



Week 43
23rd – 29th October 2018

Summary

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- + 10 YEAR NOTE
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- + SHORT STERLING
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Euro Zone Markets

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Japanese Markets

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Commodities

- + GOLD
- + OIL

Disclaimer



Multi-asset fundamental strategies

John Lewis

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This week's global calendar

	Week of 22 nd October		Week of 22 nd October
Monday	JP All in actvty indx 0.4%	Thursday	US Jobless claims 208k US Advance gds trade bal -\$73.5B US Durable goods -1.1% US DG Ex- Transportation 0.3% US Wholesale invntry n/f US Pndg home sales -0.2m DM GFK Cons confidence 10.5 DM IFO Survey 103.2 EZ ECB Popicy decision EZ ECB Rates decision 0.25% JP Tokyo CPI 1.0y
Tuesday	UK CBI Trends tot orders -1 UK CBI Business optmsm n/f DM PPI 0.3m, 2.9y EZ Consumer confidence -3.0 DM Import prices n/f JP Machine tool orders n/f JP PMI Mfg 52.6	Friday	US Q3 GDP 3.2% US Q3 Persnl consumptn n/f US Q3 GDP Price indx 2.3% US Q3 Core PCE 2.0% US U. of Michigan sentiment 99.2 DM Retail sales n/f
Wednesday	US MBA Mrtge apps n/f US House price indx 0.3% US New home sales 631k US Fed's Beige book UK BBA Home buyer loans n/f UK Gross mrtge aprvls 39.0k EZ M3 y/y 3.5% EZ PMI Composite survey 53.5 JP Copr service prices n/f		

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	Week of 15 th October		Week of 15 th October
Monday	US Retail sales 0.1% WEAKER US RS Ex-Autos -0.1% WEAKER US Empire mfg 21.1 WEAKER US Business invntry 0.5% AS US Budget statement 119.1B WORSE UK Rght mve hse prices 1.0m, 0.9y MORE JP Ind production 0.2m, 0.2y WEAKER JP Capacity utilisation 2.2% STRONGER THAN EXPECTED	Thursday	US Philly Fed 22.2 STRONGER US Jobless claims 210k AS UK Retail sales -0.8m, 3.0y WEAKER JP National CPI 1.2y STRONGER THAN EXPECTED
Tuesday	US Ind production 0.3% STRONGER US Capacity utilisation 78.1 MORE US NAHB Housing mkt indx 68 AS UK Unemployment rate 2.6% AS UK Unemploy'm't chge 18.5k WORSE UK ILO 4.0% AS UK Average earngs 2.7% MORE UK Average earngs ex-bonus 3.1% STRONGER EZ Trade bal 11.7B LESS DM ZEW Survey -24.7 WEAKER DM Import prices 0.0m, 4.8y WEAKER JP Tokyo condo sales 13.2 STRONGER THAN EXPECTED	Friday	US Existing home sales 5.15M WEAKER UK PSNB 3.259B LESS UK PSNCR 15.846B WORSE EZ C/A 24.0B STRONGER THAN EXPECTED
Wednesday	US MBA Mrtge apps -7.1% WORSE US Housing starts 1201k AS US Buildg permits 1241k WEAKER US FOMC Minutes UK CPI 0.1m, 2.4y WEAKER UK RPI 0.0m, 3.3y WEAKER UK RPI-X 3.3% WEAKER UK PPI Input 1.3m, 10.3y STRONGER UK PPI Output 0.4m, 3.1y STRONGER UK Core PPI 0.4m, 3.1y STRONGER UK House price indx 3.2% WEAKER EZ Construction output -0.5m, 2.5y WEAKER EZ CPI 0.5m, 2.1y AS JP Trade bal -Y43.3B BETTER THAN EXPECTED		



US MARKETS: economic background

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Last week's focus was again split three ways between retail sales, industrial production and the FOMC minutes.

In the event retail sales were weaker than expected, industrial production stronger, but the main event; the FOMC minutes proved more hawkish than the initial policy statement as some policy makers of talking of potentially pushing policy into restrictive territory, if only on a temporary basis.

