



Week 46  
14<sup>th</sup> – 20<sup>th</sup> November 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
- BEARISH
- BULLISH v the YEN & EURO
- BULLISH

### UK Markets

+ SHORT STERLING  
+ GILT  
+ STERLING  
+ FTSE

- SQUARE
- SQUARE
- SQUARE
- SQUARE

### Euro Zone Markets

+ EURIBOR  
+ BUND  
+ EURO  
+ DJ EURO STOXX 50

- SQUARE
- SQUARE
- BEARISH v the DOLLAR
- SQUARE

### Japanese Markets

+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

- SQUARE
- BEARISH v the DOLLAR
- SQUARE

### Commodities

+ GOLD  
+ OIL

- SQUARE
- SQUARE

### Disclaimer

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

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+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

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# This week's global calendar

	Week of 13 <sup>th</sup> November		Week of 13 <sup>th</sup> November
Monday	US Monthly bdgt statem't -\$54.0B UK Rgt mve house prces n/f DM WPI n/f JP Dmstic corp gds prices 0.1m, 3.1y JP Machine tool orders n/f	Thursday	US Jobless claims 234k US Philly Fed 24.1 US Import prices 0.4m, 2.5y US Industrial production 0.5% US Capacity utilisation 76.3% US NAHB Housing mkt indx 67 UK Retail sales 0.2m, -0.5y EZ CPI 0.1m, 1.4y JP Machine tool orders n/f
Tuesday	US NFIB Sml bus otimism 104 US PPI 0.1m, 2.3y US PPI Ex- F&E 0.2m, 2.2y UK UK CPI 0.2m, 3.1y UK RPI 0.2m, 4.1y UK RPI-X 4.2Y UK PPI Input 0.8m, 4.7y UK PPI Output 0.3m, 2.9y UK PPI Core 0.2m, 2.2y UK House prices n/f DM Q3 GDP 0.6q, 2.3y DM CPI 0.0m, 1.6y IT Q3 GDP 0.5q, 1.7y EZ Ind production -0.6m, 3.2y DM ZEW 19.5 EZ Q3 GDP 0.6q, 2.5y JP Q3 GDP 0.4q, 1.5 (A) JP Ind production n/f JP Capacity utilisation n/f	Friday	US Housing starts 1190k US Buildg permits 1250k EZ C/A n/f EZ Construct'n output n/f
Wednesday	MBA Mrtge apps n/f US CPI 0.1m, 2.0y US CPI – F&E 0.2m, 1.7y US Empire mfg 25 US Retail sales 0.0% US RS Ex- Autos 0.2% US Bus invntry 0.0% UK Unemploy'm't chge 2k UK Unemploy'm't rate 2.3% UK ILO 4.3% UK Averige earngs 2.1% UK AE Ex- Bonus 2.2% EZ Trade bal 21.0B		

More



## Summary

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## 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

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+ YEN  
+ NIKKEI

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+ OIL

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# Last week's releases

	Week of 6 <sup>th</sup> November		Week of 6 <sup>th</sup> November
Monday	UK BRC Sales -1.0% <b>WEAKER</b> DM Factory orders 1.0m, 9.5y <b>STRONGER</b> IT PMI Services 52.1 <b>WEAKER</b> FR PMI Services 57.3 <b>LESS</b> DM PMI Services 54.7 <b>WEAKER</b> EZ PMI Services 55.0 <b>MORE</b> EZ PPI 0.6m, 2.9y <b>STRONGER</b> JP BOJ Minutes Sept 20-21 meeting JP Labour cash earnings 0.9% <b>STRONGER</b> JP PMI Services 53.4 <b>STRONGER THAN EXPECTED</b>	Thursday	US Jobless claims 239k <b>MORE</b> US Wholesale invntry 0.3% <b>AS</b> DM Trade bal 24.1B <b>STRONGER</b> DM C/A 25.4B <b>STRONGER</b> JP Tertiary industry indx -0.2m <b>WEAKER THAN EXPECTED</b>
Tuesday	US Consumer credit \$20.83B <b>STRONGER</b> UK Halifax hse prices 0.3m, 4.5y <b>MORE</b> DM Ind production -1.6m, 3.6y <b>WEAKER THAN EXPECTED</b>	Friday	US U. of Michigan conf 97.8 <b>WEAKER</b> UK Ind production 0.7m, 2.5y <b>STRONGER</b> UK Mfg output 0.7m, 2.7y <b>STRONGER</b> UK Construct'n output -1.6m, 1.1y <b>WEAKER</b> UK Trade bal -£11.253B <b>BETTER</b> UK Trade non-EU -£2.982B <b>BETTER</b> UK NIESR GDP Estimate 0.5% <b>STRONGER THAN EXPECTED</b>
Wednesday	US MBA Mrtge apps 0.0% <b>BETTER</b> UK RICS House prices 1.0% <b>WEAKER</b> JP Machine orders -8.1m, -3.5y <b>WORSE</b> JP C/A Y2271.2B <b>WEAKER</b> JP Trade bal Y852.2B <b>STRONGER</b> JP BK Lending 2.8% <b>WEAKER</b> JP ECO Watchers survey 52.2 <b>STRONGER</b> JP Bankruptcies 7.32% <b>WORSE THAN EXPECTED</b>		

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

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+ JAPANESE BONDS  
+ YEN  
+ NIKKEI

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+ GOLD  
+ OIL

### Disclaimer

Last week's focus was the University of Michigan confidence report.

