



Week 14
3rd – 9th April 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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SUMMARY

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+ S&P 500

● BEARISH
● SQUARE
● SQUARE
● BEARISH

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

● SQUARE
● SQUARE
● SQUARE
● SQUARE

Euro Zone Markets

+ EURIBOR
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+ DJ EURO STOXX 50

● SQUARE
● BULLISH
● SQUARE
● SQUARE

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

● SQUARE
● SQUARE
● SQUARE

Commodities

+ GOLD
+ OIL

● SQUARE
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This week's global calendar

	Week of 2 nd April		Week of 2 nd April
Monday	US Construction spndg 0.4\$ US ISM Mfg 60 US ISM Prices paid 72.5 JP Tankan Lrge 22 JP Tankan Lrge non-mfg 21 JP Lrge all ind CAPEX JP Vehicle sales n/f	Thursday	US Jobless claims 221k US Trade bal -\$56.5B UK PMI Services 54.0 DM Factory orders 1.5m, 6.3y IT PMI Services 53.9 FR PMI Services 56.8 DM PMI Services 54.2 EZ PMI Services 55.0 EZ PPI 0.0m, 1.5y EZ Retail sales 0.6m, 2.3y JP Household spndg 0.3y JP Labour cash earnings 0.5y
Tuesday	UK PMI Mfg 54.7 UK BRC Shop prices n/f DM Retail sales 0.7m, 2.4y IT PMI Mfg 55.5 FR PMI Mfg 53.6 DM PMI Mfg 58.4 EZ PMI Mfg 56.6 UK PMI Mfg 54.7 UK BRC Shop prices n/f JP PMI services n/f		
Wednesday	US MBA Mrtge apps n/f US ADP Employm't chge 205k US ISM Non-mfg 59.0 US Factory orders 1.7% UK PMI Construction 51.0 EZ Unemploym't rate 8.5% EZ CPI Estimate 1.4%	Friday	US Non-farm payrolls 189k US Unemployment rate 4.0% US Average hrly earnings 0.3m, 2.7y US Average wrk wk 34.5 UK Q4 Unit labour costs n/f DM Ind production 0.2m, 4.3y

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Last week's releases

	Week of 26 th March		Week of 26 th March
Monday	UK BBA Home buyer Lns 38.120k WEAKER FR Q4 GDP 0.7q, 2.5y BETTER JP Corp service prices 0.6y LESS THAN EXPECTED	Thursday	US Persnl spndg 0.2% AS US Persnl income 0.4% AS US PCE Core 0.2m, 1.6y AS US Jobless claims 215k BETTER US Chicago PMI 57.4 WEAKER US U. of Michigan sentiment 101.4 WEAKER UK Net cons Cr 1.6B STRONGER UK Net Indg on dwlgs 3.7B STRONGER UK Mrtge aprvls 63.9K WEAKER UK Q4 C/A Bal -£18.0B BETTER UK Q4 Indx of services 0.2m, 0.6(3/3) AS UK Q4 GDP 0.4q, 1.4y AS UK Q4 Total bus invstmnt 0.3q, 2.6y BETTER DM Unemplym't chge -19k BETTER DM ILO Rate 5.3% AS DM CPI 0.4m, 1.6y WEAKER JP Unemplym't rate 2.5% LESS JP Tokyo CPI 1.0% WEAKER JP Industrial production 4.1m, 1.4y WEAKER JP Loans & discount corp 2.15% LESS THAN EXPECTED
Tuesday	US Case/shiller comp-20 6.4y STRONGER US Cons confidence 127.7 WEAKER DM Import prices -0.6m, -0.6y WEAKER EZ M3 4.2% WEAKER EZ Ind confidence 6.4% WEAKER EZ Services confidence 16.3% LESS EZ Cons confidence 0.1% AS THAN EXPECTED	Friday	GOOD FRIDAY Holiday in UK, EU and US. JP Construction orders 19.2% STRONGER THAN EXPECTED
Wednesday	US MBA Mrtge apps 4.8 STRONGER US Advance gds trade bal -\$75.4B WORSE US Wholesale invntry 1.1% STRONGER US Q4 GDP (A) 2.9% STRONGER US Q4 Persnl consumption 4.0% STRONGER US Q4 GDP Price index 2.3% AS US Q4 Core PCE 1.9% AS US Pndg home sales 3.1m, STRONGER UK Nat'nwide hse prices -0.2m, 2.1y WORSE UK CBI Sales -8 WEAKER UK GFK Cons confidence -7 STRONGER DM GFK Cons confidence 10.9 STRONGER JP Retail trade 0.4m, 1.6y WEAKER JP Lrge retailers sales 0.6% WEAKER THAN EXPECTED		

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US MARKETS: economic background

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Last week's focus was the Q4 GDP report, previously revised lower, would there be yet more revisions, none were expected.

