



Week 18
1st – 7th May 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

Summary

Global Calendar

US Markets

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

- BEARISH
- BEARISH
- BULLISH v STERLING
- SQUARE

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

- BULLISH
- SQUARE
- BEARISH v The DOLLAR
- BULLISH on Currency weakness

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

- SQUARE
- SQUARE
- SQUARE
- SQUARE

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

- SQUARE
- SQUARE
- BULLISH on YEN weakness

Commodities

+ GOLD
+ OIL

- SQUARE
- BULLISH

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

Japanese Markets

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+ YEN
+ NIKKEI

Commodities

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+ OIL

Disclaimer

This week's global calendar

	Week of 30 th April		Week of 30 th April
Monday	US Personal income 0.4% US Personal spndg 0.4% US Core PCE 0.2m, 1.9y US Chicago PMI 58 US Pending home sales 0.8m DM Retail sales 0.8m, 1.2y EZ M3 4.1y DM CPI -0.1m, 1.5y JP PMI Mfg n/f	Thursday	US Q1 Nonfarm productivity 1.0% US Q1 Unit labour costs 3.0% US Jobless claims 223k US Trade bal -\$50.0B US ISM Non-mfg 58.1 US Factory orders 1.4% UK PMI Services 53.5 EZ PPI 0.1m, 2.1y EZ CPI Estimate 1.3%
Tuesday	US ISM Mfg 58.5 US ISM Prices paid 76.8 US Construct'n spndg 0.5% UK Net consumer Cr 1.4B UK Net Indg on dwlgs 3.6B UK Mrtge aprvls 63.0K UK PMI Mfg 54.8 UK BRC Shop prices n/f JP Vehicle sales n/f JP PMI Services n/f		
Wednesday	US MBA Mrtge apps n/f US ADP Employm't chge 200k US FOMC Rate decision 1.75% UK PMI Construction 50.5 IT PMI Mfg 54.5 FR PMI Mfg 53.4 DM PMI Mfg 58.1 EZ PMI Mfg 56 EZ Unemploym't rate 8.5% EZ Q1 GDP 0.4q, 2.5y IT Q1 GDP 0.3q, 1.5y JP Consumer confidence 44.5	Friday	US Non-farm payroll 194k US Unemploym't rate 4.0% US Average hrly earngs 0.2m, 2.7y US Average wrk week 34.5 IT PMI Services 53 FR PMI Services 57.4 DM PMI Services 54.1 EZ PMI Services 55 EZ Retail sales 0.5m, 1.9y

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

Last week's releases

	Week of 23 rd April		Week of 23 rd April
Monday	US Existing home sales 5.60M STRONGER EZ PMI Composite survey 55.2 STRONGER JP PMI Mfg 53.3 MORE THAN EXPECTED	Thursday	US Jobless claims 209k BETTER US advance gds trade bal -\$68.0B BETTER US Wholesale invntry 0.5% WEAKER US Durable goods 2.6% STRONGER US DG Ex-transport 0.0% WEAKER UK BBA Home buyer loans 37.567k STRONGER UK CBI Sales -2 AS UK GFK Cons confidence -9 WEAKER DM GFK Cons confidence 10.8 AS EZ ECB Rate decision 0.0% AS JP Jobless rate 2.5% AS JP Tokyo CPI 0.5% WEAKER JP Retail trade -0.7m, 1.0% WEAKER JP Lrge retail sales 0.1% WEAKER JP Ind production 1.2m, 2.2y STRONGER JP BOJ Rate -0.10% AS THAN EXPECTED
Tuesday	US Hse price indx 0.6% AS US Case/shiller comp-20 6.80% STRONGER US New home sales 694k STRONGER US Cons confidence 128.7 STRONGER UK PSNCR 0.5B LESS UK PSNB -0.3B BETTER UK CBI Trends orders 4 AS UK CBI Bus optimism -4 LESS DM IFO 102.1 WEAKER JP Supermkt sales -0.1 WEAKER JP Machine tool orders 28.1 AS THAN EXPECTED	Friday	US Q1 ECI 0.8% STRONGER US Q1 GDP (A) 2.3% STRONGER US Q1 Personal consumption 1.1% LESS US Q1 GDP Price indx 2.0% WEAKER US Q1 Core PCE 2.5% AS US U. of Michigan sentiment 98.8 STRONGER UK Nat'nwide hse price indx 0.2m, 2.6y LESS UK Q1 Index of services -0.2m, 0.3y WEAKER UK Q1 GDP 0.1q, 1.2y WEAKER FR Q1 GDP 0.3q, 2.1y WEAKER DM Import prices 0.0m, -0.1y WEAKER DM Unemplym't rate -7k WORSE DM Unemplym't rate 5.3% AS EZ Ind conf 7.1 STRONGER EZ Services conf 14.9 WEAKER EZ Cons confidence 0.4 AS JP Vehicle production 0.2% LESS JP Construction orders -4.0% WEAKER THAN EXPECTED
Wednesday	US MBA Mrtge apps -0.2% WEAKER JP All ind activity indx 0.4% LESS THAN EXPECTED		

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

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

Last week's key release was Q1 GDP, would it offer the Fed a strong reason to hike rates at its upcoming meeting?