In the event the report was weaker than expected, but markets were focussed on Trump, the Senate and the proposed tax.

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; **Monthly budget statement,**
- On Tuesday; **NFIB small business optimism and PPI,**
- On Wednesday; **CPI, Empire manufacturing, Retail sales and Business inventories,**

- On Thursday; **Jobless claims, Philly Fed, import prices, industrial production, capacity utilisation and NAHB housing market index, and**
- On Friday; **Housing starts and building permits.**

The calendar is full of key data releases this week, with PPI, CPI and industrial production, but our focus is retail sales.

The service sector and consumer demand are major components of GDP and traders will be seeking signs of renewed strength in the run in to thanks giving and Christmas.



## Summary

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## 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

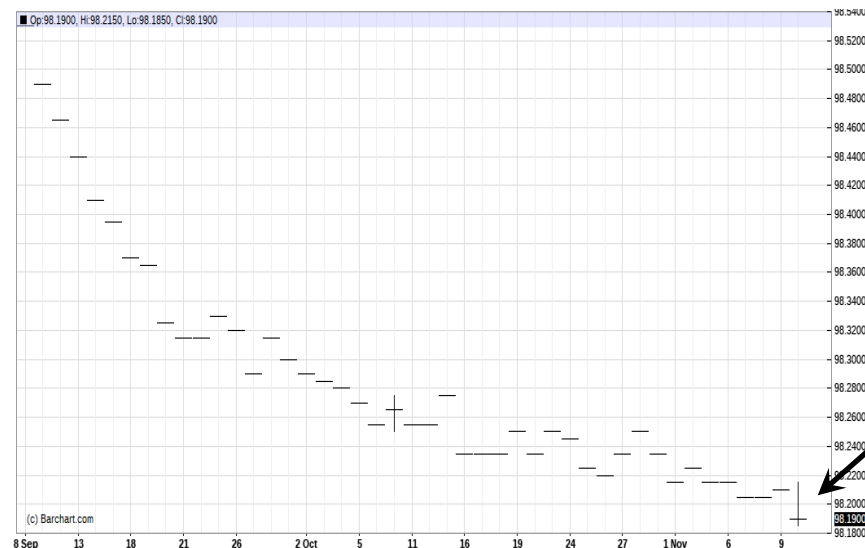
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## Disclaimer

## US MARKETS: Eurodollars

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars dipped last week despite week consumer confidence.

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

...“Looking ahead there is very little in the way of heavy weight data due this week, traders will likely continue to digest last week's Fed statement and other key releases”...

In the event we judge that was the outcome, since a weak University of Michigan confidence report should have offered some support, but traders are focussing

on tax cuts and what that might mean for the Fed's policy stance.

Looking ahead several key data releases due, our focus is retail sales.

We are remaining square.

A further tightening is priced in, the Fed has given a time table, but that could change if tax cuts are pushed through!

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

## US MARKETS: 10 Year Note

### OUR TRADING STANCE: **BEARISH.**

Last week we were Square of the 10 year note.



The 10 year note gave back some gains as tax cut talk intensified.

**The Macro Trader's view of the 10 year note is:** last week's calendar offered little for traders to focus on with the one interesting piece of data; University of Michigan confidence coming in below consensus, but the market is focussed increasingly on Trump's tax cutting agenda and that increasingly looks like becoming a reality with implications for the deficit, inflation and the Fed.

Looking ahead a whole raft of data releases due, with our focus retail sales, but watch PPI and CPI, the Fed is concerned inflation will eventually snap back.

We are bearish of this market.

Our suggested target is 124.10 and our suggested stop is set at 125.19 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

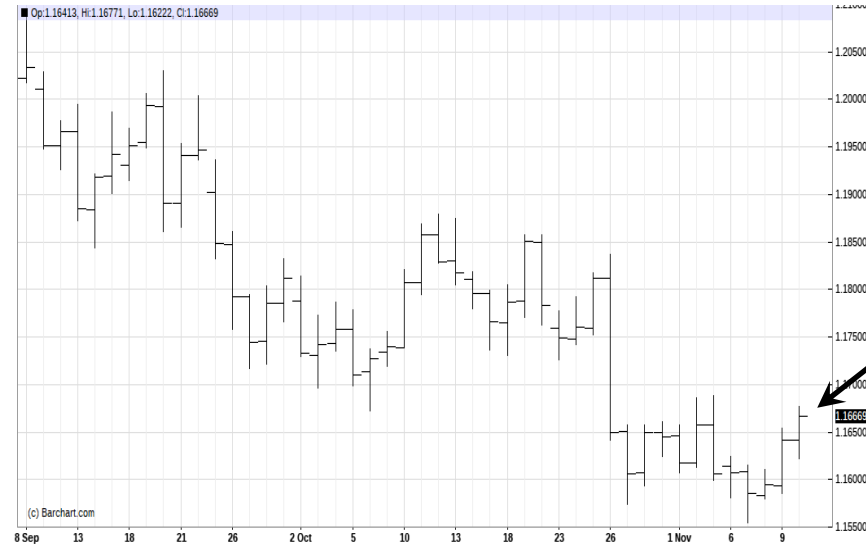
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- + OIL

## Disclaimer

## US MARKETS: US Dollar

### OUR TRADING STANCE: **BULLISH** v the Yen and Euro.

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



The Dollar is a bull market waiting to happen.

