



Week 07
14th – 20th February 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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SUMMARY

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+ EURODOLLARS
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+ S&P 500

● SQUARE
● BEARISH
● SQUARE
● BULLISH

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

● SQUARE
● SQUARE
● SQUARE
● BULLISH

Euro Zone Markets

+ EURIBOR
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● SQUARE
● SQUARE
● SQUARE
● BULLISH

Japanese Markets

+ JAPANESE BONDS
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● SQUARE
● SQUARE
● SQUARE

Commodities

+ GOLD
+ OIL

● SQUARE
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This week's global calendar

	Week of 13 th February
Monday	DM WPI n/f JP Q4 GDP 0.3q, 1.1(A) JP Ind production n/f JP Capacity utilisation n/f
Tuesday	US NFIB Sml Bis optimism 104.9 US PPI 0.3m, 1.5y US PPI Ex -f&e 0.2m, 1.1y US Yellen @ senate Bkg panel UK CPI -0.5m, 1.9y UK RPI -0.4m, 2.8y UK RPI-X 3.1y UK PPI Input 1.0m, 18.5y UK PPI Output 0.3m, 3.2y UK PPI Core 0.3m, 2.2y UK House price indx 6.5% DM Q4 GDP 0.5q, 1.8y DM CPI -0.6q, 1.9y IT Q4 GDP 0.3q, 1.0y EZ Q4 GDP 0.5q, 1.8y EZ Ind production -1.5m, 1.7y DM ZEW 15.0
Wednesday	US MBA Mrtge apps n/f US Retail sales 0.1m, US RS Ex- Autos 0.4% US Empire mfg 7 US CPI 0.3m, 2.4y US CPI Ex- f&e 0.2m, 2.1y US Ind production 0.0m, US Capacity utilisation 75.5% US NAHB Housing mkt 67 US Yellen semi annual testimony @ House UK Unemployment rate 2.3% UK Unemploy'm't chge 1.0k UK Average earngs 2.8% UK AE Ex- Bonus 2.7% UK ILO Rate 4.8% EZ Trade bal 22.0B EZ G20 Finance ministers meeting

	Week of 13 th February
Thursday	US Philly Fed 17.5 US Housing starts 1227k US Buiding permits 1230k US Jobless claims 245k EZ ECB Minutes EZ G20 Finance ministers meeting JP Machine tool orders n/f
Friday	UK Retail sales 0.7m, 3.9y EZ C/A n/f EZ Construction output n/f

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Last week's releases

	Week of 6 th February		Week of 6 th February
Monday	UK BRC Sales -0.6% WEAKER DM Factory orders 5.2m, 8.1y STRONGER JP Labour cash earngs 0.1% WEAKER THAN EXPECTED	Thursday	US Jobless claims 234k BETTER US Wholesale invntry 1.0% AS DM C/A 24.0B LESS DM Trade bal 18.7B WEAKER JP Machine tool orders 3.5% LESS JP Dmstc corp goods prices 0.6m, 0.5y MORE JP Tertiary industry indx -0.4m WEAKER THAN EXPECTED
Tuesday	US Trade bal -\$44.3B BETTER US Consumer CR \$14.160B WEAKER UK Halifax house prices -0.9m, 5.7y WEAKER DM Ind production -3.0m, -0.7y WEAKER JP C/A 1112.2B WEAKER JP Trade bal 806.8B STRONGER JP Eco watchers 49.8 WEAKER JP Bank Indg 2.5% LESS JP Bankruptcies -10.3% BETTER THAN EXPECTED	Friday	US Import prices 0.0m, 3.7y MORE US U. of Michigan conf 95.7 WEAKER US Mthly bdgt statement \$51.3B WORSE UK Trade bal -£10.890B BETTER UK Trade NON-EU -£2.110B BETTER UK Ind production 1.1m, 4.3y STRONGER UK Mfg output 2.1m, 4.0y STRONGER UK Construct'n output 1.8m, 0.6y STRONGER UK NIESR GDP Estimate 0.7% STRONGER THAN EXPECTED
Wednesday	US Mba mrtge apps 2.3% MORE UK RICS House prices 25% BETTER JP Machine orders 6.7m, 6.7y STRONGER THAN EXPECTED		

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US MARKETS: economic background

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Last week's focus the trade balance and budget deficit.

The thrust of Trump's run for the White house was about making America great and he saw a large trade deficit as evidence of US wealth leaching abroad, but the Budget deficit is likely to balloon as he enacts his policies.

In the event last weeks data offered a better than expected trade deficit, but bigger budget deficit, but wait! He is yet to implement his brand of economics.

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; **NFIB Small business**

confidence, PPI and the Fed's Yellen appears before the Senate banking committee,

- On Wednesday; **Retail sales, CPI, Industrial production, capacity utilisation and Yellen makes her Semi-annual testimony before the House, and**
- On Thursday; **Jobless claims, housing starts, building permits and Philly Fed.**

There are several key reports due this week, with retail sales and industrial production two to watch, but we are focussed on Yellen's twin appearances in Congress for her take on how the economy is shaping up and the outlook under Trump.

