



Week 05

31st January – 6th February 2017

Summary

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- + 10 YEAR NOTE
- + US DOLLAR
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- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
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- + 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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- BEARISH
- SQUARE
- BULLISH

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- SQUARE
- SQUARE
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Euro Zone Markets

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- SQUARE
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This week's global calendar

	Week of 30 th January
Monday	US Prsnl income 0.4% US Prsnl spndg 0.5% US Core PCE 0.1m, 1.7y US Pndg home sales 1.1m, UK GFK Cons conf -8 EZ Ind confidence 0.2% EZ Services confidence 12.7 EZ Cons confidence -4.9 DM CPI -0.5m, 2.0y JP Retail sales -0.5m, 1.7y JP Jobless rate 3.1% JP Househld spndg -0.9y JP Ind production 0.3m, 3.0y JP BOJ Policy decision -0.10% JP Vehicle product'n n/f
Tuesday	US Q4 ECI 0.6% US Case/shiller comp-20 5.0y US Chicago PMI 55 US Cons conf 112.9 UK Net cons Cr 1.7B UK Net Indg on dwellings 3.2B UK Mrtge aprvls 68.9K UK BRC Shop prices -1.0y FR Q4 GDP 0.4q, 1.1y DM Retail sales 0.6m, 0.5y DM Unemploy'm't chge -5k DM Unemploy'm't rate 6.0% EZ Q4 GDP 0.4q, 1.7y EZ CPI Estimate 1.5% EZ Unemploy'm't rate 9.8% JP Housing starts 8.4% JP PMI Mfg 52.8
Wednesday	US MBA Mrtge apps n/f US ADP Emplm't chge 167k US ISM Mfg 55 US ISM Prices paid 66 US Construct'n spndg 0.3m, US FOMC policy decision 0.75% UK Nat'nwide hse prices 0.0m, 4.3y IT PMI Mfg 53.3 FR PMI Mfg 53.4 DM PMI Mfg 56.5 EZ PMI Mfg 55.1 UK PMI Mfg 55.9 JP Vehicle sales n/f

	Week of 30 th January
Thursday	US Q4 Non-farm prdctvty 0.9% US Q4 Unit labour costs 1.9% US Jobless claims 250k UK PMI Construct'n 53.8 UK BOE/MPC Rate decision 0.25% UK BOE AP Target 435b UK BOE Inflation report EZ PPI 0.5m, 1.2y JP Cons confidence 43.7 JP BOJ Minutes Dec 19-20 meeting JP PMI Services n/f
Friday	US Non-farm payroll 175k US unemploy'm't rate 4.7% US Avrge earngs 0.3m, 2.7y US Avrge wrk week 34.3 US ISM Non-mfg 57 US Factory orders 1.0% UK PMI Services 55.8 EZ Retail sales 0.3m, 1.8y IT PMI Services 52.6 FR PMI Services 53.9 DM PMI Services 53.2 EZ PMI Services 53.6

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Last week's releases

	Week of 23 rd January
Monday	EZ Cons confidence -4.9 LESS JP All ind actvty indx 0.3% LESS JP Super mkt sales 2.0% BETTER JP PMI Mfg 52.8 BETTER THAN EXPECTED
Tuesday	US Existing home sales 5.49M LESS UK PSNB 6.4B BETTER UK PSNCR 36.3B WORSE EZ PMI Composite 54.3 LESS JP Trade bal 641.4B STRONGER THAN EXPECTED
Wednesday	US MBA Mrtge apps 4.0% STRONGER US House price index 0.5m STRONGER UK CBI Trnds total orders 25 STRONGER UK CBI Business optimism 15 STRONGER DM IFO 109.8 WEAKER JP Corp service prices 0.4y AS THAN EXPECTED

	Week of 23 rd January
Thursday	US Jobless claims 259k WORSE US Advance gds trade -\$65.0B WORSE US Wholesale invntry 1.0% STRONGER US New Home sales 536k WEAKER UK Q4 Indx of svics 0.3m, 1.0(3M/3M) MORE UK BBA Home buyer Ins 43.228k MORE UK Q4 GDP 0.6q, 2.2y STRONGER UK CBI Sales 26 WEAKER DM GFK Cons conf 10.2 BETTER JP National CPI 0.3y STRONGER JP Tokyo CPI 0.1y STRONGER THAN EXPECTED
Friday	US Q4 GDP (A) 1.9% WEAKER US Q4 Pernal consmptn 2.5% AS US Q4 GDP Price indx 2.1% LESS US Q4 Core PCE 1.3% LESS US Durable goods -0.4% WEAKER US DG Ex- Transport 0.5% AS US U. of Michigan conf 98.5 STRONGER DM Import price indx 1.9m, 3.5y WORSE EZ M3 5.0y STRONGER THAN EXPECTED

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US MARKETS: economic background

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Last week we focused on Q4 GDP and after a run of improving data releases we were anticipating a potential up side surprise.

In the event the number was weaker than expected as a result of a worsening trade account. Additionally Durable goods were also worse than expected, but we doubt the Fed will judge these numbers a reason to halt or abandon the intention to hike rates three times 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 Monday; **Personal income, Personal spending, Core PCE and pending home sales,**
- On Tuesday; **Q4 Employment cost index,**

case/Shiller comp-20, Chicago PMI and consumer confidence,

- On Wednesday; **ADP Employment change, ISM Manufacturing, construction spending and FOMC policy decision,**
- On Thursday; **Jobless claims, Q4 Non-farm productivity and Q4 Unit labour costs, and**
- On Friday; **non-farm payroll, unemployment rate, average weekly earnings, average work week ISM Non-manufacturing survey and factory orders.**

There are several key reports due this week, but we judge the FOMC Policy Decision and Statement is the main event.