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

...“Looking ahead very little in the calendar to focus on this week, meaning the Dollar will likely be driven by politics and tax cut talk”...

In the event Tax cut talk dominated as the Senate looks set to agree on of Trump's key campaign pledges and that is bullish for the Dollar.

Looking ahead the calendar is packed this week, but we are focussed on retail sales. The economy is

already growing at a respectable 3.0% annualised, cutting tax will surely pump it up further.

We remain bearish of the Yen against the Dollar and Bearish of the Euro against the Dollar.

Our suggested target in Dollar/Yen remains set at 114.50 (hit but not held) and our suggested stop continues at 113.00 for closer protection.

In Dollar/Euro our suggested target is 1.1450 and our suggested stop placed at 1.1790 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

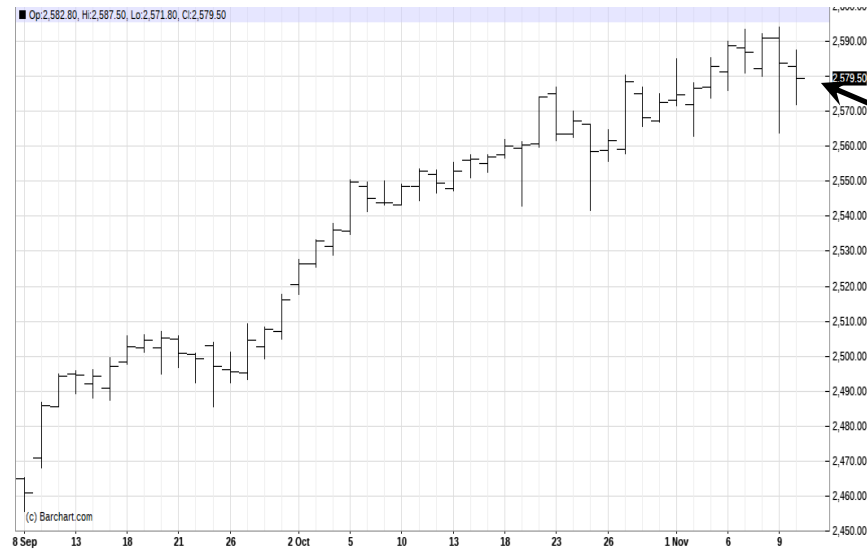
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- + OIL

## Disclaimer

## US MARKETS: S&P500

### OUR TRADING STANCE: BULLISH.

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



The S&P made a new high before taking a pause.

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

...“Looking ahead the calendar is devoid of any heavy weight data, with just the University of Michigan confidence report to focus on, but with tax cutting looking set to occur this market can rally further”...

In the event the market made a new high before settling back, but remains bullish.

Looking ahead a lot of data to digest this week, with PPI, CPI, Industrial production due, our focus is retail sales and the Tax cut agenda.

We remain bullish of this market.

Our target continues at 2590.0 and our suggested stop remains set at 2535.00 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's focus was Friday's run of data with industrial production and trade data due.

In the event good news, industrial production and manufacturing output were stronger than expected and the trade deficit was narrower than forecast.

Add in the NIESR GDP estimate of 0.5% and Friday's was the best run of real world, rather than survey data, for some time.

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 and House prices,**

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

The calendar is packed this week with key data releases.

Traders should monitor the inflation data on Tuesday, the employment report on Wednesday and retail sales on Thursday closely, they are all important for inflation and monetary policy.

Our main focus is retail sales. The service sector accounts for 70 – 80% of the economy and retail sales 75% of that, so retail sales matters to the over all economic landscape.



