



Week 11
13th – 19th March 2018

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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- BEARISH
- BEARISH v the Euro
- BULLISH

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- SQUARE
- SQUARE
- SQUARE

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- SQUARE
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- SQUARE
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This week's global calendar

	Week of 12 th March		Week of 12 th March
Monday	US Mthly budget statm't -\$216.06B JP BSI Lrge all industry n/f JP BSI Lrge mfg n/f JP Machine tool orders n/f JP Dmstic corp gds prices 0.2m, 2.5y	Thursday	US Empire mfg 15 US Import prices 0.3m, 3.5y US Jobless claims 228k US Philly Fed 23 US NAHB Housing mkt indx 72 JP Tokyo condo sales n/f
Tuesday	US NFIB Sml bus optimism 107.1 US CPI 0.2m, 2.2y US CPI Ex- f&e 0.2m, 1.8y JP Trtiary industry index -0.3m, JP BOJ Minutes JP Machine orders 5.2m, -0.5y	Friday	US Housing starts 1290k US Building permits 1325k US Ind production 0.3% US Capacity utilisation 77.7% US U.of Michigan sentiment 99.3 DM WPI n/f EZ CPI 0.2m, 1.2y JP Ind production n/f JP Capacity utilisation n/f
Wednesday	US MBA Mrtge apps n/f US Retail sales 0.3m, US RS Ex- Autos 0.4% US PPI 0.1m, 2.8y US PPI Ex- F&E 0.2m, 2.6y US Bus inventories 0.6% DM CPI 0.5m, 1.4y EZ Ind production -0,4m, 4.7y		

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Last week's releases

	Week of 5 th March		Week of 5 th March
Monday	US ISM Non-mfg 59.5 STRONGER UK PMI Services 54.5 STRONGER UK BRC Sales 0.6% STRONGER IT PMI Services 55.0 WEAKER FR PMI Services 57.4 WEAKER DM PMI Services 55.3 AS EZ PMI Services 56.2 WEAKER EZ Retail sales -0.1m, 2.3y BETTER JP PMI Services 51.7 LESS THAN EXPECTED	Thursday	US Jobless claims 232k WORSE DM Factory orders -3.9m, 8.2y WEAKER EZ ECB Rate decision 0.0% AS JP BOJ 10yr Yield target 0.0% AS JP BOJ Policy statement JP BOJ Rate decision -0.1% AS JP Labour cash earnings 0.7% BETTER THAN EXPECTED
Tuesday	US Factory orders -1.4% WEAKER THAN EXPECTED		
Wednesday	US MBA Mrtg apps 0.3% WEAKER US ADP Employm't chge 235k STRONGER US Q4 Non-farm productivity 0.0% BETTER US Q4 Unit labour costs 2.5% WORSE US Trade bal -\$56.6B WORSE US Consumer credit \$13.906B WEAKER UK Halifax hse prices 0.4m, 1.8y MORE UK RICS House prices 0% WEAKER EZ Q4 GDP 0.6q, 2.7y AS JP C/A Bal Y607.4B STRONGER JP Trade bal -Y666.6B BETTER JP Q4 GDP 0.4q, (A) 1.6% STRONGER JP Bank Indg 2.1% WEAKER JP Eco watchers 48.6 WEAKER JP Bankruptcies -10.31% BETTER THAN EXPECTED	Friday	US Non-farm payrolls 313k STRONGER US Unemploy'm't rate 4.1% WORSE US Averige earngs 0.1m, 2.6y WEAKER US Averige wrk week 34.5 MORE US Wholesale inventories 0.8% STRONGER UK Trade bal -£12.325B WORSE UK Trade non-EU -£3.868B BETTER UK Ind production 1.3m, 1.6y WEAKER UK Mfg output 0.1m, 2.7y WEAKER UK Construct'n output -3.4m, -3.9y WEAKER UK NIESR GDP Estimate 0.3% WEAKER DM Trade bal 17.4B WEAKER DM C/A 22.0B STRONGER DM Ind production -0.1m, 5.5y WEAKER THAN EXPECTED

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US MARKETS: economic background

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Last week's focus was the ISM non-manufacturing survey and non-farm payroll report.

In the event the ISM survey was stronger at 59.5, but the big news was the non-farm payroll report which reported a 313k jump in new jobs, surely the FOMC will hike at this month's meeting.