In the event the report was revised up from 2.7% to 2.9% annualised, only just below the initial estimate when first released in February.

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; **Construction spending, ISM Manufacturing and ISM prices paid,**
- On Wednesday; **ADP Employment change,**

- **ISM non-manufacturing and factory orders,** On Thursday; **jobless claims and Trade balance, and**
- On Friday; **Non-farm payroll, unemployment rate, average hourly earnings and average work week.**

There are several heavy weight data releases due this week, but we judge the ones to watch are the ISM non-manufacturing survey and non-farm payroll.

The Fed continues to view the tightening labour market as a significant potential risk to inflation.

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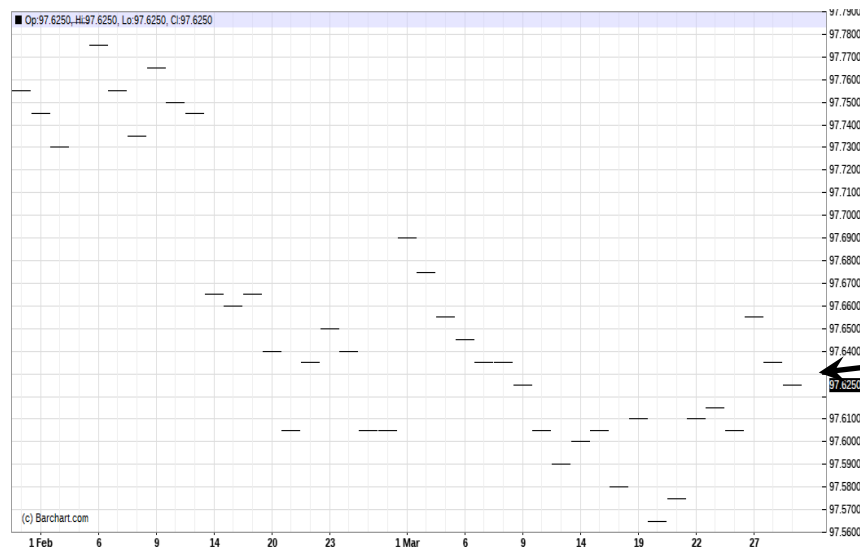
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US MARKETS: Eurodollars

OUR TRADING STANCE: **BEARISH**.

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



Eurodollars found some support from the sell off in stocks, but we doubt weak equity markets will stay the Fed's hand.

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

...“Looking ahead the main event this week is the Q4 GDP report, will there be fresh revisions?”...

In the event the number was revised higher, but this market found a degree of support from equity market weakness.

Looking ahead the key release this week is non-farm payroll, but watch the unemployment rate, the Fed is concerned about a tight labour market generating higher inflation.

We remain bearish of this market.

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

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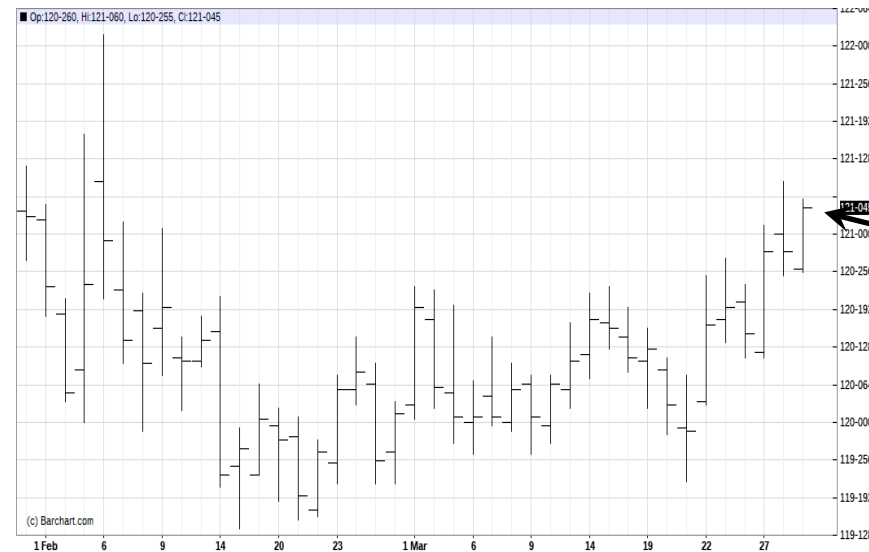
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US MARKETS: 10 Year Note

OUR TRADING STANCE; SQUARE.

Last week we were Square of the 10 year note.



The 10 year note extended the recent move higher as equities came under renewed selling pressure.

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

...“Looking ahead the Q4 GDP report is due, will there be any revisions?”...

