



Week 44
30th October – 5th November 2018

Summary

Global Calendar

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- + 10 YEAR NOTE
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UK Markets

- + SHORT STERLING
- + GILT
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- + FTSE

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
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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 29 th October		Week of 29 th October
Monday	US Persnl income 0.3% US Persnl spndg 0.4% US Core PCE 0.1m, 2.0y UK Net consumer Cr 1.2B UK Net Indg on dwllgs 3.00B UK Mrtge aprvlrs 65.00K UK CBI Sales n/f UK CBI Distributive trades 27 UK Budget JP Retail sales n/f JP Lrge retail sales 2.1y JP Jobless rate 2.4%	Thursday	US Q3 Non-farm productivity 2.0% US Q3 Unit labour costs 1.1% US Jobless claims 213k US ISM Mfg 59 US ISM Prices paid 67.5 US Construction spndg 0.2% UK PMI Mfg 53.1 UK BOE Rate decision 0.75% UK BOE AP Target £435B UK BOE Quarterly inflation report UK Nationwide HPI 0.2m, 1.9y JP Vehicle sales n/f
Tuesday	US Case/shiller comp-20 6.0y US Consumer confidence 135 UK GFK Cons confidence -10 UK BRC Shop prices n/f DM Unemploym't change -12k DM Unemploym't rate 5.1% IT Q3 GDP 0.2q, 0.9y EZ Ind confidence 3.8% EZ Services confidence 14.0% EZ Consumer confidence -2.7% EZ Q3 GDP 0.4q, 1.9y DM CPI 0.1m, 2.4y FR Q3 GDP 0.4q, JP Ind production -0.2m, JP BOJ Rate decision -0.10	Friday	US Unemploym't rate 3.7% US Non-farm payrolls 200k US Avenge hrly earngs 0.2m, 3.1y US Avenge work week 34.5 US Trade bal -\$53.4B US Factory orders 0.3% UK PMI Construction 52.0 IT PMI Mfg 49.7 FR PMI Mfg 51.2 DM PMI Mfg 52.3 EZ PMI Mfg 52.1 DM Import prices 0.4m, 4.6y
Wednesday	US MBA mrtge apps n/f US ADP Employ'm't chge 190k US Q3 ECI 0.8% US Chicago PMI 60.5 DM Retail sales 0.5m, 1.0y EZ Unemploym't rate 8.1% EZ CPI Estimate 2.1y JP Vehicle production n/f JP Cons confidence 43.5 JP Construction orders n/f JP PMI Mfg 53.1		

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	Week of 22 nd October		Week of 22 nd October
Monday	JP All in actvty indx 0.5% MORE THAN EXPECTED	Thursday	US Jobless claims 215k MORE US Advance gds trade bal -\$76.0B WORSE US Durable goods 0.8% STRONGER US DG Ex- Transportation 0.1% WEAKER US Wholesale invntry 0.3% LESS US Pndg home sales 0.5m BETTER DM GFK Cons confidence 10.6 BETTER DM IFO Survey 102.8 WEAKER EZ ECB Press conference EZ ECB Rates decision 0.25% AS JP Tokyo CPI Ex fresh food 1.0% AS JP Tokyo CPI 1.5y AS THAN EXPECTED
Tuesday	UK CBI Trends tot orders -6 WEAKER UK CBI Business optmsm -16 WORSE DM PPI 0.5m, 3.2y STRONGE EZ Consumer confidence -2.7 BETTER JP Machine tool orders 2.9% BETTER JP National Dept stre sales -3.0% WORSE JP Tokyo Dept stre sales 0.3% WORSE JP PMI Mfg 53.1 STRONGER THAN EXPECTED	Friday	US Q3 GDP 3.5% STRONGER US Q3 Persnl consumptn 4.0% STRONGER US Q3 GDP Price indx 1.7% LESS US Q3 Core PCE 1.6% LESS US U. of Michigan sentiment 98.6 WEAKER THAN EXPECTED
Wednesday	US MBA Mrtge apps 4.9% STRONGER US House price indx 0.3% AS US New home sales 553k WEAKER US Fed's Beige book UK BBA Home buyer loans 38.505K WEAKER EZ M3 y/y 3.5% AS EZ PMI Composite survey 52.7 WORSE JP Copr service prices 1.2% AS THAN EXPECTED		



US MARKETS: economic background

Summary

Last week's focus was the Q3 GDP report and what it might mean for the Fed moving forward.

