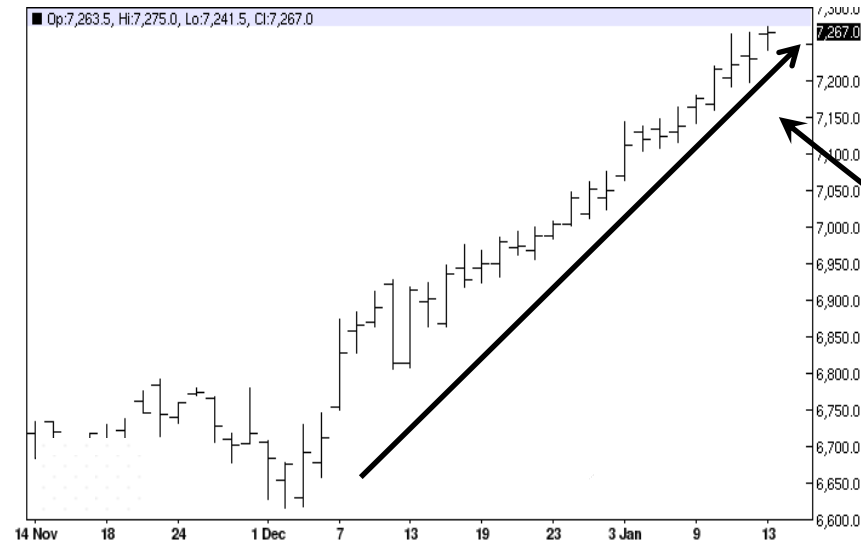
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UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish**.



See how the FTSE continues to make new highs on weak Sterling.

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

...“Looking ahead the industrial production report is due, but we judge this market is supported by two factors: the strength of growth and the weakness of the currency which inflates the value of overseas companies listed on the market”...

In the event we judge that analysis proved correct as industrial production beat consensus by a margin and the Pound weakened further.

Looking ahead a whole raft of data releases due as

detailed on the calendar which we expect to further reveal a strong economic performance. But the main event will likely be the speech by PM May on Tuesday in which she is expected to give a much more detailed outline of her governments approach to “BREXIT” negotiations which is expected to mean leaving the single market and customs union to allow the UK complete control of immigration, laws and trade deals..

Traders should remain long the FTSE. Our suggested target of 7195.0 is met.

Our suggested target is now 7380.0 and our suggested stop raised to 7110.0 for closer protection.

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EURO ZONE MARKETS: economic background

Last week's main event was the German industrial production report, followed later by the Euro zone version.

In the mixed messages; the German month on month report fell just short of consensus, but for once the Euro zone report delivered a different message and was stronger than expected.

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 trade data**,

- On Tuesday; **German ZEW survey**,
- On Wednesday; **German and Euro zone CPI**,
- On Thursday; **Euro zone C/A data and ECB rate decision**, and
- On Friday; **German PPI**.

The main event this week is the ECB policy decision and press conference on Thursday.

How will the ECB handle calls from Germany to hike rates as German inflation hits 1.7%.



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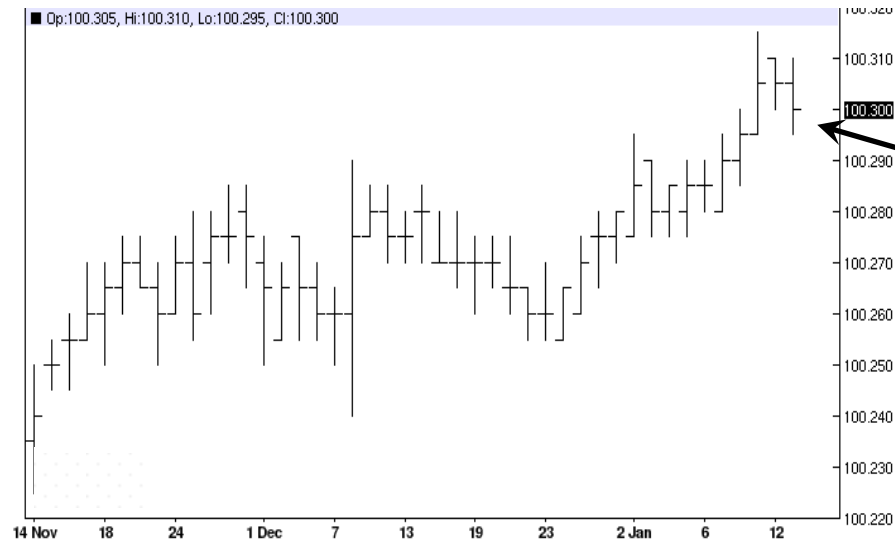
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains supported as the economic recovery still has a long way to go.