## 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

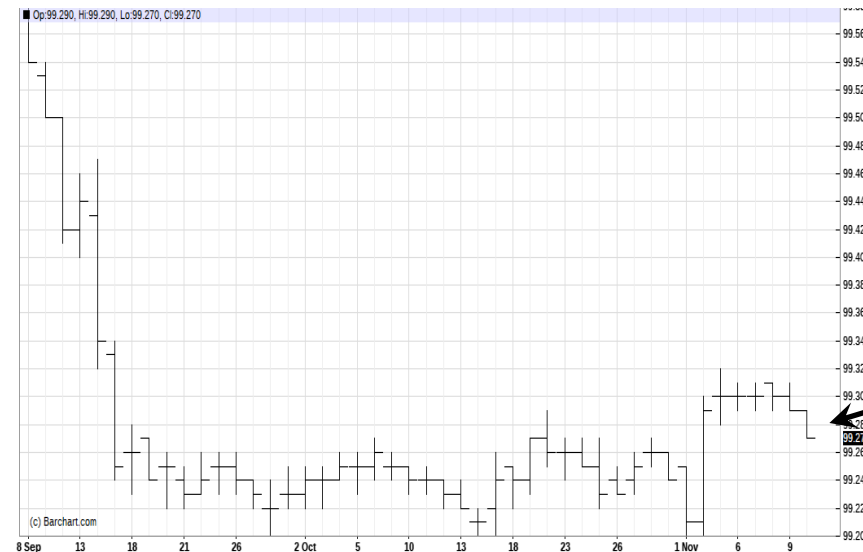
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## Disclaimer

## UK MARKETS: Short Sterling

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling looks set for a prolonged period of sideways trading.

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

...“Looking ahead Friday's data stands out as traders look to see if real data on manufacturing agrees with the PMI manufacturing survey”...

In the event both industrial production and manufacturing output exceeded consensus and even the yawning trade gap narrowed a little.

Looking ahead several key releases due, but for this market watch CPI. The Bank of England recently hiked interest rates, we don't expect them to act again any time soon.

We are square.

The Bank of England has hiked.

More



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## 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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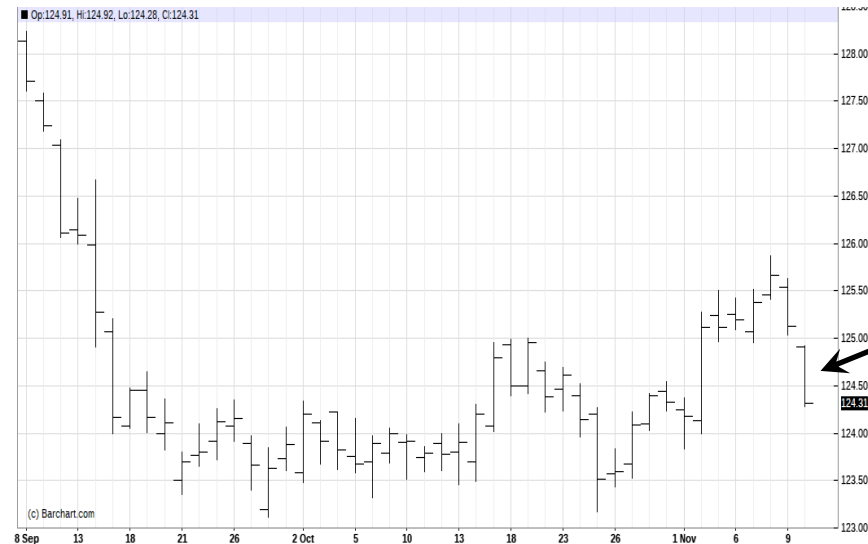
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## Disclaimer

## UK MARKETS: Gilt

### OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt's rally quickly fizzled out and reversed.

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

...“Looking ahead all eyes on Friday's data, will the real world reports match the surveys?”...

In the event they were arguably better as industrial production and manufacturing output both recorded strong gains, and the trade gap was a little better too.

Looking ahead CPI, Unemployment and retail sales are

all due. The focus is retail sales, a weak report is expected, worrying in the run up to Christmas when retailers usually expect to do well.

We are staying square here for now.

The economy still looks fragile and there is still too much uncertainty surrounding “BREXIT” and now there is a question mark over how much longer Theresa May can survive as PM.

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

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- + JAPANESE BONDS
- + YEN
- + NIKKEI

## Commodities

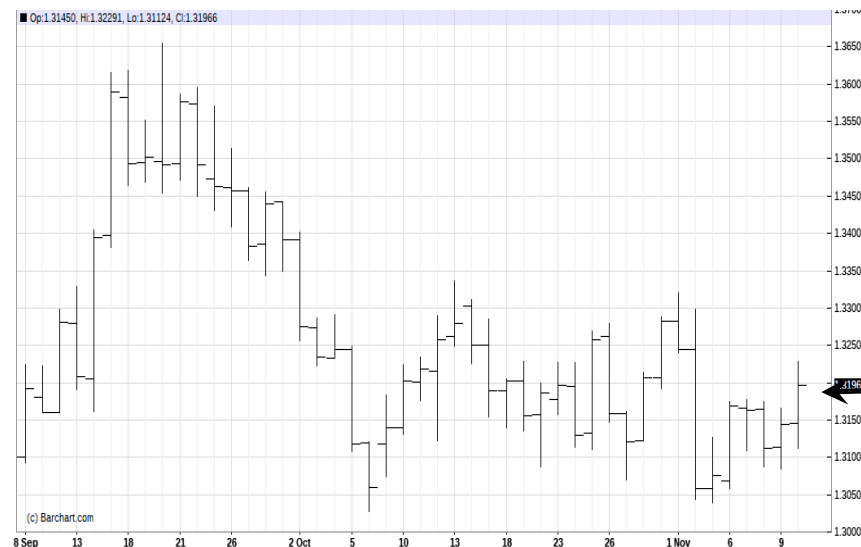
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## Disclaimer

## UK MARKETS: Sterling

### OUR TRADING STANCE: SQUARE.

Last week we were Square



The Pound looks vulnerable to any bad news especially political.

