



Week 29
18th – 24th July 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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+ EURODOLLARS
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- SQUARE
- SQUARE
- **BREARISH v the EURO and STERLING**
- BULLISH

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

- BULLISH
- SQUARE
- BULLISH v the DOLLAR
- BULLISH

Euro Zone Markets

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- SQUARE
- SQUARE
- BULLISH v the DOLLAR
- SQUARE

Japanese Markets

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- SQUARE
- SQUARE
- BULLISH

Commodities

+ GOLD
+ OIL

- SQUARE
- SQUARE

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This week's global calendar

	Week of 17 th July		Week of 17 th July
Monday	US Empire mfg 15 UK Rgt mve hse prices n/f EZ CPI 0.0m, 1.3y	Thursday	US Jobless claims 245k US Philly Fed 23.7 UK Retail sales 0.5m, 2.5y DM PPI -0.1m, 2.3y EZ C/A n/f EZ ECB Rate decision 0.0% EZ ECB AP Target E60.0B EZ Consumer confidence -1.1 JP All Ind ctvty index -0.8%
Tuesday	US Import prices -0.2m, 1.3y US NAHN Housing mkt indx 67 UK CPI 0.2m, 2.9y UK RPI 0.4m, 3.6y UK RPI-X 3.8y UK PPI Input -0.9m, 9.3y UK PPI Output 0.1m, 3.4y UK PPI Core 0.1m, 2.8y UK House price indx 3.0% DM ZEW 18 JP Tokyo Condo sales n/f	Friday	UK PSNCR n/f UK PSNB 4.2B JP National Dept stre sales n/f JP Tokyo Dept stre sales n/f
Wednesday	US MBA Mrtge apps n/f US Housing starts 1155k US Building permits 1203k EZ Construct'n output n/f JP Machine tool orders n/f JP Trade bal Y488.0B JP BOJ Rate decision -0.10%		

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Last week's releases

	Week of 10 th July		Week of 10 th July
Monday	US Consumer credit \$18.410B STRONGER UK BRC Sales 1.2% STRONGER DM Trade Bal 22.0B STRONGER DM C/A 17.3B STRONGER JP Machine orders -3.6m, 0.6y WEAKER JP C/A Y1653.9B WEAKER JP Trade Bal -Y115.0B WEAKER JP BK Lndg 3.3% MORE JP Bankruptcies -7.47% BETTER JP Eco watchers 50.0 BETTER THAN EXPECTED	Thursday	US Jobless claims 247k WORSE US PPI 0.1m, 2.0y MORE US PPI Ex-F&E 0.1m, 1.9y LESS US Yellen @Senate banking panel US Mthly bdgt statement -\$90.2B WORSE DM CPI 0.2m, 1.6y AS THAN EXPECTED
Tuesday	US NFIB Sml bus optimism 103.6 WEAKER US Wholesale invntry 0.4% STRONGER JP Machine tool orders 31.1% STRONGER JP Dmstic corp gds prices 0.0m, 2.1y AS THAN EXPECTED	Friday	US CPI 0.0m, 1.6y LESS US CPI Ex- F&E 0.1m, 1.7y LESS US Retail sales -0.2% WEAKER US RS Ex-Autos -0.2% WEAKER US Ind production 0.4% STRONGER US Capacity utilisation 76.6% LESS US U. of Michigan confidence 93.1 WEAKER US Bus invntry 0.3% AS EZ Trade bal 19.7B LESS JP Ind production -3.6m, -6.5y WEAKER JP Capacity utilisation -4.1% BETTER THAN EXPECTED
Wednesday	US MBA Mrtge apps -7.4% WEAKER US Yellen's testimoney to Congress US Yellen @ House panel US Fed release Beige Book UK Unemploy'm't rate 2.3% AS UK Unemploy'm't chge 6.0k BETTER UK Averige earngs 1.8% AS UK AE Ex-Bonus 2.0% BETTER UK ILO Rate 4.5% BETTER UK RICS House prices 7% WEAKER DM WPI 0.0m, 2.5y LESS EZ Ind production 1.3m, 4.0y STRONGER JP Tertiary ind index -0.1m BETTER THAN EXPECTED		

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US MARKETS: economic background

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Last week's focus was Yellen's testimony in Congress as traders sought greater detail on the Fed's policy moving forward.

In the event Yellen confirmed the Fed intends to begin running down its bond holdings later this year and commented that due to current low inflation the neutral rate for Fed funds is lower than before, meaning policy wouldn't need to move to much above current levels.