NO rate change is expected, but we are eager to hear what they have to say now Trump is the President.

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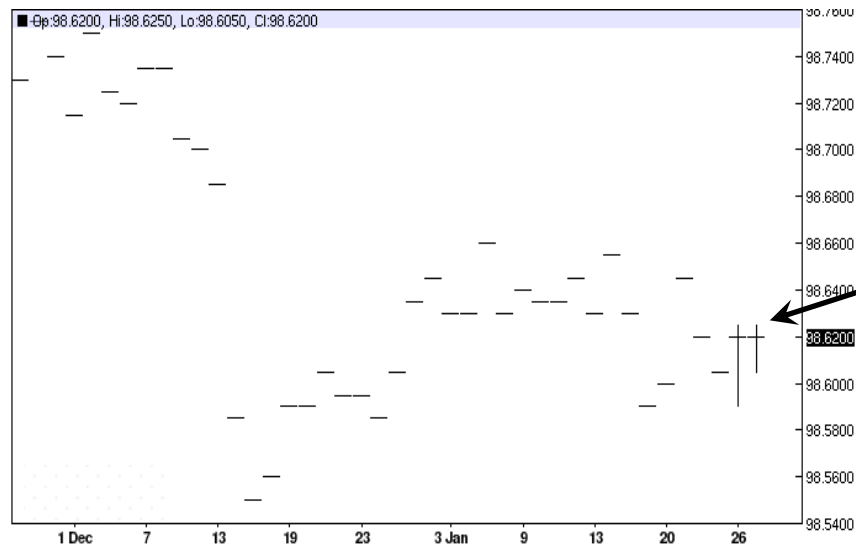
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars remain in a directionless trading range.

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

...“Looking ahead Q4 GDP is the main event and a solid report is expected, but is the consensus number too low?”...

In the event the number was weaker than expected, yet another twist and turn in the US economy's

recovery.

Looking ahead several key reports due, but we judge the FOMC policy statement is the main event; what is the Fed's take on Trump?

We are remaining square.

Future rate hikes already look priced in.

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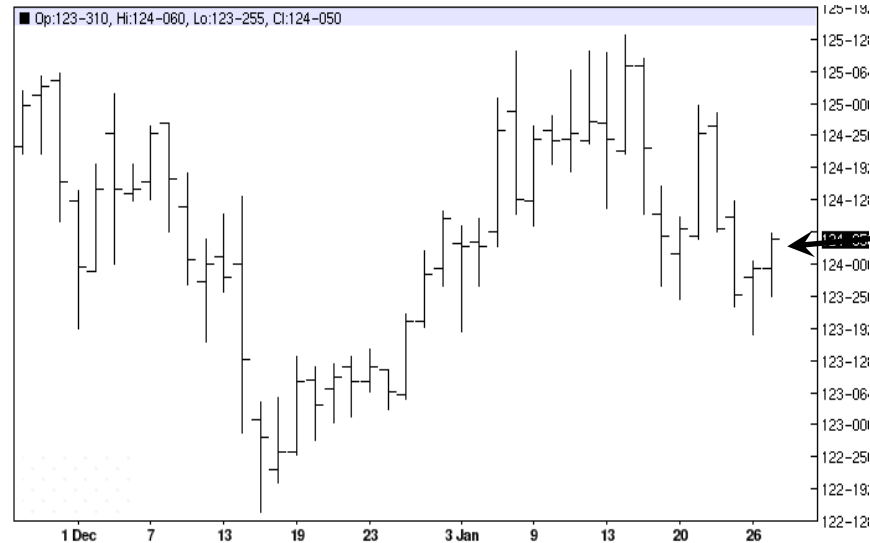
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US MARKETS: 10 Year Note

OUR TRADING STANCE: **BEARISH.**

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



The 10 year note traded lower despite weak Q4 GDP data.

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

...“Looking ahead Friday’s Q4 GDP report is the main event. A stronger than expected number will weigh heavily on this market”...

In the event the number was weaker, mainly due to the deteriorating trade deficit.

Looking ahead all eyes on the Fed as this is the first FOMC meeting since Trump took office and we are eager to see if policy makers have altered their take

on the economy and the policy response; we doubt it.

We remain 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, and the economy is already picking up speed.

Traders should remain short.

Our suggested target remains 121.30 and our suggested stop continues at 125.25 for close protection.

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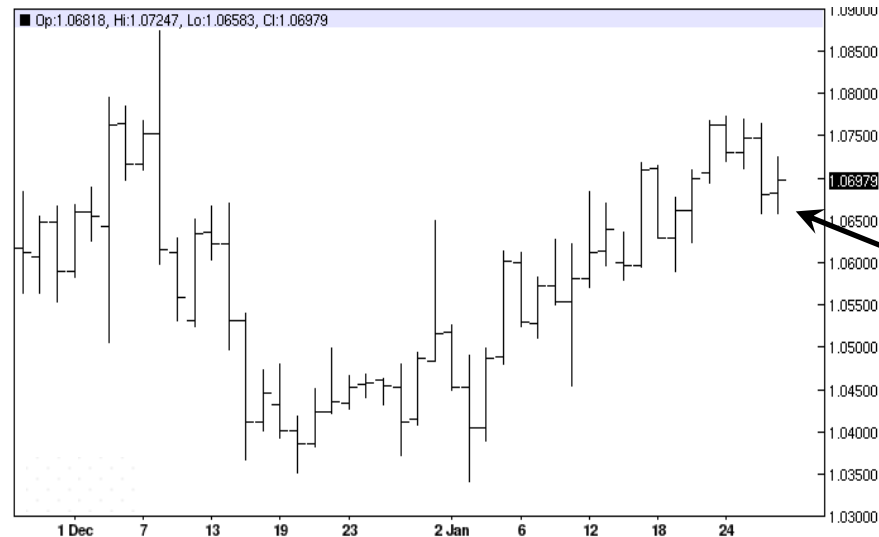
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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE.