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

...“Looking ahead the main event is the run of data due on Friday. Last week's PMI manufacturing survey was stronger than expected, can the manufacturing output report match that?”...

In the event all of Friday's data was better than expected and offered the Pound a degree of support, albeit temporary.

Looking ahead a packed calendar this week but we judge traders will be reacting more to political developments. Apparently 40 Conservative MP's have signed a letter of no confidence in PM May's

leadership, to force a Conservative party leadership challenge 48 MP's are required, and although there are currently not quite enough, this only adds to the sense of a PM and government lurching from crisis to crisis.

We are square, for now.

We see Sterling as a volatile currency dogged by “BREXIT” which is the main cause of rising inflation and weakening growth, and until some clarity emerges from those negotiations that pattern is likely to persist. Although we expect the Pound to weaken from here, timing is currently uncertain, but a leadership challenge to May from her own benches would send Sterling lower fast.

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

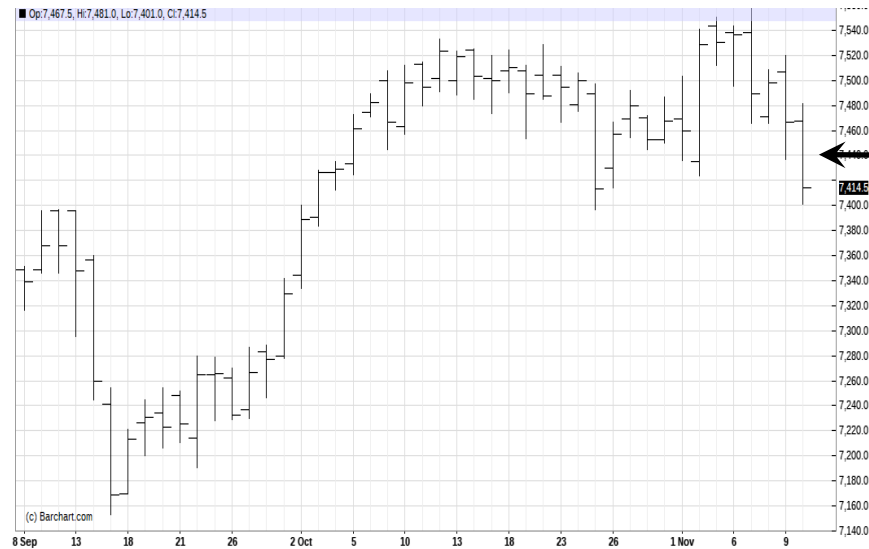
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## UK MARKETS: FTSE

### OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the FTSE weakened on relative Sterling strength.

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

...“The data releases due on Friday are the ones to watch, but we judge the Pound is on the brink of a renewed period of weakness which when it finally materialises will help this market extend the rally”...

In the event the data releases on Friday were better than expected helping the Pound rally, sending this market lower, but for how long?

Looking ahead a whole raft of key data is due, but

markets are focussed on renewed talk of a new challenge to PM May's leadership from her own MP's. Although that would weaken the Pound as it would cause yet more uncertainty and for the short term support this market, if the PM and the government fell and a labour government resulted Sterling and the FTSE would be a straight sell.

We are square.

The FTSE looks supported, but relies on a weak Pound too much.

More



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## 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

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## EURO ZONE MARKETS: economic background

Last week's focus was the run of Euro zone PMI Services surveys.

In the event they were mildly disappointing but not sufficiently so to alter the assessment of a strong Euro zone recovery taking place.

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; **German WPI**,
- On Tuesday; **German Q3 GDP, CPI, ZEW, Italian Q3 GDP, EZ Q3 GDP and Euro zone**

### industrial production

- On Wednesday; **Euro zone trade balance**,
- On Thursday; **Euro zone CPI**, and
- On Friday; **Euro zone C/A and construction output**.

There are several key releases due this week, but our focus is the run of data due on Tuesday.

With all the leading Euro zone economies releasing Q3 GDP data together with the pan Euro zone Q3 GDP report, traders have a good opportunity to assess the economic strength of the Euro zone.