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; **Empire manufacturing,**
- On Tuesday; **import prices and NAHN Housing market index,**

- On Wednesday; **housing starts and building permits, and**
- On Thursday; **Jobless claims and Philly Fed.**

There are several releases due this week, but mainly second division. The key releases off those are building Permits and housing starts, but we doubt this week's data will have a major impact on the markets as traders continue to digest the remarks from Janet Yellen last week.



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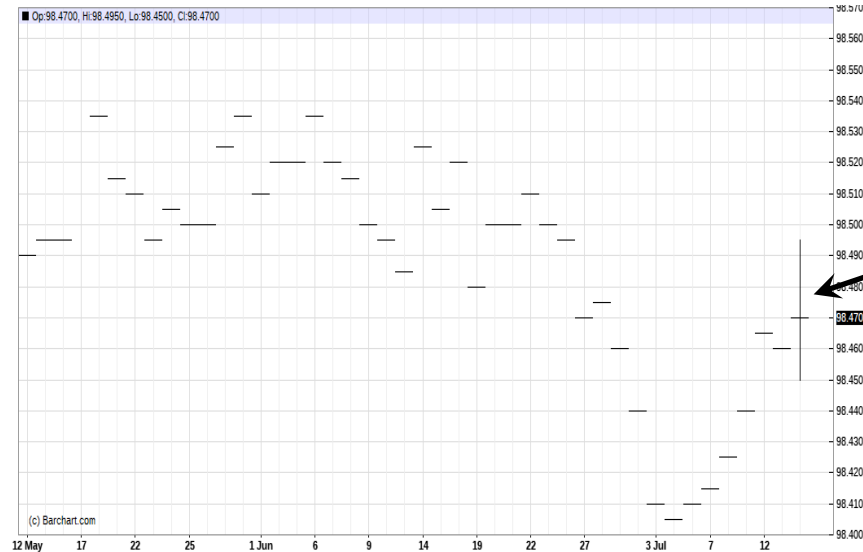
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars rallied as Yellen indicated policy need not rise much further.

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

...“Looking ahead all eyes on Yellen’s twin testimonies in Congress. Will she give greater detail on the Fed’s plans for policy moving forward?”...

In the event yes, and for this market her most important remark was that due to low inflation policy

need not rise much further.

Looking ahead there are few key releases due, but keep an eye on the housing starts and building permit reports.

We are remaining square. The Fed remains in tightening mode, but the pace is still set to be slow and gradual, as confirmed by Yellen.

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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 rallied on Yellen's remarks.

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

...“Looking ahead CPI, PPI, Retail sales and industrial production are due, but they are likely to be eclipsed by Yellen’s testimony on both houses of Congress this week”...

In the event mixed messages from data, with Yellen’s remarks taking centre stage as she confirmed the Fed will begin running down its balance sheet this year, but that policy need not rise much further to hit neutrality.

Looking ahead a run of light weight data due this week with Housing starts and building permits the key event, but we doubt they will have a material impact on this market.

We are now square here.

The T Note recovered on Yellen’s testimony as policy looks set to move not much higher from here with the unwinding of the Fed’s balance sheet likely to become their main avenue for tightening policy.

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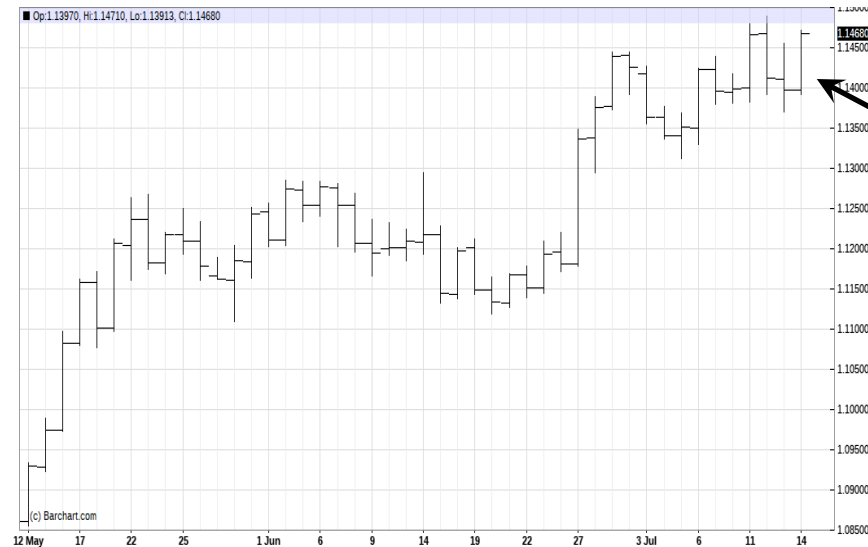
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US MARKETS: US Dollar

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

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



The Dollar remains under pressure as Yell said policy doesn't need to rise much further to hit neutrality.