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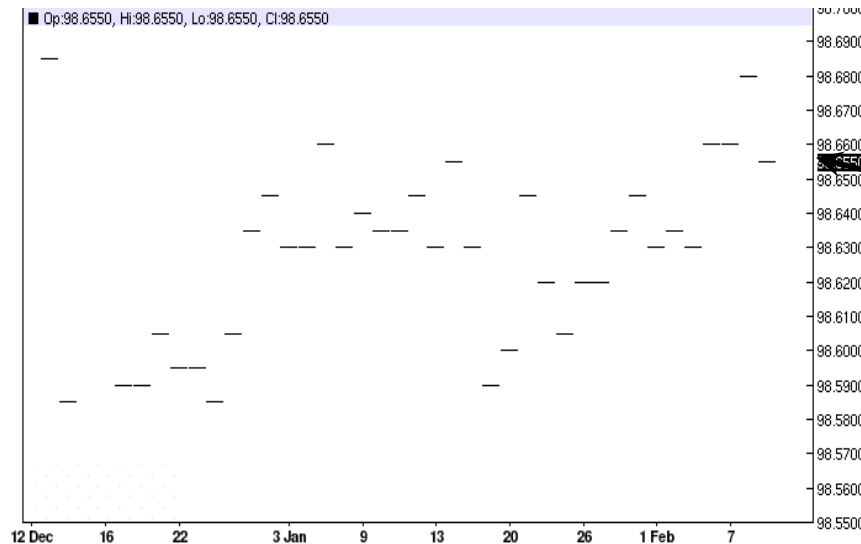
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars remain supported despite data that supports the Fed's stated intention to hike three times this year.

The Macro Trader's view of Eurodollars is; last week's data was mainly about trade and budget deficits which offered little excitement for this market and meant the focus remained the previous week's FOMC policy statement and strong non-farm payroll report.

Looking ahead all eyes on Yellen when she appears before the senate and the House. Data wise Retail

sales is due together with industrial production.

We are remaining square.

Unless the economy experiences a sudden cooling the Fed will press ahead with its stated aim of three rate hikes.

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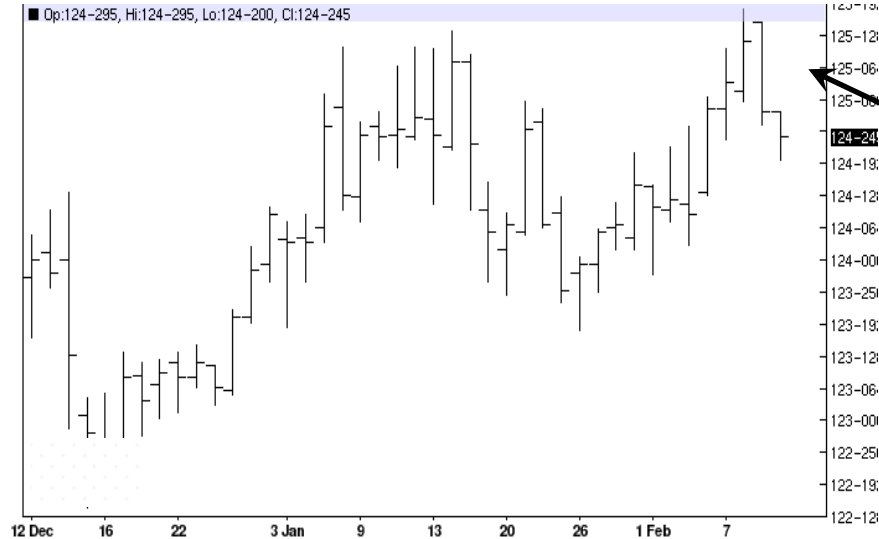
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US MARKETS: 10 Year Note

OUR TRADING STANCE: **BEARISH**.

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



The 10 year note retraced further than expected.

The Macro Trader's view of the 10 year note is:

recent price action saw this market retrace further than expected, despite a stronger than expected non-farm payroll report at the start of the month and Solid ISM surveys.

Looking ahead the key events this week are retail sales, industrial production and Janet Yellen's twin appearances in Congress.

We remain bearish of Bonds despite our stop being

hit.

The policies Trump has articulated will be pro-growth, but at the expense of a bigger budget deficit yet to materialise, 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 is reset at 125.90 for protection.

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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE.

Last week we were Square



The Dollar remains in a state of torpor as traders don't know whether to buy or sell on Trump.

The Macro Trader's view of the Dollar is; last time our attention was divided between non-farm payroll and the Fed.

The Payroll report was stronger than expected and the Fed broadly as anticipated. Last week's data was a mix of improved trade deficit but bigger budget deficit.

Looking ahead all eyes on Yellen. Will she throw more

light on how the Fed will react to Trump's policies of cutting tax, spending more and coercing business to bring jobs back from abroad?.

We remain square of the Dollar.

Traders seem unable to decide if Trump is Bullish or Bearish for the Dollar.

