



Week 17
25th April – 1st May 2017

Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer



Multi-asset fundamental strategies

John Lewis

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SUMMARY

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

● SQUARE
● SQUARE
● SQUARE
● BULLISH

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

● SQUARE
● SQUARE
● SQUARE
● BULLISH

Euro Zone Markets

+ EURIBOR
+ BUND
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+ DJ EURO STOXX 50

● SQUARE
● SQUARE
● SQUARE
● BULLISH

Japanese Markets

+ JAPANESE BONDS
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● BULLISH
● SQUARE
● SQUARE

Commodities

+ GOLD
+ OIL

● SQUARE
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This week's global calendar

	Week of 24 th April		Week of 24 th April
Monday	UK CBI Bis optimism 12 UK CBI Orders 6 UK Rght mve hse prices n/f DM IFO 112.4 JP Corp service prices 0.8%	Thursday	US Advance gds trade -\$65.5B US Wholesale invntry 0.3% US Durable gds 1.3% US DG Ex – transport 0.5% US Jobless claims 242k US Pndg home sales -1.0m UK CBI Sales 6 UK Distributive trades srvy 29 UK GFK Cons conf -7 DM GFK Cons conf 9.9 EZ Ind confidence 1.3 EZ Services confidence 12.9 EZ Consumer confidence -3.6 EZ ECB Rate decision 0.0% EZ ECB AP Target 60.0B DM CPI -0.1m, 1.9y JP BOJ Policy decision 0.0% JP Jobless rate 2.9% JP Househld spndg -0.5y JP National CPI 0.3y JP Tokyo CPI -0.2y JP Retail trade -0.3m, 1.5y JP Lrge retailers sales -1.0% JP Ind production -0.8m 4.0y
Tuesday	US Hse price indx 0.3m, US Case/shiller comp-20 5.8% US New home sales 584k US Cons confidence 122.5 UK PSNCR n/f UK PSNB 1.5B	Friday	US Q1 ECI 0.6% US Q1 GDP (A) 1.1% US Q1 Persnl consumption 0.9% US Q1 GDP Price indx 2.0% US Q1 Core PCE 2.0% US Chicago PMI 56.7 US U. of Michigan conf 98 UK Nat'nwide hse prices 0.1m, 3.3y UK BBA Home buyer Ins 42.00k UK Q1 GDP 0.4q, 2.3y UK Indx of services 0.3m, 0.5(3m/3m) FR Q1 GDP 0.4q, 0.9y DM Retail sales 0.0m, 2.2y DM Import prices -0.1m, 6.5y EZ M3 (y/y) 4.7% EZ CPI Estimate 1.8y JP Vehicle production n/f JP Construction orders n/f
Wednesday	US MBA Mrtge apps n/f JP All ind actvty indx 0.6% JP SML Business confidence 49.4 JP Machine tool orders n/f		

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Last week's releases

	Week of 17 th April		Week of 17 th April
Monday	US Empire mfg 5.2 WEAKER US NAHB Housing mkt indx 68 WEAKER JP Tokyo Condo sales 26.6% STRONGER THAN EXPECTED	Thursday	US Jobless claims 244k WORSE US Philly Fed 22 WEAKER DM PPI 0.0m, 3.1y LESS EZ Construct'n output 6.9m, 7.1y STRONGER EZ Cons confidence -3.6 BETTER JP National dept stre sales -0.9% BETTER JP Tokyo dept stre sales -0.2% BETTER JP PMI Mfg 52.8 MORE THAN EXPECTED
Tuesday	US Housing starts 1215k WEAKER US Building permits 1260k STRONGER US Capacity utilisation 76.1% LESS US Industrial production 0.5% AS THAN EXPECTED	Friday	US Existing home sales 5.71M STRONGER UK Retail sales -1.5m, 2.6y WEAKER EZ C/A 37.9B STRONGER EZ PMI Composite 56.7 STRONGER JP Tertiary Ind indx 0.2% LESS THAN EXPECTED
Wednesday	US MBA Mrtge apps -1.8% WEAKER US Fed's Beige book EZ Trade bal 17.2B MORE EZ CPI 0.8m, 1.5y AS JP Trade bal Y614.7B STRONGER THAN EXPECTED		

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US MARKETS: economic background

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Last week's focus was Industrial production and against the back drop of a recent run of weaker data, traders were eager to see if a softer trend was emerging.

