SUMMARY

POSITIONS

+ FX Sterling Euro
+ Gold
+ EuroStoxx
+ UK Gilt
+

Multi-asset trade and investment recommendation

12th September 2017

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Mark Sturdy

Disclaimer

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15th August: FX Short Sterling Long Euro @ 0.9110. Stop 0.8891.

5th September Long Gold (Dec 2017) @ 1342.20. Stop 1249

12th September 2017 BUY EuroStoxx Dec @ 3499. Stop 3378

12th September SHORT Long Gilt Futures Dec 2017 @ 126.33. Stop 128.23

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More

(1) TECHNICAL : 15th August: FX Short Sterling Long Euro @ 0.9110. Stop 0.8891

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Weekly continuation Chart :

The long bull market has failed to get back above the Prior High of sep 2011 at 98.92.

And now has fallen beneath the support from the 98.74 High

Daily bar chart :

The market has completed the complex but identifiable reversal Top by breaking the Neckline at 98.75.

Minimum move down to 98.40 or so.

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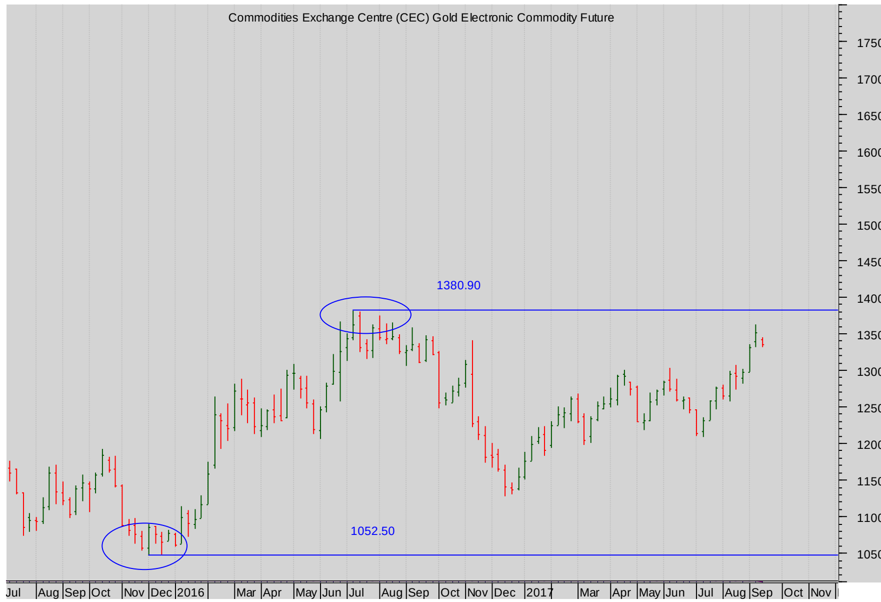
(2) FUNDAMENTAL: 15th August: FX Short Sterling Long Euro @ 0.9110. Stop 0.8891

The Pound has enjoyed a correction against the Euro driven by two recent data releases:

1. Last week's NIESR GDP forecast was 0.4%, that is stronger than Q2 GDP 0f 0.2% and if reflected in official data would represent a pick up in economic growth.
2. Today's CPI report was higher than expected at 2.9% year on year and if this is the beginning of a renewed push higher, the Bank of England may decide to begin hiking rates sooner than previously expected.

However, the great uncertainty caused by "BREXIT" and the less than smooth talks between the UK and EU on the UK's exit and ultimate new trading relationship with the EU27, are likely to prove the main dynamic for the Pound medium and Long term and we advice holding the trade.

(1) TECHNICAL : 5th September Long Gold (Dec 2017) @ 1342.20. Stop 1249



Weekly Chart – Continuation:

The market is still supported by the completed H&S reversal, and the continuation triangle.

Minimum move up as far as 133

Daily Chart Continuation:

The bears are disappointed that they can't drive the market lower to at least the neckline support.

Add to longs on a break up through 110.71.