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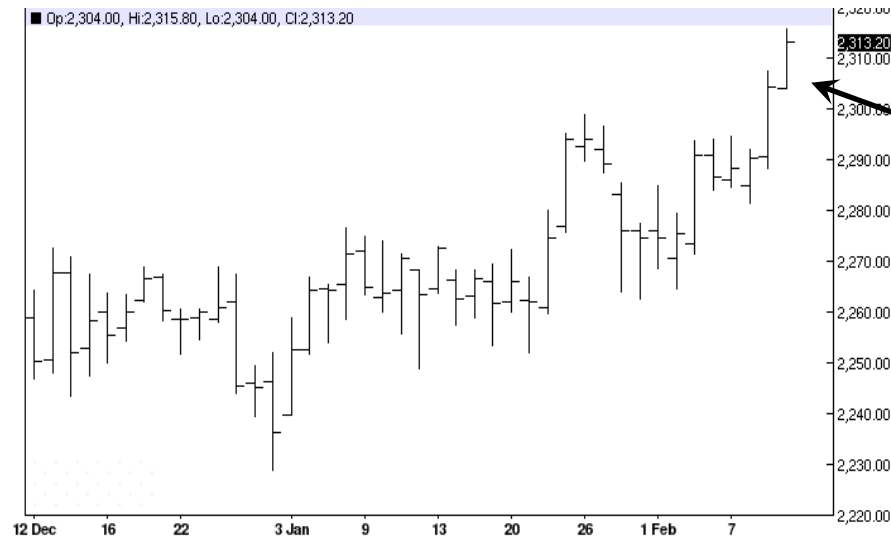
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US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



The S&P remains well supported by solid data.

The Macro Trader's view of the S&P 500 is: last time our focus was the ISM surveys and non-farm payroll.

In the event all three were good to strong and the following week the FOMC kept the Fed on track for its stated three rate hikes.

Looking ahead retail sales, industrial production and Yellen are due. We judge these three events can keep

the rally going.

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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UK MARKETS: economic background

Last time our focus was the Bank of England.

In the event the Bank used its quarterly inflation report to revise three key forecasts. Inflation was revised lower, Growth higher and wage growth lower resulting in policy being left unchanged.

Last week saw the release of industrial production, manufacturing output and the trade data. All were better 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 Tuesday; **CPI, RPI, PPI and House price index**,

- On Wednesday; **unemployment report and average earnings, and**
- On Friday; **Retail sales.**

There are several key data releases due this week. Inflation as measured by CPI and PPI on Tuesday, the unemployment report on Wednesday and retail sales on Friday.

They are all important indicators as to the health of the economy as the UK moves towards leaving the EU.



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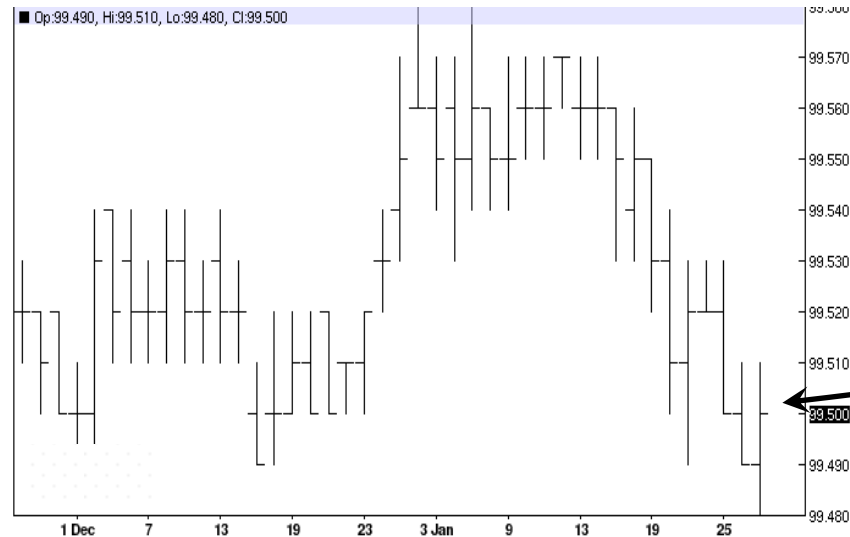
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling reacted to the reality of strong economic performance.

The Macro Trader's view of Short Sterling is: last time we focussed on the quarterly inflation report and it proved interesting reading.

The Bank amended growth; stronger, inflation; lower and wage growth; weaker, meaning interest rates look set to remain on hold in the short/medium and long term.

Looking ahead three key reports due as detailed on the calendar and we expect then to keep this market

close to current lows.

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, they might begin to think of tightening, but not yet.

We are square.