Last week we were Square



The Dollar continues to drift lower against the Euro despite expectations of higher US interest rates.

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

...“Looking ahead the key release this week is Q4 GDP, but will it be enough to restart the Dollar rally?”...

In the event the number was disappointingly weaker than expected, leaving the Dollar in the current period of relative weakness against the Euro and to a degree

Sterling.

Looking ahead there is a whole raft of key data due with non-farm payroll expected on Friday, but we judge the FOMC policy decision due on Wednesday could prove the main event this week.

We remain square of the Dollar during what we judge to be a period of correction.

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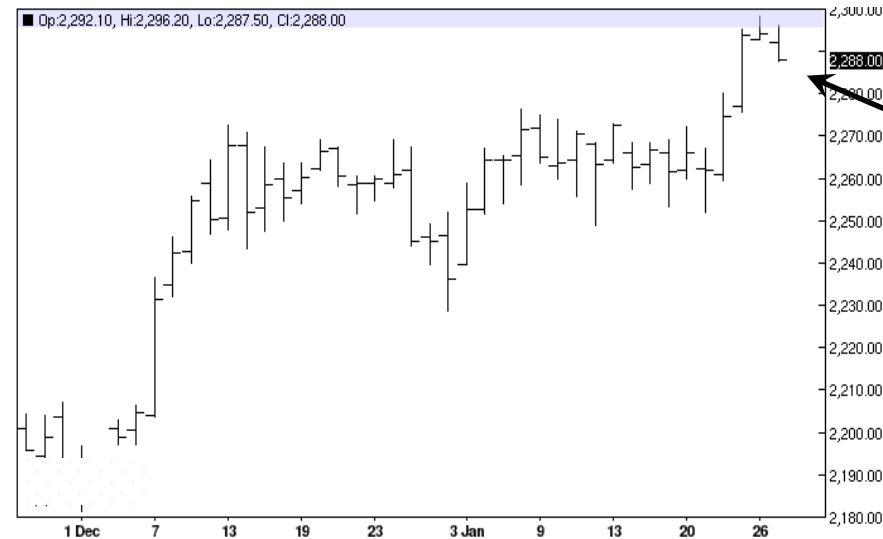
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US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



The S&P made new highs last week as Trump began putting his campaign promises into effect..

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

...“Looking ahead Q4 GDP is due and consensus is a gain of 2.2% Annualised, but is that too low?”...

In the event the number was weaker than expected, but the market shrugged off the report as corporate earnings were generally better than expected.

Looking ahead several key reports due and a strong PMI and non-farm payroll will underpin the obvious bullish sentiment in this market.

We remain Bullish of this market data remains on a broad upward trend, despite Q4 GDP, and Trump's policies are looking pro-growth.

Our suggested target continues at 2330.0, and our suggested stop remains set at 2205.0 for protection.

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Commodities

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Disclaimer

UK MARKETS: economic background

Last week our focus was Q4 GDP and after a run of stronger than expected data in the post “BREXIT” period we were looking for a solid report.

In the event the report was stronger than expected, and points to an economy showing greater resilience than expected.

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; **GFK Consumer confidence**,
- On Tuesday; **Net consumer credit, net lending on dwellings, mortgage approvals and BRC Shop prices**,
- On Wednesday; **Nationwide house price**

- **survey and PMI Manufacturing survey**, On Thursday; **PMI Construction, BOE/MPC interest rate decision, AP Target and inflation report**, and
- On Friday; **PMI Services survey**.

There are several key data releases due this week, but we judge the main event is Thursday’s Bank of England policy decision and interest rate report.

Has the Bank changed its view of the economy’s growth rate and or the outlook for inflation?



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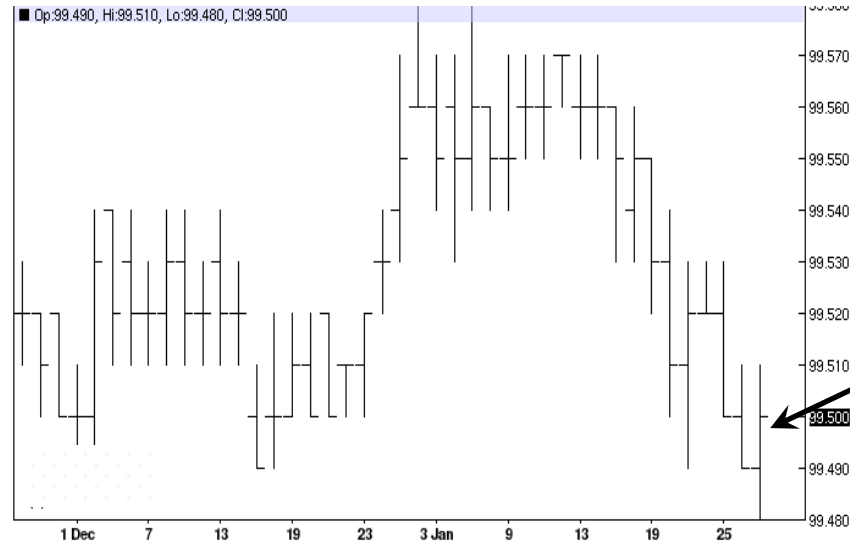
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling is gradually pointing towards a tightening!