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

...“Looking ahead the German industrial production report stands out”...

In the event it fell just short of consensus, but the Euro zone version beat expectations.

Looking ahead the ECB policy decision is due

Thursday, but we doubt that will rattle this market.

We remain square here.

The ECB has recently extended the QE program, albeit at a slower pace, we do not see them risking their meagre gains by hiking rates on German inflation nerves!

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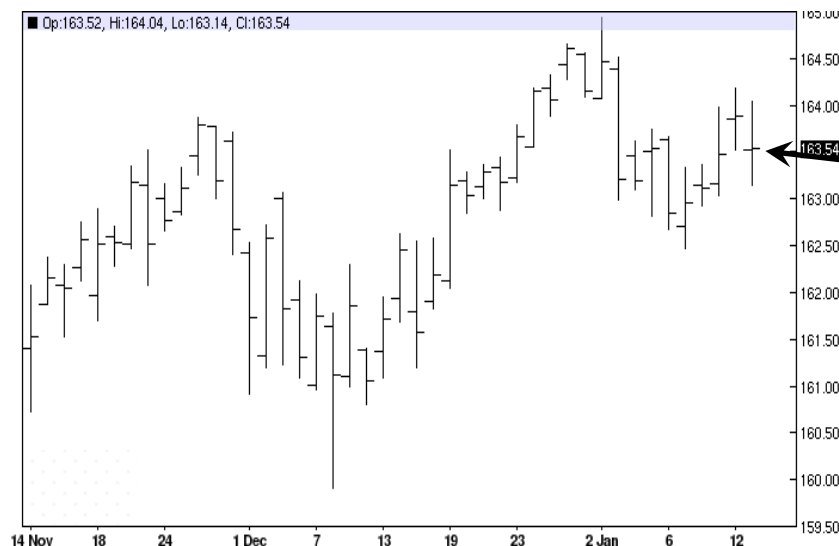
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund's price action is looking a little volatile.

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

..."Looking ahead the key release this week is the German industrial production report and a solid report will force the Bund back, deeper into the established trading range"...

In the event that report fell short of expectation, but the Bund is looking more volatile than usual.

Looking ahead German and Euro zone CPI are due together with the ECB policy decision; the Germans are getting nervous about their rising inflation rate?.

We are square of the Bund.

Although the Bond rally looks over, a strong Bear market still seems a little distant.

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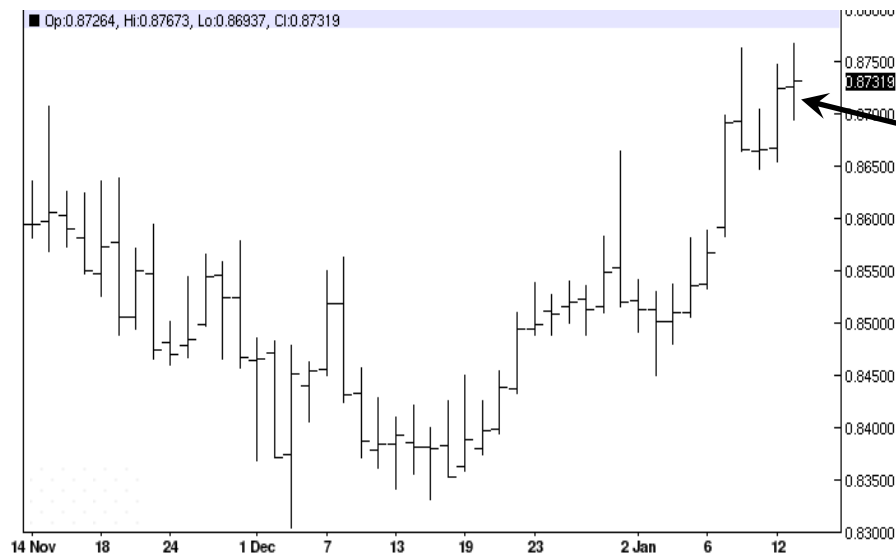
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BEARISH V THE DOLLAR, BULLISH V STERLING