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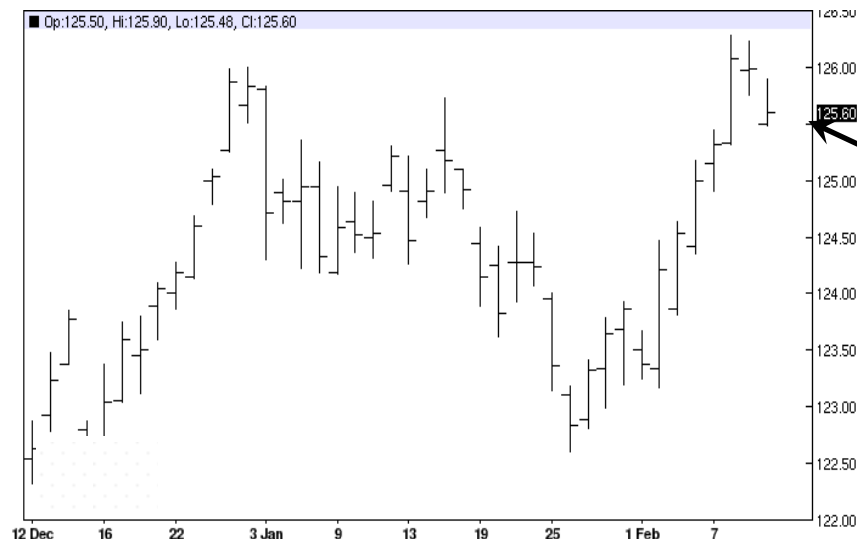
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt defies the doom sayer's despite the prospect of leaving the EU.

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

...“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”...

In the event the recent quarterly inflation report revised the outlook for inflation lower, helped by a steady Pound and expected future weak wage growth.

Looking ahead a heavy week data wise with inflation, unemployment and retail sales all in the spot light. Will they offer a benign combination that helps support this market?

We are staying square here. The Gilt can only rally so far in the current environment and as we have said many times, a bear market doesn't currently look like a strong possibility at the moment.

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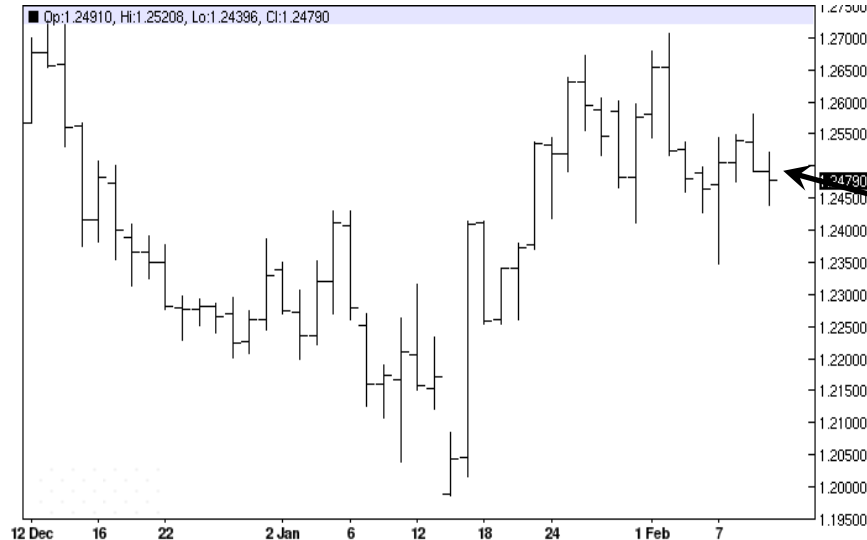
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UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE.

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



See how the Pound remains remarkably stable as the EU exit talks look set to begin in the very near future.

The Macro Trader's view of the Pound is: last time we remained bearish of Sterling against the Euro as we awaited the start of UK exit negotiations from the EU.

But data has grabbed attention. Growth remains solid, inflation, according to the Bank is set to be a little less problematic and the Government has got its bill through the commons allowing the PM to trigger "BREXIT" talks.

Looking ahead the key releases this week are CPI,

unemployment and retail sales. Baring any nasty surprises the Pound looks comfortable around current levels.

We are now square.

The Pound no longer looks as vulnerable as it did against the Euro as Greece remains a problem and elections loom in Germany and France and key EU "BREXIT" negotiators are suddenly less sure of maintaining a united EU27 into the talks..

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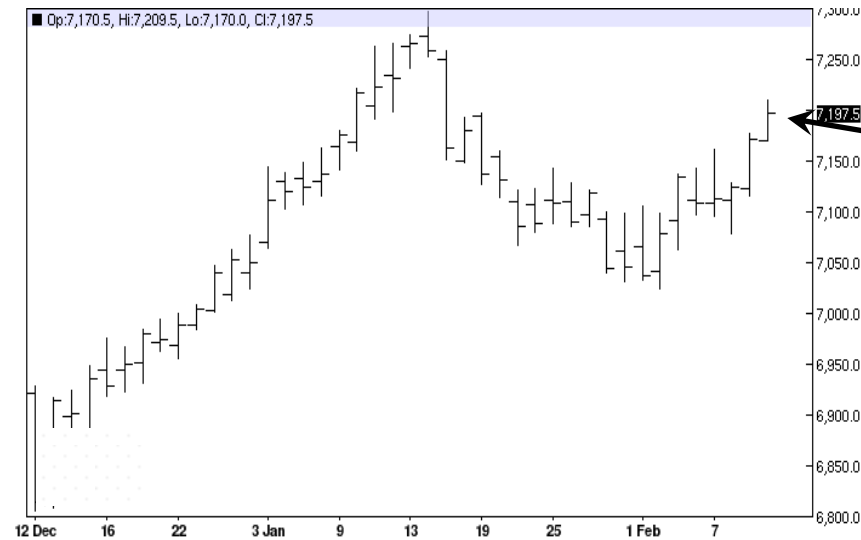
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UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish**.