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(2) FUNDAMENTAL: 5th September Long Gold (Dec 2017) @ 1342.20. Stop 1249

The rational behind the long Gold trade is principally geopolitical tension and although that eased a little last week and the UN has imposed new tougher sanctions on North Korea, the Norths leader Kim continues to use aggressive and threatening rhetoric towards the US.

The big question is; will North Korea be mad enough to launch an attack of any kind on the US, either its overseas facilities or mainland. The price action in markets over recent days suggests traders are becoming a little immune to Kim’s threats, but if he were to miscalculate and launch an attack markets would sell off and Gold rally, even though the US would surely launch a significant retaliatory strike.

In summary we advise holding this trade, it is a hedge/safe haven trade against North Korea doing what to the rest of the world would be unthinkable.

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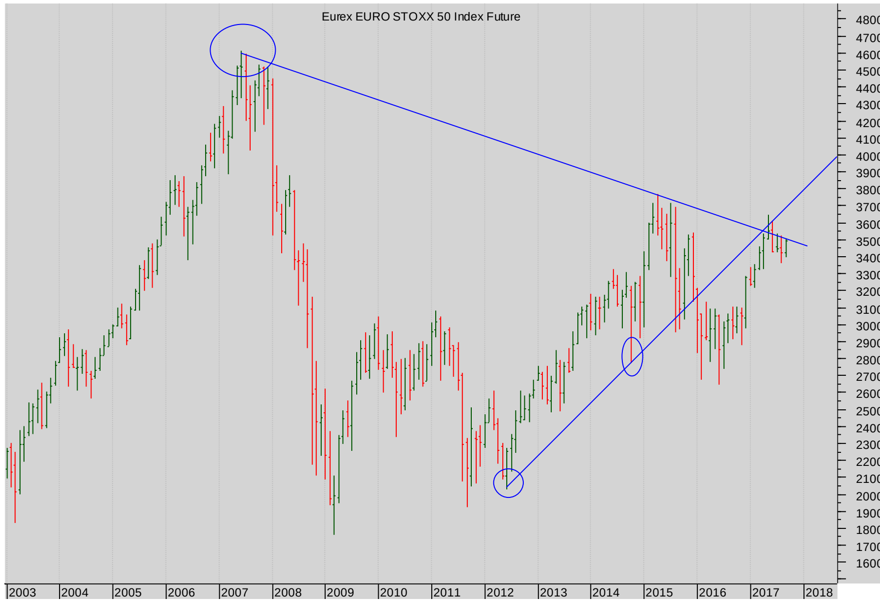
SEVEN DAYS AHEAD

(1) TECHNICAL : 12th September 2017 BUY EuroStoxx Dec @ 3499. Stop 3378



Month Chart Continuation:

The market is on the point of breaking up through the falling diagonal from 2007.

Daily Dec 17 Chart

And at the same time, the market looks set to break up through the falling diagonal – flag formation.

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(2) FUNDAMENTAL : 12th September 2017 BUY EuroStoxx Dec @ 3499. Stop 3378

This market has suffered a reasonably drawn out correction over recent months and although the Euro zone economy has clearly moved up through the recovery gears, the feel good factor didn't help this market.

That has been down to two factors:

1. Geopolitical tension causing a degree of risk aversion.
2. Uncertainty about the ECB's intentions with its QE policy, and how policy makers would react given the strength of the Euro.

Geopolitical tension has eased to a degree and the ECB left policy unchanged at last week's meeting and again voiced its concern about the Euros strength which Draghi said was affecting inflation, exports and the recovery, and said the ECB would debate what to do with QE over the Autumn with a statement around October.

That suggests policy makers are acutely aware that any changes to policy that could be construed as a tightening would further strengthen the Euro and traders have interpreted that as meaning the ECB will act with caution and may delay any changes until the new year.

In summary that has had a Bullish impact on this market and we advice going long.

