



Week 33  
15<sup>th</sup> – 21<sup>st</sup> August 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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### Global Calendar

### US Markets

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

- SQUARE
- SQUARE
- **BEARISH v the EURO and STERLING**
- BULLISH

### UK Markets

+ SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE

- SQUARE
- SQUARE
- BULLISH v the DOLLAR **BEARISH v the EURO**
- BULLISH

### Euro Zone Markets

+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

- SQUARE
- SQUARE
- BULLISH v the DOLLAR and STERLING
- SQUARE

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

- SQUARE
- SQUARE
- SQUARE

### Commodities

+ GOLD  
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- SQUARE
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# This week's global calendar

	Week of 14 <sup>th</sup> August		Week of 14 <sup>th</sup> August
Monday	EZ Ind production -0.5m, 2.8y JP Q2 GDP 0.6q, 2.5(A)	Thursday	US Jobless claims 240k US Philly Fed 18.8 US Industrial production 0.3% US Capacity utilisation 76.7 UK Retail sales 0.1m, 1.2y EZ Trade bal 20.3B EZ CPI -0.5m, 1.3y ECB Minutes
Tuesday	US Import prices 0.1m, 4.3y US Empire mfg 10.3 US Retail sales 0.4%, US Retail sales ex-Autos 0.3% US NAHB House mkt indx 64 US Business invntry 0.4% UK CPI 0.0m, 2.7y UK RPI 0.1m, 3.5y UK RPI-X 3.7y UK PPI Input 0.4m, 6.9y UK PPI Output 0.0m, 3.1y UK PPI Core 0.1m, 2.5y UK House prices 4.3% DM Q2 GDP 0.7m, 1.9y JP Tokyo condo sales n/f JP Ind production n/f JP Capacity utilisation n/f	Friday	US U. of Michigan conf 94 DM PPI 0.0m, 2.2y EZ C/A n/f EZ Construct'n output n/f
Wednesday	US MBA Mrtge apps n/f US Housing starts 1222k US Building permits 1250k US FOMC minutes UK Unemploy'm't rate 2.3% UK Unemploy'm't chge 5k UK Averige earnings 1.8% UK AE Ex-bonus 2.0% UK ILO rate 4.5% IT Q2 GDP 0.4q, 1.4y EZ Q2 GDP 0.6q, 2.1y JP Trade bal Y353.6B JP National dept store sales n/f JP Tokyo dept store sales n/f		

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## Last week's releases

	Week of 7 <sup>th</sup> August		Week of 7 <sup>th</sup> August
Monday	US Consumer CR \$12.397B <b>WEAKER</b> UK Halifax hse prces 0.4m, 2.13m/y <b>BETTER</b> UK BRC Sales 0.9y <b>STRONGER</b> DM Ind production -1.1m, 2.4y <b>WEAKER</b> JP C/A Y934.6B <b>STRONGER</b> JP Trade Bal Y518.5B <b>WEAKER</b> JP Banl Indg ex-Trusts 3.3% <b>AS</b> JP Eco watchers 49.7 <b>AS</b> <b>THAN EXPECTED</b>	Thursday	US Jobless claims 244k <b>WORSE</b> US PPI -0.1m, 1.9y <b>WEAKER</b> US PPI Ex- F&E -0.1m, 1.8y <b>WEAKER</b> US Mthly bdget statement -\$43.0B <b>BETTER</b> UK Ind production 0.5m, 0.3y <b>STRONGER</b> UK Mfg output 0.0m, 0.6y <b>LESS</b> UK Construct'n output -0.1m, 0.9y <b>WEAKER</b> UK Trade bal -£12.728B <b>WORSE</b> UK Trade non-EU -£4.47B <b>WORSE</b> UK NIESR GDP Estimate 0.2% <b>WEAKER</b> JP Tertiary ind indx 0.0% <b>WEAKER</b> <b>THAN EXPECTED</b>
Tuesday	US NFIB Sml bus optmsm 105.2 <b>STRONGER</b> DM Trade bal 22.3B <b>WEAKER</b> DM C/A 23.6B <b>WEAKER</b> JP Bankruptcies 2.28% <b>WORSE</b> <b>THAN EXPECTED</b>	Friday	US CPI 0.1m, 1.7y <b>WEAKER</b> US CPI Ex- F&E 0.1m, 1.7y <b>WEAKER</b> DM WPI -0.1m, 2.2y <b>WEAKER</b> DM CPI 0.4m, 1.7y <b>AS</b> <b>THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps 3.0% <b>STRONGER</b> US Q2 Non-farm prdctvty 0.9% <b>BETTER</b> US Q2 Unit labour costs 0.6% <b>BETTER</b> US Wholesale invntry 0.7% <b>STRONGER</b> UK RICS House prices 1% <b>WEAKER</b> JP Machine orders -1.9m, -5.2y <b>WORSE</b> JP Dmstc corp gds prices 0.3m, 2.6y <b>MORE</b> JP Tokyo office vacancies 3.22 <b>AS</b> <b>THAN EXPECTED</b>		

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## US MARKETS: economic background

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### Disclaimer

Last week's focus was inflation, specifically PPI and CPI; is inflation still benign?