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

...“Looking ahead the main event this week is Yellen’s testimony in Congress. Apart from revealing a desire to begin unwinding its massive bond holdings, policy makers also revealed their unease at the strength of the labour market”...

In the event Yellen confirmed the Fed wants to begin reducing its Bond holdings, but the main surprise was the comment about Fed funds not needing to rise too much high to hit the new neutral rate which weighed on the Dollar.

Looking ahead no heavy weight data due, traders will

continue to digest Yellen’s remarks which were not Dollar positive.

We remain bearish of the Dollar/ Bullish the Euro as political scandal continues to dog Trump and weighs on the US Dollar and the Euro zone continues to bask in a positive glow; real or imagined!

Traders should be Short the Dollar/Long the Euro our target remains 1.1515, and our stop continues at 1.1240 for closer protection.

And we are Bearish v Sterling for similar reasons Our suggested target in Cable is 1.3500 and our suggested stop is 1.2970.

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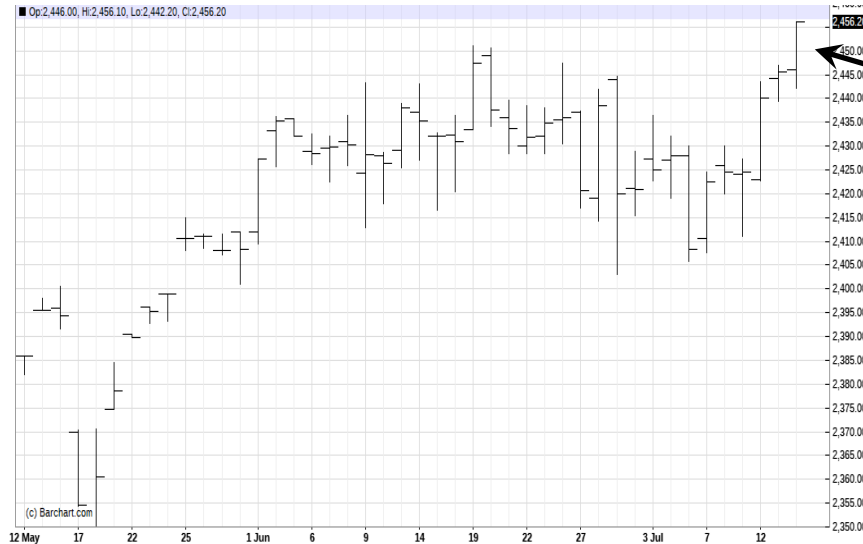
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US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

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



The S&P rallied after Yellen's twin testimony in Congress.

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

...“Looking ahead Yellen has an opportunity to clarify the Fed's intentions when she testifies in the House and then the Senate later this week”...

In the event she did just that; the Fed will start running down its balance sheet, but Fed funds don't need to rise to much further to hit neutrality..

Looking ahead no heavy weight data due this week, we judge the market will continue to react to Yellen's remarks delivered in Congress last week.

We remain bullish of this market.

Our suggested target continues at 2465.0 and our suggested stop remains set at 2398.00 for close protection.

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Commodities

- + GOLD
- + OIL

Disclaimer

UK MARKETS: economic background

Last week's focus was the unemployment report. The economy has cooled, but has unemployment begun to move higher.

In the event the unemployment report was marginally better than expected, as the ILO Rate declined to 4.5% and average earnings were a little better too.

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

- On Monday; **Right move house prices**,
- On Tuesday; **CPI, RPI, RPI-X, PPI and House price index**,

- On Thursday; **retail sales, and**
- On Friday; **PSNCR and PSNB.**

There are several key data releases due this week: CPI, Retail sales and PSNB.

Clearly retail sales is a key demand indicator and is a substantial proportion of GDP, but as the Pound remains under post "BREXIT" pressure so too is inflation. Then there is government borrowing.

As politicians of various persuasion clamour for an end to austerity policies, government borrowing is also one to watch.