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 federal budget deficit,**
- On Tuesday; **NFIB Small business optimism and CPI,**
- On Wednesday; **Retail sales, PPI and business inventories,**

- On Thursday; **jobless claims, empire manufacturing, import prices, Philly Fed and NAHB Housing market index, and**
- On Friday; **Housing starts, Building permits, industrial production, capacity utilisation and university of Michigan sentiment.**

The calendar is packed with data again this week, our focus is the Budget deficit and CPI.

With Trump cutting tax and intent on spending on infrastructure and the Military, the deficit is set to expand and inflation increase.



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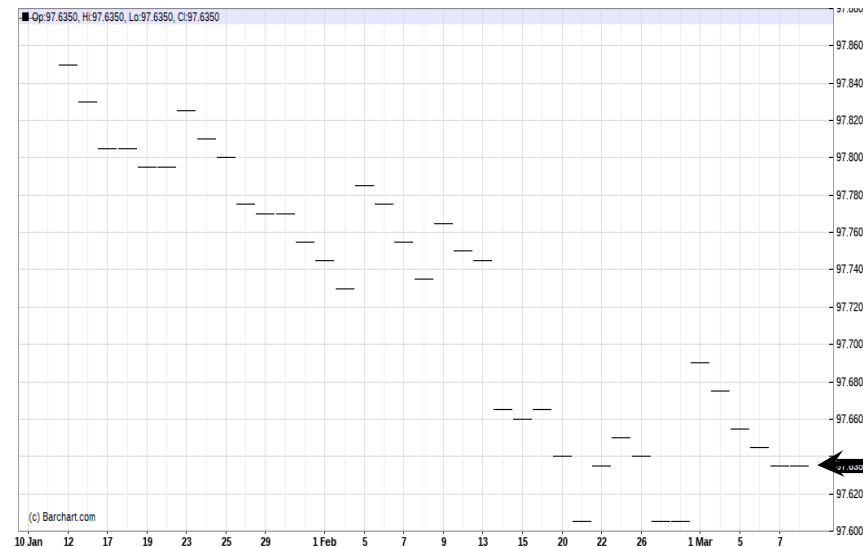
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US MARKETS: Eurodollars

OUR TRADING STANCE: BEARISH.

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



Eurodollars continue to bounce along the bottom as the Fed moves closer to another rate hike.

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

...“Looking ahead the two key reports this week are the ISM non-manufacturing survey and non-farm payroll, Strength here will encourage the Fed to hike at this month's up coming meeting”...

In the event both beat consensus, non-farm payrolls spectacularly so.

Looking ahead the key releases this week are CPI and PPI, although likely to remain close to forecast, Trump's fiscal policies will eventually boost inflation.

We remain bearish of this market as we judge the tax cuts will alter the Fed's assessment of its policy response.

Our suggested target remains 97.50 and our suggested stop continues at 97.75 for closer protection.

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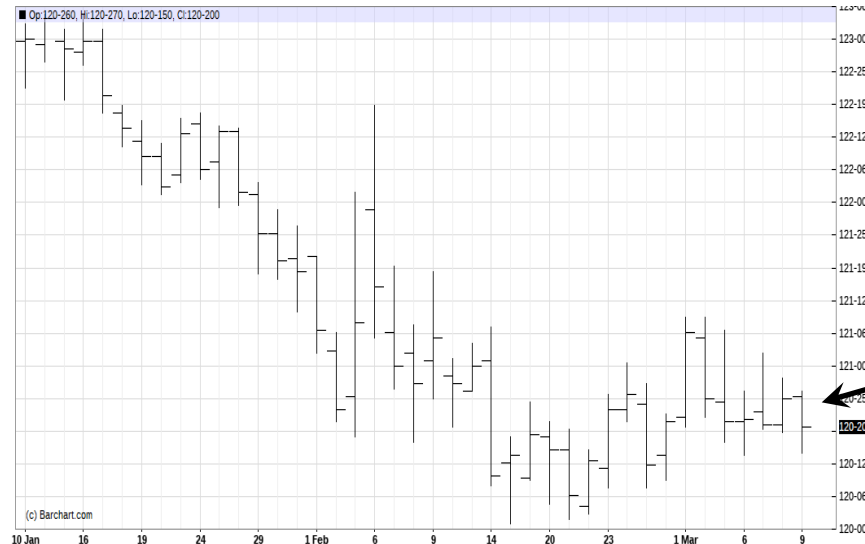
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US MARKETS: 10 Year Note

OUR TRADING STANCE: **BEARISH.**

Last week we were **Bearish** of the 10 year note.