In the event both reports were weaker than expected easing pressure on the Fed to raise interest rates any time soon, allowing them to focus on balance sheet reduction.

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; **Import prices, Empire manufacturing, Retail sales, NAHB House market index and Business inventories,**
- On Wednesday; **Housing starts, building**

- **permits and FOMC minutes,**  
On Thursday; **Jobless claims, Philly Fed, industrial production and capacity utilisation, and**
- On Friday; **University of Michigan confidence.**

There are several key releases due this week, but we judge the main event is the FOMC minutes.

Traders will be looking out for any fresh comments on the Fed's balance sheet reduction plans.



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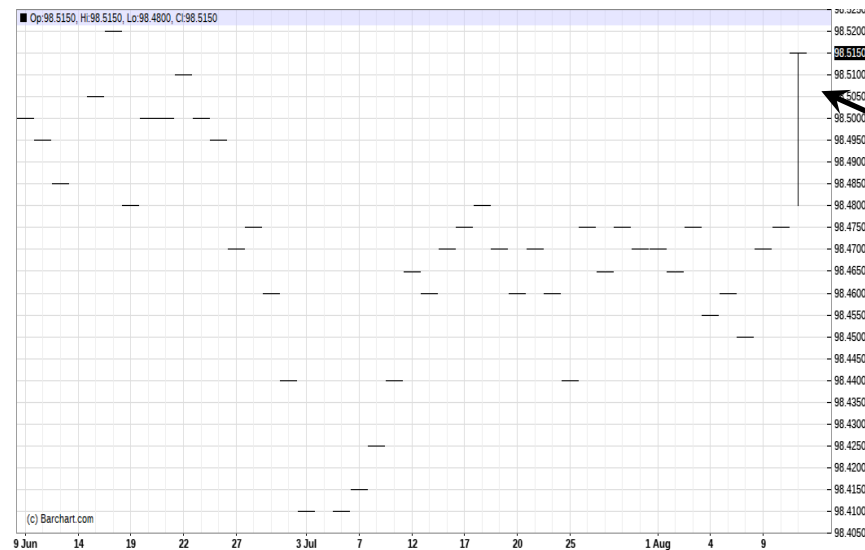
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## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars on Friday on weak PPI, CPI and North Korea tensions.

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

..."Looking ahead the key releases this week are PPI and CPI, but as long as they remain around current levels, the Fed's focus in the coming months will be the balance sheet"...

In the event both PPI and CPI were weaker than expected and non-farm productivity came in stronger,

which together with North Korean tensions pushed this market higher.

Looking ahead the key release this week is the FOMC minutes, traders will be seeking confirmation the balance sheet reduction and not near term rate hikes remain the Fed's current focus.

We are remaining square. The Fed remains in tightening mode, but the focus is the balance sheet.

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## Disclaimer

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note extended its gains on geopolitical tension.

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

...“Looking ahead the PPI and CPI reports are due, any signs of inflation building will change the interest rate calculus!”...

In the event both reports were weaker than expected, non-farm productivity was stronger and Unit labour costs weaker, all of which helps keep the Fed's interest rate trigger finger relaxed short/medium term.

Looking ahead the key release is the FOMC minutes, but Bonds have benefitted from rising geopolitical tension centred on North Korea.

We are square here.

The Fed wants to reduce its bond holdings, but we expect them to proceed with caution and we doubt North Korea would be suicidal and start a war with the US!

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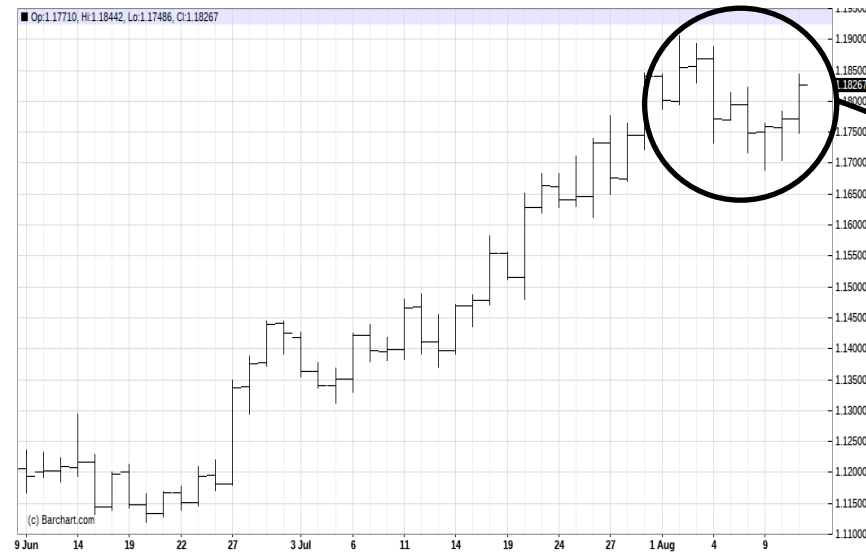
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## Disclaimer

