



6<sup>th</sup> October 2017

# Multi-Asset Market Update:

Watch Cable: set to weaken a lot further

UPDATE  
Technical  
Fundamental





## UPDATE Technical Fundamental

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### MONTHLY CHART

The drama of this chart is difficult to exaggerate.

The multiple top established since the mid-eighties is bearing down on the market.

The spirited rally from the initial lows established by the onset of Brexit looks to be no more than a dead-cat bounce.

We see little upside from these levels given the succession of horizontal resistances from Prior Lows.



### WEEKLY CHART

This detail of the rally back from the post-referendum low found a coincidence of Fibonacci resistance close to Prior Low (1.3833) and diagonal resistance...

Cautious bears will want to wait for a conclusive breakdown through the very well-established rising diagonal at 1.30...



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### Technical Fundamental

## FUNDAMENTALS:

Since the BREXIT referendum result Sterling has endured something of a roller coaster ride.

There was an initial sell-off after the referendum result was known, then a further sell-off after May's Lancaster House speech earlier this year which seemed to point to a so called 'hard' BREXIT. There followed a recovery following Prime minister's recent speech in Florence that sounded a more conciliatory tone on issues that have been blocking progress on the so-called divorce settlement such as:

- The sum the EU thinks the UK needs to pay to honour past agreed obligations,
- The rights of EU Citizens living in the UK after the UK leaves the EU, and
- The boarder between Northern Ireland and the Irish Republic.

Following on from that speech all eyes were eagerly trained on the Conservative party conference held in Manchester this week. The expectation was that May would use her key note speech to reassert her authority over the party and her cabinet. This was to be achieved by laying out her vision for the government's domestic agenda. It was to be a political re-launch after the disastrous general election campaign in June when an opinion poll lead of 20 points not only vanished, but she lost the ruling Conservative party's overall majority in the House of Commons.

However, the conference has not gone at all according to plan. The foreign Secretary; Boris Johnson has been airing his own views on "BREXIT" which appear contrary to the governments adopted line, that had led to calls for May to sack him and show she was still in control of her government.

Yet that turned out to be the least of her worries.



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## FUNDAMENTALS: CONTINUED

In her key note address to conference on Wednesday, it is fair to say the wheels well and truly came off.

First she was presented with a P45 (notice of termination of employment) by a prankster, next she was plagued by a persistent coughing fit, and finally some of the platform behind her fell apart. Some might say where is the drama, but taken together with the general perception of a poor leader with bad political judgement, these events seemed to sum up her troubled period in office.

The result is Conservative MP's are now openly talking about challenging her leadership, or forcing her to resign as they see the party being damaged.

From a market perspective these events serve to undermine Sterling. The EU exit negotiations are already fraught with delay. If the Conservatives force a leadership election and thereby install a new Prime minister, EU exit negotiations will lose yet more precious time while the new PM rolls out their vision of what BREXIT should look like. Worse still, Labour and Jeremy Corbyn could be in government.

Add in Trump's renewed attempt to introduce tax cuts in the US which is seen as pro-growth and Sterling/Dollar looks on the brink of a major move down. Against the Euro the Pound looks weak too, but maybe the crisis in Spain and the ECB's intention to leave its QE program largely as is until well into 2018, might just cushion the fall, but not by much.

And even if the PM isn't removed in the immediate future, talk of her removal and Conservative party discontent will continue to weigh on the currency and we judge it is set for a period of renewed serious weakness.



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#### SEVEN DAYS AHEAD

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