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 Wednesday; **House price index, New Home sales and the Fed's Beige book,**

- On Thursday; **Jobless claims, advance goods trade balance, durable goods, wholesale inventories and Pending home sales, and**
- On Friday; **Q3 GDP, Q3 Personal consumption, Q3 GDP Price index, Q3 Core PCE and University of Michigan sentiment.**

There are several key releases due this week, but the main event is Friday's Q3 GDP report.

The Fed has indicated a more hawkish tone to policy is likely, if Q3 GDP is stronger than expected, the Fed's talk of temporarily moving to a restrictive policy might just prove less temporary!

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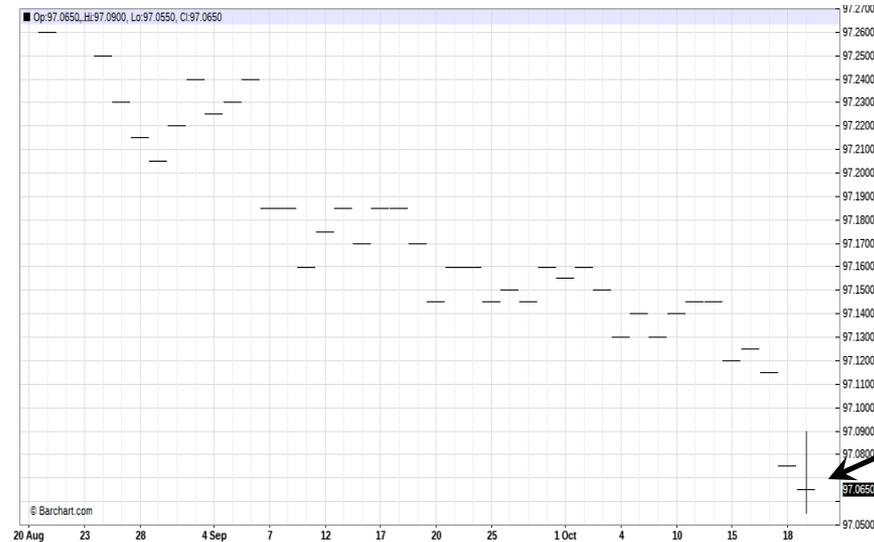
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US MARKETS: Eurodollars

OUR TRADING STANCE: BEARISH.

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



Eurodollars sold off further as traders factored in potentially tighter policy.

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

...“Looking ahead there are several key data releases due, but we judge the FOMC minutes are the main event. If the minutes reveal a firmer tone than the original policy statement, this market will trade lower”...

In the event the minutes showed policy makers considering the need for policy to potentially become more restrictive and that weighed on this market.

Looking ahead Q3 GDP is due, a stronger than expected report will send this market lower still.

We remain Bearish Eurodollars.

Our suggested target continues 97.00 and our suggested stop is lowered to 97.14 for closer protection.

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US MARKETS: 10 Year Note

OUR TRADING STANCE; **BEARISH**.

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

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The 10 year note's correction faded on tougher talk from the Fed.

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

...“Looking ahead retail sales and the FOMC minutes are due, a strong retail sales report and more hawkish tone in the minutes than in the original policy statement would weigh on this market”...

In the event retail sales fell short of consensus and although industrial production was stronger than forecast, the FOMC minutes grabbed traders attention

as the tone was more hawkish than the original policy statement.

Looking ahead Q3 GDP is the main event this week, a strong report will lead traders to focus increasingly on the Fed's talk of policy needing to become restrictive.

We remain bearish the T Note.

Our target remains set at 117.0 and our suggested stop continues at 118.28 for protection.

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US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the EURO

Last week we were Bullish v the Euro



The Dollar drew support from last week's FOMC minutes.

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

...“Looking ahead the FOMC minutes stand out. The tone of the minutes will be surely compared closely to that of the original policy statement, if traders detect a more hawkish stance the Dollar should strengthen”...

In the event the minutes were indeed more hawkish and the Dollar drew support, but failed to make new highs.

Looking ahead the main event this week is Q3 GDP. A stronger than expected report would focus minds more acutely on the prospect of a more aggressive Fed policy and help the Dollar rally further.

We are bullish the Dollar against the Euro

Our suggested target remains 1.1400 and our suggested stop continues at 1.1650 for protection.

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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 remains vulnerable to the downside.

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

...“Looking ahead the FOMC minutes stand out, will there be any subtle differences from the policy statement that further undermines this market”...