The 10 year note's brief correction halted after stronger ISM and payroll data.

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

...“Looking ahead the key releases this week are ISM Non-manufacturing survey and non-farm payroll but we judge traders will still be digesting Trump's tariffs, his threat to impose tariffs on car imports from Europe and the likely response from the US's trading partners”...

In the event US data was strong especially non-farm payroll and Bonds reacted by trading lower and look set to weaken further.

Looking ahead there are several key releases due, the Budget deficit, CPI and retail sales stand out. Strength here will weigh on Bonds as the Fed may yet become more hawkish as the year rolls on.

We remain bearish of this market a trade war benefits no one, stifles competition and leads ultimately to higher prices.

Our suggested target continues at 119.50 and our suggested stop remains set at 121.25 for protection.

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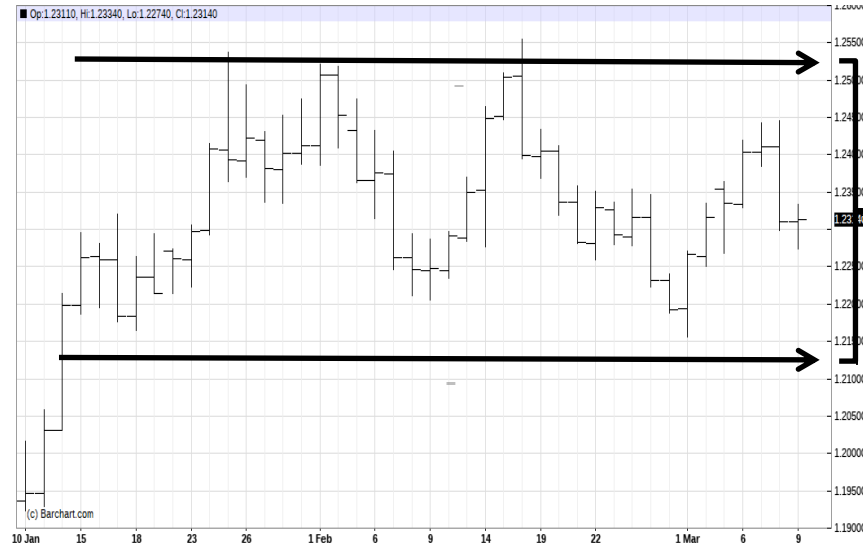
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US MARKETS: US Dollar

OUR TRADING STANCE: **BEARISH v the Euro**

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



The Dollar looks range bound.

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

...“Looking ahead the main event this week is non-farm payroll, that is unless Trump announces any new trade tariffs?”...

In the event key US data releases were better than expected, especially non-farm payroll, but even so the Dollar drew little support as traders continue to negatively view Trump's trade tariffs.

Looking ahead CPI and retail sales are due, but we doubt even a display of further strength will offer the Dollar much support.

We remain Bearish of the Dollar against the Euro.

Our suggested target continues at 1.2610 and our suggested is set at 1.2135 for protection.

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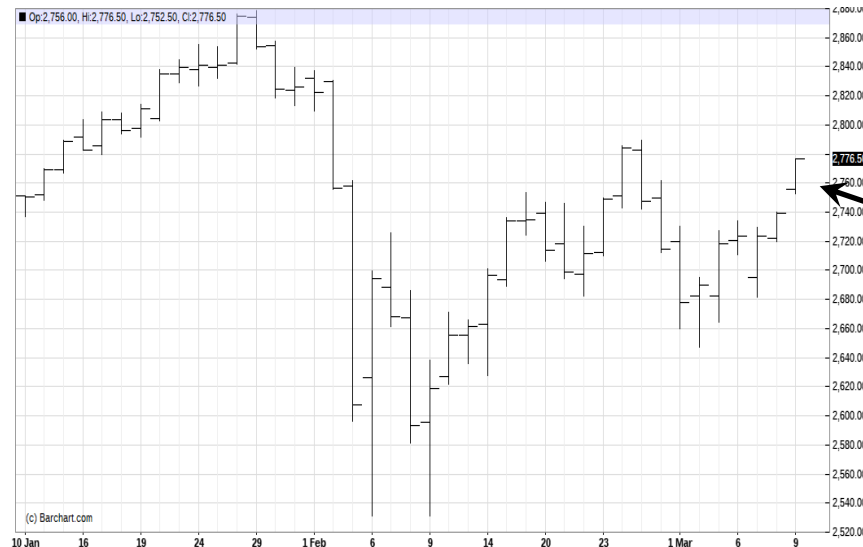
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US MARKETS: S&P500

OUR TRADING STANCE: BULLISH.

