



Week 18
2nd – 8th May 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

Summary

Global Calendar

US Markets

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

- SQUARE
- SQUARE
- **BEARISH** v the **POUND**
- **BULLISH**

UK Markets

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

- SQUARE
- SQUARE
- **BULLISH** v the **DOLLAR**
- **BULLISH**

Euro Zone Markets

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

- SQUARE
- SQUARE
- SQUARE
- **BULLISH**

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

- **BULLISH**
- SQUARE
- SQUARE

Commodities

- + GOLD
- + OIL

- SQUARE
- **BEARISH**

Disclaimer

More



Summary

Global Calendar

US Markets

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

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+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

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+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

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+ YEN
+ NIKKEI

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Disclaimer

This week's global calendar

	Week of 1 st May		Week of 1 st May
Monday	US Persnl spndg 0.2% US Persnl income 0.3% US Core PCE -0.1m, US ISM Mfg 56.7 US ISM Prices paid 67.7 US Construct'n spndg 0.4% JP PMI Mfg n/f JP Vehicle sales n/f JP BOJ Minutes March 15-16 meeting JP PMI Services n/f	Thursday	US Jobless claims 246k US Q1 Non-farm productivity 0.0% US Q1 Unit labour costs 2.6% US Trade bal -\$45.2B US factory orders 0.4% UK Mrtge aprvls 67.50K UK PMI Services 54.5 UK Net Indg on dwllgs 3.30B UK Net consumer Credit 1.2B IT PMI Services 53.6 FR PMI Services 57.7 DM PMI Services 54.7 EZ PMI Services 56.2 EZ Retail sales 0.1m, 2.1y
Tuesday	UK PMI Mfg 54.0 UK BRC Sales n/f IT PMI Mfg 56.0 FR PMI Mfg 55.1 DM PMI Mfg 58.2 EZ PMI Mfg 56.8 EZ Unemploy'm't rate 9.4%	Friday	US Non-farm payrolls 180k US Unemploy'm't rate 4.6% US Avrge hourly earngs 0.3m, US Average work week 34.3 US Consumer credit \$14.500B UK Halifax hse prices n/f
Wednesday	US MBA Mrtge apps n/f US ADP Employ'm't chge 178k US ISM Non-mfg 55.9 US FOMC Rate decision 0.75% UK PMI Construction 52.0 DM Unemploy'm't chge -12k DM Unemploy'm't rate 5.8% EZ PPI -0.1m, 4.1y EZ Q1 GDP 0.5q, 1.7y		

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

Last week's releases

	Week of 24 th April		Week of 24 th April
Monday	UK CBI Bis optimism 1 WORSE UK CBI Orders 4 WEAKER UK Rght mve hse prices 1.1m, 2.2y LESS DM IFO 112.9 STRONGER JP Corp service prices 0.8% AS THAN EXPECTED	Thursday	US Advance gds trade -\$64.8B BETTER US Wholesale invntry -0.1% WEAKER US Durable gds 0.7% WEAKER US DG Ex – transport -0.2% WEAKER US Jobless claims 257k WORSE US Pndg home sales -0.8m, 0.5y BETTER UK CBI Sales 38 STRONGER UK Distributive trades srvy 44 STRONGER UK GFK Cons conf -7 AS DM GFK Cons conf 10.2 STRONGER EZ Ind confidence 2.6 STRONGER EZ Services confidence 14.2 STRONGER EZ Consumer confidence -3.6 AS EZ ECB Rate decision 0.0% AS EZ ECB AP Target 60.0B AS DM CPI 0.0m, 2.0y STRONGER JP BOJ Policy decision 0.0% AS JP Jobless rate 2.8% LESS JP Household spndg -1.3y WEAKER JP National CPI 0.2y WEAKER JP Tokyo CPI -0.1y STRONGER JP Retail trade 0.2m, 2.1y STRONGER JP Lrge retailers sales -0.8% BETTER JP Ind production -2.1m 3.3y WEAKER THAN EXPECTED
Tuesday	US Hse price indx 0.8m, STRONGER US Case/shiller comp-20 5.85% MORE US New home sales 621k STRONGER US Cons confidence 120.3 WEAKER UK PSNCR 34.3B WORSE UK PSNB 4.4B WORSE THAN EXPECTED	Friday	US Q1 ECI 0.8% STRONGER US Q1 GDP (A) 0.7% WEAKER US Q1 Persnl consumption 0.3% WEAKER US Q1 GDP Price indx 2.3% STRONGER US Q1 Core PCE 2.0% AS US Chicago PMI 58.3 STRONGER US U. of Michigan conf 97 LESS UK Nat'nwide hse prices -0.4m, 2.6y WEAKER UK BBA Home buyer Ins 41061K WEAKER UK Q1 GDP 0.3q, 2.1y WEAKER UK Indx of services 0.2m, 0.5(3m/3m) LESS FR Q1 GDP 0.3q, 0.8y WEAKER DM Retail sales 0.1m, 2.3y STRONGER DM Import prices -0.5m, 6.1y WEAKER EZ M3 (y/y) 5.3% STRONGER EZ CPI Estimate 1.9y STRONGER JP Vehicle production 4.7% WEAKER JP Construction orders 1.1y WEAKER THAN EXPECTED
Wednesday	US MBA Mrtge apps 2.7% STRONGER JP All ind actvty indx 0.7% MORE JP SML Business confidence 48.6 WEAKER JP Machine tool orders 22.8 BETTER THAN EXPECTED		