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

...“Looking ahead the key release this week is Q4 GDP and we expect few if any surprises”...

In the event the number held up well in fact it was marginally stronger than expected, as the economy out performed all the negative forecasts made in the days immediately after the vote to leave the EU.

Looking ahead a whole raft of data is due, but for this

market we judge the inflation report is the main event.

The market continues to trade lower as it is increasingly obvious the Bank will not be easing policy further.

In fact with growth holding in so well, if CPI proves too problematic they might begin to think of tightening, but not yet.

We are square.

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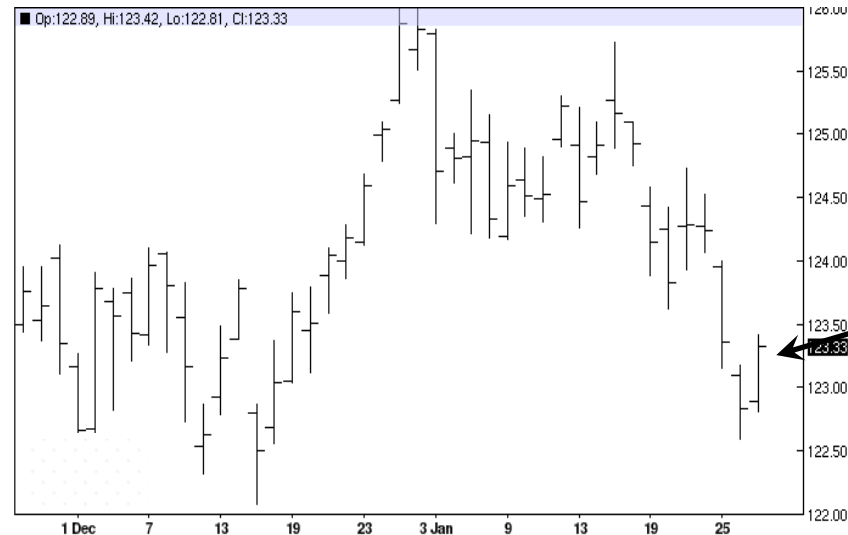
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt looks under pressure as growth holds up well and inflation is expected to worsen further.

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

..."Looking ahead Q4 GDP is due, but we expect an inline number"...

The number was marginally better than expected and the governments PSNB number was a little better too, but not enough to support the Gilt.

Looking ahead the three PMI numbers are due, so too is the Bank of England's policy decision and inflation report. We sense Thursday could prove a crucial turning point for policy expectations.

We remain square of the Gilt.

A run of stronger data will help government finances, but if CPI runs too far above target the Bank will feel a need to act.

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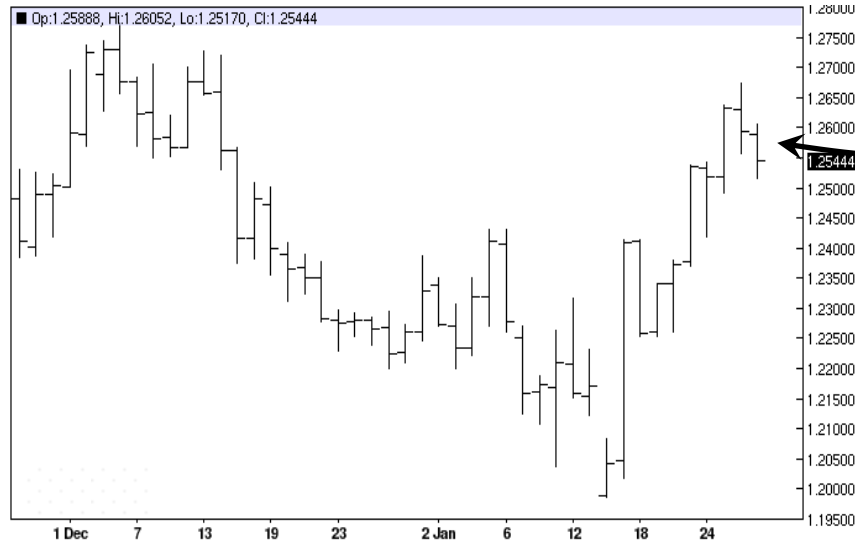
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UK MARKETS: Sterling

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

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



See how the Pound held up well against the Dollar and has found some support against the Euro.

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

...“Looking ahead Q4 GDP is due and we expect it to meet consensus”...

In the event UK Q4 GDP was marginally stronger, US GDP weaker and that helped the Pound.

Looking ahead a whole raft of heavy weight data releases due in both the UK and the US with both the

Fed and Bank of England meeting to decide on policy settings and issue inflation forecasts.

We remain bearish of Sterling against the Euro. How much longer can the economy continue to maintain its current strength?