In the event the Q4 GDP report was revised higher, but the sell off in equities offered this market support as traders sought a safe haven.

Looking ahead several key data releases due, including the two ISM surveys, but we judge the non-farm payroll report and unemployment rate are the ones to watch.

We are square of this market for now as we judge the rally is driven by a degree of safe haven buying fuelled by weakness in equity markets, the question that needs answering though is how much lower do stocks go?

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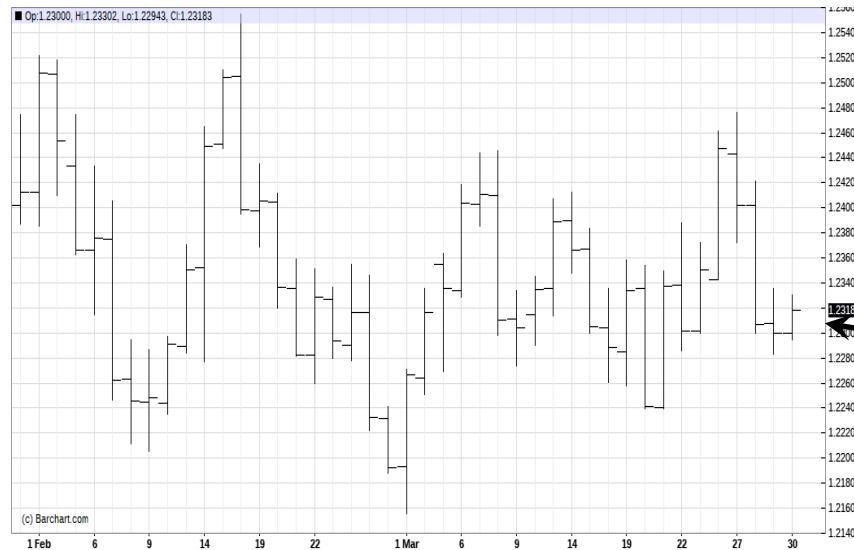
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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE

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



The Dollar remains trapped in a trading range.

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

...“Looking ahead Q4 GDP is due, but unless very much different to consensus, we see the Dollar remaining range bound a little longer”...

In the event Q4 GDP was revised a little higher, but the Dollar drew no support from it as traders continue to fret about the prospect of a full blown trade war breaking out.

Looking ahead the key release this week is non-farm payroll, and although a stronger than expected number would open up the debate again about how many times the Fed will hike this year, traders are now weighing up the costs that could result from a full on trade war.

We are now square, the Dollar is range bound and although our longer term view is that it will weaken, timing isn't clear.

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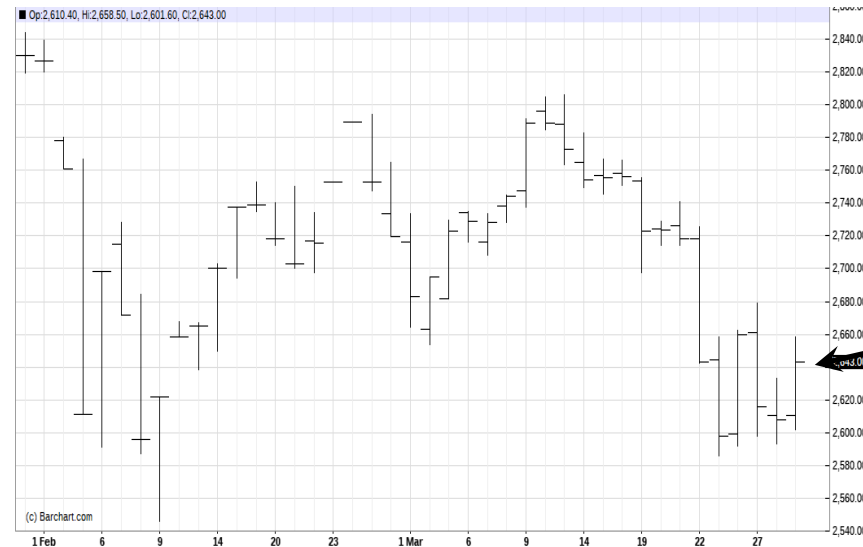
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US MARKETS: S&P500

OUR TRADING STANCE: **BEARISH.**

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



The S&P looks very vulnerable to further selling despite the health of the US economy.

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

..."Looking ahead the Q4 GDP report is due, but the prospect of a trade war remains the main dynamic in this market"...

In the event Q4 GDP was unexpectedly revised higher, but that had no impact on this market as Trump's policy on trade looks set to lead to a trade war with the US's major partners, especially China.

Looking ahead several key releases due as detailed on the calendar, but we judge this market isn't focussed on US fundamentals which for now are strong, no traders are watching Trump and see an administration taking a course that will only lead to increase trade friction at best and a trade war at worst and that seriously unnerves this market..