In the event Q1 was weaker than Q4 2017, but was stronger than expected, however at 2.3% we doubt the Fed will be in a hurry to hike, likely wanting to see more data, especially from the labour market and inflation.

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; **Personal income, Personal spending, Core PCE, Chicago PMI and pending home sales,**
- On Tuesday; **ISM Manufacturing survey and ISM Prices paid,**
- On Wednesday; **ADP Employment change and FOMC Policy decision,**

- On Thursday; **jobless claims, Q1 Non-farm productivity, Q1 Unit labour costs, the trade balance, ISM Non-manufacturing survey and factory orders, and**
- On Friday; **non-farm pay roll and the unemployment rate.**

There is a packed calendar again this week with several heavy weight data releases, culminating on Friday with non-farm payroll.

However we judge the main event this week is the FOMC policy decision. Will the Fed hike? What is their current take on growth and inflation?

Traders will be keen to find out!



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- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
- + EURO
- + DJ EURO STOXX 50

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

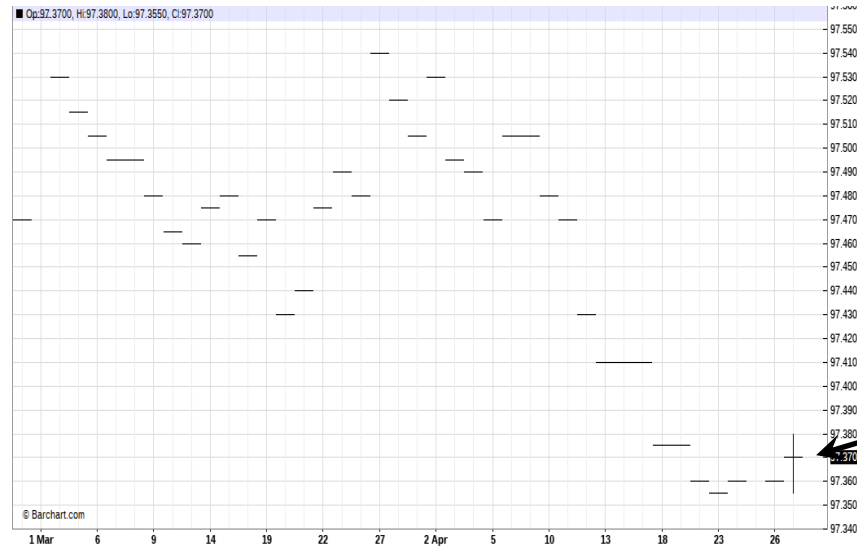
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US MARKETS: Eurodollars

OUR TRADING STANCE: **BEARISH.**

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



Eurodollars bounced on Friday after Q1 GDP eased expectation of a near term rate hike.

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

...“Looking ahead several key releases due, but our focus is Q1 GDP. A stronger than expected report will strengthen the case for a more aggressive Fed”...

In the event Q1 GDP beat consensus, but at 2.3% annualised leaves the Fed some space to decide when next to hike.

Looking ahead the main event this week is the FOMC policy decision. We do not expect the Fed to hike, but what they say will have a market impact.

We remain bearish of this market.

Our suggested target continues at 97.33 and our suggested stop remains at 97.55 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