## US MARKETS: US Dollar

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

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



The Dollar failed to enjoy its traditional role as a safe haven in time of crisis.

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

...“Looking ahead PPI and CPI are the two key releases this week, will they flag a pick up in the pace of inflation? We don't expect that”...

In the event inflation remained benign; not Dollar supportive and even rising geopolitical tension centred on North Korea failed to lift the Dollar.

Looking ahead the main event this week is the FOMC minutes. They are likely to confirm interest rates won't be going up any time soon as the Fed focusses on balance sheet reduction, none of which will help the Dollar.

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.

Traders should be Short the Dollar/Long the Euro.

Our suggested target is raised 1.2005, and our stop increased to 1.1575 for closer protection.

And we remain Bearish v Sterling for similar reasons.

Our suggested target in Cable continues at 1.3500 and our suggested stop remains set at 1.2865 for protection.

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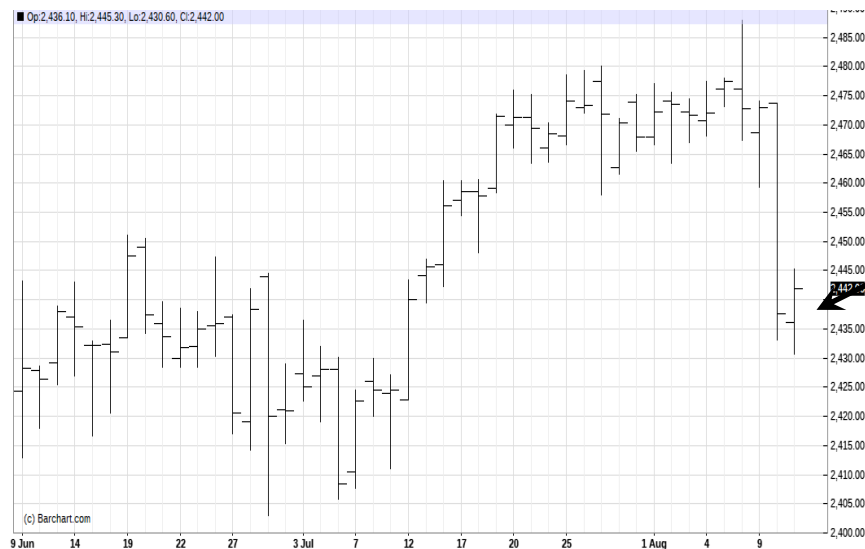
- + GOLD
- + OIL

## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: BULLISH.

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



The S&P took a hit last week due to a sharp increase in geopolitical tensions.

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

...“Looking ahead PPI and CPI are due, but inflation has remained largely benign”...

In the event both reports came in weaker than expected confirming inflation remains subdued.

Looking ahead the key release is the FOMC minutes, but we judge stocks will remain sensitive to

developments in the war of threatening words between North Korea and the US, but if tensions ease, this market should recover smartly.

We remain bullish of this market despite our stop being hit.

Our suggested target is remains set at 2495.0 and our suggested stop is reset at 2420.00 for protection.

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## Japanese Markets

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## Commodities

- + GOLD
- + OIL

## Disclaimer

## UK MARKETS: economic background

Last week's focus was the Thursday's raft of data releases.

On balance dismal reading; industrial production was better than expected, but the other reports were worse than expected and the trade deficit continues to grow.

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 prices**,

- On Wednesday; **unemployment report and average earnings, and**
- On Thursday; **retail sales.**

There are several key reports due this week, which report on inflation at all levels, unemployment and retail sales.

What will be the mix?