Last week we were Bearish v the Dollar



The Euro remains supported against the Dollar despite strong US data and strong against the Pound on "BREXIT" fears.

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

...“Looking ahead the German industrial production report is the key domestic event this week”...

In the event mildly disappointing, but off set to a degree by the stronger Euro zone variant.

Looking ahead currency markets will be driven by three key events this week and none of them are data releases. The 1st and most significant will be the Inauguration of Trump as President, 2nd UK PM May's speech on "BREXIT" and 3rd the ECB policy decision.

We remain long the Dollar/Short the Euro.

Our suggested target remains 1.0230 and our suggested stop continues at 1.0695 for protection.

Against the Pound we are long. The UK Prime minister increasingly looks focussed on a so called "HARD BREXIT" which is Sterling negative.

Our suggested target in Sterling/Euro remains 0.9220 and our suggested stop continues at 0.8285 for protection..

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Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

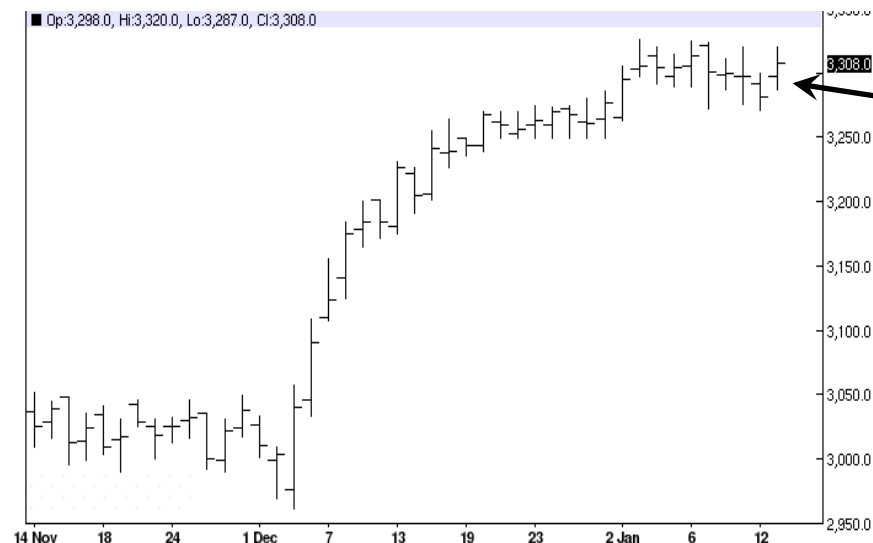
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: BULLISH.

Last week we were [Bullish](#) of DJ EUROSTOXX50.



See how the market stalled close to the highs.

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

...“Looking ahead the key release this week is the German Industrial production report, in the US Retail sales are due. If both reports meet or exceed expectations stocks will make further gains”...

In the event both fell short and the market marked time.

Looking ahead all eyes on the ECB's announcement on policy this Thursday. But Trump is sworn in as US President on Friday and he is sure to say something controversial.

We remain bullish of this market.

Our suggested target remains 3345.0 and our suggested stop continues at 3195.0 for protection.