We are now short/medium term Bears of this market.

Our suggested target is 2,480.00 and our suggested stop is at 2,660.00 for protection.

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Japanese Markets

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Commodities

- + GOLD
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Disclaimer

UK MARKETS: economic background

Last week's focus was the Q4 GDP report, which was revised lower last time out, this time no revisions were expected.

In the event the number met consensus confirming the economy's growth rate at a meagre 1.4%.

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: **PMI Manufacturing survey and BRC Shop prices,**
- On Wednesday: **PMI Construction survey,**

- On Thursday: **PMI Services survey,**
- On Friday: **Q4 Unit labour costs.**

The key releases this week are the three PMI surveys, is the economy holding up at even the current meagre growth rate or has there been a change, clearly recent weather hasn't helped!



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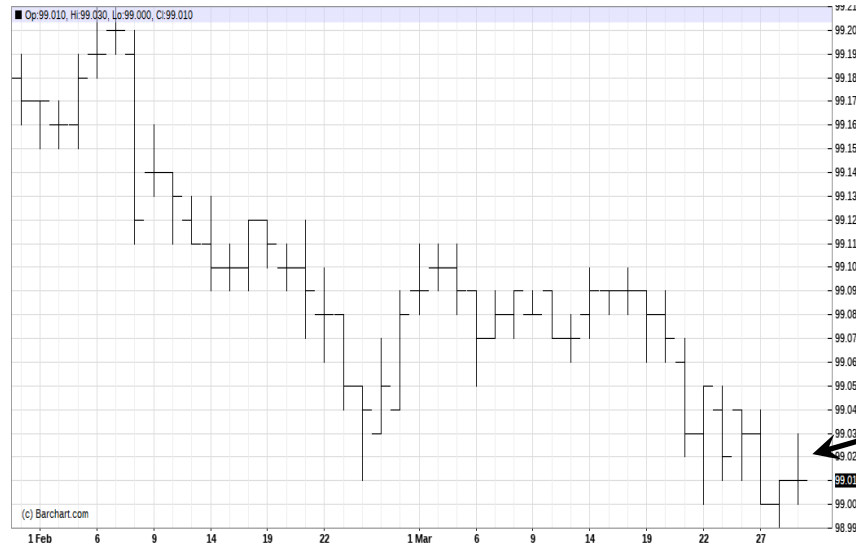
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling is clearly pricing in higher UK rates despite sluggish growth.

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

...“Looking ahead the key release this week is Q4 GDP, no revisions are expected, but we shall see!”...

In the event no revisions, the number met consensus, however the one bright spot last week was the better than expected Q4 C/A data.

Looking ahead the focus this week is the PMI surveys, will they maintain their positive mood, which doesn't seem to have been reflected in official data.

We remain square, the Bank of England wants to hike rates, but the economy still looks fragile and inflations is beginning to ease.

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Japanese Markets

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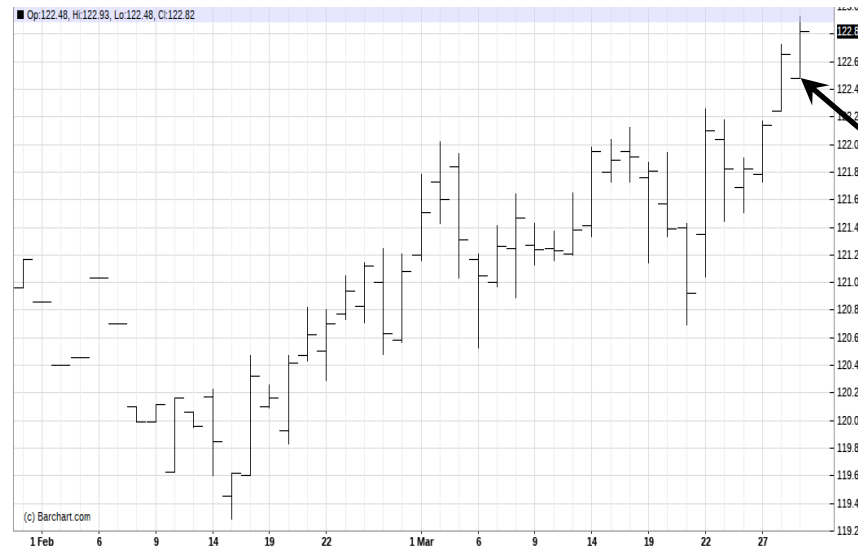
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UK MARKETS: Gilt

OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the Gilt looks well supported by the weakness of stocks.

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

...“Looking ahead the key release this week is the Q4 GDP report, but we judge the gilt is supported by improving public finances and weak stocks”...