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- + FTSE

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## Japanese Markets

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## Commodities

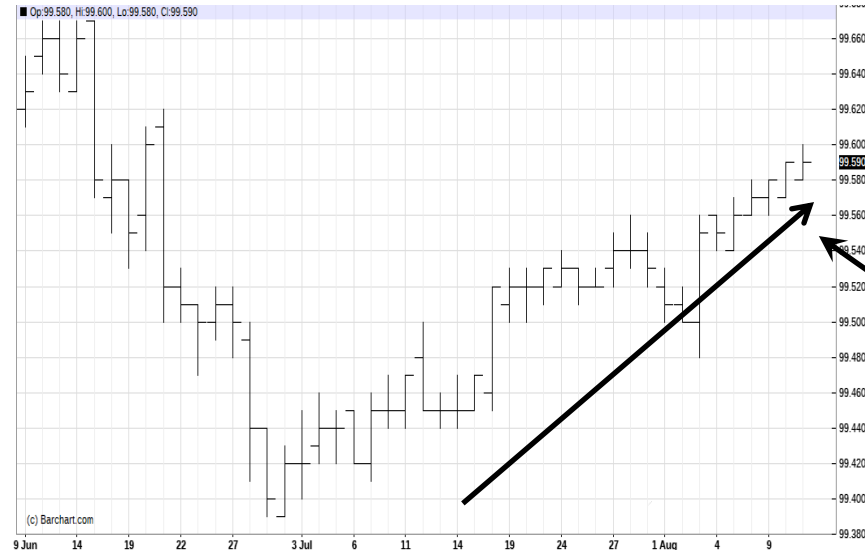
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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: SQUARE.

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



Short Sterling remains supported by evidence of a continued economic slowdown.

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

...“Looking ahead a whole raft of data due on Thursday, but we do not expect it to have much impact here; the Bank is set to keep rates on hold for a while yet”...

In the event data was broadly disappointing and with stocks selling off on geopolitical tensions, Short Sterling extended the rally.

Looking ahead CPI, Unemployment and retail sales are all due, steady unemployment, rising inflation and weak retail sales will be a headache for policy makers.

We are now square after our take profit level was hit.

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## Commodities

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## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt remains supported by weak stocks and geopolitical tension.

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

...“Looking ahead the industrial production and manufacturing output reports are due, will they back up the positive message delivered by last week's PMI Manufacturing survey?”...

In the event a mixed bag, stronger industrial production, weaker manufacturing output and a worse than expected Trade deficit.

Looking ahead the market has much to digest this

week in the shape of PPI, CPI, Unemployment and retail sales. But we judge if geopolitical tensions centred on North Korea ease, this market should begin to correct lower.

We are staying square here.

The economy is entering a testing phase.

Inflation hasn't yet peaked and growth is showing signs of slowing further.

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- + SHORT STERLING
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- + FTSE

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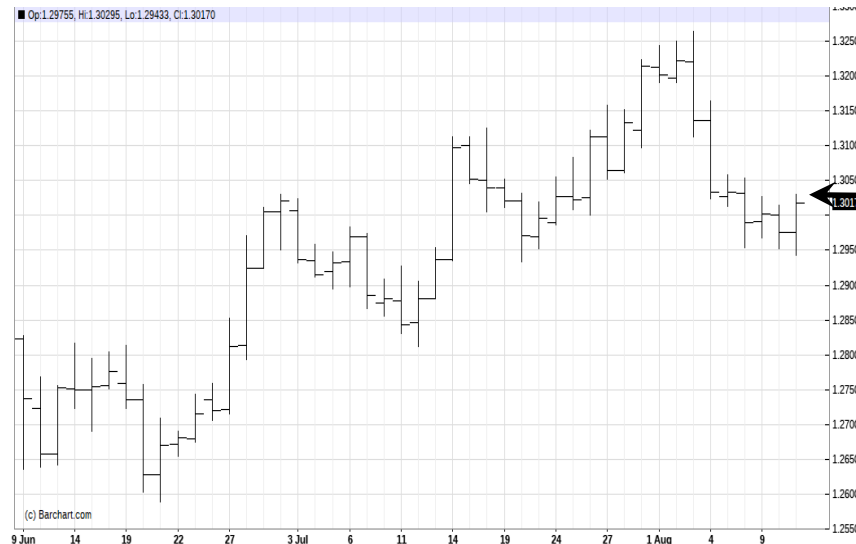
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## Disclaimer

## UK MARKETS: Sterling

**OUR TRADING STANCE: BULLISH v the DOLLAR, BEARISH v the EURO.**

Last week we were **Bullish v the Dollar**



The Pound corrected lower against the Dollar and weakened against the Euro.

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

...“Looking ahead Thursday's data releases are the ones to watch especially industrial production and manufacturing output”...

In the event a disappointing batch of data even if industrial production beat consensus, but there were other dynamics at work in currencies last week; geopolitical tension.

Looking ahead a busy week data wise, which depending on geopolitical tension could support the Pound against the Dollar, but not against the Euro.

We remain bullish of Cable on the Trump/Russia scandal.