In the event the number was as expected, offering some relief from the current run of disappointing data.

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; **Housing price index, case/Shiller comp-20 index, New home sales and consumer confidence,**
- On Thursday; **Jobless claims, advance**

goods trade, wholesale inventories, Durable goods and pending home sales, and

- On Friday; **Q1 Employment cost index, Q1 GDP, Q1 Personal consumption, Q1 GDP Price index, Q1 Core PCE, Chicago PMI and University of Michigan confidence.**

There is a whole raft of data due this week, but we judge the key release is the Q1 GDP report.

Over recent months data has softened and a relatively weak GDP report is expected, will it surprise to the upside?



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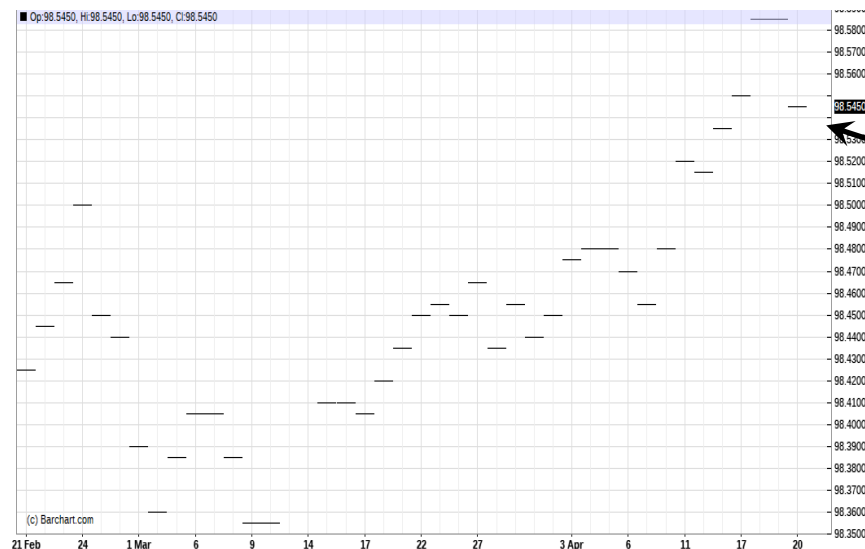
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars remain supported by the run of soft data.

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

...“Looking ahead the key release this week is industrial production, but unless much stronger than expected unlikely to impact this market to any great degree”...

In the event the number was in line with consensus and had little impact on this market.

Looking ahead several key reports due, but our focus is Q1 GDP. A weak report is expected.

We are remaining square.

The Fed is clearly looking to remove its exceptionally loose policy but it will still proceed with caution, especially if Q1 GDP is disappointing.

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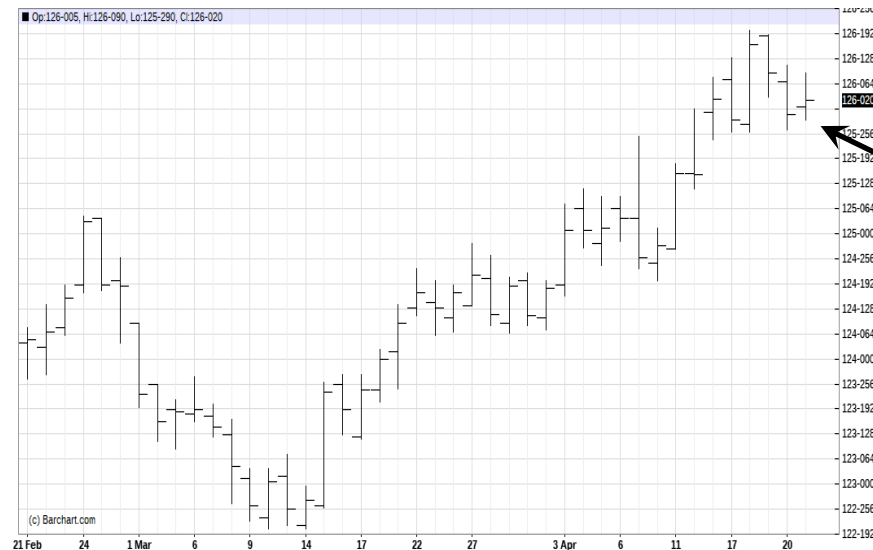
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US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note held close to the highs as stocks remained soft.