In the event that analysis proved correct as stocks remained under selling pressure.

Looking ahead the calendar has three key releases this week; the PMI surveys, will they offer an improving outlook or just more of the same?

We are square.

Unless a trade war does indeed break out, stocks will recover and this market will then struggle. However the omens currently do not look good!

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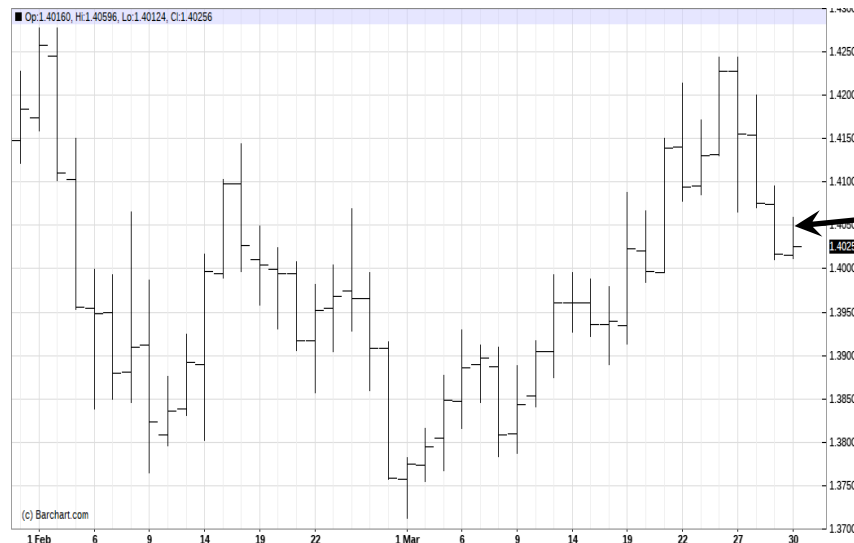
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UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square



The Pound much like the Dollar is range bound.

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

...“Looking ahead the main event this week is the Q4 GDP report, but no revisions are expected, so unless there is fresh news on the “BREXIT” talks we judge the Pound will remain within the trading range”...

In the event no revisions to Q4 GDP and no new “BREXIT” news, result Pound in trading range.

Looking ahead the PMI surveys are due, but currencies are clearly lacking direction as traders are faced with two unknowns; the outcome of “BREXIT” and will there be a trade war?

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 pushed back from the lows, but it remains very vulnerable to the downside.

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

...“Looking ahead the key release this week is the Q4 GDP report, but unless materially different to consensus, this market will continue to react to fear of a trade war”...

In the event, apart from a better than expected Q4 C/A number, the Q4 GDP report was as expected and was insufficient to eclipse fear of a trade war.

Looking ahead there are key data releases both in the UK and abroad, but even if data is better than expected we judge the fear of a trade war will eclipse any positives.

We are staying square.

A trade war is still not certain but the risk is growing after China announced tariffs on US imports.

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EURO ZONE MARKETS: economic background

Last week's focus was split between French GDP, Euro zone M3, German unemployment and CPI.

In the event French GDP was a little better than expected, Euro zone M3 was a little weaker, and the German data was better than forecast.

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 Tuesday; **German retail sales, Italian, French, German and Euro zone PMI Manufacturing surveys,**
- On Wednesday; **Euro zone unemployment**

- **rate and CPI estimate,**
On Thursday; **Italian, French, German and Euro zone PMI Services surveys, Euro zone PPI and retail sales, and**
- On Friday; **German industrial production.**

The calendar is packed this week and the PMI surveys and German industrial production stand out.

Will they confirm the recovery remains on track or are there any early warning signals flashing?



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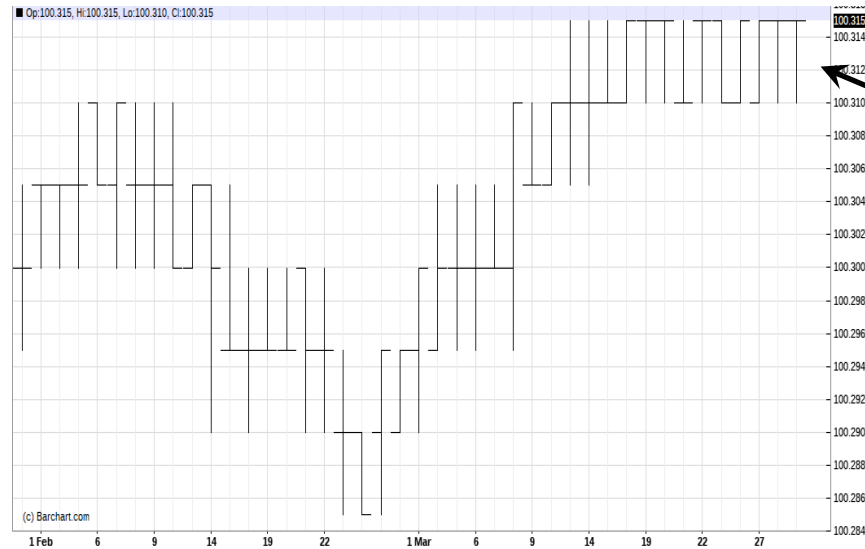
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains well supported, by equity market weakness and the ECB's policy stance.