More



US MARKETS: economic background

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

Last week's focus was Q1 GDP, expectations were for a relatively weak report and we posed the question would it surprise to the upside.

In the event it didn't, the report was weaker than expected at just 0.7% annualised and likely to re-enforce the Fed's cautious stance on policy adjustment.

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 spending, personal income, Core PCE, ISM Manufacturing and construction spending,**
- On Wednesday; **ADP employment change, ISM Non-manufacturing and FOMC policy decision,**

- On Thursday; **Jobless claims, Q1 Non-farm productivity, Q1 Unit labour costs, Trade balance and factory orders, and**
- On Friday; **non-farm payrolls, unemployment rate, average hourly earnings, average work week and consumer credit.**

There is a whole raft of data due this week, but we judge the FOMC policy decision is the main event.

We do not expect any policy changes, but the interest will be the policy statement.

After last week's weak Q1 GDP will policy makers tread cautiously or will the repeat their desire to begin reducing the Fed's balance sheet?



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

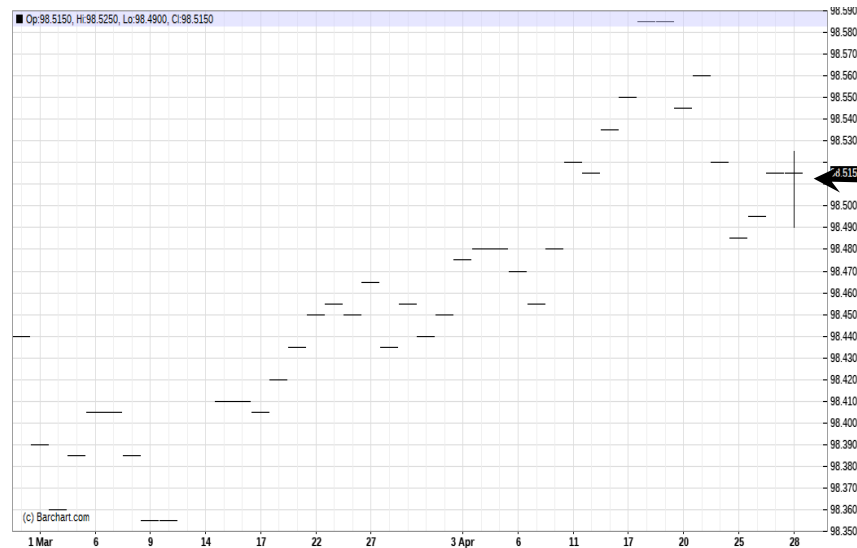
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars showed little reaction to last week's weak Q1 GDP.

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

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

In the event the report was even weaker than expected and if the start of a new period of weaker growth will cause the Fed new headaches!

Looking ahead there are several key releases due this

week with Friday's release of non-farm payroll and Wednesday's FOMC policy decision.

We are remaining square.

After last week's Q1 report the Fed is likely to maintain a cautious approach to policy adjustment.

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

US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note remained off the highs despite a weak Q1 GDP report.

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

...“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”...

In the event the number was weaker than forecast, but this market drew little support from it.

Looking ahead the FOMC policy decision is the main

event in a busy week for data. Will the Fed restate its aim to hike twice more this year? We think so, but what about balance sheet reduction, that will be the main point of interest.

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, especially after a weak Q1.

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

US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE.

Last week we were Square



The Dollar remains under pressure as US data disappoints.

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

...“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?”...