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

...“Looking ahead Industrial production is due, a stronger than expected report would be a welcome break from the recent run of softer data”...

In the event the number was in line with consensus, but other data fell short of expectations offering the market continued support.

Looking ahead Q1 GDP is the main event this week, but a soft number is expected after a run of weaker data so far this year.

We are square.

Trump needs to get his economic policies moving, until he does the Fed will see little need to deliver a more aggressive tightening.

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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE.

Last week we were Square



The Dollar remains listless against the Euro and has weakened after Sunday's voting in the French election.

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

...“Looking ahead industrial production is the main event, but we see geopolitical tension potentially working in the Dollars favour given Trump's surprising willingness to resort to military use”...

In the event industrial production was as expected and although geopolitical tension remains, the Dollar looks unable to benefit.

Looking ahead several key data releases due this

week, with Q1 GDP the main event. But after the first round of voting in the French general election points to Macron winning the second round run off, the Euro has rallied, especially against the Dollar; is the Dollar rally over?

We are remaining square of the Dollar for now.

The French vote has eased a lot of anxiety about the direction of the EU, but with two weeks to go before the 2nd round and Trump still yet to roll out his economic plan, too soon to start writing off the Dollar.

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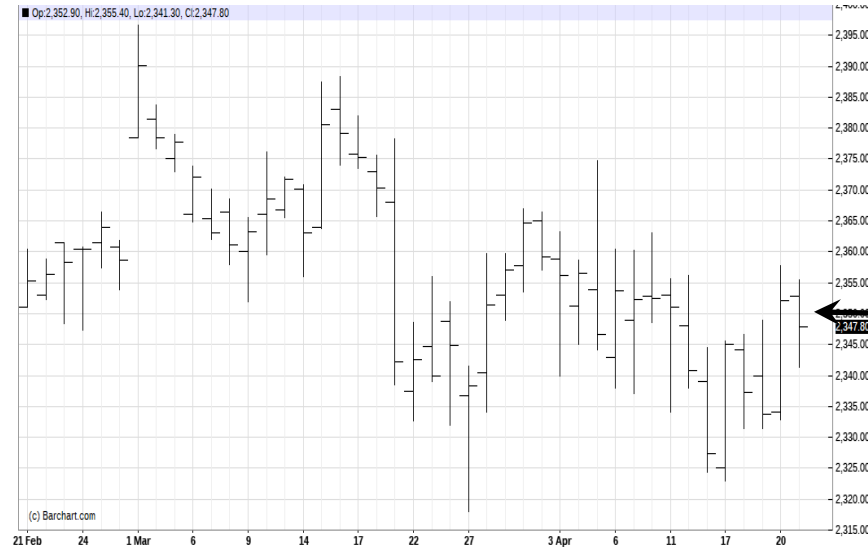
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US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



The S&P remained well supported as industrial production met consensus.

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

...“Looking ahead the key event this week is Industrial production, but unless materially different to consensus, we sense traders will be monitoring geopolitical tension”...

In the event industrial production met consensus and geopolitical tensions remained, leaving the market in a trading range.

Looking ahead Q1 GDP is due, but after a run of soft data over recent months a weak report is due, but

traders are still looking towards Trump and his as yet to be implemented economic policies.

We remain bullish of this market, despite the recent retracement.

The result of the first round of voting in the French election indicates Macron will be the next French President which has unleashed a wave of relief in markets including this one.