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

...“Looking ahead several key data releases due, but given the ECB remains on hold we doubt this market will show too much, if any, reaction”...

In the event the market held in at the recent highs as equity markets remained under pressure.

Looking ahead there are several key releases due, but we judge the ECB's policy stance and equity market weakness will be the main dynamic here.

For now we are staying square.

Rates are on hold, for some time yet.

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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE; BULLISH.

Last week we were Bullish of The Bund.



The Bund continues its improbable upward progression.

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

...“Looking ahead several important data releases due, but trade war fears are likely to remain a key dynamic for a while yet, especially given recent weaker data and Germany's vulnerability as a world leading exporter”...

In the event the weakness of stocks driven by trade tariffs and threats of trade war drove this market higher.

Looking ahead several key data releases due, including the various Euro zone PMI surveys and German industrial production, but even strong data will not depress this market as stock market weakness drives the Bund higher.

We remain short/medium term bullish of the Bund based on growing trade war fears.

Our suggested target is 160.50 and our stop is set at 157.75 for protection.

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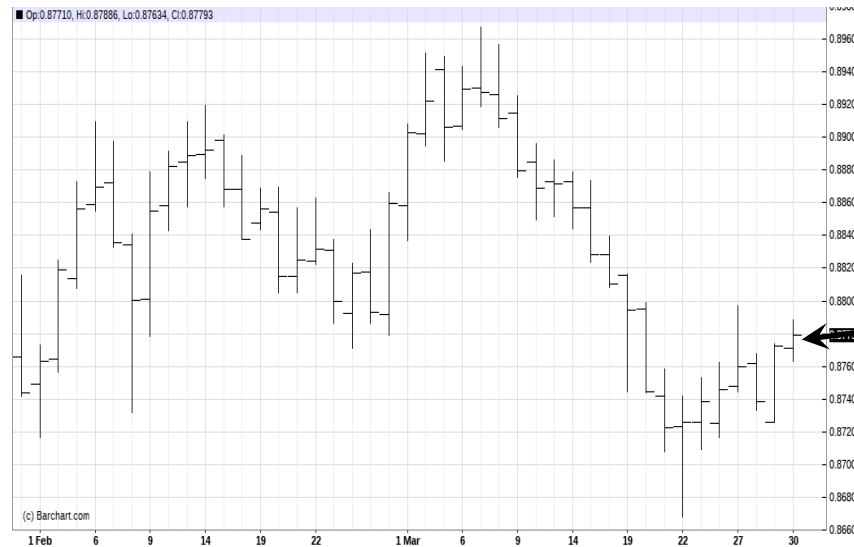
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were [Bullish v the Euro](#)



The Euro lacks direction against either the Dollar or Sterling.

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

...“Looking ahead several key data release due in the Euro zone, UK and US, but we remain fundamentally bullish of the Euro against the Dollar”...

Data was largely ignored last week as US data was solid and there were few negatives elsewhere, but

what hangs over markets right now is the threat of a trade war, driven by US President Trump.

Looking ahead several key data releases due globally, but we do not expect them to move currencies out of their current trading ranges.

We are now square Dollar/Euro.

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EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE:SQUARE.

Last week we were Square



See how the market bounced off of the lows, but remains vulnerable.

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

...“Looking ahead several important releases due, but stocks are likely to prove nervous and volatile unless the current climate improves on trade and Trump’s threat of a trade war”...

In the event data had limited relevance last week as talk of a trade war remained top of the list of concerns.

Looking ahead several key data releases due globally this week, but we see little prospect of this or any other major equity market, making a sustained recovery until talk of a trade war ends and Trump decides to talk to his partners instead of unilaterally slapping on trade tariffs.

We are Square.

Longer term the outlook is starting to look bearish!

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

JAPANESE MARKETS: economic background

Last week's focus was the industrial production report, following the recent upward revision to Q4 GDP would it provide more good news?

In the event the number was weaker than expected and so too were other data releases seen last week.

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; **Tankan survey and vehicle sales**,
- On Tuesday; **PMI Services survey**, and
- On Thursday; **Household spending and labour**

cash earnings.