In the event the tone was more Hawkish as some policy makers spoke of potentially pushing policy into restrictive territory.

Looking ahead Q3 GDP is the key release this week, but will a stronger report support this market or send it lower as traders focus on the Feds more Hawkish tone?

We judge the market looks vulnerable.

We remain square, for now.

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UK MARKETS: economic background

Last week's focus was split between CPI and retail sales. Depending on the Mix the Bank's dilemma on policy could either be eased or become more acute.

In the event CPI fell short of consensus and retail sales were weaker, meaning the Bank of England must feel pressure to hike has been significantly eased.

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; **CBI Trends total orders and CBI Business optimism, and**
- On Wednesday; **BBA Home buyer loans and mortgage approvals.**

The calendar is very thin this week with no heavy weight data to focus on, meaning traders will continue to digest last week's data and react to international sentiment.

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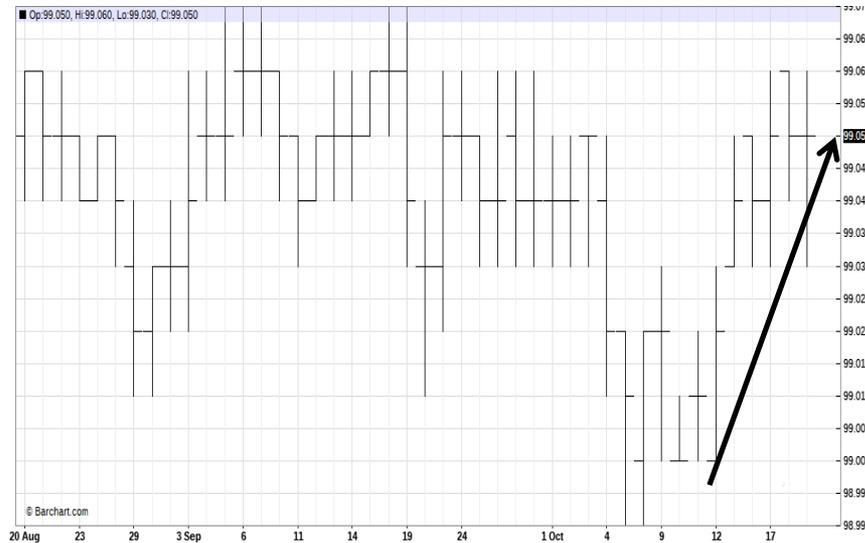
- + GOLD
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling recovered the previous week's losses on benign data.

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

...“Looking ahead CPI and retail sales are due, but unless inflation advances further we judge this market's down side potential is limited”...

In the event CPI came in surprisingly softer than expected, while retail sales was weaker too meaning

the need for UK policy tightening eased.

Looking ahead no heavy weight data due, meaning this market will likely range trade.

We remain square.

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UK MARKETS: Gilt

OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the Gilt rallied on a benign mix of data releases last week.

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

...“Looking ahead CPI, retail sales and PSNB are due, but we judge the price action in equity markets will be just as important”...

In the event the data mix was benign, retail sales were weak, CPI was weaker than expected and the government borrowing data showed further fiscal

improvement, helping the Gilt recover.

Looking ahead no heavy weight data is due, meaning traders will refocus on domestic politics with the Budget looming and PM May under increased pressure over her handling of “BREXIT” negotiations.

We are remaining square, stock market price action still looks a risk to price action hear.

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UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE

Last week we were Square



The Pound is currently range bound as the uncertainty over "BREXIT" continues.

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

...“Looking ahead CPI and retail sales are due, but “BREXIT” is already setting the pace this week as reports suggest talks have broken down, if true the Pound will likely weaken”...

In the event “BREXIT” talks remain stalled with PM May under increasing pressure from her own MP's and although CPI and retail sales were weaker than expected, the Pound showed little reaction to them.

Looking ahead no heavy weight data is due, but PM May appears to be under mounting pressure and criticism from her own Conservative party due to their dissatisfaction over her handling of “BREXIT” negotiations, and there is repeat talk of her facing a vote of no confidence. We shall see!.

We are square. There is too much uncertainty and rumour to make a balanced judgement other than volatility will remain a feature of trading in Sterling.

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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



The FTSE remains vulnerable to the downside on negative international sentiment to global equities.