Traders should be 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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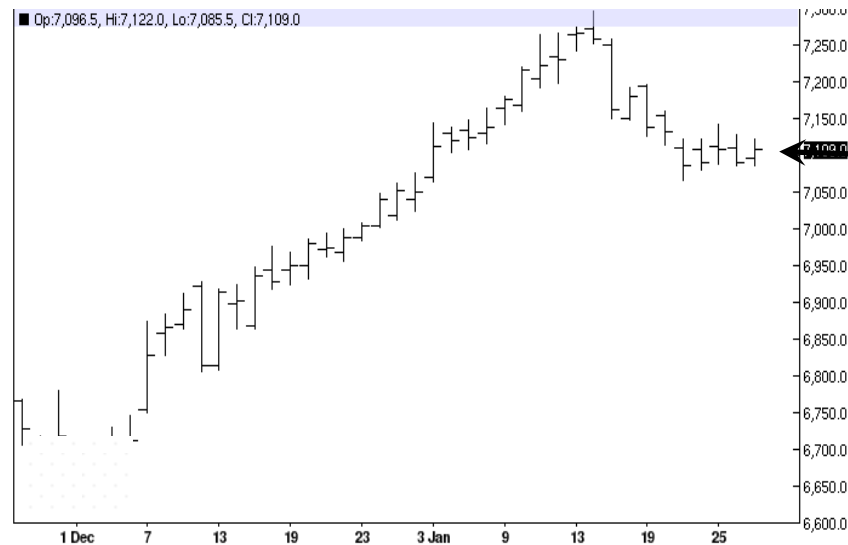
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UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish**.



See how the FTSE remains well supported just below the highs.

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

...“Looking ahead the key release is Q4 GDP. We expect a number in line with consensus, but the market isn't moving on data, but the movements of the currency”...

In the event that proved true. Data was better than expected, but the currency recovered against the Dollar and the Euro and the FTSE eased back from the highs.

Looking ahead see the calendar for the run of data releases due both in the UK and abroad, all of which are key to the performance of the FTSE, but crucially as they impact the Pound.

Traders should remain long the FTSE.

Our suggested target remains 7380.0 and our suggested stop continues at 7110.0 for very close protection.

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EURO ZONE MARKETS: economic background

Last week's main event was the Euro Zone PMI Composite survey.

In the event the number fell short of consensus and underscored the ECB's recent decision to maintain their policy stance.

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 industrial confidence, services confidence, consumer confidence and German CPI,**
- On Tuesday; **French Q4 GDP, German retail sales, unemployment report, Euro zone Q4**

GDP, CPI estimate and unemployment rate,

- On Wednesday; **German, French, Italian and Euro zone PMI Manufacturing surveys,**
- On Thursday; **Euro zone PPI, and**
- On Friday; **German import prices, Euro zone M3 and Italian, French, German and Euro zone PMI Services surveys.**

There are several key releases due, including the PMI Surveys, but we are interested in German CPI, it looks set to hit 2.0% year on year and German policy makers were already calling on the ECB to tighten policy.



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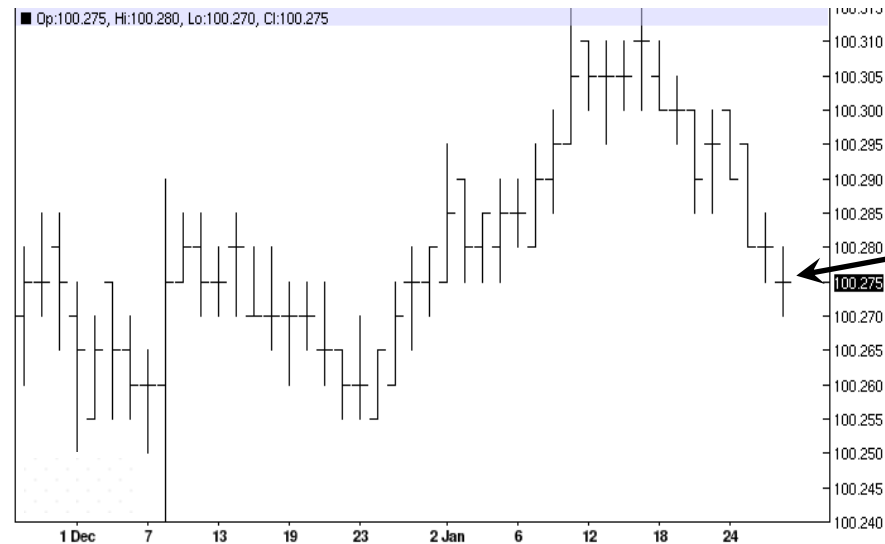
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor continues to correct lower on German CPI angst.

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

...“Looking ahead the Euro zone PMI Composite survey is due, but we doubt it will have a major impact here”...

In the event the survey fell short of consensus, but had little impact here as traders reacted more to German angst over their rising CPI.

Looking ahead the key release for this market this week is German CPI, but even though it is expected to have risen from 1.7% to 2.0% calls to the ECB to hike interest rates are falling on deaf ears.

We remain square here.

The ECB recently restated policy and dismissed concerns from Germany about inflation.