Our suggested target remains 2385.0 and our suggested stop continues at 2315.00 for protection.

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Commodities

- + GOLD
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Disclaimer

UK MARKETS: economic background

Last week our focus was CPI and how high it can go post “BREXIT”.

In the event the number was as expected, but PPI released the same day shows the direction of travel.

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, CBI Orders and right move house prices,**
- On Thursday; **CBI Sales, CBI Distributive trades survey and GFK Consumer confidence, and**
- On Friday; **Nationwide house price survey,**

BBA Home buyer loans, Q1 GDP and index of services.

There are several reports due this week, but we judge the Q1 GDP report is the main event.

At 2.3% year on year, the economy would be holding up well, and after the IMF upgraded it’s own forecast for UK GDP for 2017, any negativity from “BREXIT” is still yet to hit.



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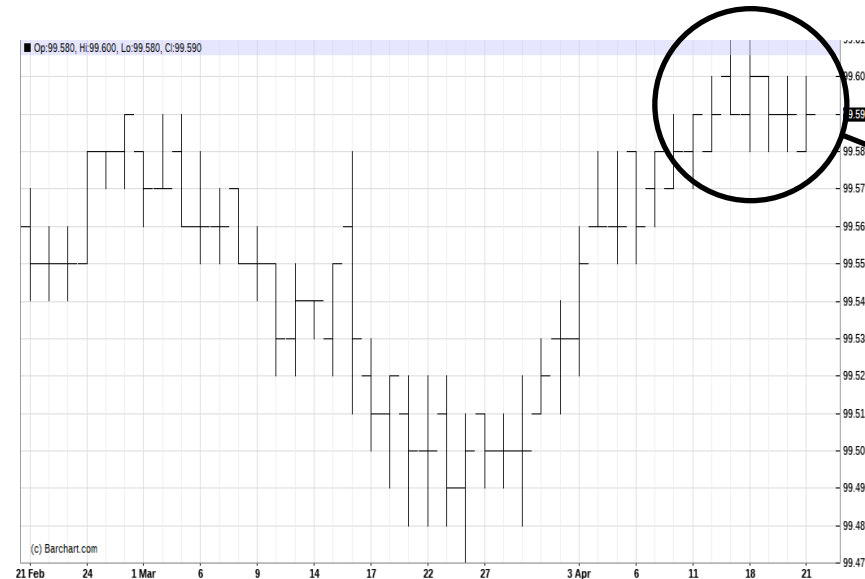
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling remained supported, especially after Friday's weak retail sales report.

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

...“Looking ahead, just one report due this week; retail sales. A weak report is expected, anything better will likely blow the froth off this market”...

In the event the number was weaker than expected, raising questions about the staying power of the

economy's post “BREXIT” strength.

Looking ahead several data releases due, but Q1 GDP is the main event; will it disappoint?

We are square, a rate hike still seems some way off, but there will not be any more rate cuts!.

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Commodities

- + GOLD
- + OIL

Disclaimer

UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt remained supported by weak equity markets and geopolitical tension.

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

...“Looking ahead retail sales are due. Unless it beats consensus by a margin, this market looks well supported despite inflation expected to move higher throughout the year”...

In the event retail sales was very disappointing and the market drew support from the number and the surprise announcement of a snap UK general election.

Looking ahead Q1 GDP is due, but with an election

campaign now under way in the UK and much anxiety in the EU cleared after the first round of voting in the French election, the focus looks set to shift from Bonds to equity markets.

We are staying square here.

The UK election looks set to return PM May with a much bigger majority which will strengthen her hand when negotiating with the EU, additionally Macron looks set to win the 2nd round run off in the French election, meaning Stocks are back in favour.