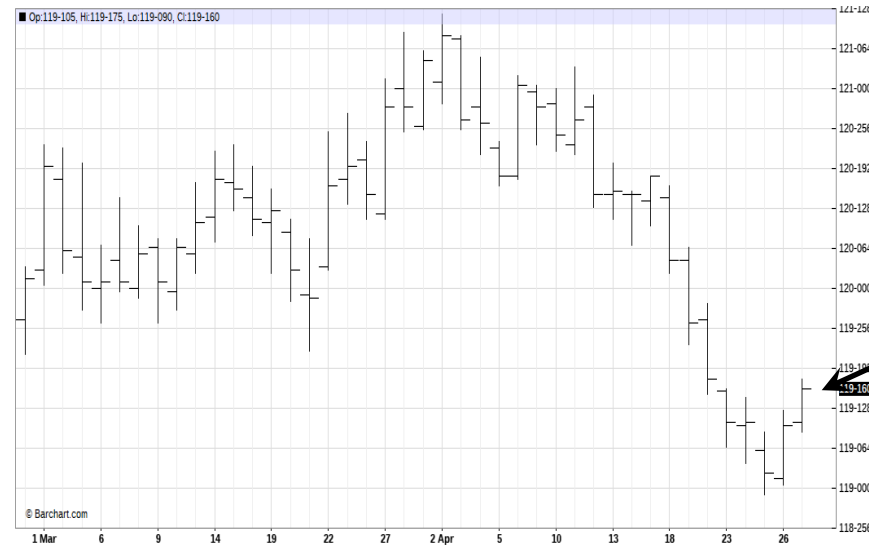
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US MARKETS: 10 Year Note

OUR TRADING STANCE; **BEARISH.**

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



The 10 year note staged a modest recovery on a tepid Q1 GDP report.

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

...“Looking ahead Q1 GDP is due, a strong report will add to the growing expectation that the Fed will adopt a more aggressive policy stance”...

In the event although the report beat consensus, it was weaker than Q4 and will not force the Fed to hike at its up coming meeting.

Looking ahead both ISM surveys and non-farm payroll

are due, but we judge the FOMC policy decision and statement is the main event.

We are bearish of this market, as we judge the benign environment that Bonds have enjoyed over several decades no longer exists as a result of Trump's tax cuts and spending plans.

Traders should be short of this market, our suggested target remains 118.00 and our suggested stop continues at 120.20 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

US MARKETS: US Dollar

OUR TRADING STANCE: **BULLISH** v the **POUND**

Last week we were Square



The Dollar enjoyed a rally helped by the ECB retaining its commitment to extend its Bond buying beyond September if economic conditions dictate.

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

...“Looking ahead a whole raft of key data releases due, with the main event Q1 GDP, but once again we fail to see the Dollar deriving any support”...

In the event Q1 GDP was better than expected but at 2.3% annualised, was nothing to get excited about, what helped the Dollar was weak UK data and the ECB reacting to slowing Euro zone data by repeating its commitment to extend QE beyond September if needed.

Looking ahead several key data releases due, but we judge Wednesday's FOMC policy decision and statement are the main event. We don't expect the Fed to hike, but the statement will be important for markets moving forward.

We are now Bullish of the Dollar v Sterling. UK data is weak, the BOE is not going to hike any time soon and the Pound is dogged by “BREXIT” and political risk.

Our suggested target in Cable is 1.3150 and our suggested stop set at 1.4005 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

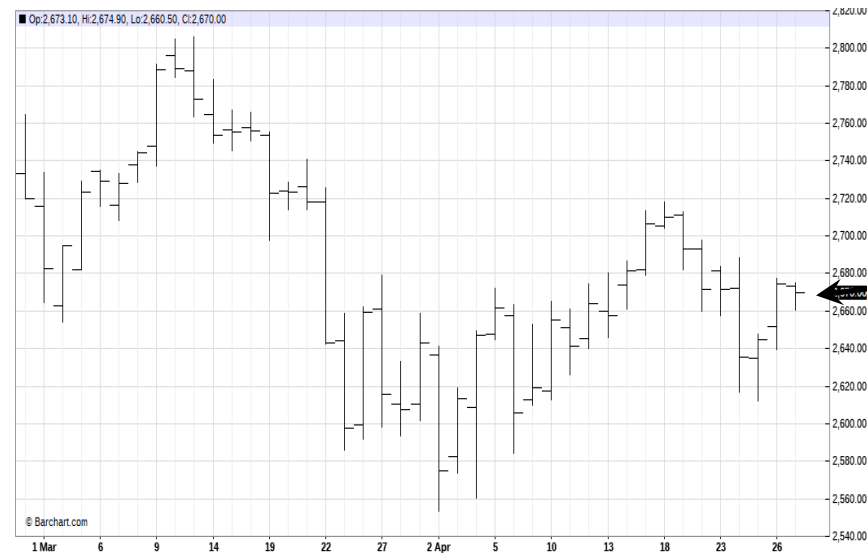
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US MARKETS: S&P500

OUR TRADING STANCE: SQUARE.

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



The S&P remain trapped in a tightening trading range.