Traders should be Long Sterling/Short the Dollar.

Our suggested target remains 1.3500 and our suggested stop is continues at 1.2865 for protection.

Against the Euro we are bearish.

Traders should be Short the Pound/Long the Euro, our target is 0.9500 and our suggested stop is set at 0.8875 for protection.

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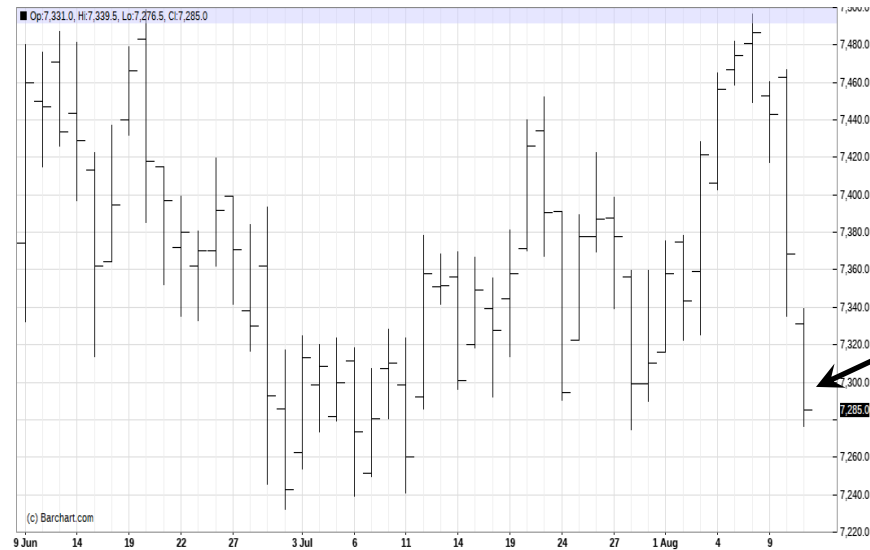
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## UK MARKETS: FTSE

### OUR TRADING STANCE: BULLISH.

Last week we were Bullish.



See how the FTSE sold off hard last week as the rhetoric between North Korea and the US reached fever pitch.

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

...“Looking ahead Thursday's run of data stand out, but we judge this market is supported by last week's Quarterly inflation report which we judge means policy is set to remain on hold for at least the rest of this year”...

In the event data and the inflation report were quickly forgotten as the atmosphere between North Korea and the US turned increasingly toxic with the spectre of war showing its face, sending global equity markets into

retreat.

Looking ahead several key reports due this week, but we judge the direction of travel depends on geopolitical tension between North Korea and the US. If it shows signs of cooling stocks will recover.

We remain bullish of this market despite being stopped out.

Our suggested target is now set at 7450.0, and our suggested stop reset at 7255.0 for protection, and if hit we will be pleased to be out.

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## EURO ZONE MARKETS: economic background

Last week's focus was German industrial production, a solid measure of the economy's health.

In the event the report was weaker than expected; a blip or has the recovery plateaued? We think a blip.

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

- On Monday; **Euro zone industrial production**,
- On Tuesday; **German Q2 GDP**,
- On Wednesday; **Italian and Euro zone Q2 GDP**,
- On Thursday; **Euro zone trade balance, CPI and ECB minutes**, and
- On Friday; **German PPI, Euro zone C/A and construction spending**.

The key releases this week are the German, Euro zone and Italian Q2 GDP reports. The Euro zone economy has come back to life, but by how much?

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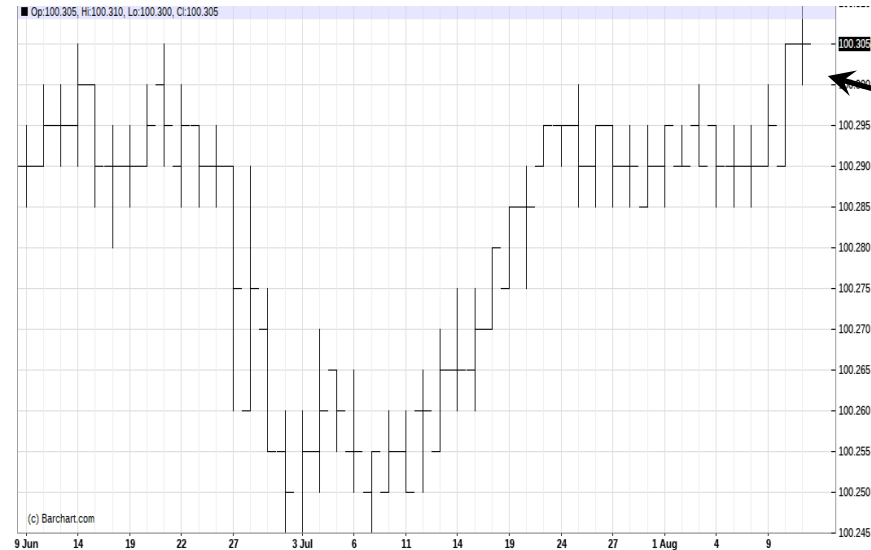
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## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor found additional support from the sell off in stocks.