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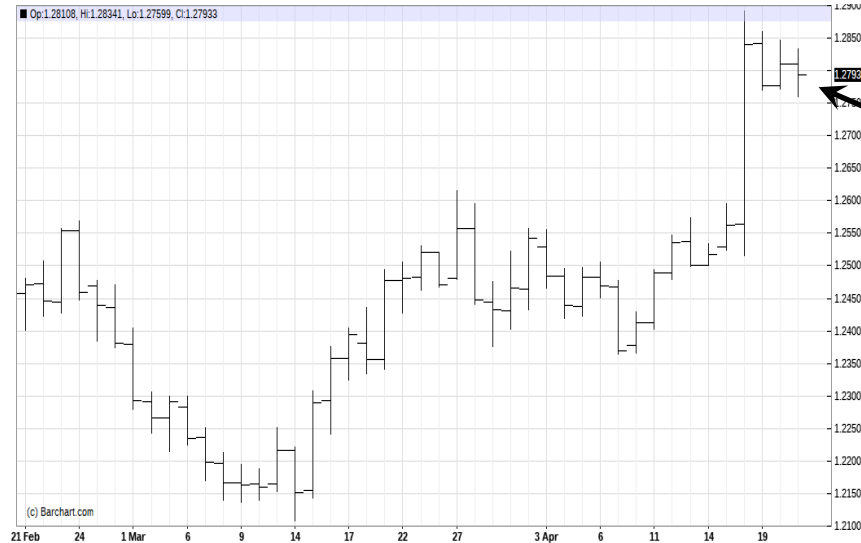
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UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square



The Pound rallied hard on the announcement of a snap UK General election.

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

...“Looking ahead Retail sales are due on Friday. A weak report is expected. Anything better will feed into Sterling”...

In the event the report was weaker, but the Pound rallied on the surprise announcement of a snap UK General election.

Looking ahead Q1 GDP is the key release this week and a solid number is expected..

We are staying square for now.
The Pound did indeed rally last week, but for different

reasons than we were anticipating. The announcement of a snap general election was bullish for Sterling because the ruling conservative party holds a commanding lead in the opinion polls which if converted into seats in Parliament will give May a landslide victory.

This matters because she will have the freedom needed to negotiate the best deal for the UK as it leaves the EU, because she will not be held hostage to Europhobe fanatics in her own party, and will have the backing of the British people.

But there are other key dynamics at work; the French Presidential election campaign.

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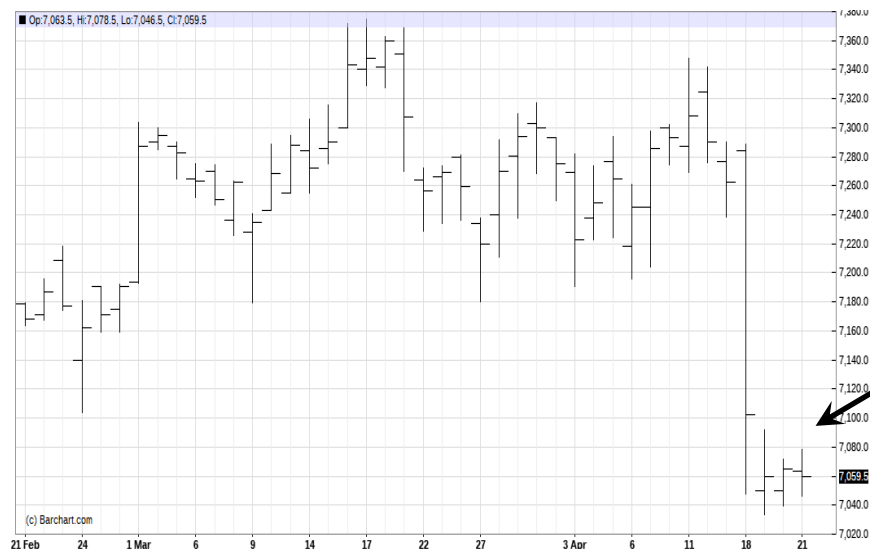
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UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were Square.



See how the FTSE sold off on news of a snap UK General election, as the Pound enjoyed a sharp rally.

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

...“Looking ahead the key release this week is retail sales, but we judge geopolitics will continue to weigh on this and other equity markets”...

In the event a weak retail sales report and geopolitical tensions were all eclipsed by domestic politics.