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- + 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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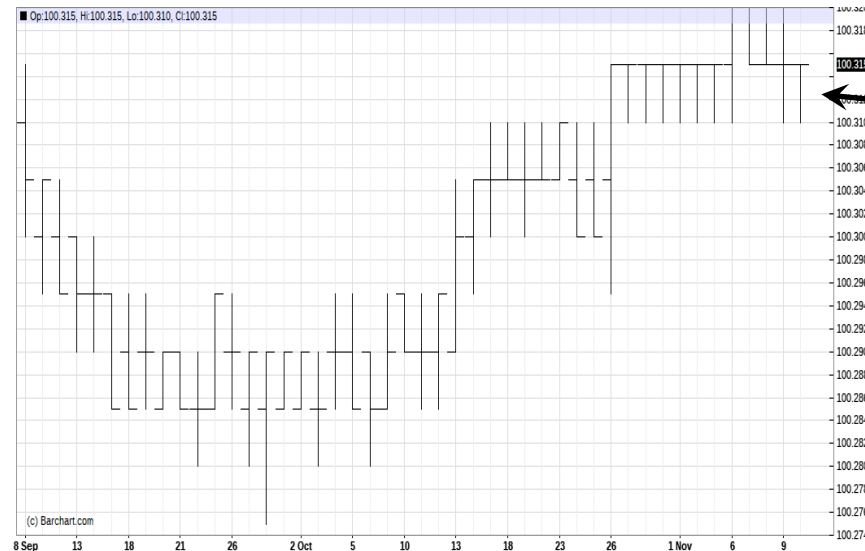
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## Disclaimer

## EURO ZONE MARKETS: Euribor

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains anchored close to the highs.

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

...“Looking ahead the main event this week is the various Euro zone PMI Services surveys. The economy is enjoying a solid recovery and traders will watch the PMI's for evidence the expansion is deepening”...

In the event those surveys mainly fell short of consensus, but not by enough to alter the markets assessment of a solid economic recovery taking place.

Looking ahead the key releases this week are the Q3 GDP reports, we expect them to confirm a solid recovery is in place..

For now we are staying square.

Rates are on hold and the ECB is set to keep QE running well into 2018 to avoid further strengthening the Euro, albeit at a reduced level of Bond buying and although Euribor looks well supported, how much higher can it realistically go?

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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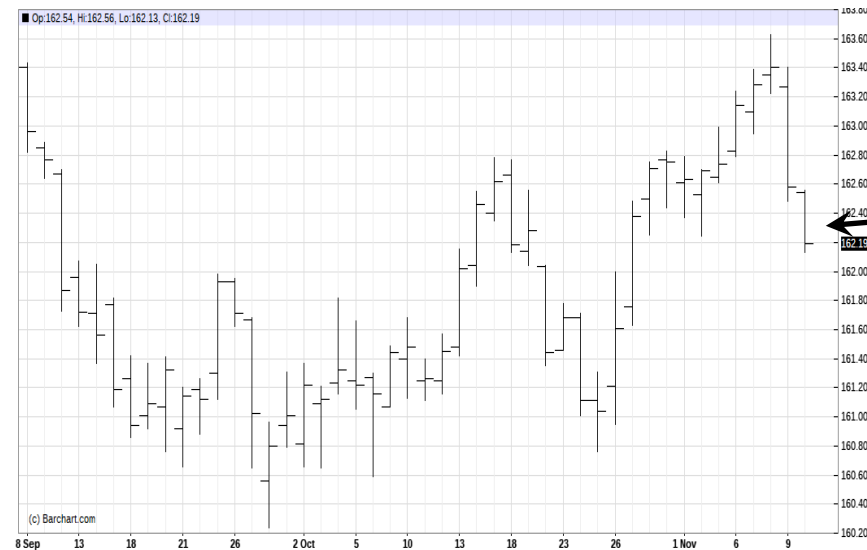
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## Disclaimer

## EURO ZONE MARKETS: The Bund

### OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund extended the rally and then sharply reversed.

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

...“Looking ahead the key releases this week are the various Euro zone PMI Services surveys, but the German industrial production is also due and a weak report is expected”...

In the event the PMI's disappointed and so too did German industrial production.

Looking ahead the main event this week is the run of Q3 GDP reports due on Tuesday, but will they send the Bund higher? We don't think so, but it keeps defying gravity!.

We are square here.

The Bund is supported, but given the increasingly robust nature of the recovery, traders should eventually become more interested in stocks.

More



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## 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: **BEARISH v the DOLLAR**

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



The Euro has lost momentum against the Dollar as a US Tax cut looks increasingly likely.

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

...“Looking ahead the various Euro zone PMI surveys are due, we expect them to show the recovery continues to deepen, but currency traders are watching the US”...

In the event the PMI's missed expectations and US Tax cut talk continues to point to a deal being done which is Dollar bullish.

Looking ahead the key data releases are all due on

Tuesday; Q3 GDP, we expect them to confirm the Euro zone economic recovery is progressing well.

We are Bullish the Dollar/Bearish the Euro as we see the US economy maintaining its strong growth, helped by Trump's tax cut agenda and an eventual more robust Fed response.

Traders should be long the Dollar/Short the Euro.