Last week we were Square of the S&P 500.



The S&P appears to be coming to terms with the reality of Trump's trade policies and focus instead on the strong domestic data being released.

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

..." Looking ahead several key data releases with ISM non-manufacturing and non-farm payroll, but traders are likely watching to see if the US's trading partners announce retaliatory tariffs"...

In the event US ISM non-manufacturing and non-farm payrolls beat consensus, indicating a strong economic recovery remains under way and traders reacted to that reality and for now focussing away from trade tariffs!

Looking ahead the key releases this week are CPI, PPI and retail sales, but assuming inflation is as expected and retail sales shows no unexpected weakness, we judge this market looks set to extend the recovery.

We are bullish of this market as the US economy looks in fine form.

Our suggested target is 2820.0 and our suggested stop is set at 2710.0 for protection.

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UK MARKETS: economic background

Last week's focus was the PMI Services survey and Industrial production/manufacturing output.

In the event the PMI Services survey was stronger than expected, but the industrial production/manufacturing output report fell just short of consensus.

Looking ahead there are no data releases due this week; very rare.

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Commodities

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Disclaimer

UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling remains just above the recent lows as the mix of data indicates the Bank should be in no rush to hike soon.

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

...“Looking ahead several key data releases due this week, but we sense this market will have a wary eye on stocks after last week's sell off driven by Trump's tariff announcement”...

In the event last week's data was mixed; stronger PMI Survey, weaker industrial production allowing this market to remain above the recent lows.

Looking ahead there are no data releases due this week, leaving traders to contemplate all that has been released in recent weeks.

We remain square, the Bank of England wants to hike rates, but the economy still looks fragile.

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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 continues to resist the downside helped by improving public finances.

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

...“Looking ahead there are several important data releases due, including PMI Services and industrial production, but we judge this market is enjoying a spell of safe haven buying driven by the renewed sell off in equity markets last week”...

In the event mixed data; PMI Services stronger,

Industrial production weaker, but good news on public finances helped support the market.

Looking ahead no data due this week, but we judge traders will continue to focus on any news relating to improved public finances.

We are square. The Bank of England remains concerned about persistently above target inflation.

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UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square



The Pound remains in a broad trading range.

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

...“Looking ahead several key data releases due, with our focus on the PMI Services survey and Industrial production, but Trump’s tariff announcement last week, with the threat of more is a definite negative”...

In the event the Pound showed little signs of life as the PMI services survey beat consensus, but industrial

production missed expectations and “BREXIT” for continued to hang.

Looking ahead no data releases for traders to react to in the UK but plenty to contemplate from the US and elsewhere.

For now we are staying square, as we continue to see both downside and upside movement limited.

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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the FTSE has rejected the lows, but now looks stuck in a rut.

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

...“Looking ahead the PMI Services survey and Industrial production reports are due, but we judge Trump's tariffs will continue to drive equity markets this week”...

In the event domestic data offered little to excite and the Tariff fiasco seemed to loose some bite as Trump appeared to offer concessions to Canada, Mexico and

other close Allies as yet un-named, but strong US data helped the S&P and that sentiment offered this market support.

Looking ahead there are no data releases du; a rare occurrence, leaving traders to focus on overseas data and sentiment.

We are staying square. The US S&P might be looking buoyant once more, but this market looks much less so.

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EURO ZONE MARKETS: economic background

Last week's focus was the ECB policy decision as traders waited to see if the ECB would alter its QE Bond buying policy.

In the event they dropped a key phrase committing them to increase bond buying if the economy needed.

Other data releases were mainly weaker than expected, except Q4 Euro zone GDP which was as expected.

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 Wednesday; **Euro zone industrial production and German CPI, and**
- On Friday; **German WPI and Euro zone CPI.**

A very light weight calendar this week, with Euro zone industrial production the main event, but last week's German version was weaker, chances are strong that the Euro zone report will be too!