The Q1 GDP report was disappointingly weaker than expected and in the absence of any of Trump's economic policies being implemented the focus is the French election and relief a pro-EU candidate is looking set to win, which is weighing on the Dollar.

Looking ahead non-farm payroll, both ISM surveys

and the FOMC policy decision are due, the FOMC and specifically the policy statement stands out, but if data bounces back this week, the Dollar should draw some support.

The French vote has eased a lot of anxiety about the direction of the EU, and Trump is still yet to roll out his economic plan.

We are remaining square of Dollar/Euro for now, but against the Pound Sterling we are Bearish, the prospect of a Conservative government with a big majority has eased fears about a hard “BREXIT”.

Our suggested target in Cable is 1.3220 and our suggested stop is set at 1.2745 for protection.

More



Summary

Global Calendar

US Markets

- + EURO 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

US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



The S&P is clearly a Bullish market.

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

...“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”...

In the event a weaker than expected Q1 GDP report but Trump revealed his much anticipated Tax policy with a proposed drop in corporation tax down to 15%, but will he get it through Congress?

Looking ahead several key data releases due this week all detailed on the calendar, but we judge the FOMC policy decision/statement is the main event; will the Fed decide to treat with greater caution after the weak 1st quarter?

We remain bullish of this market.

Our suggested target of 2385.0 was hit.

Our suggested target is now 2410.0 and our suggested stop raise to 2355.00 for closer 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

UK MARKETS: economic background

Last week our focus was Q1 GDP, a solid report was expected, continuing the unexpected strength seen in the second half of last year.

In the event the number was weaker than expected and although year on year growth was still above 2.0% at 2.1%, the question being asked now has the much feared “BREXIT” affect finally hit?

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; **PMI Manufacturing survey and BRC Sales,**
- On Wednesday: **PMI Construction survey,**

- On Thursday; **PMI Services survey, mortgage approvals, net lending secured on dwellings and net consumer credit, and**
- On Friday; **Halifax house price survey.**

There are several reports due this week, but we judge the PMI Services survey is the main event.

Last week's Q1 GDP report was weaker mainly because of weaker retail sales, which is a major part of the services sector. Will the PMI survey point to a recovery or has the economy lost steam?



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

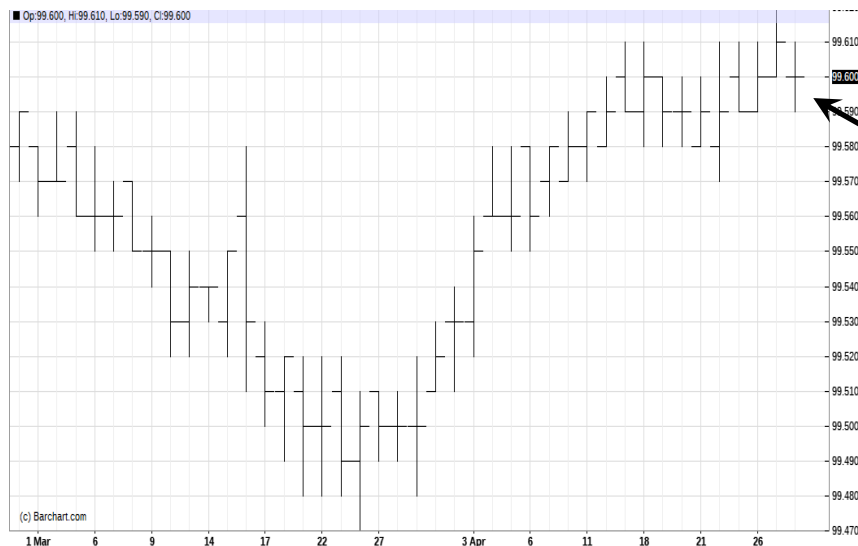
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling remains supported by last week's disappointing Q1 GDP report.

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

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

In the event; yes it did.

Looking ahead the key release in a busy week is PMI

Services survey. Traders will be watching this survey for evidence of whether Q1 was a blip or the start of a period of weakness.

We are square. Policy looks on hold for a considerable period yet.