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

...“Looking ahead the key release this week is the German industrial production report; a strong read is expected”...

In the event a weaker than expected report that together with geopolitical tension, helped this market higher.

Looking ahead several key reports due with the focus on German, Euro zone and Italian Q2 GDP will they live up to expectations? We think they will.

For now we are staying square. Rates and policy generally is on hold.

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## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund rallied on disappointing German data and sabre rattling between the US and North Korea.

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

...“Looking ahead the key release this week is German industrial production, but keep a wary eye on German CPI”...

In the event German industrial production was weaker than expected but CPI met consensus.

Looking ahead the key releases this week are German, Euro zone and Italian Q2 GDP; we judge they will deliver positive news about the economy.

We are square here, the recovery looks solid, and still moderate inflation keeps the ECB on hold, but what of geopolitical tension?

Any easing will help stocks and move investors away from bonds. The Bund is in a long term trading range.

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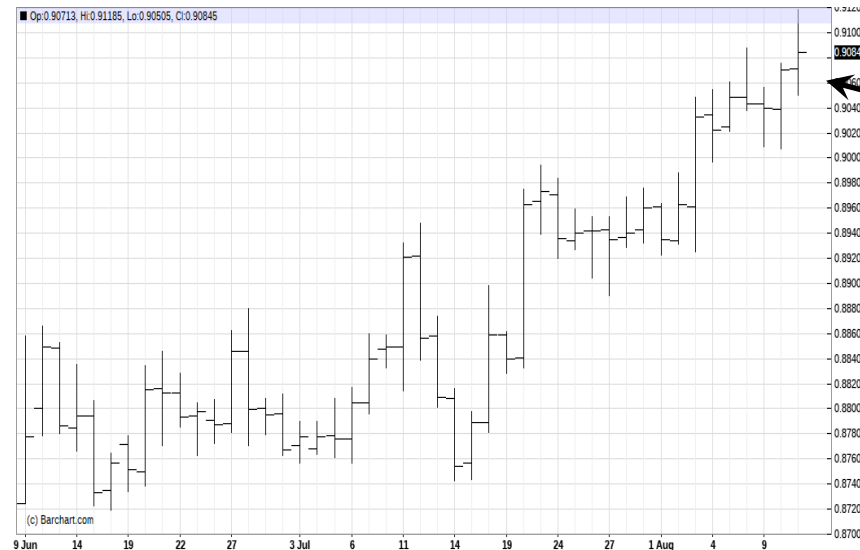
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## EURO ZONE MARKETS: The Euro

### OUR TRADING STANCE: BULLISH v the DOLLAR and The POUND

Last week we were Bullish v the Dollar



The Euro looks on a strong upward trend against Sterling.

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

...“Looking ahead the key release is German industrial production, in the US PPI and CPI are due, but we judge the Euro looks the stronger currency compared to the Dollar and Sterling”...

In the event US data was subdued, and German industrial production was weaker than expected, add in the growing war of words and threats between North Korea and the US and bonds were bid up.

Looking ahead the main event this week is the three Q2 GDP reports; German, Euro zone and Italian.

We remain bearish of the Dollar/ Bullish the Euro.

Traders should be Short the Dollar/Long the Euro our target remains 1.2005 and our stop continues at 1.1575 for closer protection.

We are Bullish the Euro/Bearish the Pound.

Our target in Sterling/Euro is 0.9500 and our suggested stop is set at 0.8875 for protection.

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## 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

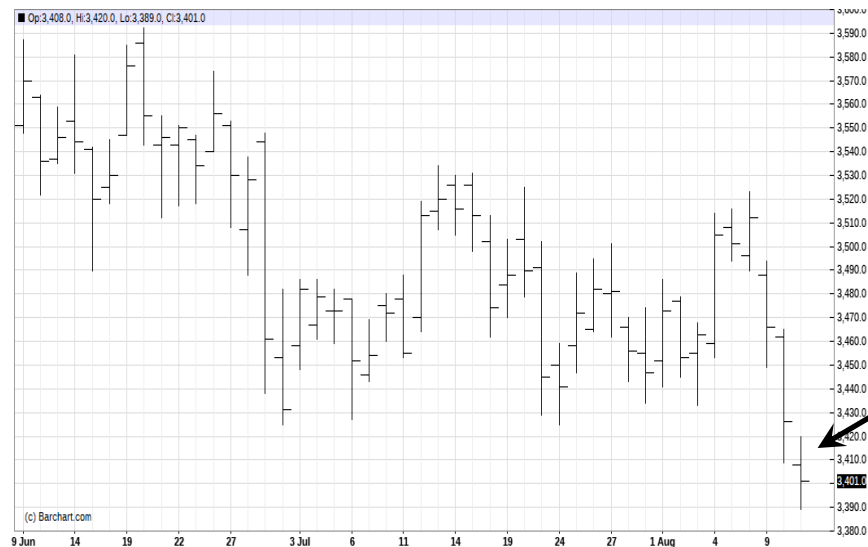
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