See how the FTSE lags the S&P but still looks bullish.

The Macro Trader's view of the FTSE is; recent price action has showed the FTSE remains linked to the fate of the currency. The Pound has remained steady within a trading range against both the Dollar and the Euro and so too has the FTSE.

But UK data has continued to show a robust economy and the Bank of England's recent quarterly inflation report expects growth to hold up while inflation eases on the back of weaker wage growth, all of which should offer this market support.

Looking ahead the CPI, Unemployment and retail sales reports are all due. Retail sales is likely to be soft, but unless it is surprisingly weak traders will remain focussed on the bigger picture which is how the UK intends to operate outside of the EU.

Traders should remain long the FTSE despite the stop being hit.

Our suggested target remains 7380.0 and our suggested stop reset at 7010.0 for protection.

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EURO ZONE MARKETS: economic background

Last week's main events were German factory orders and industrial production.

In the event they delivered mixed signals. Factory orders were stronger than expected, but industrial production was weaker?

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; **German WPI**,
- On Tuesday; **German, Italian and Euro zone Q4 GDP, German CPI and ZEW survey and Euro zone industrial production**,
- On Wednesday; **Euro zone trade data**,

- On Thursday; **ECB minutes, and**
- On Friday; **Euro zone C/A.**

The key events this week are Tuesday's Q4 GDP reports.

Italy remains torpid, but what of the German and pan Euro zone reports?



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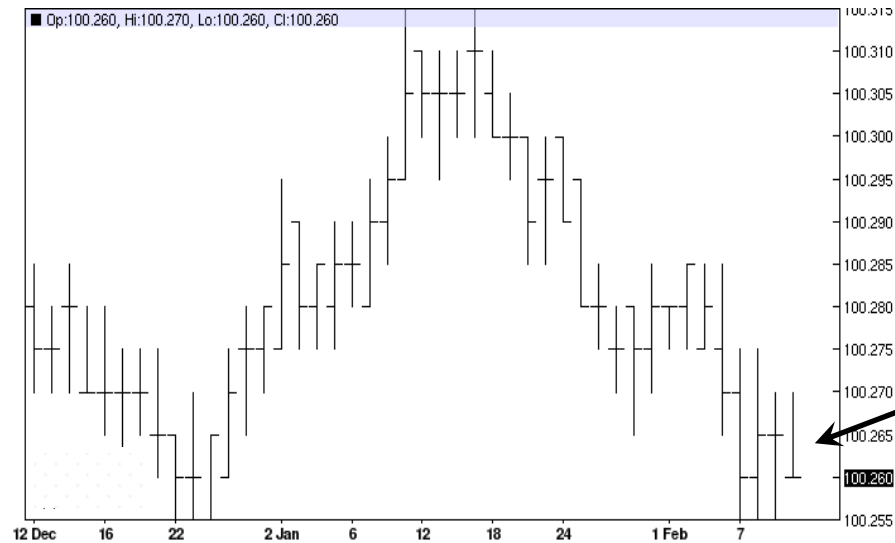
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains in a trading range, but for how much longer?

The Macro Trader's view of Euribor is; last week's price action serves as further confirmation that the market sees little or no chance of any further easing from the ECB indeed with German inflation now close to 2% there will likely be further calls from the Germans to increase rates, despite the rest of the Euro zone still struggling for any meaningful growth.

Looking ahead the GDP reports due on Tuesday are

the key events but we do not expect any surprises.

We remain square here.

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

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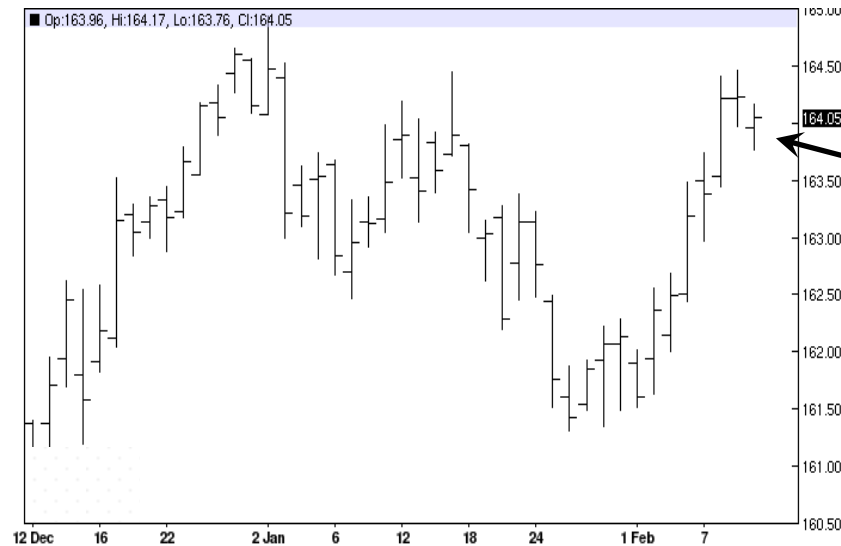
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund remains supported despite an upward creep in German inflation.