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

..."Looking ahead Q1 GDP is due, a strong report should support stocks, but it could also open the way for a more aggressive Fed, meaning the market could suffer a set back"...

In the event a tepid, if better than expected Q1 GDP

report that failed to offer this market much support.

Looking ahead a whole raft of data is due this week, but our focus is the FOMC policy decision. A rate hike isn't expected, so all eyes on the policy statement.

We are remaining square, stocks still lack direction.

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 the Q1 GDP report when we said, judging by last week's weak retail sales report, it might be weaker than expected.

In the event it was and at just 0.1% Q/Q is looking very weak indeed, meaning the Bank of England will be well advised to leave policy as is for the foreseeable future..

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; **Net consumer credit, Net lending**

on dwellings, mortgage approvals, BRC Shop prices and PMI Manufacturing survey,

- On Wednesday: **PMI Construction, and**
- On Thursday; **PMI Services.**

The main event this week is the PMI Services report, after a weak recent retail sales report and very weak Q1 GDP, markets, the Bank of England and no doubt the Government will be eager to see if Services are holding up.

Or is the UK economy on the brink of recession?



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

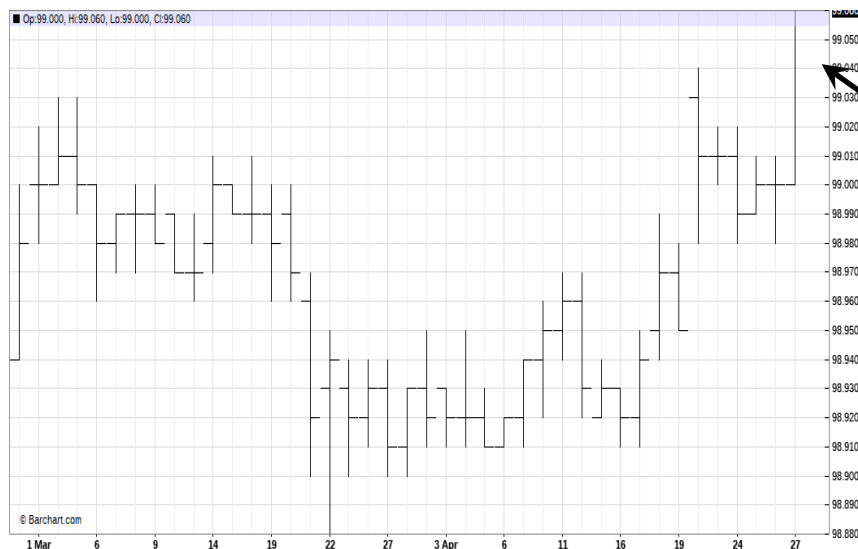
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UK MARKETS: Short Sterling

OUR TRADING STANCE: BULLISH.

Last week we were Square of Short Sterling.



Short Sterling rallied smartly after weak Q1 GDP.

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

...“Looking ahead Q1 GDP is due, we are concerned it may prove weaker than expected”...

In the event it did. The Bank of England Governor had already dampened expectations of a May rate hike the Q1 GDP report killed any such thoughts off!

Looking ahead several key releases due, but we judge the main event is the PMI Services survey. Services account for at least 2/3 of GDP if the economy is to avoid recession services need to exhibit some strength.

We are now Bullish of Short Sterling.

Our suggested target is 99.16 at least and our suggested stop is set at 99.00 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

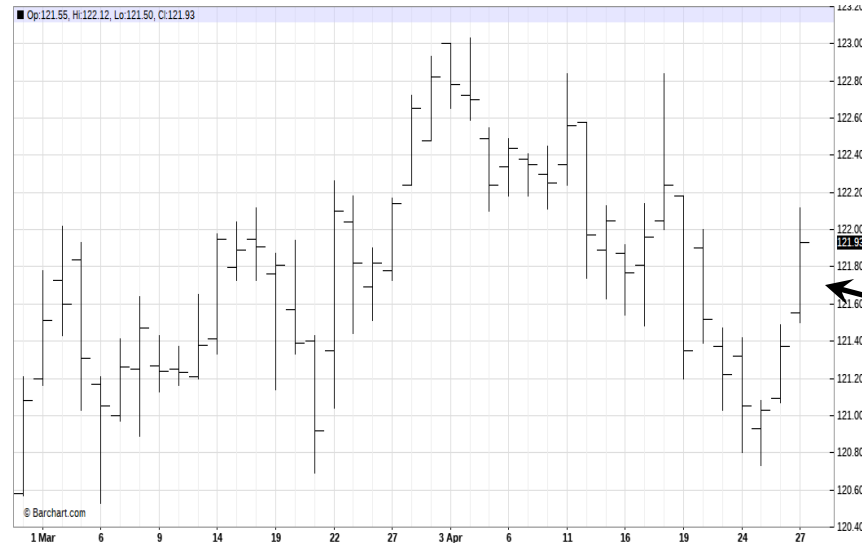
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- + OIL

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UK MARKETS: Gilt

OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the Gilt rejected the lows after the weak Q1 GDP report.