Last week we were Square of DJ EUROSTOXX50.



See how the market reacted badly to tension between the US and North Korea.

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

...“Looking ahead the key release is the German industrial production report”...

In the event a weaker than expected, so too was German Trade data and C/A report.

Looking ahead the main releases this week are German, Euro zone and Italian Q2 GDP reports, but traders will be more interested in the developments

between the US and North Korea which have become increasingly bellicose over North Korea's pursuit of a nuclear weapon and delivery system capable of threatening mainland US.

For now we are staying square.

The market took a bigger hit than the S&P or FTSE and looks vulnerable, but a de-escalation of tensions could reverse that.

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## Disclaimer

## JAPANESE MARKETS: economic background

Last week's focus was the C/A and trade data, two reports that act as something of an economic health barometer for Japan's economy.

In the event the C/A report was better than expected, but the trade number fell short of consensus; on balance neutral!

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; **Q2 GDP**,
- On Tuesday; **industrial production and capacity**

**utilisation, and**

- On Wednesday; **trade balance, national and Tokyo department store sales.**

The key releases this week is Q2 GDP.

The number is already known and was stronger than expected.

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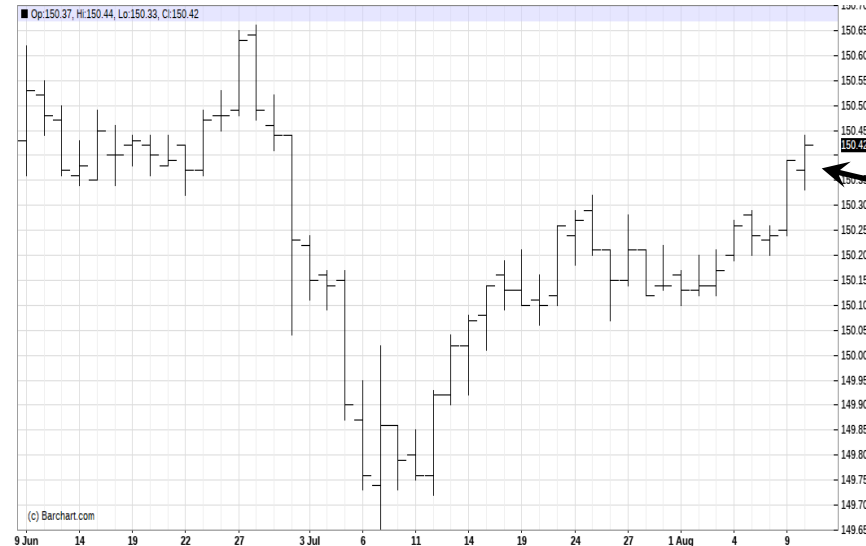
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## JAPANESE MARKETS: Japanese Bonds

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB extended the recent rally helped by North Korea threats.

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

...“Looking ahead the trade data is due, but unless very wide of expectations we doubt it will have much impact here”...

In the event better C/A report, weaker trade report, net, net not much to get excited about.

Looking ahead the key release this week is Q2 GDP (released earlier). The report was stronger than expected.

We are square.

The GDP report was better than expected, but inflation is still a long way from meeting the Bank of Japan's target of 2.0%.

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## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen looks weaker than the Dollar!

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

...“Looking ahead the key release this week is the Trade data, will it show the economy benefitting from the Yen's renewed weakness”...

In the event nothing to get too excited about; weaker trade report, stronger C/A.

Looking ahead the key release is the Q2 GDP report.

The number was released earlier and was stronger than expected, but will it help the Yen? No!.

We are square here.

The tension between the US and North Korea has unsettled Japan, as a major US ally and in the firing line of any missile exchange.