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

...Looking ahead several key data releases due, but international sentiment and "BREXIT" turbulence are likely to prove the dominant factors in this market"...

In the event the EU summit failed to conclude a "BREXIT" deal and May continues to face a fractious Conservative party which makes getting a deal with the

EU through the UK Parliament difficult. Add in growing concerns about the path and pace of US interest rates and the FTSE remained close to the lows.

Looking ahead no heavy weight data due and we judge the mix that weighed on the FTSE last week, remains in play this week too.

We are remain square.

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EURO ZONE MARKETS: economic background

Last week's focus was the Euro zone CPI report. The ECB has announced the ending of its QE program and the next step would be interest rates.

In the event Euro zone CPI was as expected, the ECB expects CPI to remain at or around target meaning no changes to interest rate policy is expected any time soon and last week's CPI report wont have changed that outlook.

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 PPI and Euro zone**

- **consumer confidence,**
On Wednesday; **Euro zone M3 and PMI Composite survey,**
- On Thursday; **German GFK, IFO survey and ECB Policy decision, and**
- On Friday; **German retail sales.**

The key releases this week are Euro zone PMI Composite survey and ECB policy decision.

Of the two we judge the ECB is the main event. No new policy adjustments are expected, but traders will be eager to hear what Draghi has to say in the press conference.

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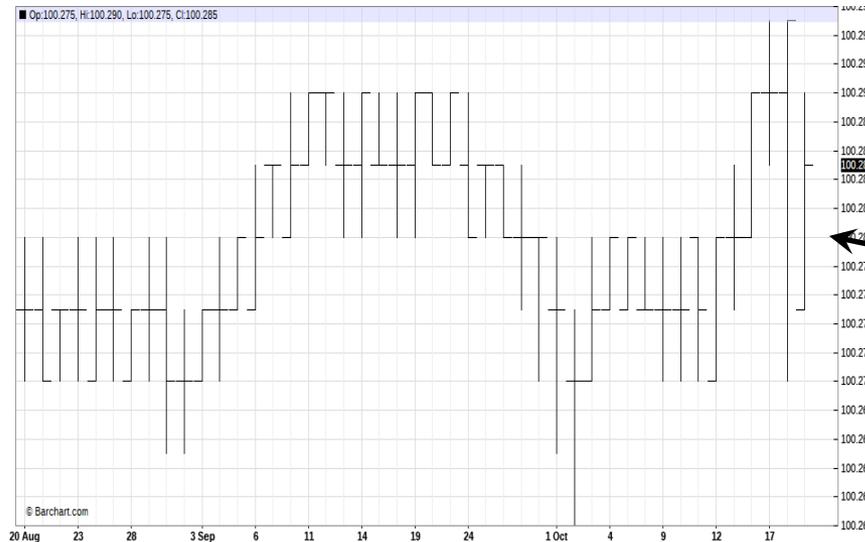
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor suffered increased volatility but within a trading range.

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

...“Looking ahead the key release this week is Euro zone CPI, a stronger than expected report will not push the ECB into hiking rates, but it will start chattering about when they will”...

In the event CPI was as expected, meaning the ECB will have little reason to discuss hiking rates in the

short/medium term.

Looking ahead the Euro zone PMI composite survey and ECB policy meeting are due, we judge the ECB policy decision and press conference will be the main focus, but given we do not expect any talk about changing interest rates this market is likely to remain range bound.

For now we are staying square.

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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund staged a solid recovery as Brussels and Rome avoided the use of inflammatory language concerning the proposed Italian budget.

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

...“Looking ahead Euro zone CPI is due, but we judge all eyes remain trained on stocks, meaning further selling there will offer the Bund some more short term relief”...

In the event stocks, to an extent, stabilised, and this market corrected higher on an inline CPI, together with

less inflammatory language between Brussels and Rome concerning the proposed Italian budget.

Looking ahead the ECB policy decision is due, but we doubt they will discuss interest rate changes and they are already intent on ending QE.

We are square.

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EURO ZONE MARKETS: The Euro

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

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

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The Euro recovered some lost ground against Sterling and looks vulnerable against the Dollar.

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

...“Looking ahead Euro zone CPI is due, but unless very different to consensus we judge the Euro looks hostage to Italy, “BREXIT” and anxiety about the extent of US interest rate hikes”...