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In the event the report was stronger than expected with an annualised growth rate of 3.5% and a personal consumption rate of 4.0%, which will only strengthen the Fed's resolve to press on with its proposed interest rate hikes.

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 and Core PCE,**
- On Tuesday; **Case/Shiller comp-20 index and consumer confidence,**
- On Wednesday; **ADP Employment change,**

Q3 Employment cost index and Chicago PMI,

- On Thursday; **Jobless claims, Q3 non-farm productivity, Q3 Unit labour costs, Construction spending and ISM Manufacturing, and**
- On Friday; **non-farm payrolls, unemployment rate, average hourly earnings, average work week, trade balance and Factory orders.**

There calendar is packed with heavy weight data this week, our focus is the ISM manufacturing survey and non-farm payroll.

A strong payroll report will likely weigh on Bonds and support the Dollar.

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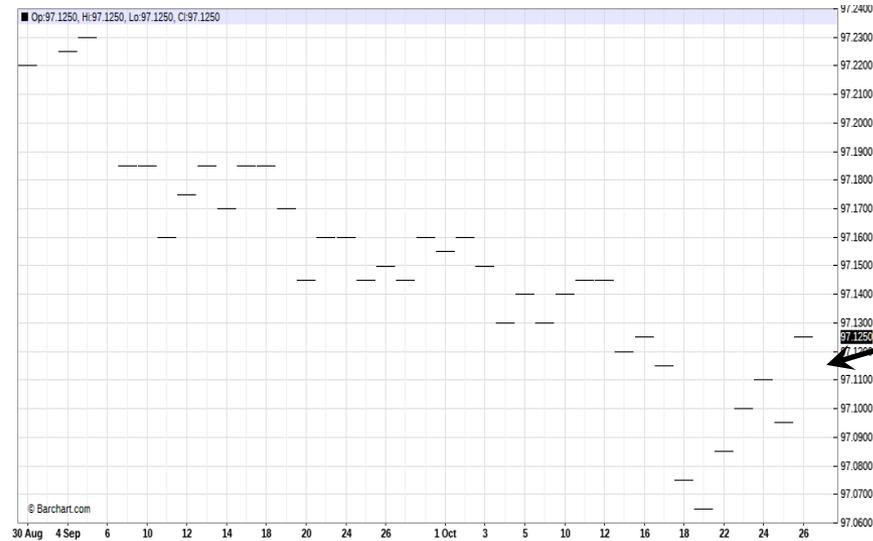
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US MARKETS: Eurodollars

OUR TRADING STANCE: BEARISH.

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



Eurodollars rallied in response to the sell off in stocks.

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

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

In the event Q3 GDP was stronger than expected, but the sell off in equity markets led to a brief correction here.

Looking ahead several key data releases due with the

focus on the ISM manufacturing survey and non-farm payroll. Strong reports will refocus attention back to the Fed and its policy of raising interest rates.

We remain Bearish Eurodollars.

Our suggested target continues 97.00 and our suggested stop continues at 97.14 for close protection.

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US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

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



The 10 year note rallied on safe haven buying as stocks extended their sell off.

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

...“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”...

In the event Q3 GDP and Q3 Personal consumption were both stronger than expected, but the market

extended its correction as traders reacted to a sell off in stocks and bonds enjoyed safe haven buying.

Looking ahead several key data releases due as detailed on the calendar. We judge the Fed will not be deflected from raising rates further by the recent sell off in stocks, meaning Bonds remain a long term sell.

We are now square after the stop was hit, but will seek a fresh selling opportunity.

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US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the EURO

Last week we were Bullish v the Euro

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The Dollar extended the rally trading through our suggested target.

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

...“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”...

In the event the number was stronger than forecast and the Dollar reacted accordingly by extending the rally.

Looking ahead a week with several key data release and non-farm payroll stands out. It is well known the Fed sees the tight labour market as a prime risk to higher inflation, a strong report will send the Dollar higher as traders further factor in an increasingly hawkish Fed.

We remain bullish the Dollar against the Euro

Our suggested target of 1.1400 is hit.

Our suggested target is now 1.1250 and our suggested stop reset at 1.1495 for closer protection.

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Commodities

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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 sold off hard as traders fretted about the prospect of higher interest rates.

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

...“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 Fed's more Hawkish tone?”...

In the event the number was stronger than expected, but traders reacted by focussing on the Fed and its more hawkish tone towards policy, reasoning that strong growth will strengthen the Fed's resolve.