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Commodities

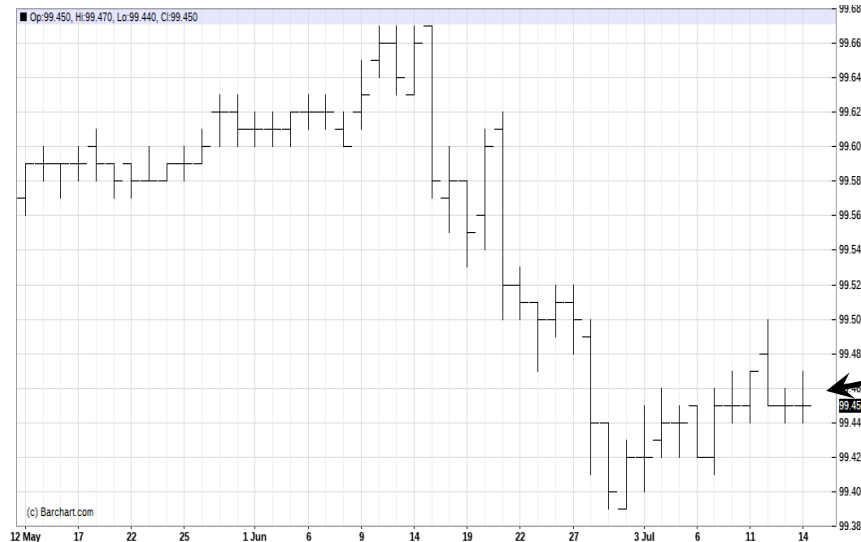
- + GOLD
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UK MARKETS: Short Sterling

OUR TRADING STANCE: BULLISH.

Last week we were [Bullish](#) of Short Sterling.



Short Sterling remains supported by growing fears of economic weakness resulting from "BREXIT".

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

..."Looking ahead the unemployment report is due, will it begin to show a rise?"...

In the event the report was a little better than expected, with a smaller than forecast unemployment change.

Looking ahead there are several key releases due, but we judge the ones to watch for this market are CPI

and retail sales. A mix of worse than expected inflation and strong retail sales would weigh on the market, but is that combination likely?

We remain short term Bullish of MAR18 short Sterling, as we expect the Bank to keep policy steady throughout this year at least.

Traders should be long the market.

Our suggested target is 99.56 (take profit) and our suggested stop is set at 99.34 for protection.

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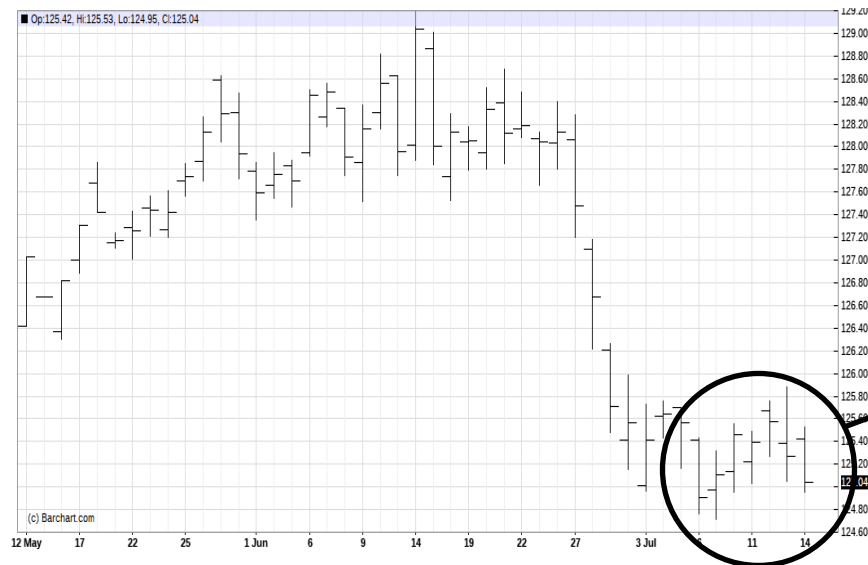
- + GOLD
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt remains under pressure as weak data pose a risk to government finances.

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

...“Looking ahead the key report this week is the unemployment report, will it show business beginning to translate its anxiety about the outlook for the economy post “BREXIT” into a steady stream of job losses?”...

In the event, that isn't happening yet!

Looking ahead the CPI, Retail sales and Government borrowing data reports are all due, they all impact this market, as a cooling economy is bad news for tax receipts and government borrowing and rising inflation is bad news for yields as the Bank is unlikely to hike is growth is weak.