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(1) TECHNICAL : SHORT 12th September Long Gilt Futures Dec 2017 @ 126.33. Stop 128.23

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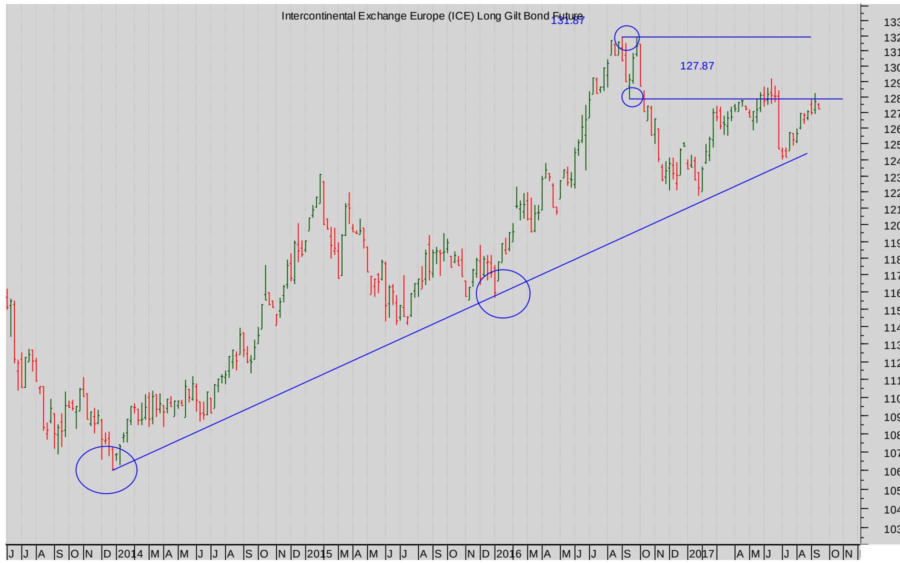
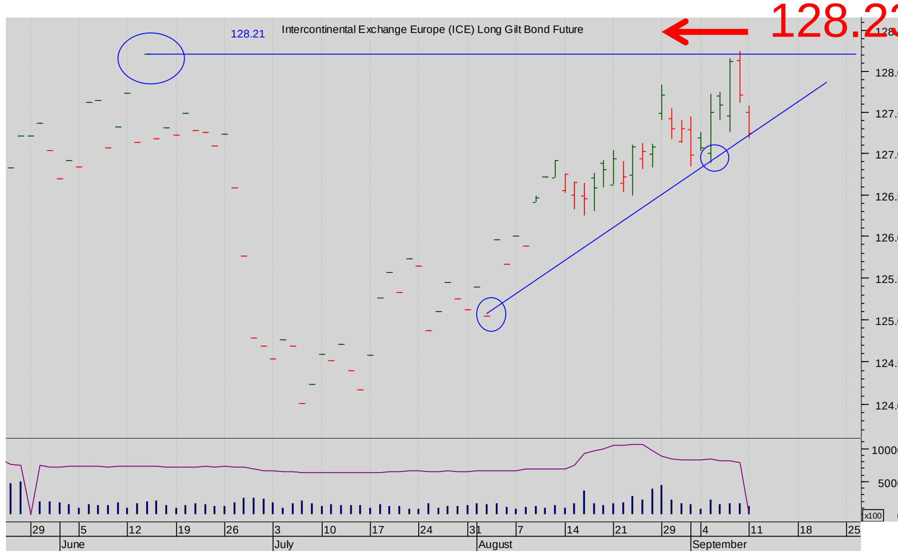


Month Chart Continuation:

The market is struggling to get up through the resistance at 127.87

Stop 128.23



Daily Dec 17 Chart

And this looks like a clear failure....

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The Gilt has come under new selling pressure in recent days for several reasons

1. NIESR released a GDP estimate last week suggesting growth had accelerated from 0.2%q/q to 0.4%q/q.
2. CPI released today was worse than expected at 2.9%y/y.
3. The Government is lifting its 1.0% public sector pay cap for some key workers which could not only prove inflationary but work against the governments drive to cut the deficit and debt to GDP ratio.

The result is inflation could well rise higher than 3.0% in coming months sooner than expected, prompting the Bank of England to begin tightening policy sooner than expected.

In summary we are Bearish of the Gilt and advice going short.

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SEVEN DAYS AHEAD
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