Our suggested target is 1.1450 and our suggested stop placed at 1.1790 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

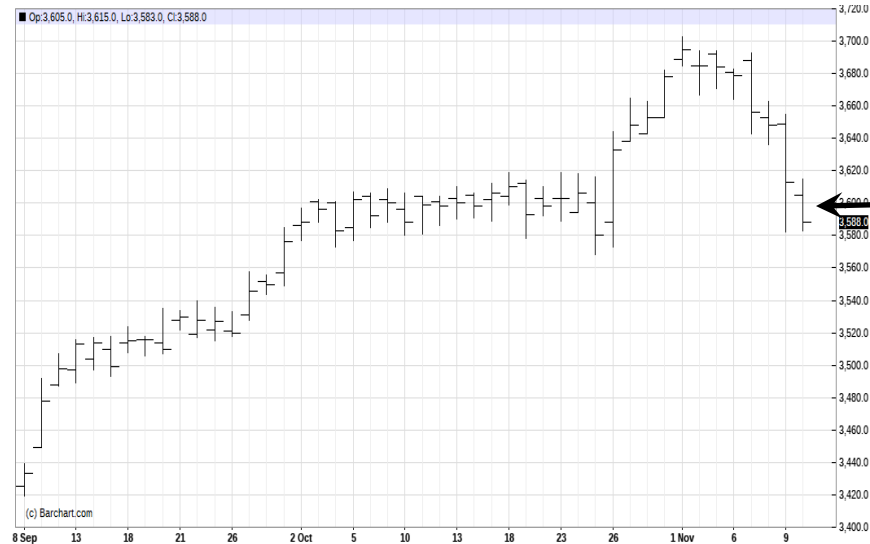
- + GOLD
- + OIL

## Disclaimer

## EURO ZONE MARKETS: DJ Euro Stoxx 50

### OUR TRADING STANCE: SQUARE.

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



See how the market corrected lower despite no new bad economic news.

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

...“Looking ahead the various Euro zone PMI Services surveys are the main event, in line or better than expected will add further support to this market, which together with strong US sentiment underpins the rally”...

In the event the various Euro zone PMI surveys were mainly weaker than expected, but not significantly so and although the US S&P eased away from the highs and sentiment in that market remains bullish this

market corrected.

Looking ahead the various Euro zone Q3 GDP reports are due together with several other key reports, but will they be enough to steady this market and send it higher. The turmoil in the UK political scene with a threatened leadership challenge aimed at removing May as PM only throws more confusion into the already difficult “BREXIT” negotiations which is bad news for the UK but the EU27 too.

We are now square after our stop was hit.

More



## JAPANESE 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

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- + BUND
- + EURO
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### Japanese Markets

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### Commodities

- + GOLD
- + OIL

### Disclaimer

Last week's focus was the Bank of Japan's minutes from the September 20-21 meeting.

In the event the minutes were interesting as one committee member dissented from the central view, saying the slope of the yield curve was insufficient to reach the 2.0% inflation target.

He put this down to the excess supply of capital stock and the governments planed increase in the sales tax due in 2019.

Although the Bank kept policy on hold, the dissenter said the BOJ should say they are ready to ease further if necessary.

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; **Domestic corporate goods prices and machine tool orders,**
- On Tuesday; **Q3 GDP, Industrial production and capacity utilisation, and**
- On Thursday; **Machine tool orders.**

The two key releases this week are industrial production and Q3 GDP.

We are focussed on the GDP report.



## Summary

## Global Calendar

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- + STERLING
- + FTSE

## Euro Zone Markets

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- + BUND
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## Japanese Markets

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- + 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 after the BOJ minutes.

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

...“Looking ahead the key release this week is the Bank of Japan minutes for the September meeting. We are interested to see if the BOJ's discussions were different before Abe's re-election compared to last week's policy statement”...

In the event they were very interesting as one member

dissented and basically said that current policy settings won't achieve the 2.0% inflation target.

Looking ahead the two key releases are industrial production and Q3 GDP, we are interested in Q3 GDP, a tepid report is expected.

For now we remain square despite last week's recovery.

More



## Summary

## Global Calendar

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## Commodities

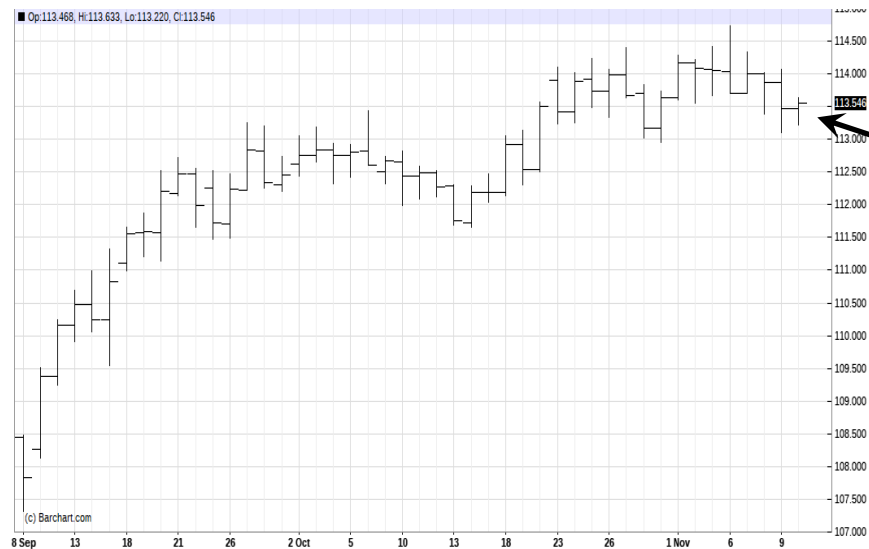
- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Yen

### OUR TRADING STANCE: **BEARISH v the DOLLAR**

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



The Yen remains close to the lows but needs fresh news to weaken it further.