More



Summary

Global Calendar

US Markets

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

UK Markets

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

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

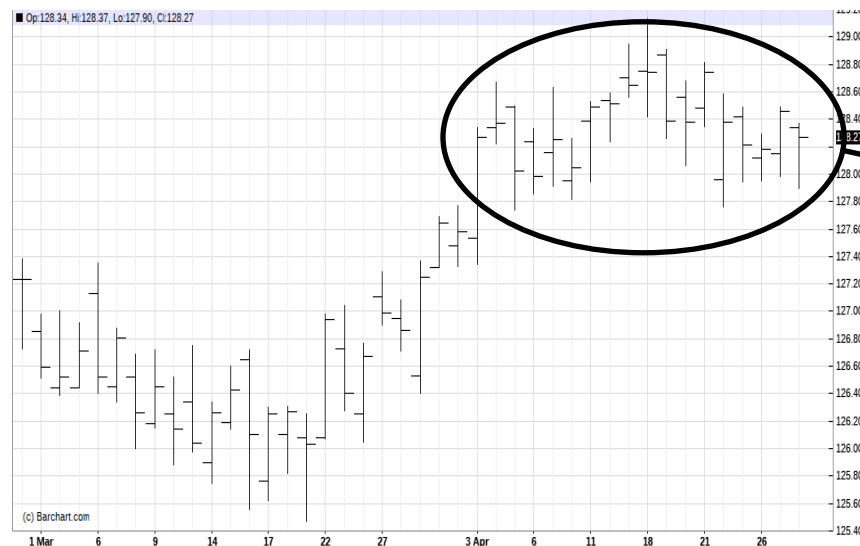
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt still looks very well supported.

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

...“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”...

In the event equity market did well, but this market remained well supported, as government borrowing pleased, but Q1 GDP didn't.

Looking ahead the key release this week is the PMI services survey, will it show a slowdown is now under way or will it indicate underlying economic strength?

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, but bonds are showing resilience.

More



Summary

Global Calendar

US Markets

- + EURO 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

UK MARKETS: Sterling

OUR TRADING STANCE: **BULLISH.**

Last week we were Square



The Pound remains well supported by the prospect of a returned Tory government with a big majority.

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

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

In the event the number was weaker than expected, but with a year on year rate of 2.1% growth is still respectable.

Looking ahead the key release this week is the PMI Services survey, traders are looking for clues on the direction of the economy.

We are now Bullish of Sterling against the Dollar. The Trump administration is yet to roll out the economic policies articulated by Trump in his election campaign and by contrast traders are see the prospect of a Conservative government retaining power with a greatly increased majority as making a so called “HARD BREXIT” less likely, which is Sterling Bullish.

Traders should be Long Sterling/Short the Dollar.

Our suggested target is 1.3220 and our suggested stop is set at 1.2745 for protection.

More



Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

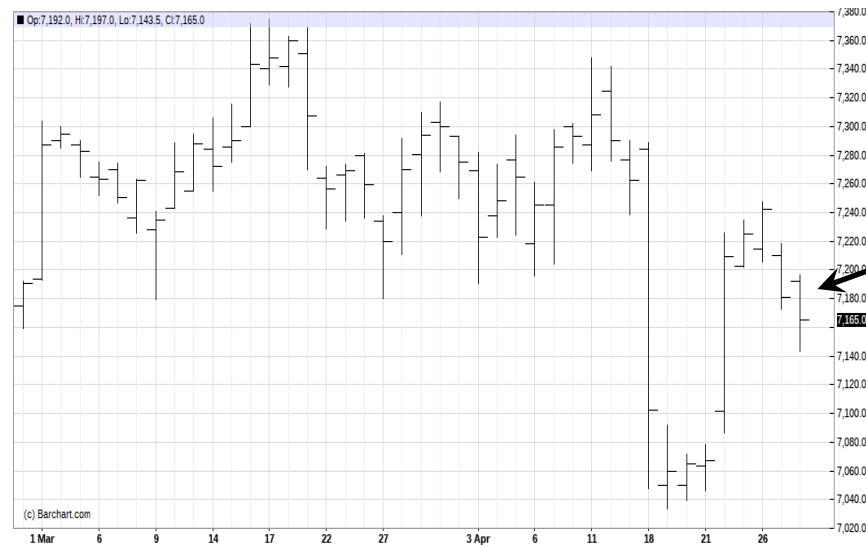
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UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish**.



See how the FTSE remains hobbled by Sterling's recent bounce.

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

...“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”...

In the event Q1 GDP was weaker than expected, but as anticipated the General Election campaign

continued to be the primary focus.

Looking ahead the PMI services survey is due and traders will be seeking evidence of which way growth is likely to go after a disappointing first quarter.

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

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

More



Summary

Global Calendar

US Markets

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

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

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+ GOLD
+ OIL

Disclaimer

EURO ZONE MARKETS: economic background

Last week's focus was the ECB policy decision and statement. Although policy was expected to remain unchanged, there were murmurings about whether Draghi would point to a slightly more hawkish future stance.