Looking ahead the key release this week is Q1 GDP, but the dominant factor in UK markets is the General election campaign. The ruling Conservatives hold a commanding lead in opinion polls, which if repeated on

election day will give PM May a very large majority. This would mean she would not be held hostage by the small group of Conservative MP's that want a hard “BREXIT” and neither would she be held hostage by opposition parties trying to tie her hands.

We are now bullish of this market. Much of the weak Sterling trade has unwound and traders will increasingly focus on value, add in Sunday's result in the 1st round of voting in France and stocks are very much back in demand.

Our suggested target is 7280.0 and our suggested stop is set at 7075.0 for protection.

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EURO ZONE MARKETS: economic background

Last week's focus was Euro zone PMI Composite survey, would it show further improvement?

In the event the number was better than expected, indicating the Euro zone economy remains on a path of recovery lead by Germany.

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 IFO**,
- On Thursday; **Euro zone industrial confidence, services confidence,**

consumer confidence, ECB policy decisions and German CPI, and

- On Friday; **French Q1 GDP, German retail sales, Import prices, Euro zone M3 and Euro zone CPI estimate.**

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

Will they offer any fresh guidance on policy moving forward or simply restate their current policy objectives?



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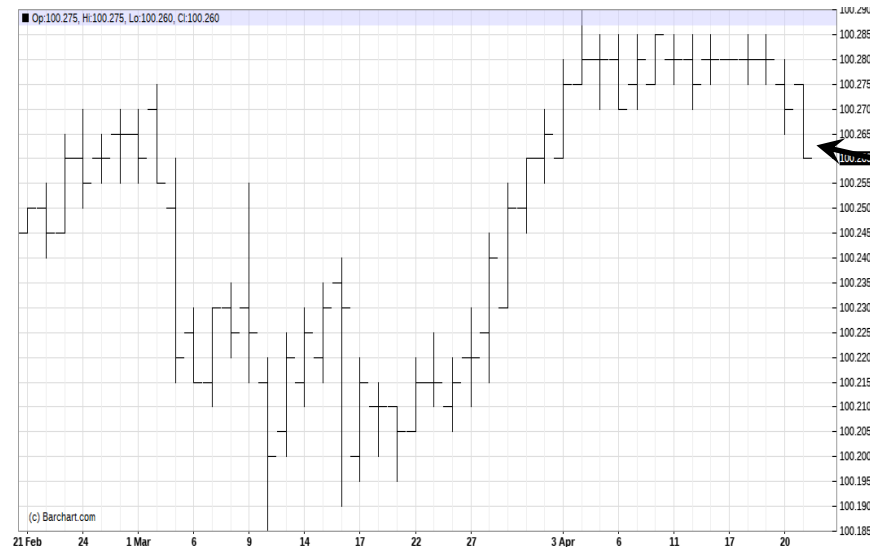
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor eased away from the highs on the Euro zone PMI Composite survey.

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

...“Looking ahead Euro zone PMI Composite survey is due, but with the ECB wedded to its current policy stance the downside looks limited”...

In the event the PMI composite survey was better than expected, but there was talk the ECB would issue fresh policy guidance at the up coming meeting, which sent this market a little lower.

Looking ahead the key event this week is the ECB policy decision and what it has to say about policy moving forward.

For now we are staying square.

We do not expect policy to be altered in the coming months.

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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund gave back some gains last week as traders focussed on the up coming French election.

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

..."Looking ahead the key release this week is the Euro zone PMI Composite survey. The economy is improving but not fast enough, will the report deliver better news?" ...

In the event the number was indeed a little better than expected, but as attention turned towards the first round of voting in the French elections traders pared back long positions.

Looking ahead several key releases due, but the main event is the ECB policy decision, some expect the ECB to offer forward guidance on policy into next year?.

We are remaining square of the Bund.

The market started to correct last week and that has continued today after voting in the French election on Sunday points to Macron becoming the next French President, a prospect that has seen bonds lower and stocks soar.