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

...“Looking ahead the BOJ September minutes are due, will they differ from last week’s policy statement”...

In the event they showed one committee member dissenting. In his view current policy settings will not achieve the 2.05 inflation target, which should have seen the Yen weaken further.

Looking ahead the Q3 GDP report is a due, expectations are for 1.5% annualised, anything weaker will weigh on the Yen.

We remain bearish of the Yen against the Dollar.

Our suggested target continues at 114.50 and our suggested stop remains set at 113.00 for closer protection.

More



## Summary

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## Japanese Markets

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- + YEN
- + NIKKEI

## Commodities

- + GOLD
- + OIL

## Disclaimer

## JAPANESE MARKETS: Nikkei

### OUR TRADING STANCE: SQUARE.

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



The Nikkei suffered what appears to be a bout of profit taking.

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

...“Looking ahead several data releases due, but we judge the path of the Yen is a key ingredient for the Bull run here and the Yen looks set for further weakness against the Dollar as US tax cuts will fuel yet stronger US growth, prompt the Fed to tighten more aggressively and support the Dollar”...

In the event the minutes were more interesting than expected as a committee member said the current

yield curve will not achieve the 2.0% inflation target as there is an excess supply of capital and demand needs a boost, moreover the planned increase in the sales tax isn't helping either and the BOJ should make it known they are ready to boost stimulus if needed.

Looking ahead the Q3 GDP report stands out, will it fall short of consensus?

We are now temporarily square our target of 22800.0 having been hit.

More



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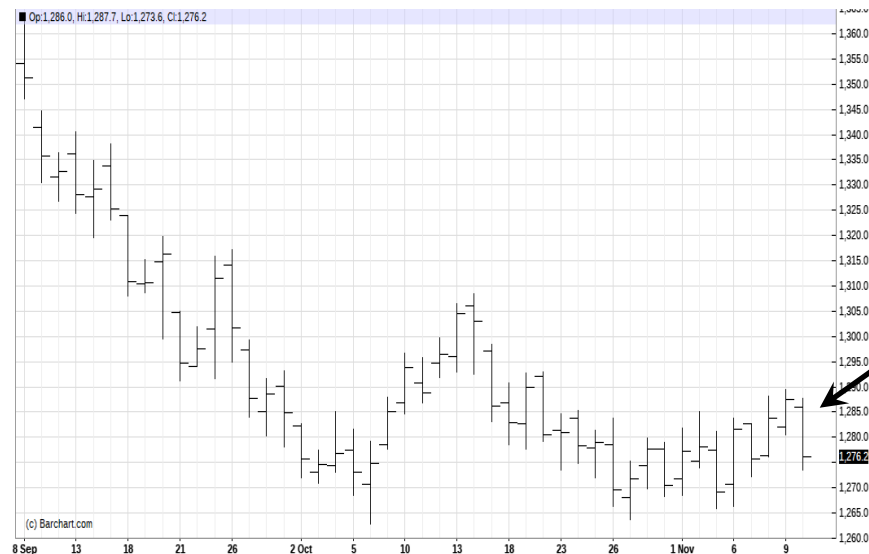
- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Gold

### OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold lacks direction; for now!

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

...“Looking ahead the focus this week is political, and specifically the push in the US to deliver tax cuts”...

In the event the tax cut talk continues but is looking like becoming a reality which should prove bullish for the Dollar.

Looking ahead traders have several key data releases to watch in the US and then there is the push by Trump to get Congress to pass his tax cut agenda.

For now we are staying square, the market looks more vulnerable than it did last week, but Gold has proved resilient on several previous occasions and defied gravity and has done so yet again, but for how much longer?

We will wait a little longer before considering a short position, but if and when Trump gets his tax cuts into law and the Dollar rallies that will likely be the best opportunity to go short.

More





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## Commodities

- + GOLD
- + OIL

## Disclaimer

## COMMODITIES: Oil

### OUR TRADING STANCE: SQUARE.

Last week we were Square of Oil.



See how oil rallied and held its gains on the Saudi corruption crack down.

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

...“Looking ahead all eyes on Saudi Arabia”...

In the event the Saudi's have taken centre stage in the oil market over recent weeks. They have called on OPEC and Russia to extend the oil production cut; agreement looks likely, they have launched an internal crack down on corruption which has unsettled the market and they have accused Lebanon of declaring

war by supporting Iranian backed terror outfits, not good news for an already volatile region.

Looking ahead all eyes remain trained on Saudi Arabia, just how far will the Crown Prince push the crack down and how low will the already poor relations with Iran go?

For now we are square, but alert to a fresh buying opportunity.

More



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## Disclaimer

### SEVEN DAYS AHEAD

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