In the event interest rates and Bond purchases remained unchanged, but interestingly Draghi was more dovish than expected, when he said rates would remain at current or lower levels and although the risks surrounding Euro zone growth were moving towards better balance, the risks to growth were still tilted to the downside.

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 Tuesday; **French, German, Italian and Euro zone PMI Manufacturing surveys and Euro zone unemployment rate,**
- On Wednesday; **German unemployment report, Euro zone PPI and Euro zone Q1 GDP, and**
- On Thursday; **French, German, Italian and Euro zone PMI Services surveys and Euro zone retail sales.**

The various Euro zone PMI Surveys are due this week and will provide fresh clues on the strength of Euro zone economic activity, but we judge the key release is Euro zone Q1 GDP.

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

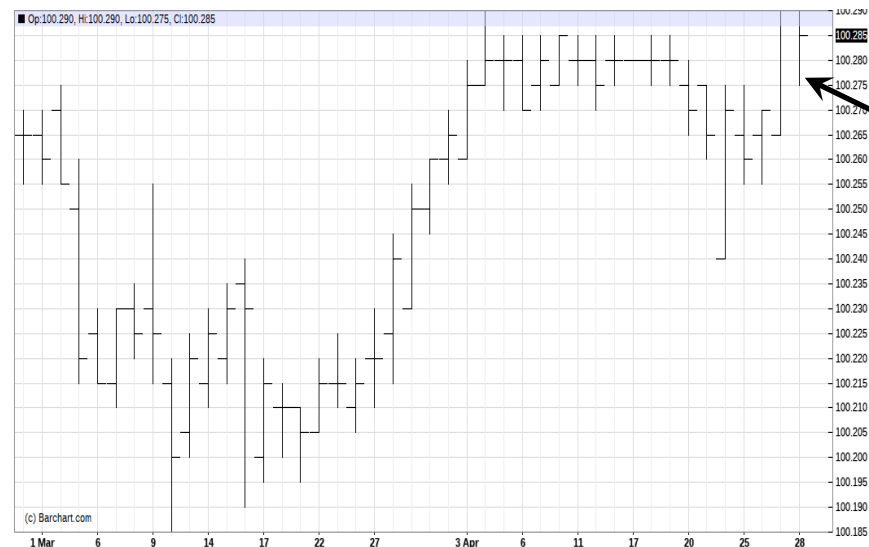
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor rallied on Draghi's comments.

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

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

In the event there were no new policy announcements, in fact policy was left on hold as Draghi note that risks to growth remained tilted to the downside.

Looking ahead, the main event this week is the Euro zone Q1 GDP report. US and UK GDP reports seen last week were surprisingly weaker, will there be a similar surprise here?

For now we are staying square.

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



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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

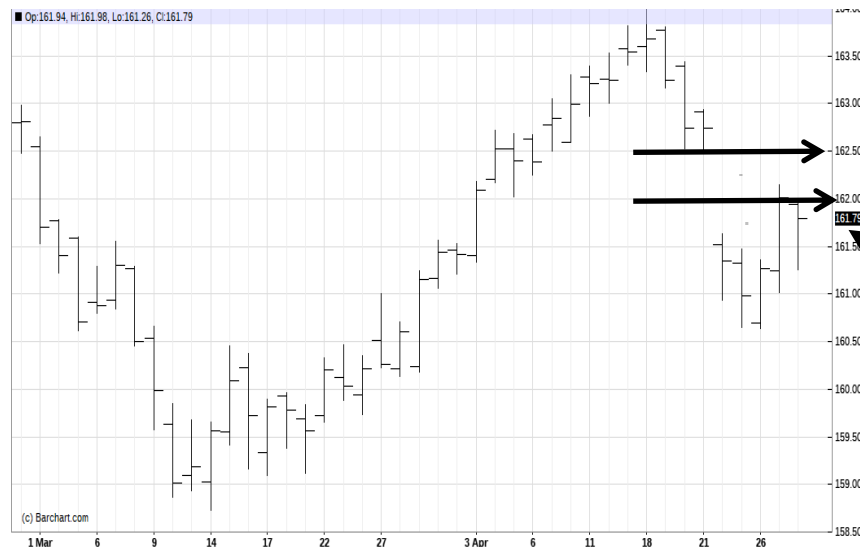
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- + OIL

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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund attempted a recovery last week but fell short.