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
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Commodities

+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: economic background

Last week's focus was the trade report, would it show improvement on the back of recent Yen weakness?

In the event trade and the C/A were both weaker than expected, but consumer confidence was better than expected.

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; **Machine orders, Machine tool orders, industrial production and capacity**

utilisation,

- On Wednesday; **Tokyo Condo sales,**
- On Thursday; **Machine tool orders, and**
- On Friday; **Department store and convenience store sales.**

The main data releases are on Monday with industrial production standing out.

Will the data reflect the weaker Yen?



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Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB has staged a recovery as the rally in the Nikkei stalled.

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

...“Looking ahead the key release this week is the trade data. Will the recent weakness of the Yen be reflected in the trade and C/A reports”...

In the event no. The trade data came in weaker than expected; disappointing.

Looking ahead the main event data wise is Industrial production, but with machine orders and machine tool orders due, there will be much for traders to ponder.

We are remaining square, unless the market can break the trading range.

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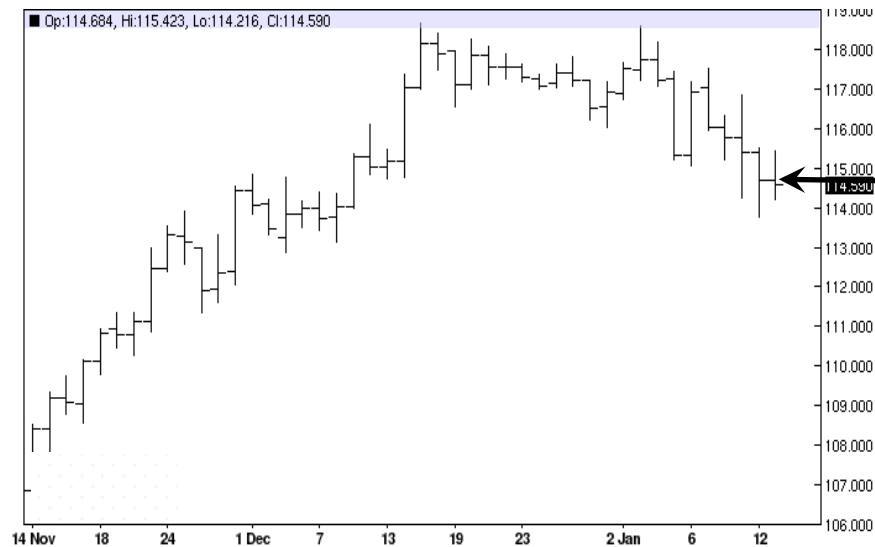
- + GOLD
- + OIL

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JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen has strengthened as the Dollar's pause continues.

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

...“Looking ahead the main event is the Trade and C/A reports, but we judge Dollar/Yen will remain driven by sentiment and events emanating from the US”...

In the event the two reports fell short of consensus, but

the Yen continued the gradual correction which is actually driven by the current pause in the Dollar's rally rather than Yen strength.

We are square here preferring for now to focus on Dollar/Euro and Sterling.

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Commodities

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Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei's fortunes clearly remain driven by the direction of the Yen.

The Macro Trader's view of the Nikkei is; last week's price action once again clearly illustrated the connection between the strength of the Yen and the direction of the Nikkei.

Last week the Yen extended its modest recovery against the Dollar, driven not by Yen strength, but a pause in the Dollar rally and the result was a correction in this market.

Looking ahead the key domestic data release this week is industrial production. But we judge the inauguration of Trump as US President on Friday, could set the direction in currency markets for several months ahead, meaning a resumption in the Dollar's rally.

For now we are staying square. The S7P and FTSE have greater clarity.