There are two key reports due this week; the Tankan survey and PMI Services survey.

Will they point to continued steady economic recovery?



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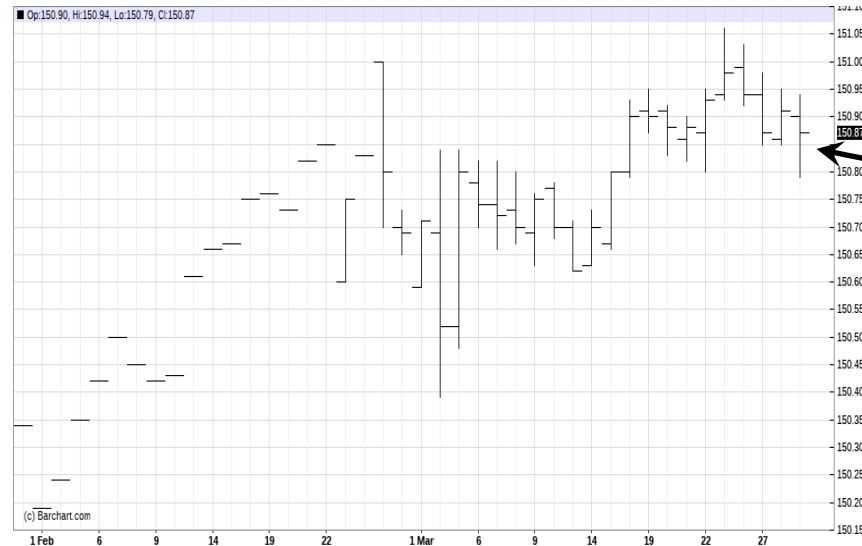
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB looks supported, but range bound.

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

...“Looking ahead industrial production stands out this week, a strong report is expected, the previous report was unexpectedly weak”...

In the event the number fell short of consensus but at 4.1% month on month still a good number.

Looking ahead two reports stand out this week, the Tankan and PMI Services survey.

We are staying square here.

Inflation is finally rising, but that is exactly what the BOJ and government seek, although last week's Tokyo inflation report fell short of expectations.

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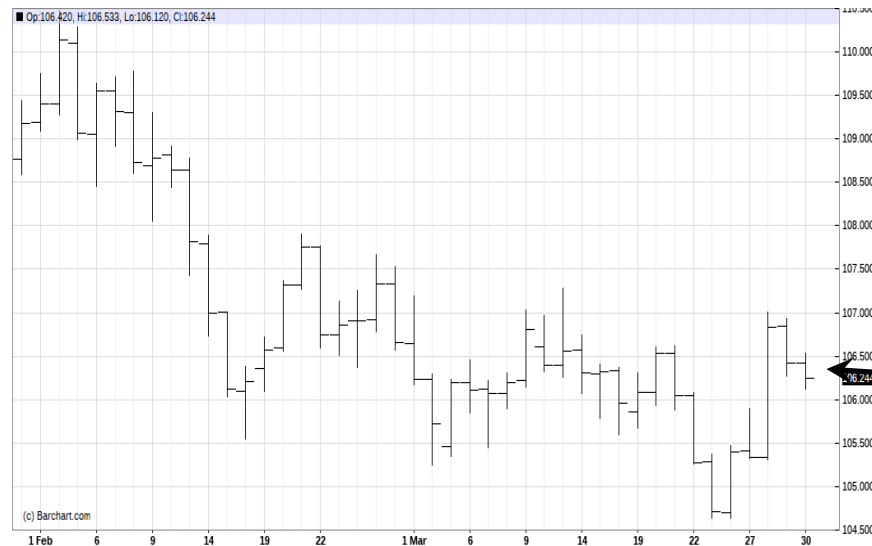
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen has clearly settled into a trading range.

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

...“Looking ahead the main event this week is Industrial production, the last release of this report was unexpectedly weak, a bounce back is the expectation this time round”...

In the event the number missed consensus, but at 4.1% month on month was a solid read.

Looking ahead the Tankan report and PMI Services survey are due, will they be sufficient to break the Yen's current trading range?

We are staying square.

Trump has introduced a new dynamic into markets; the prospect of a trade war.