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

...“Looking ahead the PSNB number and Q1 GDP are due. A weak Q1 GDP report should under line the fact that rates will not rise any time soon, but will that support the Gilt?”...

In the event government borrowing data looks good, but Q1 GDP didn't, at just 0.1%q/q the economy has almost ground to a halt!

Looking ahead the main event this week is the PMI Services survey, will it reveal the Q1 GDP report as a blip heavily affected by the harsh late winter weather, or is the economy sliding into recession?

We are square.

If recession hits the Gilt could suffer, since “BREXIT” uncertainty remains and the Government looks fragile meaning the debt rating agencies might cut the UK's rating.



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: Sterling

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

Last week we were Square



The Pound looks very vulnerable against the Dollar after last week's weak Q1 GDP report.

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

...“Looking ahead Q1 GDP is due, but we sense a weaker than expected report is likely meaning the Pound will retreat further into the established trading range.

In the event Q1 GDP was very weak and combined with Bank Governor Carney's recent comments on

policy the Pound sold off.

Looking ahead the main event this week is the PMI Services survey, a disappointing report will weigh heavily on the Pound.

We are now Bearish Sterling against the Dollar.

Our suggested target in Cable is 1.3150 and our suggested stop set at 1.4005 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

UK MARKETS: FTSE

OUR TRADING STANCE: BULLISH.

Last week we were Square.



See how the FTSE shook off the run of weak data and rallied on hopes of unchanged rates and Sterling weakness.

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

..."Looking ahead the Q1 GDP report is due a weaker than expected report would not only keep the Bank of England on hold but ring alarm bells about the health of the UK economy"...

In the event Q1 GDP was weak, rates then are not going up Short/Medium or Long term and the Currency sold off and will sell off further offering this market support.

Looking ahead the main event this week is the PMI Services survey, a weak report will further weaken Sterling and insure the Bank of England will keep policy steady, but what if the economy slips into recession in the coming quarters?

We are now Bullish the FTSE on currency weakness, since many listed companies are foreign and benefit from a weak Pound.

Our suggested target is 7610.0 and our suggested stop is set at 7200.0 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: economic background

Last week's focus was the Euro zone PMI Composite survey and ECB policy decision. Recent data has been cooling how would the ECB respond?

In the event the main development from our stand point was the ECB repeated its commitment to extend QE/Bond buying beyond September of this year if need. Since the ECB had previously announced September 2018 as the date it expected to wind up its QE program, we judge the announcement as significant.

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 retail sales, CPI, and Euro zone M3,**

- On Wednesday; **Italian, French, German and Euro zone PMI Manufacturing surveys, Euro zone unemployment, Q1 GDP and Italian Q1 GDP,**
- On Thursday; **Euro zone PPI and CPI estimate, and**
- On Friday; **Italian, French, German and Euro zone PMI Services surveys and Euro zone retail sales.**

There are several important data releases due this week, but our focus is the Euro zone Q1 GDP report.

After all the recent comments about a cooling economy, Q1 GDP might provide some clarity.

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

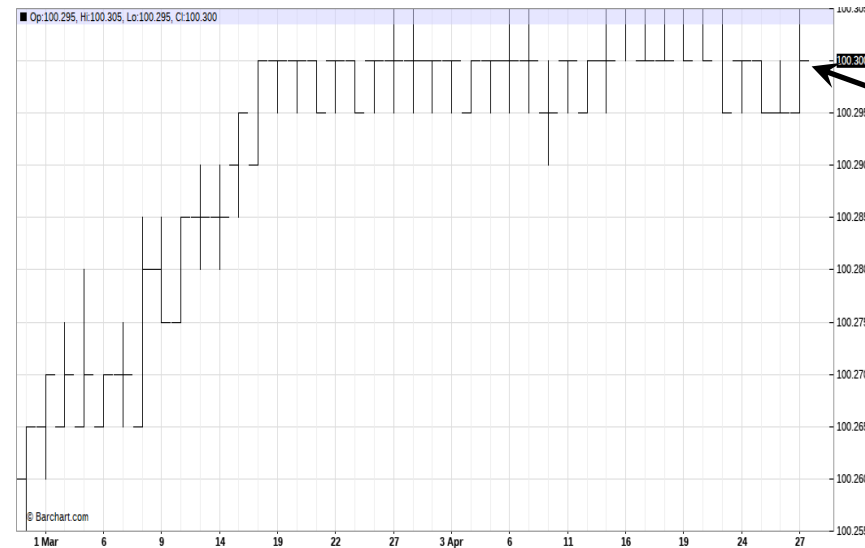
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains well supported by the ECB's commitment to QE.