We are staying square here.

Unless inflation spikes we judge the focus will remain on growth.

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Commodities

- + GOLD
- + OIL

Disclaimer

UK MARKETS: Sterling

OUR TRADING STANCE: **BULLISH** v the **DOLLAR**.

Last week we were Square



The Pound rallied against the Dollar as the Trump/Russia scandal grows.

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

...“Looking ahead the unemployment report is due, a rise in the claimant count would add weight to the view the economy is cooling and perhaps rapidly?”...

In the event the unemployment report offered no new dramas, and Sterling rallied against a Dollar dogged by the scandal growing around Trump over his direct or indirect connections with Russia during last years election campaign..

Looking ahead inflation and retail sales reports due, but we judge the Pound looks well supported against a very troubled Dollar.

Traders should be Long Sterling/Short the Dollar.

Our suggested target is 1.3500 and our suggested stop is placed at 1.2970 for protection.

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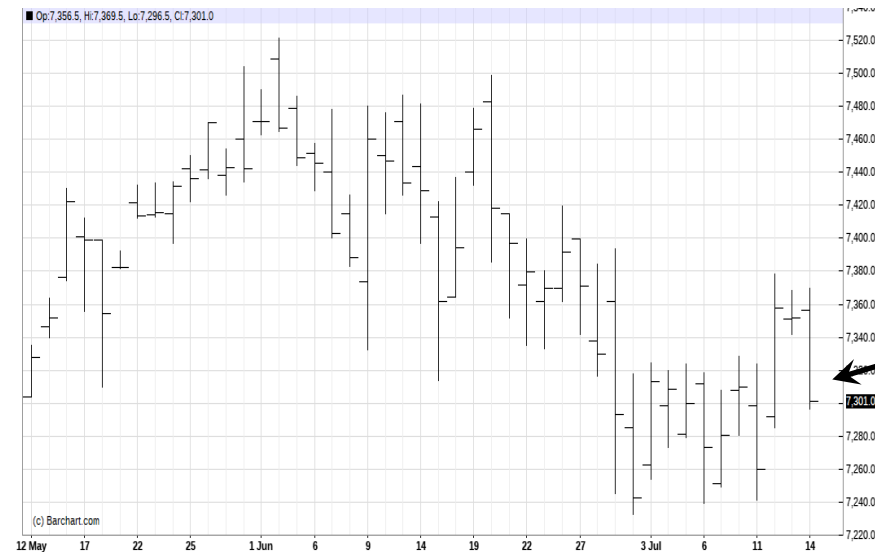
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UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish**.



See how the FTSE whipsawed last week on the stronger Pound and Yellen's remarks.

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

...“Looking ahead the main event this week in the UK is the unemployment report, but for global equity markets we judge Fed Chair Yellen's testimony in the US Congress on policy is the main event”...

In the event the unemployment report was a little better than expected, but equity markets were generally buoyed by Yellen's testimony in Congress, but the stronger Pound pushed against that resulting in some choppy trading.

Looking ahead the key releases this week are CPI and Retail sales, but if Sterling continues to strengthen, this market could struggle.

We remain bullish of this market as we judge Yellen's remarks will prove an important dynamic in equity markets.

Our suggested target continues at 7350 (Hit but not held) and our suggested stop remains set at 7180.0 for protection.

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EURO ZONE MARKETS: economic background

Last week's focus was Euro zone industrial production.

Following the recent strong German version a strong report was expected.

In the event the report beat expectations under lining the view the Euro zone economy is in a solid period of recovery.

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 CPI**,
- On Tuesday; **German ZEW Survey**,
- On Wednesday; **Euro zone industrial construction output, and**
- On Thursday; **German PPI, Euro zone C/A, ECB Policy decision and consumer confidence.**

The main event this week is the ECB policy decision and press conference, will there be more talk about reducing the ECB's bond buying or will they let that one rest; for now?



EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.