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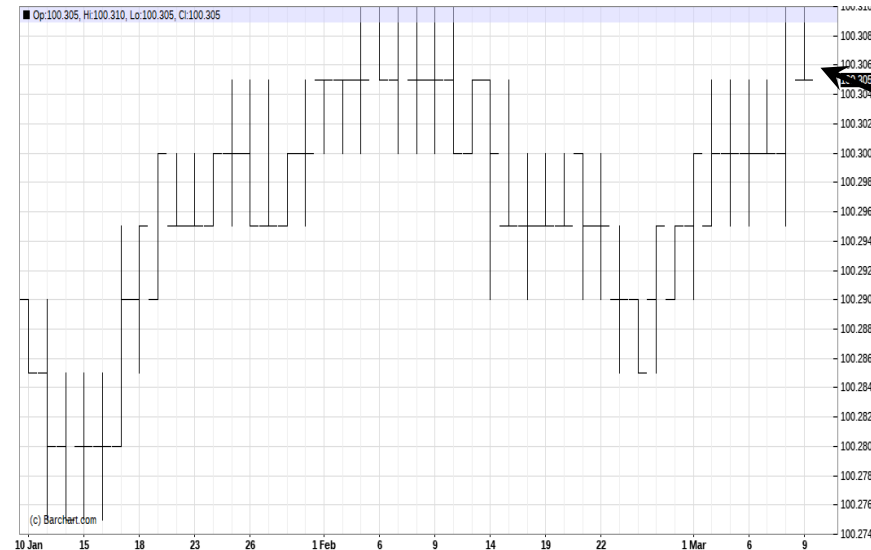
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor held up well after the ECB meeting as data was mainly weaker than expected.

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

...“Looking ahead the PMI Services surveys are due, but our focus is the ECB on Thursday, a policy change is in the balance, but will they act with inflation still low?”...

In the event the PMI were a little mixed. The ECB as expected by many in the markets, dropped a phrase committing it to expand its QE Bond buying if the

economy weakened.

Looking ahead limited amount of data due this week, our focus is Euro zone industrial production.

For now we are staying square.

Rates are on hold, for some time yet even as the ECB amended its QE bond purchase commitment last week.

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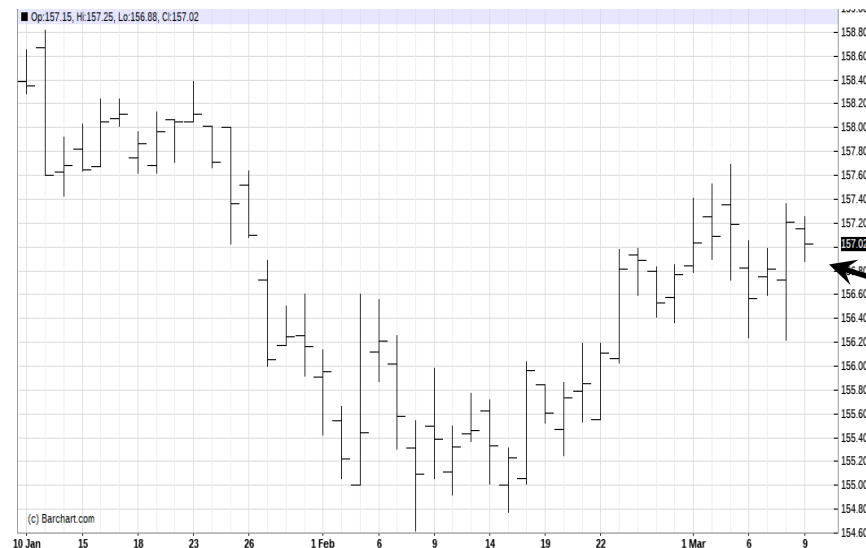
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE; SQUARE.

Last week we were Square of The Bund.



The Bund traded sideways last week as stocks steadied and the ECB amended its policy statement wording.

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

...“Looking ahead the calendar offers some heavy weight data releases this week, but all eyes will be on the ECB. Will they further trim their QE bond buying as they hinted at during their last meeting or will still low inflation and the strength of the Euro give them reason to delay?”...

In the event the PMI surveys were mixed and the ECB dropped a phrase committing it to increasing its QE

Bond buying in the event the economy weakened, as policy makers judged the commitment was no longer necessary.

Looking ahead there is little in the way of domestic data due this week, traders will focus on the Euro zone industrial production report.

We are square. The upside for bonds looks limited.