Looking ahead the key release this week in a packed calendar is non-farm payroll. The Fed has focussed on the tightening labour market as a source of inflation for a long time now, a strong report this week will only re-enforce that view.

We are now Bearish the S&P.

Our suggested target is 2595.0 and our suggested stop is set at 2750.0 for protection.

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Commodities

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Disclaimer

UK MARKETS: economic background

Last week's calendar was bereft of any heavy weight data, leaving traders to digest the previous week's news and international sentiment that remained largely driven by concerns about tighter interest rates in the US and in the UK the ebb and flow of news relating to "BREXIT".

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; **Net consumer credit, net lending on dwellings, mortgage approvals and CBI Distributive trades survey and the Budget,**
- On Tuesday; **GFK Consumer confidence and BRC Shop prices,**

- On Thursday; **PMI Manufacturing survey, BOE/MPC Rate decision, BOE AP decision, BOE Quarterly inflation report and Nationwide House Price Index, and**
- On Friday; **PMI Construction.**

The calendar has two key events this week, the Budget and the Bank of England.

The Budget is the last before the UK leaves the EU with or without a deal. The Bank is due to announce its policy decision and release the quarterly inflation report.

We judge both will be keenly watched by traders.

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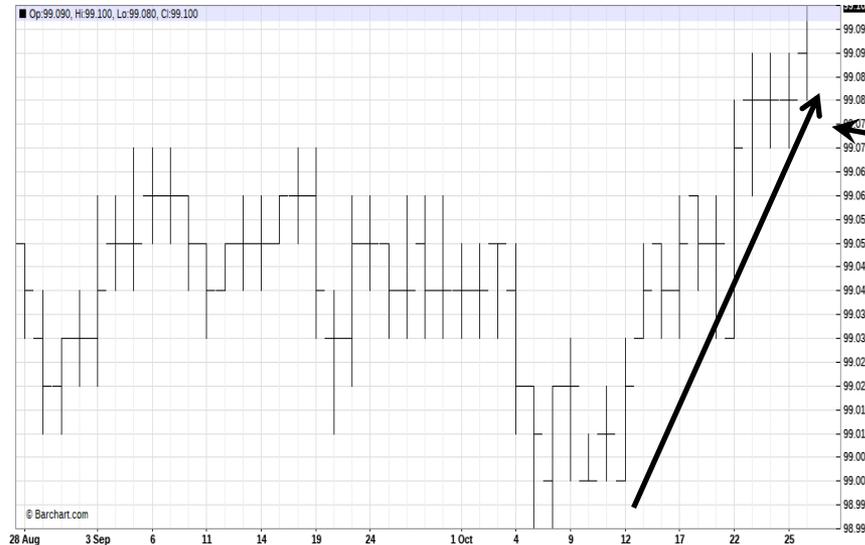
- + GOLD
- + OIL

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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling rallied as stocks extended their sell off.

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

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

In the event the market rallied as equity markets sold off globally on fears of higher US interest rates and tensions between Brussels and Italy over Italy's proposed budget.

Looking ahead the main event this week is Thursday's Bank of England policy decision and quarterly inflation report, but given the recent decrease in CPI we doubt the Bank will be in no mood to hike rates soon given the weakness in equity markets.

We remain square as we judge the upside is limited.

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Disclaimer

UK MARKETS: Gilt

OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the Gilt rallied hard on better than expected public finances and a sell off in stocks.

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

...“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”...

In the event the Gilt rallied hard on improving public finances and weakness in equity markets with

“BREXIT” having little impact last week.

Looking ahead the main points of interest are the Budget and Bank of England, but we judge sentiment in equity markets will continue to impact the price action here.

We are remaining square, stock market price action still looks a risk to price action here, but can this market rally much further?

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UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE

Last week we were Square



The Pound extended its losses against the Dollar on strong US economic growth and the prospect of higher US interest rates.

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

...“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!”...

In the event the PM survived the prospect of a no confidence vote meaning traders re-focused on “BREXIT” which still generates much uncertainty and

events in the US; strong growth and rising US interest rates.

Looking ahead the Bank of England policy decision, quarterly inflation report and “BREXIT” are the main dynamics this week, but as ever Cable will be influenced by events in the US.

We are square.

There is too much uncertainty and rumour to make a balanced judgement and 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.