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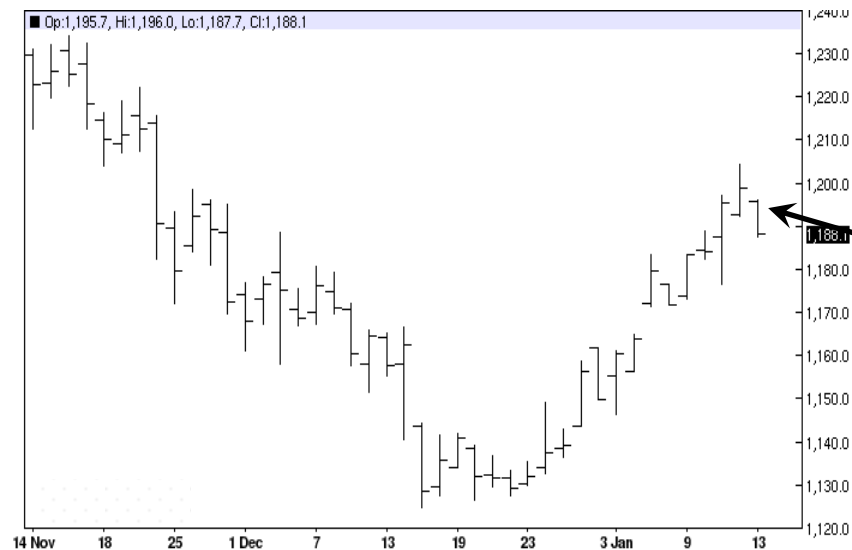
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



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

...“Looking ahead, all eyes on US retail sales when a strong report would re-invigorate the Dollar and weigh on Gold”...

In the event US retail sales fell short of consensus and the Dollar drift continued helping Gold regain more lost ground.

Looking ahead Trump is sworn in as US President on Friday and he is sure to make a speech that hopefully will give more policy clues and maybe some controversy that will likely re-ignite the Dollar's rally.

For now though, we are square.

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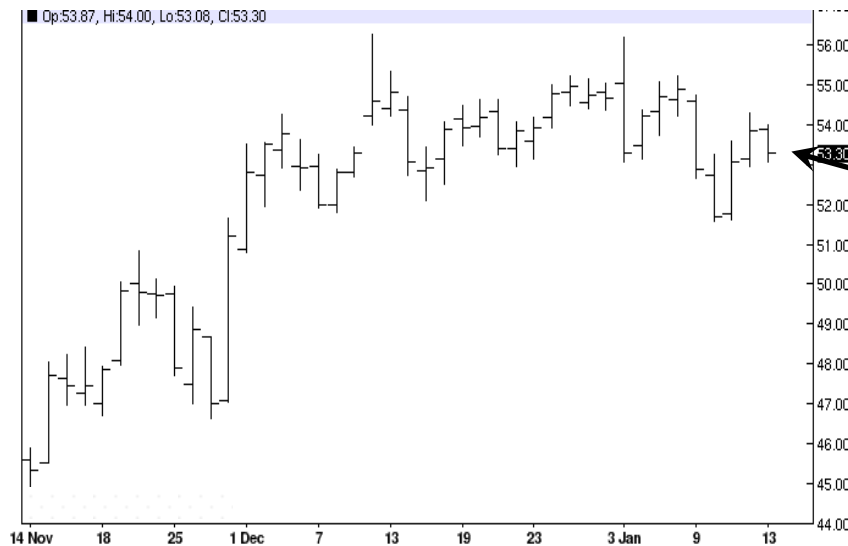
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE; SQUARE.

Last week we were Square of Oil.



See how oil's rally has run out of gas.

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

...“Looking ahead we judge the OPEC/non-OPEC deal will struggle to force the price very much higher. For every Dollar the price goes up that is a new incentive for Shale producers to up production”...

In the event the oil price rally has stalled as the promised production cut remains vague on delivery and substance.

Looking ahead, once again, we judge the oil price is likely capped at or just below US\$60.00 as every dollar the oil price rallies draws shale producers back into action, and encourages the resumption of oil exploration which in turn will weigh on the oil price.

For now stay square.

The big drama in oil for now seems over and a trading range of US\$45.00 – US\$60.00 seems likely.

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- + NIKKEI

Commodities

- + GOLD
- + OIL

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