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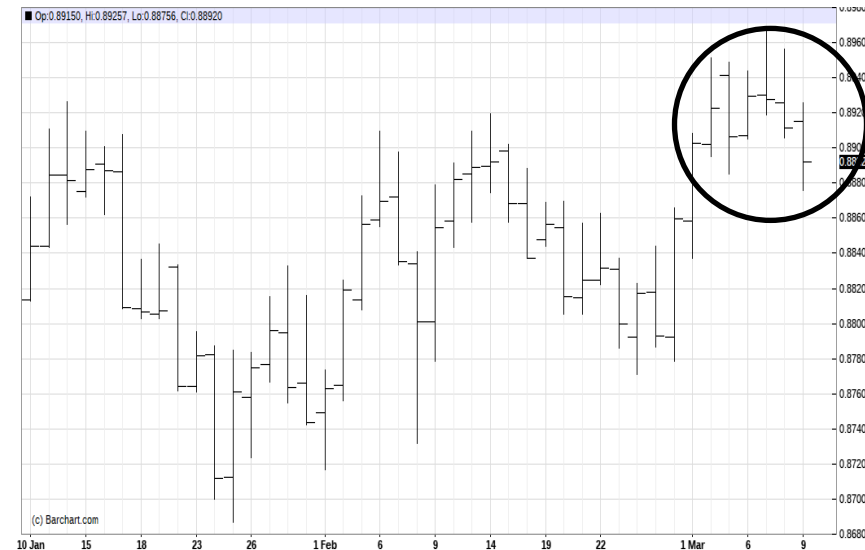
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BULLISH v the DOLLAR

Last week we were Bullish v the Euro



The Euro eased away from the highs against Sterling and looks range bound for now against the Dollar.

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

...“Looking ahead there are several key data releases due, but all eyes are on the ECB, if they trim their QE bond buying with inflation so low, it will further boost the Euro and policy makers already think the Euro is too strong, suggesting they will leave policy unchanged”...

In the event data was mixed and the ECB left policy action on hold but amended the policy statement removing a commitment to buy more bonds if the

economy weakens.

Looking ahead the main action data wise this week is in the US. In the UK no data releases expected, in the Euro zone industrial production stands out. In the US retail sales, CPI and PPI are due, but we judge the Dollar remains out of favour.

We are bullish the Euro against the Dollar.

Our suggested target remains set at 1.2610 and our suggested stop reset at 1.2135 for protection.

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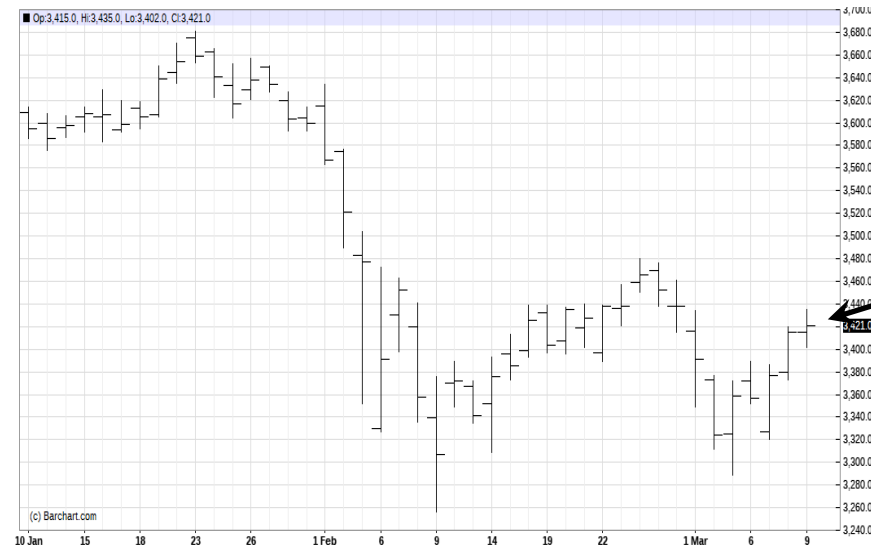
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EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE:SQUARE.

Last week we were Square



See how the market again rejected the lows, but still looks vulnerable.

The Macro Trader's view of DJ Euro Stoxx 50 is:

last week's price action was a little disappointing. The market rejected the lows again, but still looks vulnerable.

The ECB left policy unchanged but instead removed a phrase referring to buying more bonds if the economy falters, but several data releases fell short of consensus it was only due to strong US data fuelling bullish sentiment that helped lift this market.

Looking ahead the only key release this week is Euro zone industrial production, after last week's weaker German number a weaker report than expected is likely, leaving the market to follow international sentiment.

We are Square.