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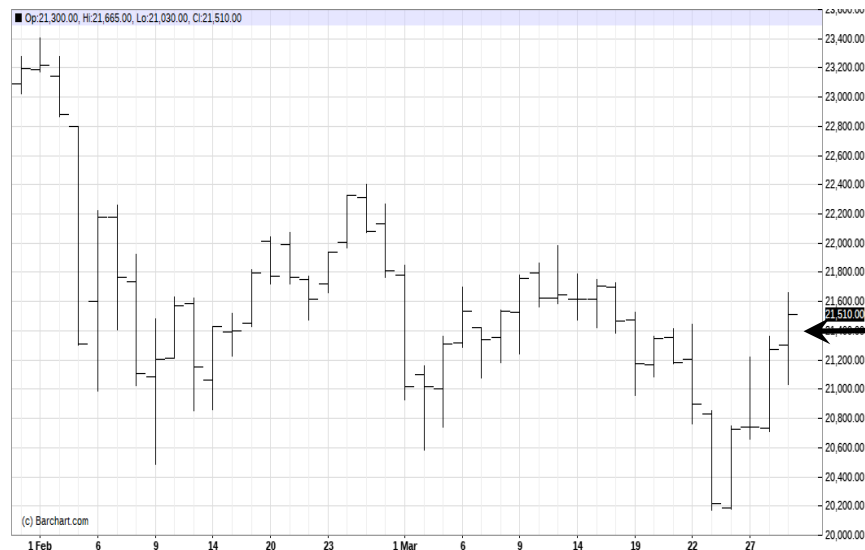
- + GOLD
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Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were Square of the Nikkei.



The Nikkei suffers from the same angst about a trade war as other equity markets, but looks a little more resilient.

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

...“Looking ahead the key data release this week is industrial production, a solid rebound from the previous weak report is expected, but we judge equity markets are vulnerable, nervous and volatile on Trump's trade policies which are risking a trade war”...

In the event the industrial production report was much better than the previous month's release and although it fell short of consensus, at 4.1% month on month was

evidence of a solid economic recovery, but markets are gripped by fears of a Trump led trade war.

Looking ahead the key releases this week are the Tankan report and PMI Services surveys and with heavy weight data releases in the US, EU and UK traders will have plenty to digest, but its Trump and his trade war rhetoric that is giving markets indigestion!

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

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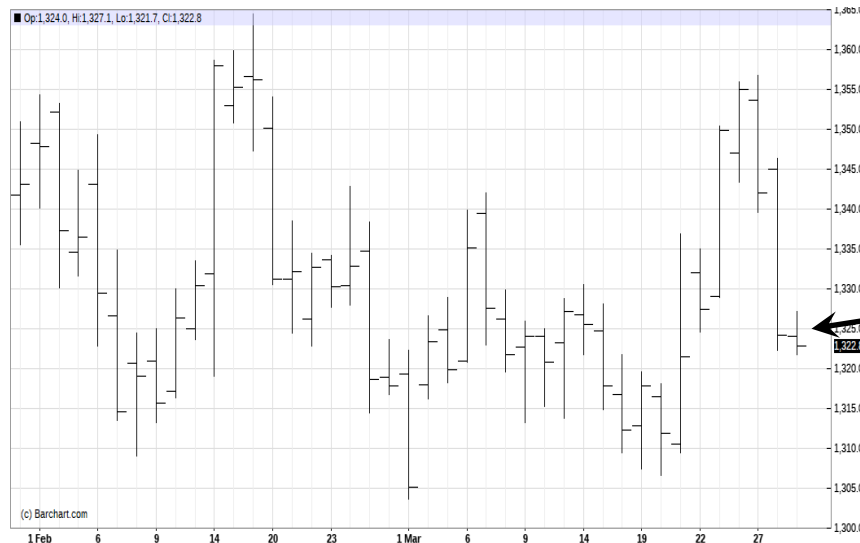
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Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold lacks direction.

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

...“Looking ahead all eyes on Trump and his next move, but if the US is taking a more hawkish stance on foreign policy in addition to trade policy, gold could be in for a new lease of life, but we need more evidence”...

In the event Trump continued his bellicose trade rhetoric, but this market failed to find any direction.

Looking ahead a whole raft of heavy weight data releases due globally, but we judge this market lacks direction, mainly because no one knows what Trump will say or do next, but one thing is certain, it will be controversial.

For now we are remaining square as the trading range still dominates.

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Commodities

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Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE

Last week we were Square of Oil.



See how oil failed to break above the January/February high as weak equity markets eclipse current geopolitical tensions.

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

...“Looking ahead geopolitical tension and trade tensions are the dominant themes in this market for now. Despite the US's growing oil production, the market has rallied on news Trump has appointed John Bolton as national security adviser. Bolton is a foreign policy hawk who is negative about Iran and North Korea and suggests Trump is taking a more hawkish foreign policy stance”...

In the event markets soon moved on from Trump's

national security advisor appointment and focussed on the threat of a trade war and what it might mean for oil demand.

Looking ahead several key releases due, with non-farm payroll the main event, since another very strong number could cause the Fed to rethink the number of rate hikes it is planning for this year.

We are staying square for now seeking greater clarity, as the threat of a trade war seems to grow after China announced its retaliatory tariff measures and Trump apparently considers additional measures.

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