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EURO ZONE MARKETS: economic background

Last week's focus was the Euro zone PMI Composite survey and ECB policy decision.

In the event the Euro zone PMI Composite survey was weaker than expected and ECB President Draghi confirmed the QE program is ending, but that interest rates will not rise until after summer 2019 at the earliest.

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 unemployment report, CPI, Italian Q3 GDP, French Q3 GDP, Euro zone Q3 GDP, industrial,**

services and consumer confidence reports,

- On Wednesday; **German retail sales, Euro zone unemployment and CPI, and**
- On Friday; **Italian, French, German and Euro zone PMI Manufacturing surveys and German import prices.**

A busy week data wise, with Q3 GDP reports and various Euro zone PMI Manufacturing surveys the key events.

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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.

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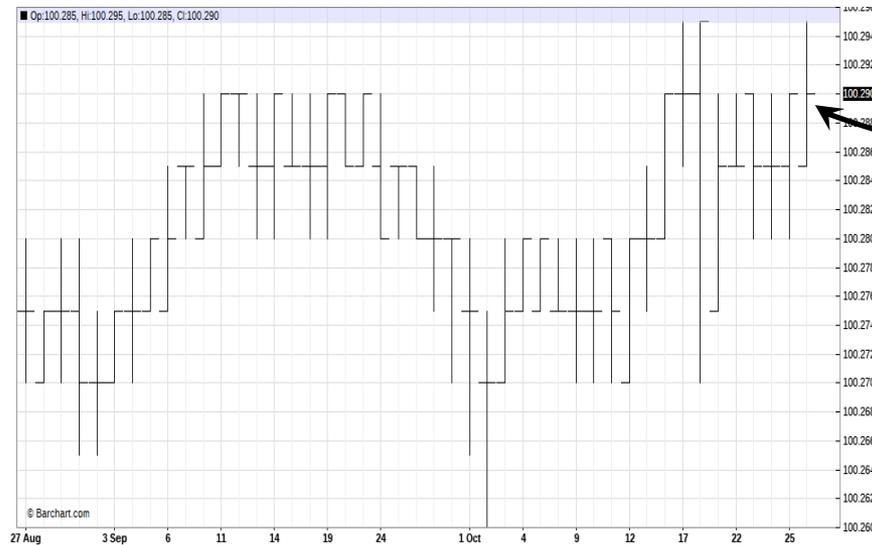
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Euribor drew support from the sell off in equity markets and Draghi's comments.

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

...“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”...

In the event Draghi reiterated what was already known, but add in the weaker than expected Euro zone PMI Composite survey and the market retested the recent highs.

Looking ahead a packed calendar but we judge this market is supported, but doubt it has reason or the energy to rally much further.

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 has rallied on safe haven buying.

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

...“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”...

In the event no surprises from the ECB, but the Euro zone PMI Composite survey was weaker than expected, but safe haven buying drove the Bund up to the recent highs.

Looking ahead a whole raft of global data releases due, with Q3 GDP reports and PMI manufacturing surveys due, but we judge price action in equity markets and the stand off between Brussels and Rome over Italy's proposed budget will be the main dynamics here.

We are square, asking the question can the Bund go much higher? That depends on how much lower stocks go!.

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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BEARISH v the DOLLAR

Last week we were Bearish v the DOLLAR



The Euro continued to give ground to Sterling and the Dollar as traders focussed on the stand off between Rome and Brussels.

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

...“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”...

In the event no surprises from the ECB, but the Euro was under pressure against both the Dollar and Sterling as the budget impasse between Rome and Brussels continued, threatening a crisis and German election results looked set to further weaken Chancellor Merkel's authority.

Looking ahead the Brussels/Rome stand off continues and in Germany Merkel looks on her way out. If this week's Euro zone data looks softer than expected the Euro will struggle further against the Dollar. Against Sterling, “BREXIT” remains the dynamic.

We remain Bearish the Euro v the Dollar.

Our suggested target of 1.1400 is hit.

Our suggested target is now 1.1250 and our suggested stop reset at 1.1495 for closer protection.

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EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square

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See how the market extended the sell off on uncertainty caused by Italy's budget conflict with Brussels and fears of a gradually more hawkish US Fed.

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 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”...

In the event weaker Euro zone PMI Composite and no new policy remarks from Draghi, on Italy he said he

thought Rome and Brussels would eventually agree a way out of the budget impasse.