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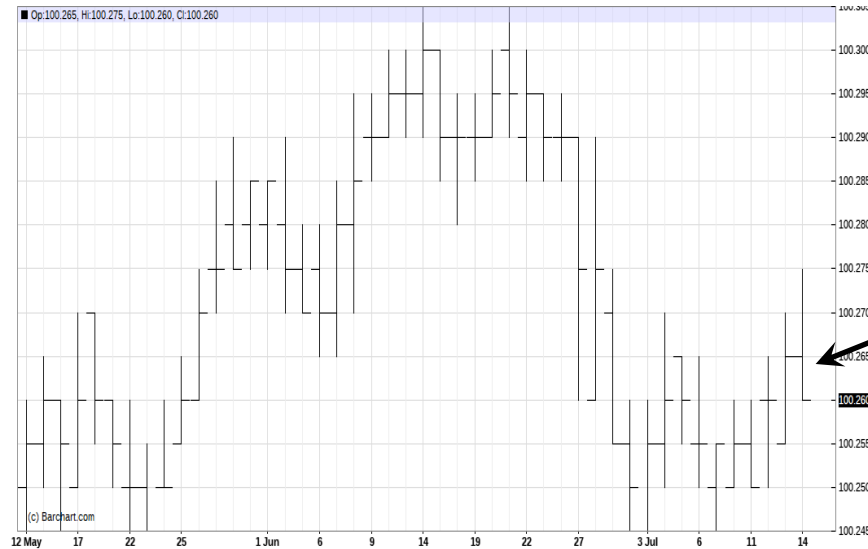
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Euribor remains under pressure as questions remain about the ECB's policy intent.

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

...“Looking ahead the key event this week is Euro zone industrial production, but we judge traders are still digesting last week's ECB minutes”...

In the event the Industrial production report was stronger than expected hindering the markets attempted recovery away from the lows.

Looking ahead the ECB policy decision is due, will they have anything new to say about their Bond buying program?

For now we are staying square.

The ECB may be close to removing its Bond buying pledge but that isn't the same as deciding to reduce its holdings.

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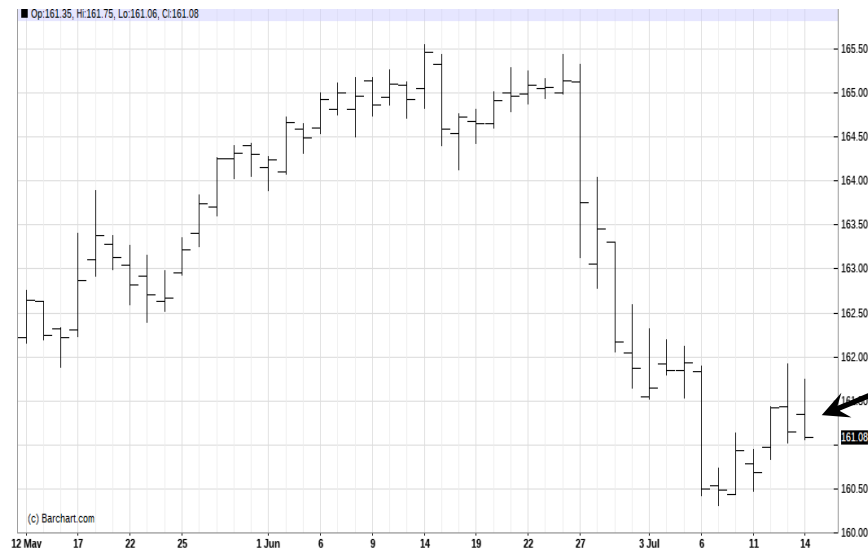
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund continues to look vulnerable.

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

...“Looking ahead the main event this week is the Euro zone industrial production report, after last week's strong German version we expect the Euro zone version to show similar strength”...

In the event the report beat consensus, but the Bund

still appears weighed down by recent uncertainty over the ECB's commitment to its bond buying program.

Looking ahead the main event this week is the ECB policy decision. Will they have more to say on their commitment to buying bonds? I hope they can add some greater clarity.

We are square awaiting greater clarity.

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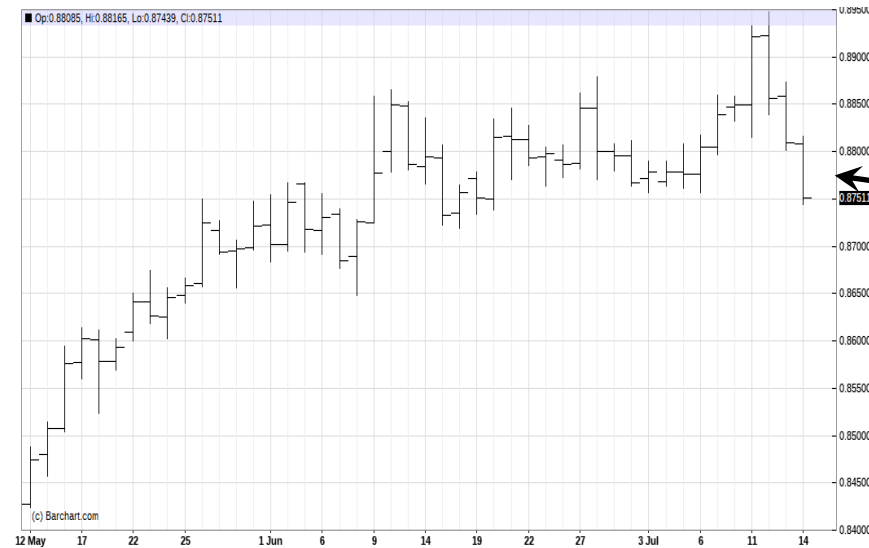
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BULLISH v the DOLLAR