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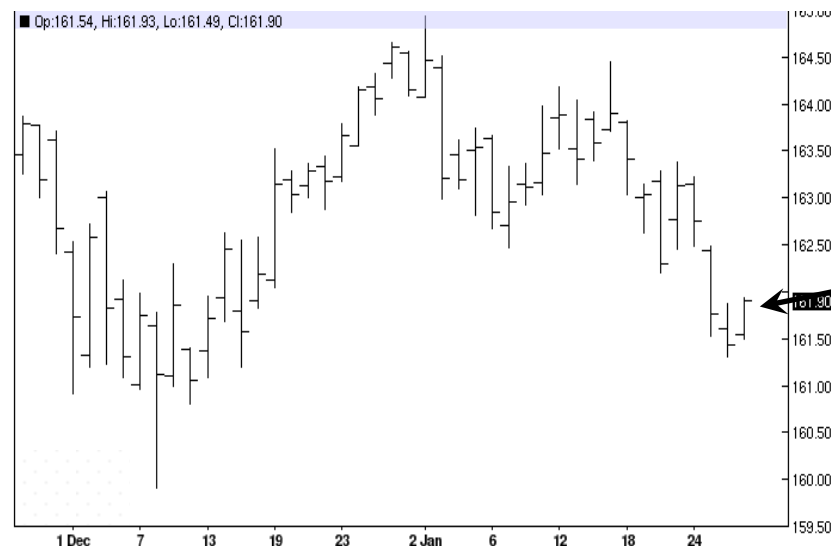
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund continues its downward move as CPI in Germany has ruffled a few feathers.

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

..." Looking ahead the Euro zone PMI composite Survey is due, but unless significantly different to consensus unlikely to have a big impact on this market"...

In the event the report fell just short of consensus, but the Bund paid little or no heed.

Looking ahead a whole raft of data is due, but we are particularly interested in German CPI.

We are square of the Bund.

Although the Bond rally looks over, a strong Bear market still seems a little distant given the mix of fundamentals even though the Bund continues its drift lower.

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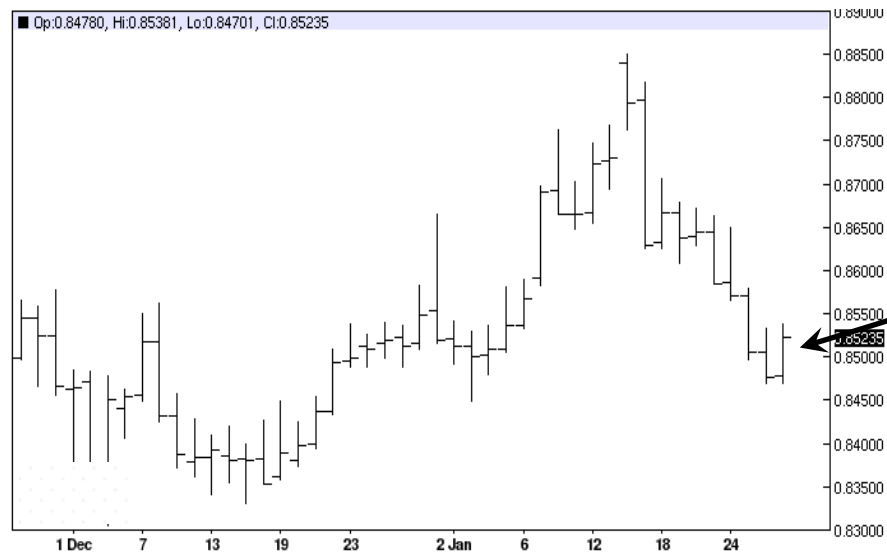
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BULLISH V STERLING

Last week we were Bullish v Sterling



The Euro gave back more gains as the UK economy continues to our perform.

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

...“Looking ahead the key release is the Euro zone PMI Composite survey, but we doubt it will make a significant impact on this market”...

In the event the PMI Composite fell short, but the market was responding to the continued surprisingly strong performance of the UK economy.

Looking ahead key data releases due both at home

and abroad, but we think German CPI and the Bank of England quarterly inflation report, will be key factors in the direction of this pair.

We remain long the Euro/Short the Pound, but could change our mind if the Bank of England turns Bullish on growth and Hawkish on interest rates.

Our suggested target in Sterling/Euro remains 0.9220 and our suggested stop continues at 0.8285 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
- + NIKKEI

Commodities

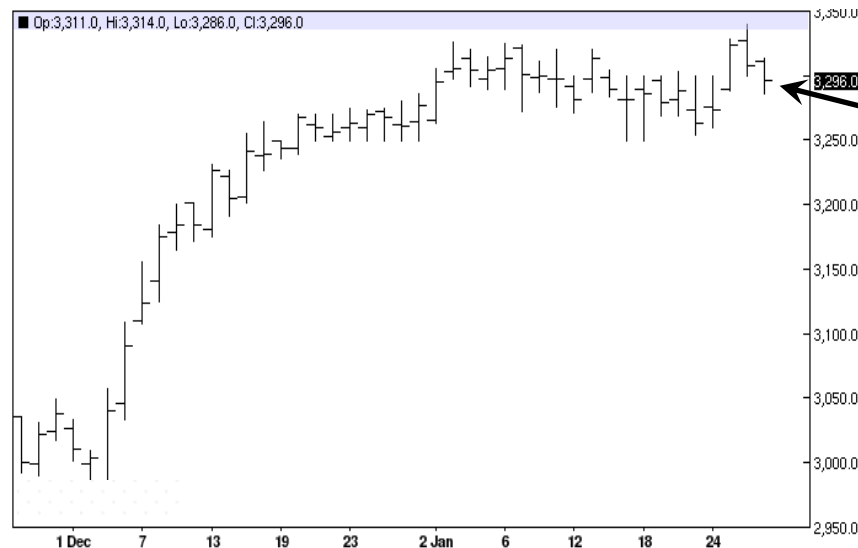
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of DJ EUROSTOXX50.



See how the market remains well supported on expectation of economic improvement.

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

last week we said...

...“Looking ahead the Euro zone PMI composite Survey is due, but markets need a fresh shot of bullishness from the US the US Q4 GDP report might just provide it”...