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

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

In the event the number fell just short of expectations, but for the Germans it is ringing alarm bells and they have said the Euro is artificially too weak for the German economy; interesting thought it was a pan-Euro zone currency.

Looking ahead the key releases this week are the various Q4 GDP reports. The German economy continues to act as the locomotive for the rest of the Euro zone and apart from German inflation concerns Euro zone CPI remains a tame 1.1% year on year.

We are square of the Bund.

Although the Bond rally looks over, a strong Bear market still seems distant given the mix of fundamentals.

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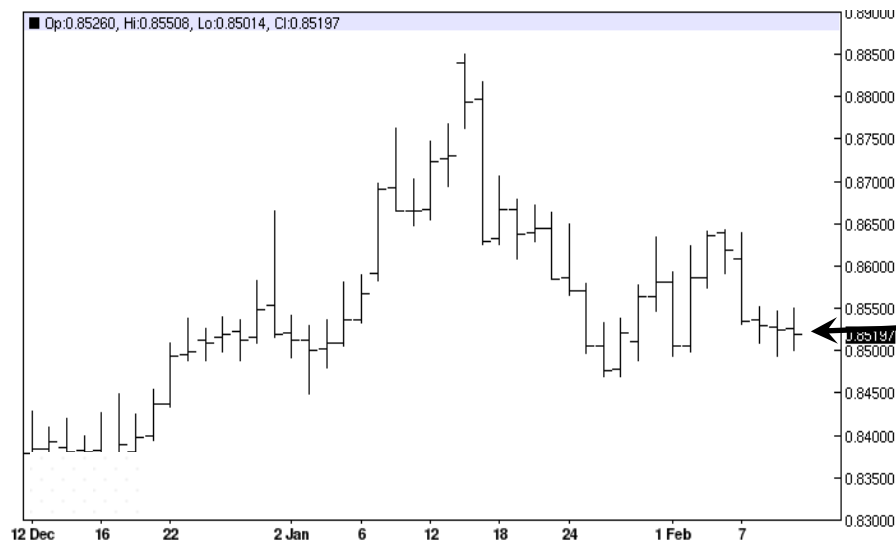
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were [Bullish v Sterling](#)



The Euro has clearly lost momentum against an increasingly comfortable looking Sterling.

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

...“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”...

In the event we judge the Bank of England quarterly inflation report proved the dominant event for Sterling/Euro as the Bank revised up UK Growth, moderated its inflation forecast and revised wage

growth lower, while the ECB brushed off calls from the Germans to hike Euro zone rates.

Looking ahead the key releases this week are the German, Euro zone and Italian Q4 GDP reports.

We are now square of Sterling/Euro. The Pound looks increasingly comfortable around current levels, the UK government looks set to stick to its “BREXIT” time table and the sounds of doubt are starting to come from the EU negotiators..

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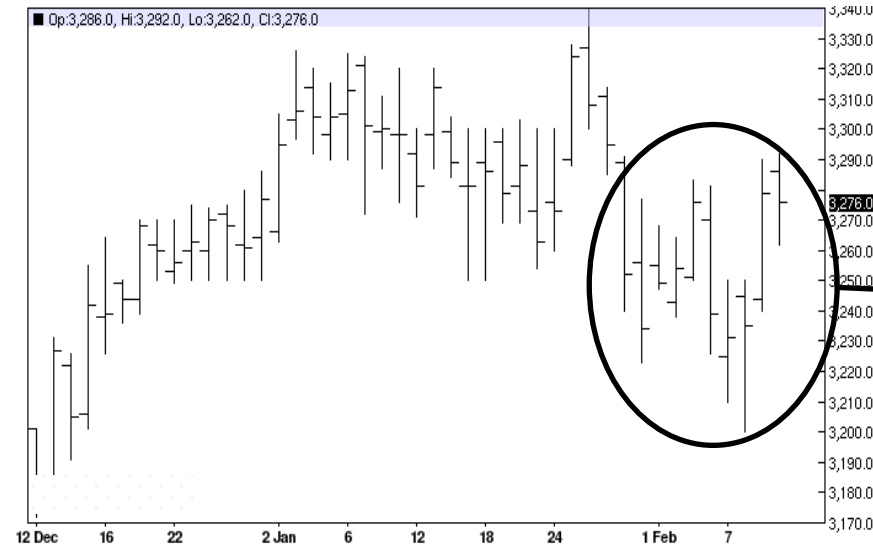
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EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: BULLISH.

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



See how the market experienced a degree of unexpected volatility.

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

...“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?”...

In the event the market experience a degree of unexpected volatility which wasn't helped by mixed signals from last weeks German data that saw stronger factory orders, but weaker industrial

production.

Looking ahead the key releases are Tuesday's various Q4 GDP reports, but we do not expect any surprises; good or bad!

We remain bullish of this market as traders are still focussed on what Trump means for growth and we think it is bullish.

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
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: economic background

Last week's focus was the trade data and machine orders reports.

In the event the trade report was stronger than expected as was machine orders, meaning the economy seems to be finding a sounder footing.