In the event the CPI report was as expected, the Italian government pressed ahead with its budget plans and although Brussels continues to claim Rome needs to rethink its fiscal plans the language used

seemed to reduce the sense of crisis.

Looking ahead the key event this week is the ECB policy meeting but we doubt the event will offer the Euro any support against the Dollar and against Sterling, “BREXIT” remains the dominant factor.

We are Bearish the Euro v the Dollar.

Our suggested target is 1.1400 and our suggested stop reset at 1.1650 for protection after our previous stop was hit.

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EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square



See how the market remains under pressure as traders fret about US interest rates and Global trade tensions.

The Macro Trader's view of DJ Euro Stoxx 50 is: last week's price action was again dominated by international trade friction, concern about the more hawkish tone seen in last week's US FOMC minutes and uncertainty caused by the Italian governments proposed budget deficit which goes against Euro zone fiscal agreement.

Looking ahead the Euro zone PMI composite survey and ECB policy meetings are due. We judge the ECB is the main event as traders will be eager to hear if Draghi has anything to say about Italy's proposed budget and any potential impact on Euro zone stability.

We are square here.

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JAPANESE MARKETS: economic background

Last week's focus was the National CPI report, had it made any further progress towards target.

In the event the number was stronger than expected, but progress remains slow and at a year on year rate of 1.2% there is still a long way to go at the current rate of progress.

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; **All industry activity index**,

- On Tuesday; **Machine tool orders and PMI Manufacturing survey**,
- On Wednesday; **Corporate service prices**, and
- On Thursday; **Tokyo CPI**.

The main event this week is the Tokyo CPI report.

After last week's stronger than expected National CPI report a strong report here would confirm the Bank of Japan's policy stance finally seems to be achieving the desired affect.

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Commodities

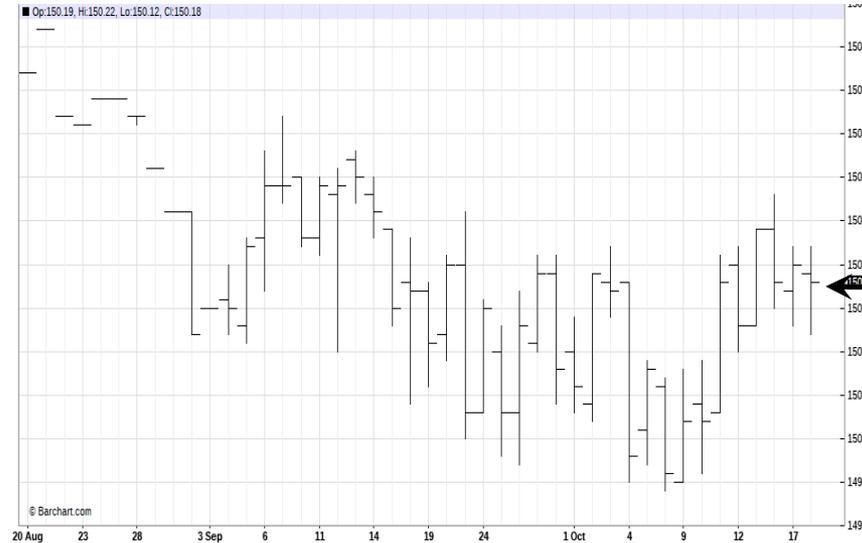
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB rejected the recent lows but for now looks range bound.

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

...“Looking ahead the key release this week is National CPI, will it show further progress towards the Bank of Japan's target of 2.0%”...

In the event, yes it did but the JGB corrected higher as the Nikkei remained close to the recent lows.

Looking ahead the Tokyo CPI report is due, will it echo the National report seen last week and if so will it have any downward impact on the JGB? We doubt the JGB would sell off on a stronger number, the Bank of Japan is committed to its current QE policy and at the current rate of progression there is still a long way to go before inflation hits target and then stays there.

We are staying square; too much volatility and too little 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

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen consolidated its recent gains against the Dollar.

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

...“Looking ahead global tensions continue to build with the US threatening Saudi Arabia of harsh punishment if it had a hand in the disappearance of Jamal Khashoggi meaning the Yen could rally on further short term safe haven buying”...