In the event both the Euro zone PMI and US Q4 GDP fell short of expectations, but stocks rallied on sentiment induced by solid US Corporate earnings.

Looking ahead all the key heavy weight data releases are due in the Euro zone, US and UK with the US Fed and Bank of England also deciding on monetary policy. Will the results prove equity market positive?

We remain bullish of this market as traders are still focussed on what Trump means for growth.

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

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JAPANESE MARKETS: economic background

Last week's focus was the CPI and PMI manufacturing reports.

In the event the CPI reports were stronger than expected and so too was the PMI Manufacturing survey, pointing towards improvement.

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; **retail sales, jobless rate, household spending, industrial production, BOJ policy**

decision and vehicle production,

- On Tuesday; **PMI Manufacturing survey,**
- On Wednesday; **Vehicle sales, and**
- On Thursday; **consumer confidence, BOJ Minutes from December 19-20 meeting and PMI Services survey.**

The Key event this week is the Bank of Japan policy decision and statement, how will policy makers view the recent data mix and will they want to do more to give the tepid recovery a push?



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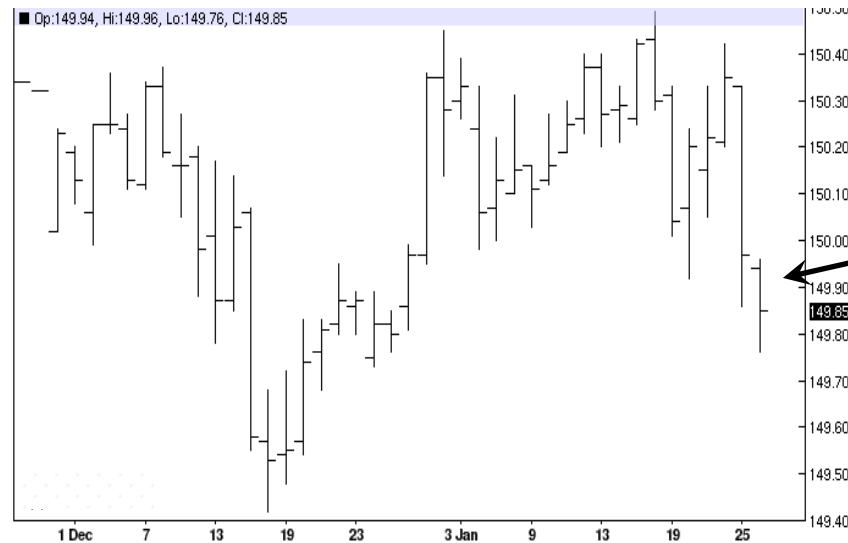
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JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB was under downward pressure as data firmed but within the trading range.

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

...“Looking ahead the focus this week is PMI manufacturing and CPI. A solid PMI and firmer CPI will please not only the markets, but the BOJ too”...

In the event the numbers were all stronger, what did the BOJ think, we have a chance to find out this week.

Looking ahead several reports due but we judge the Bank of Japan's policy decision and statement are the main event.

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

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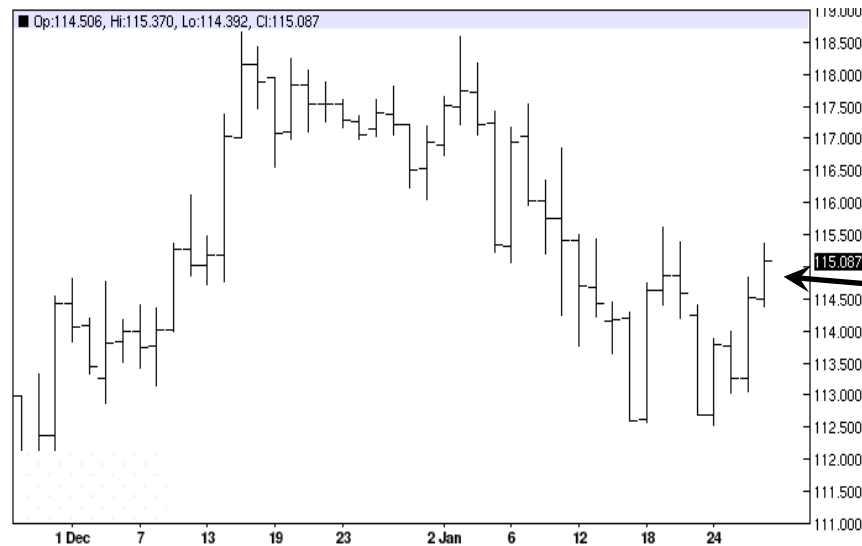
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JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen remains range bound..

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

...“Looking ahead CPI stands out. A stronger than expected report could breath some life into the Yen, an inline report will likely mean more range trading”...

In the event CPI was firmer but the Yen went in the opposite direction, but clearly still within the trading

range.

Looking ahead the Bank of Japan's policy decision is due, will they do anything? But the policy statement might have an impact.