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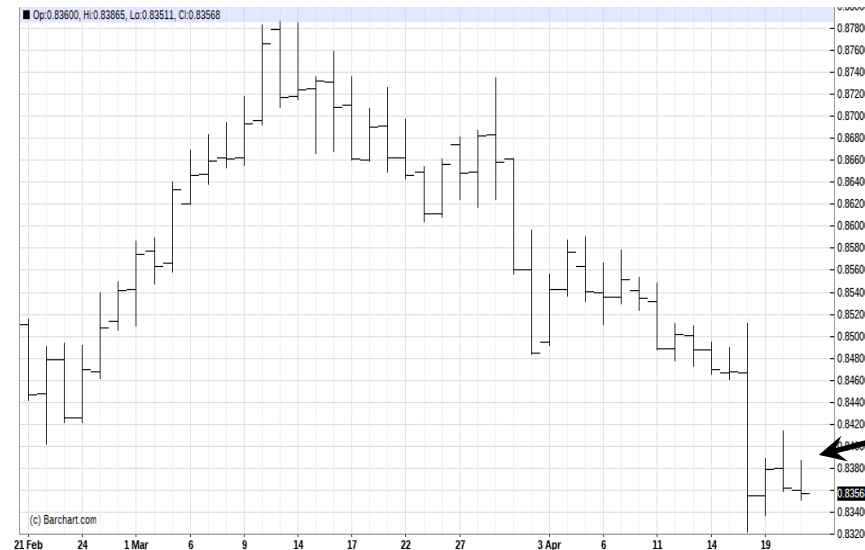
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were Square



The Euro has held up well against the Dollar, less so against Sterling after the surprise of a snap UK General election.

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

...“Looking ahead the Euro zone PMI Composite survey is due, will it show stronger growth?”...

In the event yes it did, but the main dynamic last week and moving forward is politics as the UK called a snap General election and French voters look set to choose Macron for President.

Looking ahead the main event this week is the ECB

policy decision, but we judge traders will be more interested in the twists and turns of the French and UK election campaigns.

We are square the Euro.

The Pound has rallied on the news of a snap UK General election, and the Euro has since drawn support from the first round of voting in the French election; for now politics is the main dynamic.

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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 rejected the lows and rallied on the French vote.

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

...“Looking ahead the key event this week is the Euro zone PMI Composite survey, but traders are wary about US sabre rattling directed at North Korea”...

In the event the PMI Composite was as expected and the US Aircraft carrier group was yet to arrive off North Korea, but the market steadied.

Looking ahead there are two key events in play this week; the ECB policy decision and the run in to the 2nd round of voting in the French election. But after yesterday's first round vote markets are excited as they judge Macron will be the new French President.

We remain bullish of this market, (change of contract).

Our suggested target is set at 3550.0 and our suggested stop continues at 3430.0 for close 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

JAPANESE MARKETS: economic background

Last week's focus was the PMI Manufacturing survey, was it stronger than expected.

In the event the number was better than expected, as were department store sales and most other data releases, indicating the economy remains on a gentle recovery path.

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: **Corporate service prices,**
- Wednesday; **All industry activity index, small business confidence and machine tool orders,**
- On Thursday; **Bank of Japan policy decision, jobless rate household spending, national CPI, Tokyo CPI, Retail trade, large retailers sales and**

industrial production, and

- On Friday; **Vehicle construction and construction orders.**

The focus this week is the Bank of Japan policy decision.

The economic data has improved a little lately, but still falls short of the Bank of Japan's objective and inflation is significantly below target; what will be their response?



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

Japanese Markets

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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: BULLISH.

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



The JGB remains supported by a weak Nikkei and weak inflation.

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

...“Looking ahead the key release this week is the PMI Manufacturing survey, will it prove more positive than industrial production?”...

In the event the number was a little better than expected, but weak stocks offered the market additional support.

Looking ahead the key event this week is the Bank of Japan's policy decision. We expect them to re-affirm their current policy stance.

Traders should be long the JGB. CPI remains well below the Bank of Japan's target of 2.0%.

Our suggested target remains 141.40 and our suggested stop continues at 150.60 for protection.