Looking ahead a whole raft of heavy weight data due globally. For stocks we judge stronger than expected data will only heighten concern about the direction and pace of US monetary policy.

We are square here. If the market moves much lower then we are in a bear market and we will seek to go short.

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JAPANESE MARKETS: economic background

Last week's focus was the Tokyo CPI report, would it follow the national report higher?

In the event the headline number and ex-fresh food number both met consensus, and at 1.5% the 2.0% target is coming closer into view.

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; **Retail sales and jobless rate**,
- On Tuesday; **industrial production and BOJ Rate**

decision,

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

There are several key releases due including industrial production and PMI Manufacturing, but we judge the Bank of Japan's policy decision is the main event.

More



JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.

Summary

Global Calendar

US Markets

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

UK Markets

- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer



The JGB enjoyed safe haven buying along with other global government bond markets.

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

...“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”...

In the event at 1.5% Tokyo CPI met consensus, but the

JGB rallied as traders sought a safe haven amid a global equity market sell off.

Looking ahead the Bank of Japan's policy decision is due, will there be any change of policy? We do not think so.

We are staying square, bonds are rallying in response to weak stocks driven by risk aversion derived from concern about higher US interest rates, but US growth is strong and equity traders sentiment could easily switch.

More



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- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen held its gains helped by warmer relations between China and Japan.

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

...“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”...

In the event traders bought the Yen for two reasons, a safe haven asset and as relations between China and

Japan moved into a new era of warmth as the two nations sought to counter Trump's trade war agenda.

Looking ahead the Bank of Japan policy decision is due, but we do not expect a change of policy just as inflation is finally getting closer to target.

We are staying square, for now.

More



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Commodities

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Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were Square of the Nikkei.



The Nikkei like every other global equity marker sold off last week as risk aversion continued to grip markets.

The Macro Trader's view of the Nikkei is; last week's price action was driven by negative sentiment derived from fears of higher US interest rates and the deepening trade dispute between the US and China.

Looking ahead several key data releases due with the Bank of Japan's policy decision taking centre stage, but unless international sentiment changes we see little prospect of stocks staging much of a recovery as

traders continue to view strong US data as leading to higher US interest rates and an increasingly hawkish Fed, meaning good news on growth is having a negative impact on markets.

We are staying square the outlook for stocks remains volatile and vulnerable to further selling, but we are not sure if stocks are heading into a full blown bear market or if risk aversion will soon abate.

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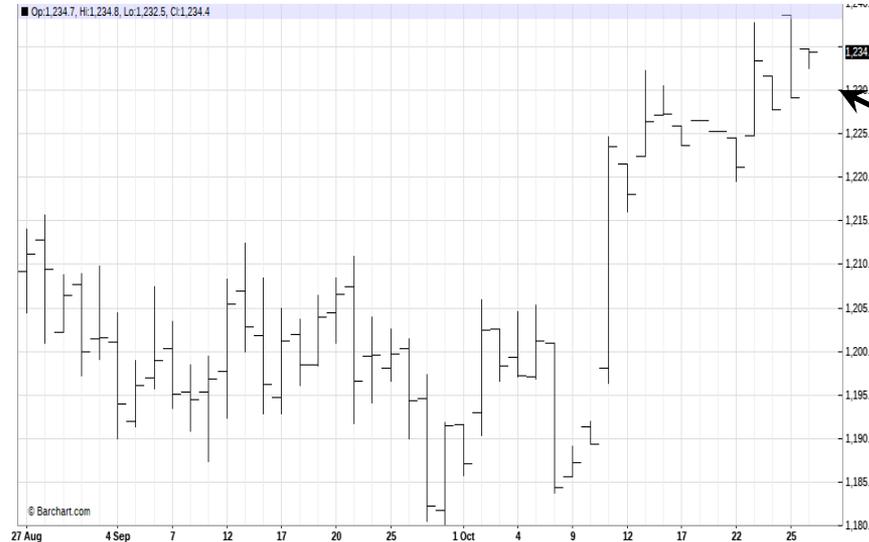
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold remains supported by heightened geopolitical tension.

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

...“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.

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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 price remains under pressure as global growth concerns and weak equity markets exert downward pressure.

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

...“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 Trump hits the Saudi's with sanctions, an oil shock driven by Saudi Arabia might result?”...

In the event we judge those unanswered questions remain the key.

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, even though the Saudi's have said they will not use oil as a political weapon.

We are staying square of oil, for now.

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- + OIL

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