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

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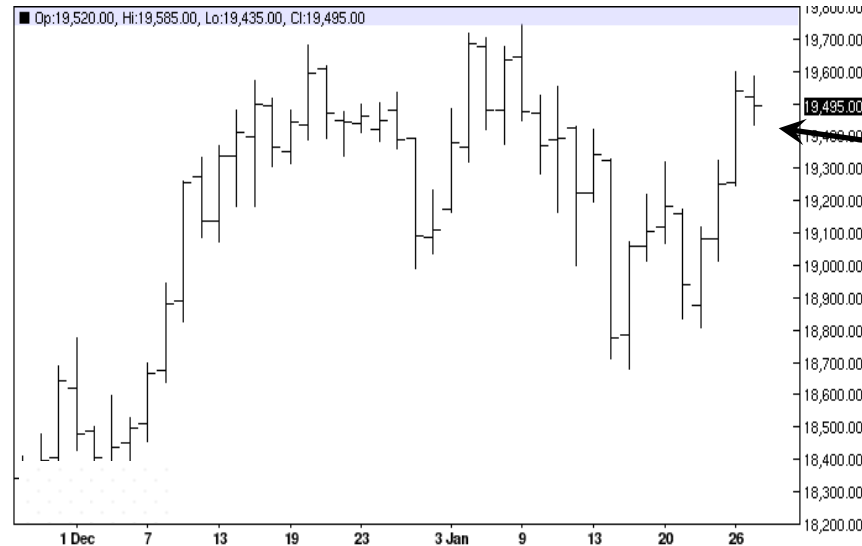
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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei looks supported, but needs a catalyst to move higher.

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

...“Looking ahead CPI and PMI manufacturing are due, but this market is still linked strongly to the movements of the Yen”...

In the event the Yen remains in a trading range, and although it reversed the previous week's minor gains, not by enough to force the Nikkei towards new highs;

yet!

Looking ahead the Bank of Japan policy decision is due, will they say anything that weakens the Yen and sends this market higher?

For now we are staying square.

The S&P and FTSE have greater clarity.

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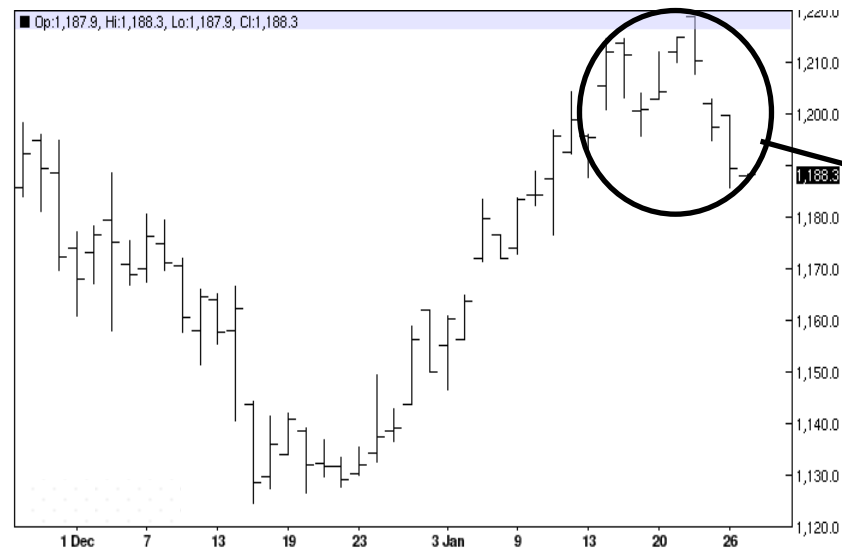
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COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold corrected, but with the Dollar looking soft it remains supported.

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

...“Looking ahead Q4 GDP is due in the US and UK, clearly a strong US report will support the Dollar and potentially weaken Gold”...

In the event the US Q4 GDP report fell short of consensus and offered the Dollar no new support, but Gold was unable to capitalise as it corrected while

traders on Trump and his economic policies.

Looking ahead a whole raft of key US economic data is due and the FOMC policy decision/statement is also due, will the Fed offer fresh clues, will they sound a more hawkish tone or are they still in wait and see mode, seeking greater clarity from Trump's policies.

For now we are square.

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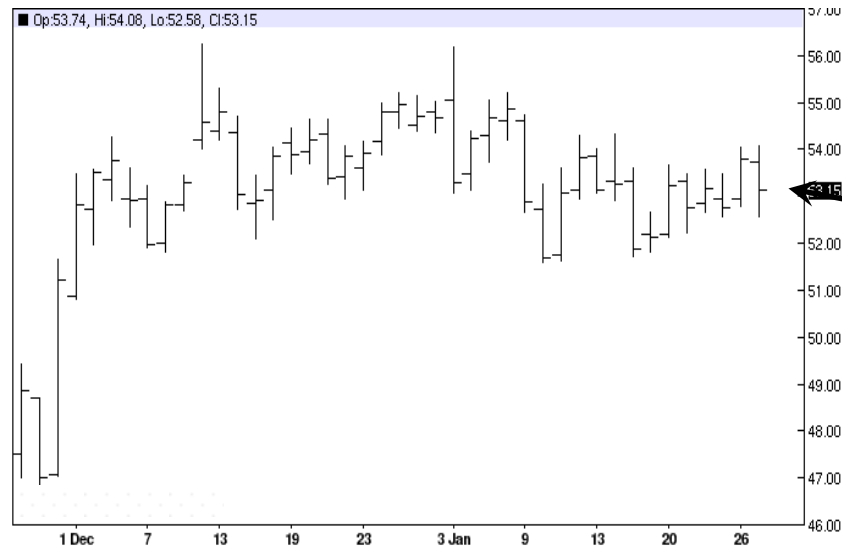
- + GOLD
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COMMODITIES: Oil

OUR TRADING STANCE; SQUARE.

Last week we were Square of Oil.



See how oil remains bound by a tight trading range.

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

...“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 remains 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 and at the moment even tighter than that!

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