Longer term the outlook is uncertain.

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+ 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 Bank of Japan policy meeting. In the event they left policy on hold.

The other key release was Q4 GDP, and the number was better than expected with the annualised rate coming in better than expected at 1.6%.

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; **BSI Large all industry survey, BSI Large manufacturing survey, Machine tool orders and domestic corporate goods prices,**

- On Tuesday; **Tertiary industry index, BOJ Minutes and machine orders,**
- On Thursday; **Tokyo Condo sales, and**
- On Thursday; **industrial production and capacity utilisation.**

Our focus this week is the Bank of Japan minutes.

After another recent strong set of CPI data and upward revisions to Q4 GDP, will the minutes reveal any subtle shift in policy stance?



Summary

Global Calendar

US Markets

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

UK Markets

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- + FTSE

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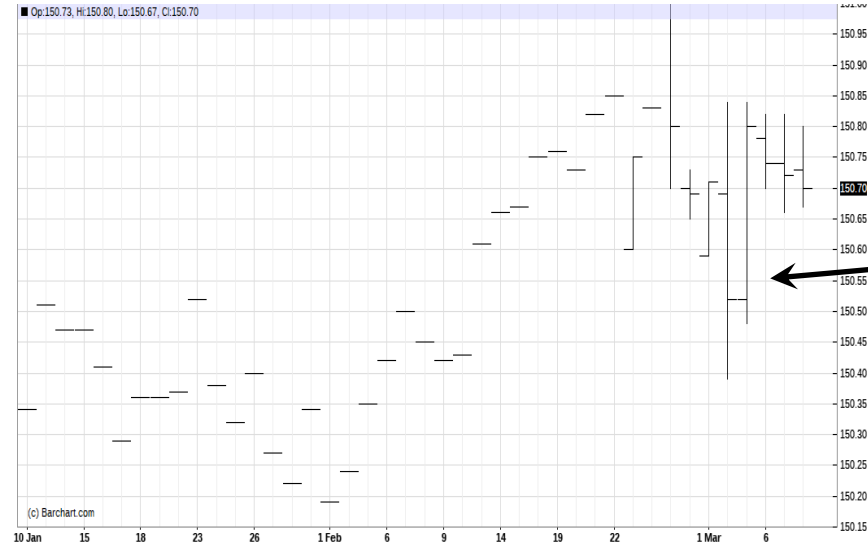
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB recovered from the sell off caused by Trump's Tariff announcement as the market focused on Q4 GDP.

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

...“Looking ahead Q4 GDP is due, so too the PMI Services survey, but all eyes are on the Bank of Japan’s policy decision due on Thursday. Which way will they go? React to rising inflation, al beit that is what they want, or stay on hold after disappointing GDP data?”...

In the event Q4 GDP was revised higher and the BOJ held steady.

Looking ahead the key event this week is the Bank of Japan minutes. Traders will be looking out for any fresh policy clues.

We are square here.

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JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen's rally paused last week despite strong Q4 GDP as the US released much stronger non-farm payroll numbers.

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

...“Looking ahead the main event this week is the Bank of Japan's policy decision, we judge they will remain on hold. Inflation is moving towards the 2.0% target but has some way to go yet and with Q4 GDP subdued policy makers will not want to act too hastily”...

In the event Q4 GDP was revised up, but the Bank of Japan held policy steady.

Looking ahead the Bank of Japan's policy meeting minutes are due, offering a more detailed look at current policy thinking.

We are staying square, Trump has introduced a new dynamic into markets and how the EU, Japan and China react will better inform how markets will respond going forward.

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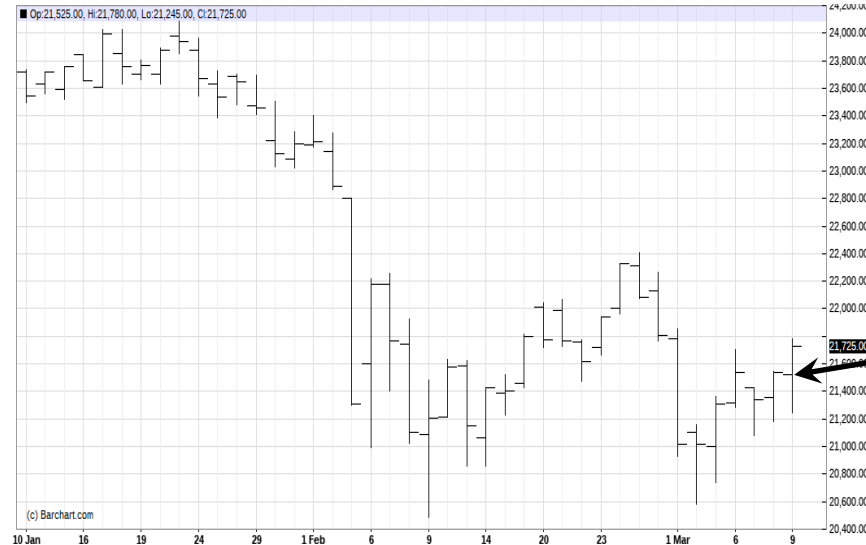
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Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were Square of the Nikkei.