Last week we were Bullish v the Dollar



The Euro seems out of gas against the Pound?

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

...“Looking ahead the main domestic event this week is the Euro zone Industrial production report, but we judge FX traders will be looking to Yellen’s testimony in Congress for clues on US policy and how that will impact the Dollar”...

In the event Yellen confirmed the Fed intends to reduce the balance sheet but said rates may not need to go too much higher, meaning the Dollar gained nothing but Sterling seems to be resisting the Euro

despite the UK governments infighting over “BREXIT”.

Looking ahead the ECB’s policy decision is the main event this week, any more talk of reducing Bond purchases either now or in the not too distant future will support the Euro.

We remain bearish of the Dollar/ Bullish the Euro.

Traders should be Short the Dollar/Long the Euro our target remains 1.1515 but our stop continues at 1.1240 for closer protection.

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- + NIKKEI

Commodities

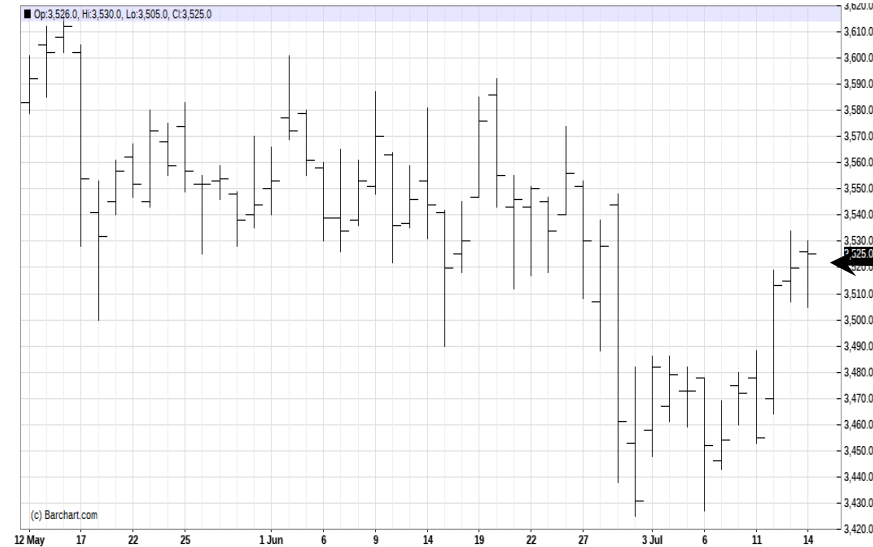
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market recovered after Yellen's remarks.

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

...“Looking ahead there are few heavy weight domestic reports due, but we judge traders will be eager to hear what Janet Yellen has to say about US policy”...

In the event Yellen delivered two key remark about policy. The Fed wants to start reducing its balance sheet by not re-investing all of the proceeds from bond maturities. The neutral rate for Fed funds is likely lower than previously and with inflation still low policy

may not need to be tightened much more. These remarks helped stocks rally globally.

Looking ahead the key event this week is the ECB policy decision, if there are no new remarks about reducing bond buying then we judge stocks can recover further..

We are square; for now!

We still retain an underlying bull bias, but seek further clarity from the ECB this week.

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 industrial production report; would it show further economic recovery under way?

In the event the report disappointed, falling short of consensus and raising questions about the economy's staying power.

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: **Tokyo Condominium sales,**

- On Wednesday; **Machine tool orders, trade data and Bank of Japan rate decision,**
- On Thursday; **all industry activity index, and**
- On Friday; **Department store sales.**

The main event this week is the Bank of Japan's policy statement and any comments they make.



Summary

Global Calendar

US Markets

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- + STERLING
- + FTSE

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- + BUND
- + EURO
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Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB bounced off the lows as data looked mixed.