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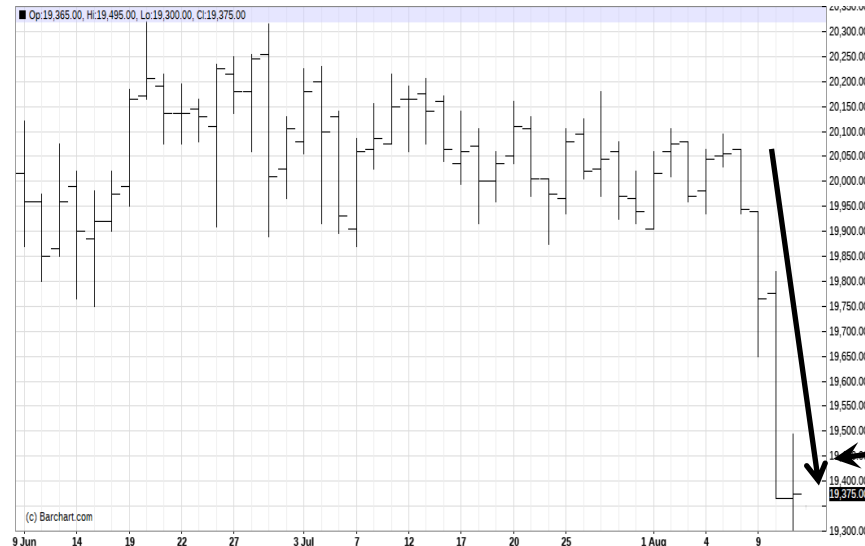
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## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

Last week we were Square of the Nikkei.



The Nikkei sold off hard on even the mere thought of hostilities between the US and North Korea.

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

...“Looking ahead the trade data is due, but we judge this market is range bound”...

In the event data had little or no impact, this market sold off on the escalating tension between the US and North Korea.

Looking ahead the key release is the Q2 GDP report released earlier, but the fate of this market currently rests on how the situation between North Korea and the US develops. A period of cooling off would go down well!

We are square. The market is likely to prove volatile in the short term.

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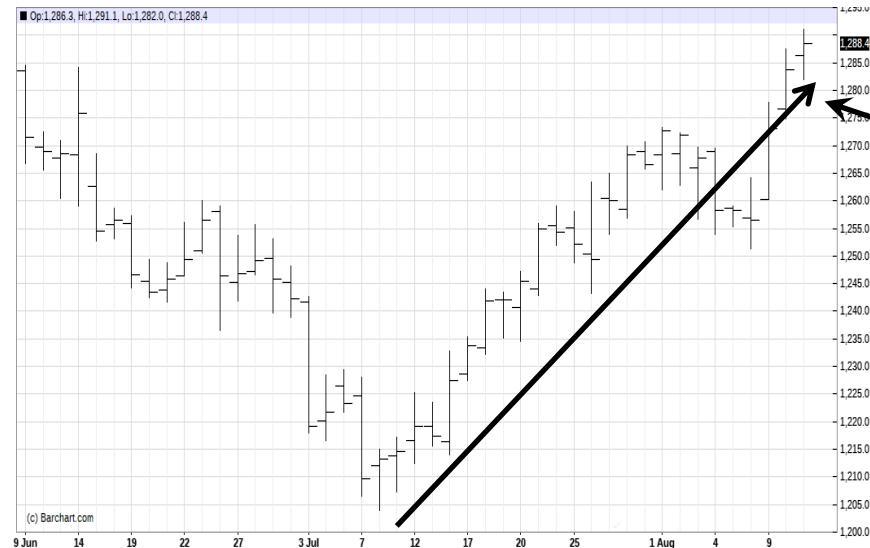
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## Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold extended its gains on rising geopolitical tension.

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

...“Looking ahead all eyes on US PPI and CPI, stronger than expected reports will reopen the US interest rate debate, but US inflation has been reasonably benign to date”...

In the event both PPI and CPI fell short of consensus extending the run of benign data, but Gold benefitted from a sharp rise in geopolitical tensions.

Looking ahead the main source of interest for gold this week is likely to be the US/North Korea war of words and will one side be crazy enough to act.

We are staying square.

As irrational as the North Korean leadership sometimes appears we doubt they are suicidal. **Any attack on the US will have to be met with a very heavy response or the US deterrent would loose credibility fast** and there are bigger fish watching how this unfolds!

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## Commodities

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## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



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

...“Looking ahead there are no new OPEC meetings planed, but the political unrest in Venezuela appears to be offering support”...

In the event Venezuela remains unstable, but is that really supporting oil?

Looking ahead the main dynamic is OPECs ability to

make the production cuts stick and there are reports of over producing. But OPEC has revised up its forecast for demand; it would wouldn't it, as a means surely of supporting the price. Lets see how that unfolds!.

In the US shale production is proceeding at a pace.

We are square, we think the market will struggle to go much higher, but we currently judge the time isn't right to go short.

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### SEVEN DAYS AHEAD

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