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

...“Looking ahead several key data releases due, our focus is the Euro zone PMI Composite survey and ECB rate decision. Weakness will keep the ECB on hold and support this market”...

In the event the Euro zone PMI Composite was better than expected, but mindful of recent weaker data, the ECB reiterated its commitment to continue buying

Bonds beyond its anticipated cut off date of September if economic circumstances demand.

Looking ahead the key release this week is the Euro zone Q1 GDP report. Data over recent months has cooled, will the GDP report fully reflect this?.

For now we are staying square.

Rates are on hold, for some time yet.

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: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund responded to the ECB by bouncing off the recent lows.

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

...“Looking ahead the key releases this week are the Euro zone PMI Composite survey and ECB policy decision. A weak PMI might just prevent the ECB from considering additional steps to run down its QE program”...

In the event the PMI was mildly better than expected, but the Bund rallied on the tone of the ECB policy statement. The ECB recommitted to continuing QE beyond September if economic conditions

necessitated.

Looking ahead the various Euro zone PMI surveys are due together with Italian and Euro zone Q1 GDP. We judge the Euro zone Q1 GDP report is the main event and weakness could send the Bund higher.

We are square the Bund.

The recent run of Euro zone data has been weaker, but it might be due to the harsh winter weather that hit much of Europe.

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

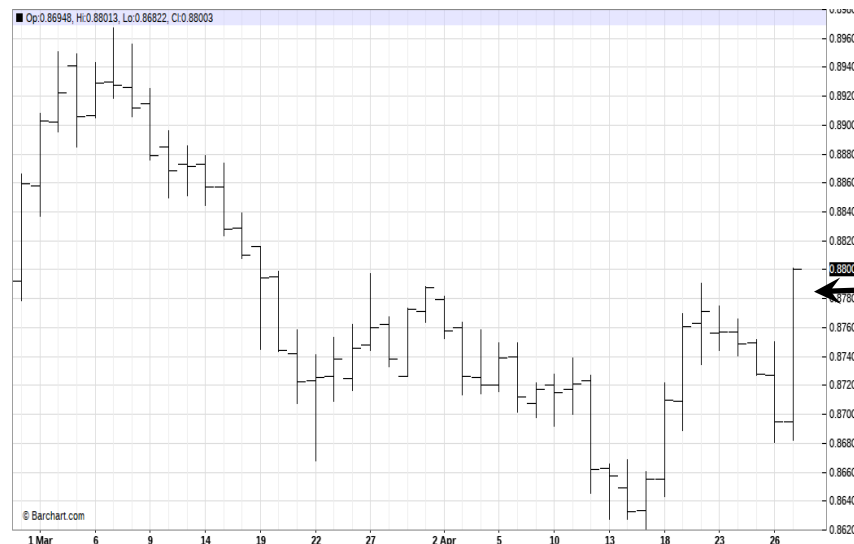
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- + OIL

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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were Square



The Euro recovered against the Pound, but weakened against the Dollar, but no clear trend so far exists.

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

...“Looking ahead there are two key events this week; The Euro zone PMI Composite survey and the ECB Policy decision. A weak PMI would add to a growing body of evidence that the Euro zone economy is cooling and likely encourage the ECB to leave policy unchanged”...

In the event the Euro zone PMI Composite was a little better than expected, However, recent weaker data obviously struck a cord with policy makers as the ECB repeated its commitment to extending QE beyond

September's expected cut off date if needed.

Looking ahead the main domestic event is the Euro zone Q1 GDP report, but the FOMC policy decision is due in the US, and if as we expect the Fed leaves rates on hold, the policy statement often has a measureable market impact.

We are staying square.

The Euro weakened against the Dollar, but remains in the trading range, but the Euro strengthened against the Pound on weak UK economic data, but remains within the trading range.