The Nikkei like most other equity markets rejected the lows, but the rally looks a little half hearted!

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

...“Looking ahead the Bank of Japan policy decision is due, we think they will leave policy unchanged, leaving traders to further digest last week's developments”...

In the event policy was left unchanged, but the Q4 GDP report was revised up from 1.0% annualised to 1.6% offering a sigh of relief.

Looking ahead the Bank of Japan minutes are due, will they offer anything new? We don't think policy makers are intending to alter policy anytime soon, CPI is still quite away below target and although 1.6% GDP is better than 1.0% it is still a bit weak.

For now we are staying square the outlook is currently uncertain and Trump's actions unpredictable!

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COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold looks increasingly range bound.

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

...“Looking ahead there are several key events this week, US non-farm payroll, the ECB's policy decision and the Bank of Japan's policy decision, all have a bearing on where the Dollar moves next, but we remain bearish of the Dollar and judge Gold is stuck in its trading range”...

In the event the Dollar remains range bound despite a very strong non-farm payroll report and little real action

from the BOJ or ECB.

Looking ahead there are several key data releases due, all US; CPI, PPI industrial production and retail sales, but even if all those reports hit or beat consensus will they move the Dollar?

We are remaining square here and now that a meeting between President Trump and North Korean leader Kim Jung-un is apparently taking place, an important source of geopolitical tension might just be eased.

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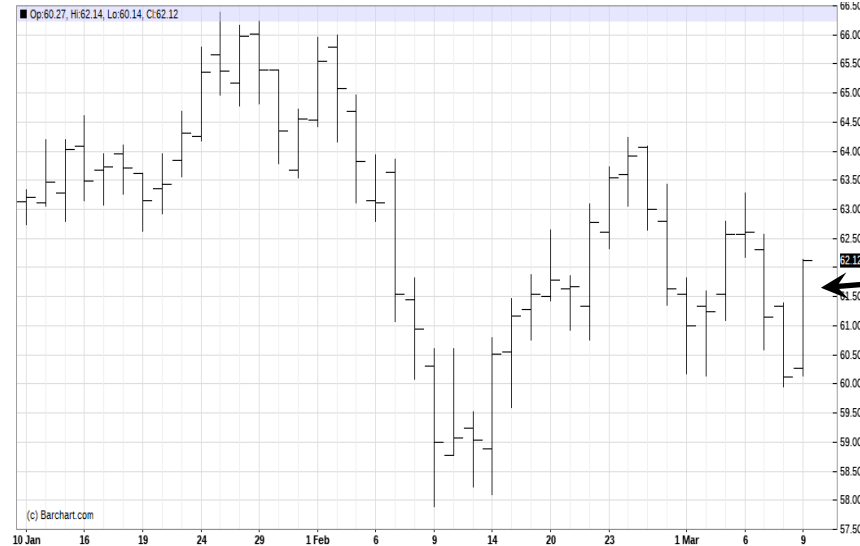
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Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE

Last week we were Square of Oil.



See how oil continues to mirror the price action of equity markets.

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

...“Looking ahead if oil's fortunes remain tied to equities we may well see this market sell off further. If Trump is determined to introduce tariffs on more imports; he has already said European car imports are next, then a trade war could be about to break out, that would send stocks much lower and hinder growth and weigh on this market too”...

In the event Trump seemed to ease the impact of his Tariff announcement by declaring Canada and Mexico could be exempt and other key allies too. But stocks perked up last week helped by some strong US economic data; ISM non-manufacturing hit 59.5 and US non-farm payrolls recorded 313k new jobs.

Looking ahead the only real source of data this week is the US and CPI and retail sales are due.

We are staying square seeking greater clarity.

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