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

..." 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?"...

In the event there was no change to the ECB's stance as they judged growth risks remained skewed to the downside.

Looking ahead the Euro zone Q1 GDP report is due, will it back Draghi's recent remarks or show improvement, we doubt it after last week's weaker than expected French Q1 GDP report.

We are remaining square of the Bund.

The market attempted a recovery last week, but remains below the recent highs.

More



Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were Square



The Euro attempted a recovery against Sterling last week, but failed, against the Dollar it looks firmer.

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

...“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”...

In the event the French election remains on course to place Macron in the Elysee Palace, but the prospect of the UK Government gaining a large majority helped Sterling resist the Euro's attempted recovery.

Looking ahead the key release this week is the Euro zone Q1 GDP report, but with the FOMC meeting this week in the US we judge currency markets will have much to digest.

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.

More



Summary

Global Calendar

US Markets

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: BULLISH.

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



See how the market held its gains driven by relief after the 1st round French vote.

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

...“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”...

In the event the ECB President made it clear there was no hawkish tilt as policy was left unchanged and markets continued to react positively to the result of

the 1st round of voting in the French election.

Looking ahead the key release this week is the Q1 GDP report but with the 2nd and final round of voting in the French election due on Sunday, with Macron holding a strong lead, we judge traders will remain bullish.

We remain bullish of this market.

Our suggested target continues at 3550.0 and our suggested stop continues at 3430.0 for close protection.

More



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Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: economic background

Last week's focus was the Bank of Japan's policy decision.

In the event they left policy unchanged as CPI came in weaker, but retail sales were better than expected, as were Machine tool orders.

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: **PMI Manufacturing survey, vehicle**

sales, Bank of Japan minutes from March 15-16 meeting and PMI Services survey.

The focus this week is the minutes from the Bank of Japan's March meeting. What is their current take on the economy? Is it moving in the right direction and as they expect?



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Commodities

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Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: BULLISH.

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



The JGB remains well supported close to the highs.

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

...“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”...

In the event policy was left unchanged as data was mixed; weaker national CPI and industrial production, stronger retail sales.

Looking ahead the main event this week is the Bank of Japan's March 15-16 minutes; will they hold any clues for future policy initiatives.

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

Our suggested target is set at 152.50 and our suggested stop continues at 150.60 for protection.

More



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Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen extended its recovery on the weaker Dollar.

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

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

In the event policy was left on hold but with weaker Industrial production and National CPI will the Bank of Japan do more.

Looking ahead the key release this week is the Bank of Japan's minutes from the March 15-16 meeting, will it offer fresh policy clues?

We are square here.

The Dollar isn't looking particularly strong currently and the Yen has corrected against it, but the economy looks soft and the upside for the Yen is limited.

More



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Japanese Markets

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- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei staged a solid recovery despite a rally in the Yen and disappointing data.

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

...“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”...

In the event policy was left on hold despite a weaker industrial production report and a weaker than expected National CPI report which at 0.2% year on year shows the BOJ is still a very long way from

meeting its policy objective.

Looking ahead the key release this week is the Bank of Japan’s minutes from the March 15-16 meeting, will they hint at further policy easing?

We are staying square.

The Nikkei seems out of sync with data and the direction of the Yen.

More



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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 drifted away from the highs even though the Dollar continues to under perform.

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

...“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”...

The Dollar continues to weaken against the Euro, Yen and Pound as traders loose patience with Trump and his non-show economic policies.

Looking ahead the FOMC policy decision is due and expectations are for unchanged policy, but all eyes will be on the policy statement. Will the Fed repeat its desire to shrink its balance sheet or will they go quiet on that after weak Q1 GDP?

For now we are staying square.

The tension caused by North Korea remains but hasn't escalated.

More



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Japanese Markets

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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: **BEARISH.**

Last week we were Square of Oil.



See how oil remains under pressure.

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

...“Looking ahead the US Q1 GDP report is due this week and a weak report is expected. Weak US economy is not bullish for oil”...

In the event the US Q1 GDP report was even weaker than expected, but the main dynamic at work here appears to be US shale oil output which is rising.

The US has no interest in propping up the policies of

the OPEC cartel and will pump as much of its own oil as it can which is bearing down on oil prices.

We are bearish of oil. If the US continues step up its Shale oil production, OPEC countries may be forced to abandon the production cut in a hunt for much needed revenues.

Traders should be short Oil.

Our suggested target is 44.00 and our suggested stop is set at 51.30 for protection.

More



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Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

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