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

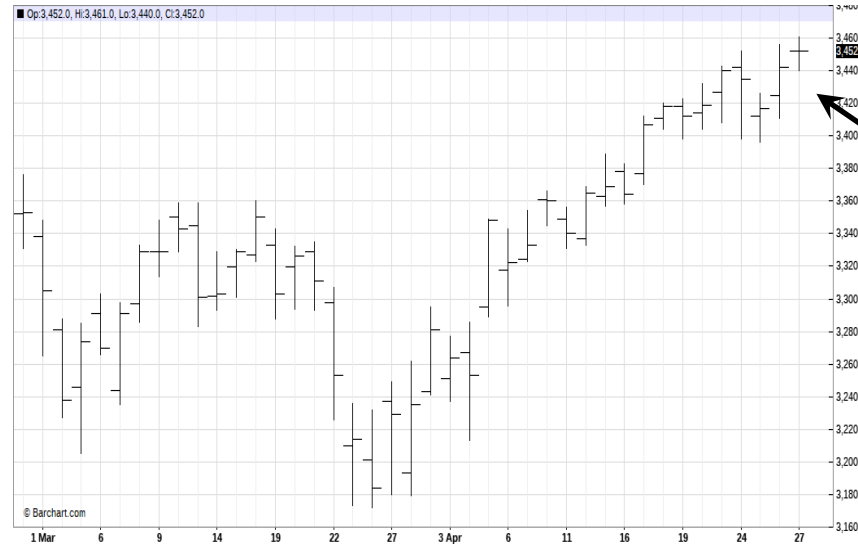
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE:SQUARE.

Last week we were Square



See how the market extended the rally on relief the ECB looks set to maintain current policy settings.

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

last week we said...

...“Looking ahead the Euro zone PMI Composite survey and ECB policy decision are due. We are particularly interested in what the ECB decides regarding policy and what Draghi has to say”...

In the event the mix of the better PMI survey and ECB statement added momentum to this markets rally, but how much higher can the market go?

Looking ahead traders will have an opportunity to judge the strength of the Euro zone economy through the release of the various Euro zone PMI surveys and Euro zone Q1 GDP throughout the week. Will the weaker data seen in recent months prove a weather related blip or something more concerning?

We are Square for now.

More



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Disclaimer

JAPANESE MARKETS: economic background

Last week's focus was the Tokyo CPI report and Bank of Japan policy decision.

In the event the CPI report weaker than expected, following the previous week's release of a weaker than expected national CPI report, has inflation peaked?

The other point of interest was the BOJ rate decision, as expected policy makers left rates on hold.

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; **PMI Manufacturing survey**,
- On Tuesday; **Vehicle sales and PMI Services survey, and**
- On Wednesday; **Consumer confidence**.

The two key releases this week are the PMI Manufacturing and services surveys.

Traders will be seeking clarity after the recent weak CPI reports; has inflation peaked and if so will growth slow?

More



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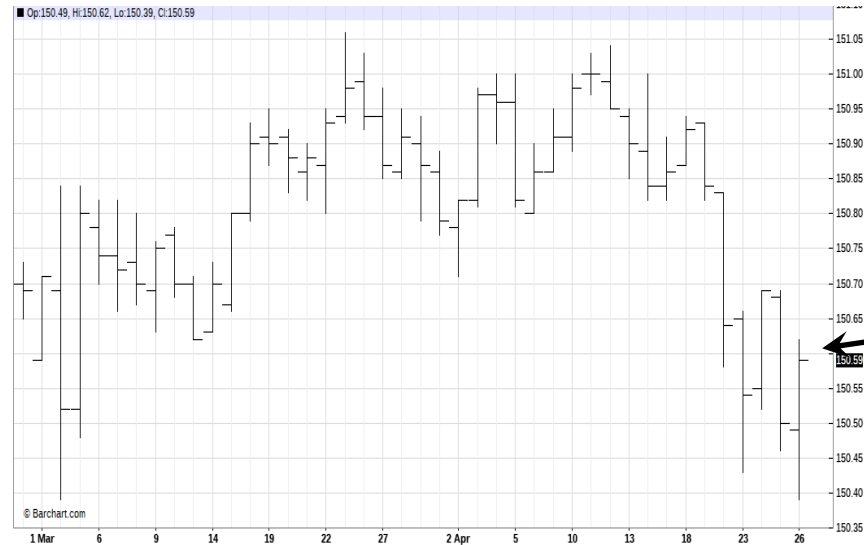
- + GOLD
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Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB remains out of favour as investors take the Nikkei higher.

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

...“Looking ahead Tokyo CPI is due, but our focus is the Bank of Japan policy decision. We do not expect them to alter course”...