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; **Q4 GDP, Industrial production and**

capacity utilisation, and

- On Thursday; **Machine tool orders.**

The releases this week are Monday, will they show the economy on the right path or heading up yet another blind alley?



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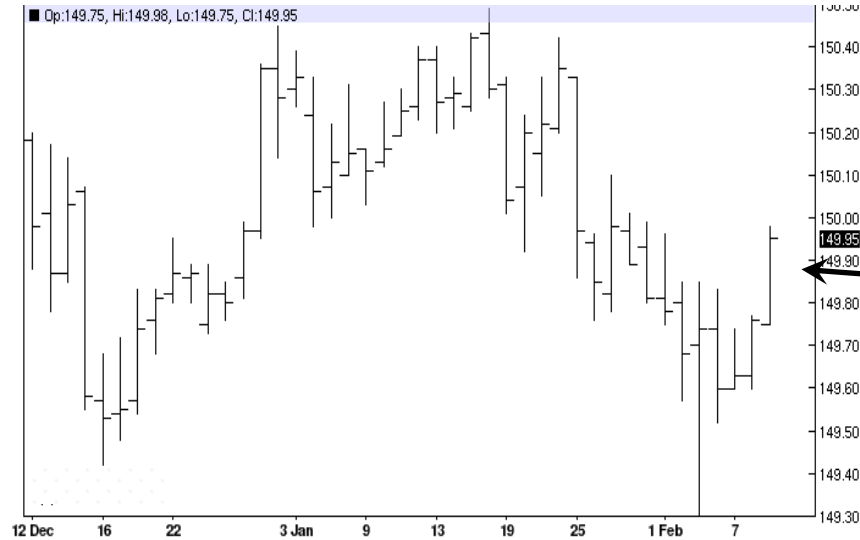
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB has not enjoyed the same degree of support as US, UK and Euro zone bond markets.

The Macro Trader's view of the JGB is: Last week's focus was the trade report.

In the event the number was stronger than expected, and together with the better than expected machine orders report, offered some evidence for a burgeoning recovery.

Looking ahead the key release this week is Q4 GDP, a solid report would be a welcome sign the economy has begun to emerge from a period of stop go growth.

We are remaining square, unless the market can break the trading range which for now we don't think it can.

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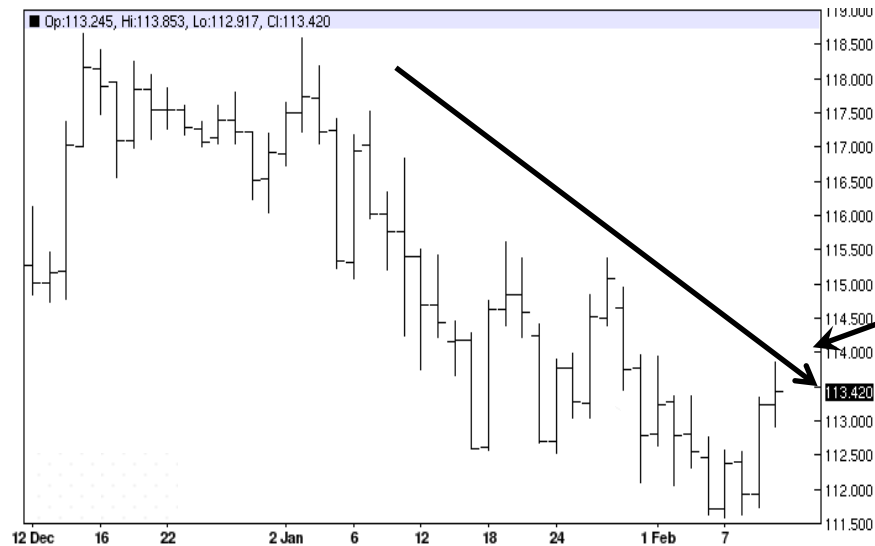
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen has, much like the Euro and Sterling made recent gains against the Dollar.

The Macro Trader's view of the Yen is; last week's price action was more to do with a softer Dollar.

Japanese data has shown improvement, but traders have become a little un-nerved by some of Trump's policy moves and question whether he will be that bullish for the Dollar after all if he continues to alienate friends and trading partners by his America first

rhetoric.

Looking ahead Q4 GDP is due and it will give an incite into how well the economy is performing.

We are square here. Currency markets are over recent weeks looking less clear and lacking direction.