In the event global tensions continue to build with no end in sight to the US/China trade spat, additionally the

Saudi's have admitted culpability in the death of Khashoggi, but their account of events only arouses more suspicions of a state directed murder of a dissident.

Looking ahead the PMI Manufacturing survey and Tokyo CPI are both due, but we judge international tensions on trade etc. will continue to influence the Yen.

We are staying square, for now.

More



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Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were Square of the Nikkei.



The Nikkei remains under pressure in line with bearish price action afflicting all leading global equity markets.

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

...“Looking ahead the key data release this week is National CPI but we judge this market is in the hands of global sentiment and the Yen's direction of travel”...

In the event National CPI was stronger than consensus, but international sentiment towards stocks

remained negative as the tone of the US FOMC minutes released last week was indeed more hawkish than the original policy statement and the world continued to demand a credible explanation from the Saudi's about what happened to Jamal Khashoggi.

We are staying square the outlook for stocks remains volatile and vulnerable to further selling.

More



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- + YEN
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Commodities

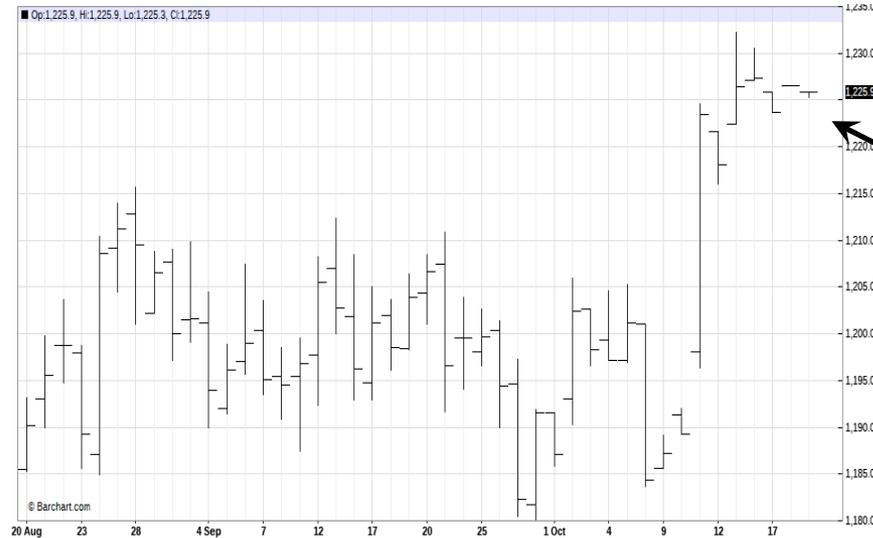
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold held its gains on a sense of rising international tension.

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

...“Looking ahead all eyes on Saudi Arabia and the unanswered question of what happened to Jamal Khashoggi inside the Saudi Embassy to Turkey; he went in, but didn't come out”...

In the event the Saudi's have offered several explanations, none of which sound credible, the US and others continue to seek a credible answer and until

that is given gold looks supported and if the US imposes some kind of punishment and the Saudi's retaliate through oil, Gold could rally further.

Looking ahead all eyes on Saudi Arabia, their explanation and the US response.

We are staying square for now, but if tensions between the US and Saudi Arabia worsen then go long.

More



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Japanese Markets

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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE

Last week we were Square of Oil.



See how oil price fell further as questions remain about the health of the global economy and the outlook for global stocks.

The Macro Trader's view of oil is: last time we said... remain the key.

...“Looking ahead the outlook for oil has become uncertain. On the one hand a prolonged period of weakness in equity markets will weigh on oil as traders fret about a possible cooling of the US economy, derived from the Fed's current policy stance. But if tensions between the US and Saudi Arabia worsen and it emerges some ill fate befell Jamal Khashoggi in the Saudi mission to Turkey and Trump hits the Saudi's with sanctions, an oil shock driven by Saudi Arabia might result?”...

Looking ahead although the Saudi's have admitted Khashoggi died in their embassy their story keeps changing and Trump has repeated his threat to punish. For now oil remains under pressure due to the more Hawkish FOMC minutes, the uncertainty for global growth caused by the trade war between the US and China and weak equity markets, but that could change if the US acts against Saudi Arabia and they in turn promote an oil shock..

We are staying square of oil, for now.

In the event we judge those unanswered questions

More



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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

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MAIN MENU