In the event Tokyo CPI followed the National CPI report lower and the Bank of Japan held policy steady,

if inflation falls further, where does the Bank of Japan take policy from here.

Looking ahead the two PMI surveys are due, but we judge the JGB is currently out of favour as a weakening Yen leads traders/investors to buy the Nikkei.

We are staying square here.

More



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Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen remains under pressure as Japanese inflation drops back significantly.

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

...“Looking ahead the Bank of Japan policy decision is due, will they have any thing new to say or stay on their establish policy path, we judge the later!”...

In the event Tokyo CPI was again weaker than expected and along with the National report has declined for a second straight month, leaving policy makers no alternative to leave policy on hold.

Looking ahead the two key releases this week are the PMI surveys, will they show growth remains solid despite the down turn in inflation? Historically growth has struggled to gain traction with weak inflation.

We are staying square.

Trump has introduced a new dynamic into markets; the prospect of a trade war and Japan feels vulnerable.

More



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Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: BULLISH

Last week we were Square of the Nikkei.



The Nikkei further extended the rally on Yen weakness and weak inflation meaning no change of policy at the Bank of Japan.

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

...“Looking ahead the Bank of Japan policy decision is due, we expect them to maintain their current policy course”...

In the event policy makers kept rates on hold as inflation fell further, will they need to review their policy stance if inflation falls back further?

Looking ahead the two PMI surveys are due, against a backdrop of weakening inflation, can the current pace of growth hold up?

We are now Bullish of the Nikkei as we judge the Yen is currently undermined by weaker inflation and trade war fears.

Our suggested target is 23400.0 and our suggested stop is set at 22400.0 for protection.

More



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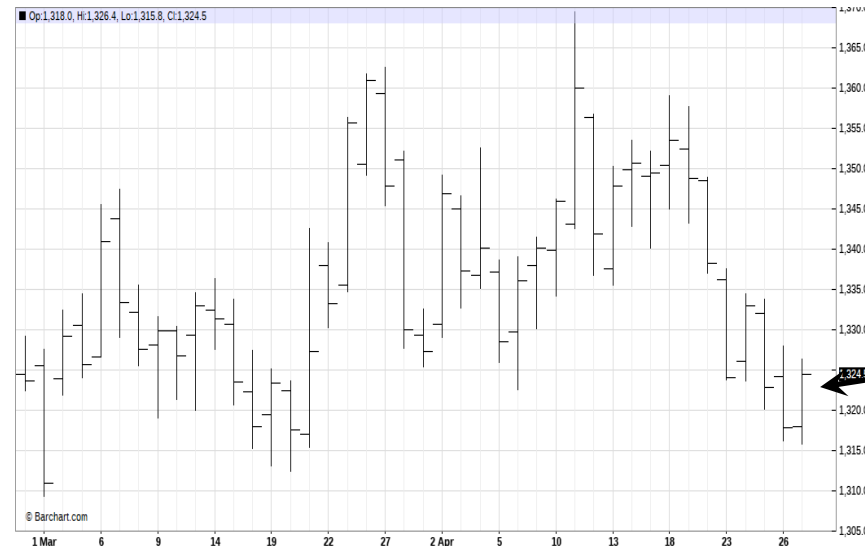
- + GOLD
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COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold remains range bound.

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

...“Looking ahead the US Q1 GDP report is the main event. The Fed has finally woken up to the impact Trump’s tax cut and spending plans are likely to have on inflation and the deficit, but the Dollar hasn’t benefited and neither will gold even as traders expect the Fed to slip in an extra rate hike this year”...

In the event the Q1 GDP report was marginally better than expected, but at 2.3% annualised is weaker than

Q4 and only represents moderate growth, meaning the Fed is unlikely to hike in the short term.

Looking ahead the main event is the FOMC policy decision, however we judge recent data will keep policy makers on hold at this week’s meeting unless they have prior knowledge of a very strong non-farm payroll report.

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

More



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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: BULLISH

Last week we were **Bullish** of Oil.



See how oil remains supported close to the recent highs.

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

...“Looking ahead US Q1 GDP is due and a chance to see if the US economy is accelerating. But the oil price looks supported by the IEA's recent forecast that oil stocks are set to fall below their 5 year average and recent Saudi comments that the world can afford higher oil prices”...

In the event Q1 GDP was a little stronger than expected, but weaker than Q4, however OPEC

remains committed to rebalancing supply and demand.

Looking ahead we judge the oil price remains supported by OPEC's current policy of suppressing output.

We remain bullish of oil.

Our suggested target continues at 75.00 and our suggested stop remains at 66.00 for protection.

More



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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

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