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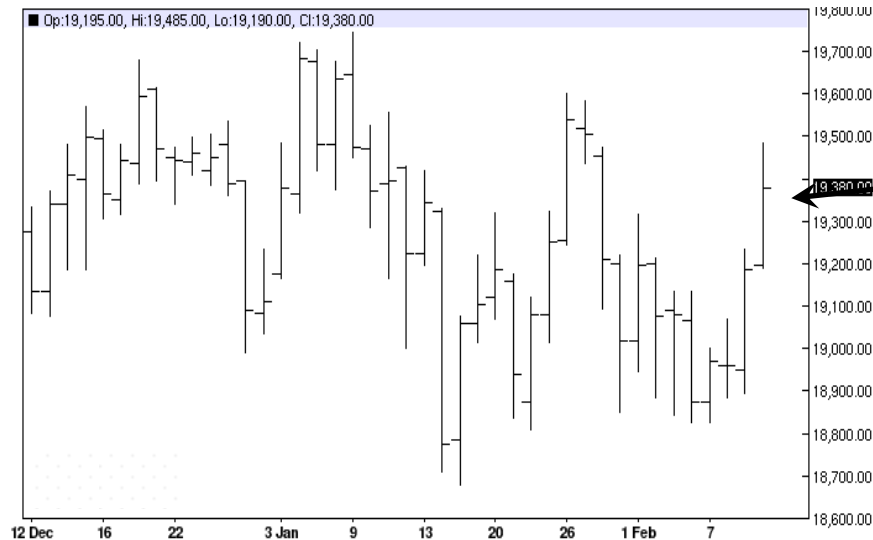
- + GOLD
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Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei is clearly range bound..

The Macro Trader's view of the Nikkei is; last week's price action revealed this market is clearly range bound.

Although data has shown improvement, the Yen's upward correction against the torpid Dollar has left this market struggling for upward momentum.

Looking ahead the key release this week is Q4 GDP,

but we doubt it will send this market higher. The Nikkei is waiting for the Yen to resume its decline against the Dollar.

For now we are staying square.

The S&P especially, and FTSE have greater clarity.

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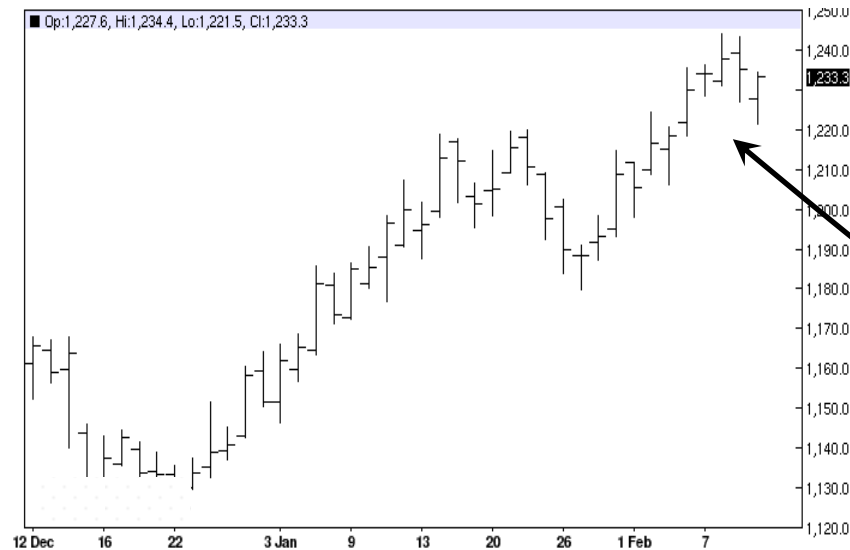
- + GOLD
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Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold remains buoyed by the current torpidity of the Dollar.

The Macro Trader's view of the Gold is: price action in this market is clearly linked closely to the Dollar and the US.

The Dollar has over recent weeks lost momentum as traders witness Trump at work. His plans to cut tax and spend on the military and infrastructure may be pro growth, but his other actions; travel bans and clashes with his own judiciary are un-nerving investors.

At some point the Dollar is likely to react positively to his policies, even if only because the Fed hikes rates.

For that reason we are unable to get excited about the current rally here in Gold and judge it yet another correction in a market that for several years has lacked strong direction.

For now we are square.

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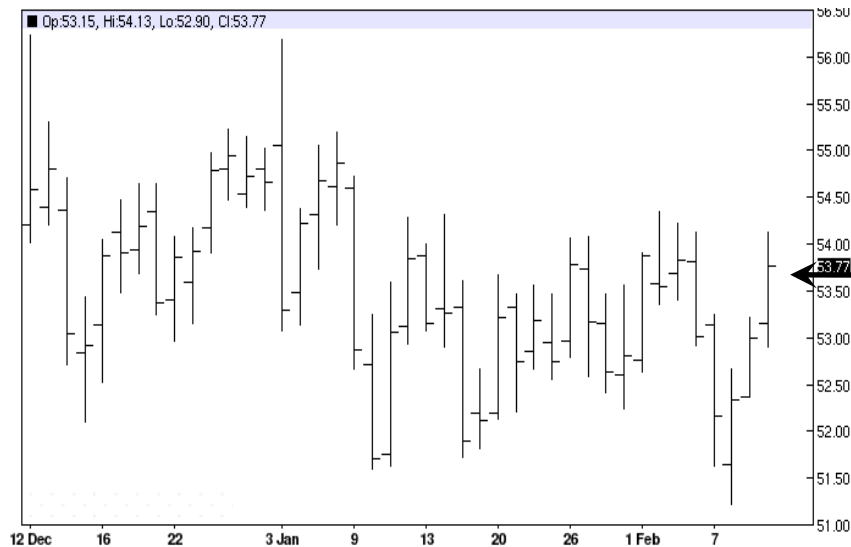
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE; SQUARE.

Last week we were Square of Oil.



See how oil remains range bound.

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

...“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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Commodities

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