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Euro Zone Markets

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- + BUND
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Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen remained close to the recent lows despite the Dollar's torpid performance elsewhere.

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

...“Looking ahead the key release this week is the PMI Manufacturing survey, but we think the Yen is responding to tension focussed on North Korea” ...

In the event the US carrier group was further away than indicated, but it is on its way, maintaining the heightened geopolitical tension. The PMI report was better than expected, but not the markets current focus.

Looking ahead the key event this week is the Bank of Japan's policy decision, we expect them to maintain their current policy stance.

We are square here.

The Dollar isn't looking particularly strong currently, but the Yen still looks weak. We judge concerns about military action against North Korea is the cause, but we do not expect Trump to launch a pre-emptive strike on North Korea, it is aimed at pressuring China to act.

More



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- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

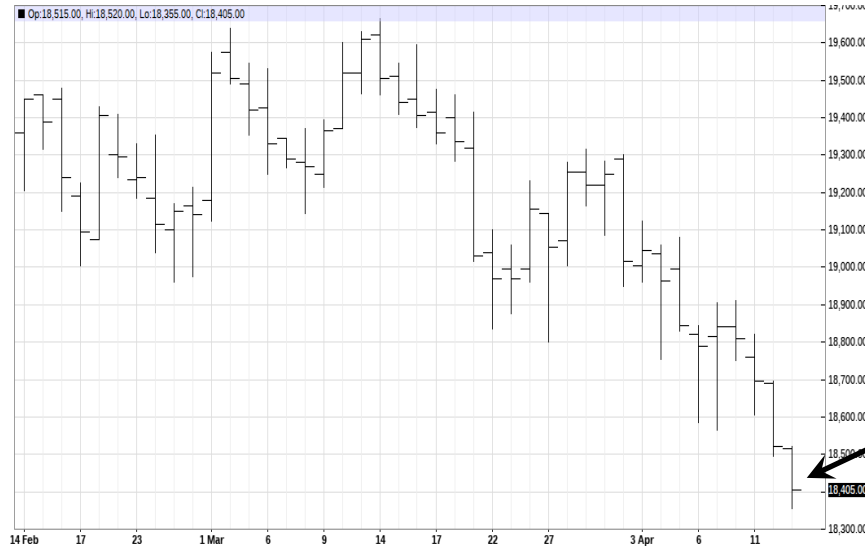
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei remains under pressure due mainly to its proximity to North Korea.

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

...“Looking ahead the PMI manufacturing survey is due, but traders are focussed on event on the other side of the Sea of Japan”...

The PMI was better than expected, but tensions centred on North Korea continue to weigh on this market.

Looking ahead, the Bank of Japan's policy decision is due, we anticipate policy will be left as is, but the Nikkei looks very vulnerable to further selling.

We are staying square.

The Nikkei usually rallies on Yen weakness, not this time; geopolitical tension is weighing on the Yen and the Nikkei.

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Japanese Markets

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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold is supported by continued geopolitical tension.

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

...“Looking ahead the key release this week is US industrial production, but all eyes are on Trump, his Battle group steaming toward North Korea and if he thinks he can take out their nuclear facilities and contain a North Korean retaliation?”...

In the event we judge geopolitical tension was the dominant factor supporting Gold.

Looking ahead the Dollar came under fresh selling against the Pound and Euro, due to a snap UK General election pointing to a softer “BREXIT” and the result of first round voting in France’s election that indicates Macron will be their next President.

For now we are staying square. North Korea isn’t Syria and hopefully Trump can tell the difference meaning tensions should ease, his posturing is likely intended to nudge China towards taking action against its North Korean neighbour.

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Japanese Markets

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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil sold off further US Shale production increases.

The Macro Trader's view of oil is: the oil market finally succumbed to the forces of gravity and sold off as US Shale producers stepped up production. And although geopolitical tension continues, North Korea is irrelevant to the oil market.

and a weak report is expected. Weak US economy is not bullish for oil.

For now we are staying square.

Looking ahead the US Q1 GDP report is due this week

More



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Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

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