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

...“Looking ahead the Industrial production report is due, but this market will need more than that to shore it up!”...

In the event the industrial production report was weaker than expected, but the market bounced off the lows as the era of low rates looks set to endure.

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

We are square. The Fed may be about to begin unwinding its bond holdings, but not the BOJ.

More



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Global Calendar

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- + FTSE

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen suffered profit taking as data disappointed.

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

...“Looking ahead the key event is the Industrial production report, but we judge currencies will move on Yellen’s remarks when she testifies in the House and Senate this week”...

In the event industrial production was weaker and Yellen confirmed the Fed wants to begin reducing its

bond holdings later this year which is in stark contrast to BOJ policy.

Looking ahead the main event this week is the Bank of Japan’s policy decision, but don’t hold your breath it is unlikely the BOJ will change its policy settings; inflation remains too low!.

We are square here.

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- + EURO
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- + YEN
- + NIKKEI

Commodities

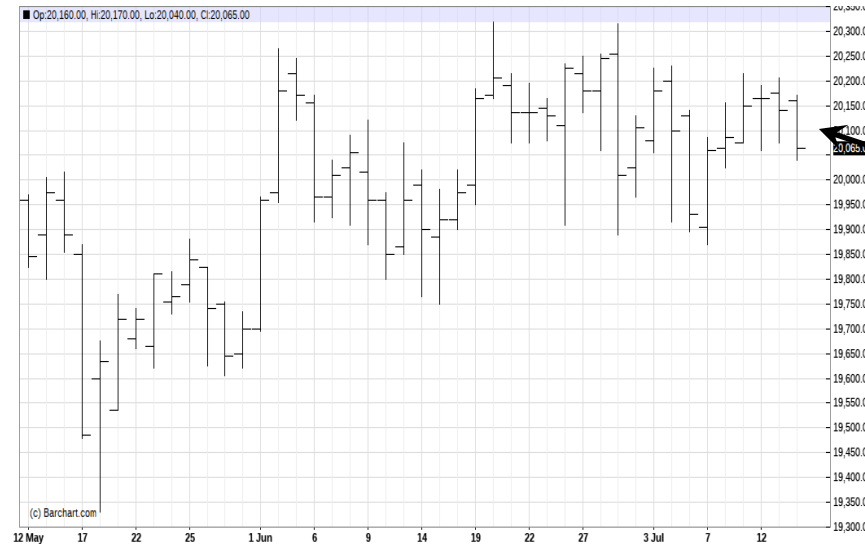
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of the Nikkei.



The Nikkei has disappointed with its prolonged period of range trading.

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

...“Looking ahead industrial production is due, but we judge the direction of the Yen will assist or hinder this market and that will be driven by Fed Chair Yellen's remark's in Congress this week”...

In the event a weaker industrial production report, Yellen said the Fed will reduce its balance sheet and the Yen eased off the highs against the Dollar, but this market appears range bound, but for how much longer?

Looking ahead the Bank of Japan's policy decision is the main event. We expect policy to remain unchanged and we expect them to note the still minimal progress on reaching the inflation target which might just get this market moving higher.

We remain Bullish of this market.

Traders should be long the Nikkei, our suggested target remains 20320.0 and our suggested stop continues at 19600.0 for support.

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- + EURO
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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 looks supported at the lows, meaning the trading range beckons.

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

...“Looking ahead Yellen’s remarks in Congress stand out as the main event, but even if they boost the Dollar, and this market looks set to drift lower and even if the Dollar receives no support from her remarks. Gold looks set to drift lower as traders judge the financial crisis over as the Euro zone economy recovers and gold loses its appeal as a safe haven”...

In the event that assessment proved correct; Yellen

said the Fed wants to begin reducing its bond holdings and Fed funds don’t need to rise too much further to be neutral.

Looking ahead there is little due in the US to drive either the Dollar or this market meaning a drift higher into the old trading range looks likely.

We are staying square, as we suspect the market will just remain within the trading range.

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- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE.

Last week we were **Bearish** of Oil.



See how oil continues to resist the downside despite strong US production.

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

...“Looking ahead the key event this week is Janet Yellen testifying in both houses of Congress, but just how important is that for oil? We judge the most important dynamic for this market is US Shale production and that continues to expand unabated and will weigh further on the oil price”...

In the event the market corrected yet again as traders continue to ignore the strength of US and Canadian oil production.

Looking ahead not much to focus on this week, meaning the market could drift a little higher yet.

We are now square our stop having been hit.

More



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- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

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