



Week 45
6th – 12th November 2018

Summary

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

UK Markets

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

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer



Multi-asset fundamental strategies

John Lewis

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- BEARISH
- BULLISH v the EURO
- BEARISH

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- SQUARE
- SQUARE

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- SQUARE
- BEARISH v the DOLLAR
- SQUARE

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- SQUARE
- BEARISH

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This week's global calendar

	Week of 5 th November		Week of 5 th November
Monday	US ISM Non-mfg 59.5 US Mid-term elections UK PMI Services 53.3 UK BRC Sales 0.6y JP BOJ Minutes JP Household spendg -1.8m, 1.6y JP PMI Services n/f	Thursday	US Jobless claims 214k US FOMC Rate decision 2.25% DM Trade bal 21.2B DM CA n/f
Tuesday	DM Factory orders -0.6m, IT PMI Services 52.0 FR PMI Services 55.6 DM PMI Services 53.6 EZ PMI Services 53.3 EZ PPI 0.3m, 4.2y JP Labour cash earnings n/f	Friday	US PPI 0.2m, 2.7y US PPI Ex- F&E 0.2m, 2.5y US Wholesale inventory 0.3% US U. of Michigan sentiment 98.0 UK Trade bal -£11.40B UK Trade non-EU -£3.90B UK Ind production -0.1m, 0.5y UK Mfg output 0.1m, 0.4y UK Construction output 0.2m, 1.3y UK Q3 Indx of services 0.5q, UK Q3 GDP 0.6q, 1.5y UK Q3 Tot business investmnt 0.0q,
Wednesday	MBA Mrtge apps n/f US Consumer credit \$17.000B UK Halifax HPI 0.3m, UK RICS House prices -2 DM Ind production -0.1m, EZ Retail sales 0.1m, 0.8y JP Machine orders -10.0m, 7.7y JP C/A Y1,773.0B JP Trade bal n/f JP Bank lending 2.4% JP Eco watcher survey 48.9 JP Bankruptcies n/f		

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	Week of 29 th October		Week of 29 th October
Monday	US Persnl income 0.2% WEAKER US Persnl spndg 0.4% AS US Core PCE 0.1m, 2.0y AS UK Net consumer Cr 0.785B WEAKER UK Net Indg on dwlgs 3.89B STRONGER UK Mrtge aprvlis 65.269K STRONGER UK CBI Sales 5 WEAKER UK CBI Distributive trades 17 WEAKER UK Budget JP Retail sales -0.2m, 2.1y AS JP Lrge retail sales 0.4y BETTER JP Jobless rate 2.3% LESS THAN EXPECTED	Thursday	US Q3 Non-farm productivity 2.2% STRONGER US Q3 Unit labour costs 1.2% STRONGER US Jobless claims 214k MORE US ISM Mfg 57.7 WEAKER US ISM Prices paid 71.6 STRONGER US Construction spndg 0.0% WEAKER UK PMI Mfg 51.1 WEAKER UK BOE Rate decision 0.75% AS UK BOE AP Target £435B AS UK BOE Quarterly inflation report UK Nationwide HPI 0.0m, 1.6y WEAKER JP Vehicle sales 13.1% STRONGER THAN EXPECTED
Tuesday	US Case/shiller comp-20 5.49y WEAKER US Consumer confidence 137.9 STRONGER UK GFK Cons confidence -10 AS UK BRC Shop prices -0.2% AS DM Unemploy'm't change -11k LESS DM Unemploy'm't rate 5.1% AS IT Q3 GDP 0.0q, 0.8y WEAKER EZ Ind confidence 3.0% WEAKER EZ Services confidence 13.6% WEAKER EZ Consumer confidence -2.7% AS EZ Q3 GDP 0.2q, 1.7y WEAKER DM CPI 0.2m, 2.5y STRONGER FR Q3 GDP 0.4q, 1.5y AS JP Ind production -1.1m, -2.9y WEAKER JP BOJ Rate decision -0.10 AS THAN EXPECTED	Friday	US Unemploy'm't rate 3.7% AS US Non-farm payrolls 250k STRONGER US Averige hrly earnings 0.2m, 3.1y AS US Averige work week 34.5 AS US Trade bal -\$54.0B WORSE US Factory orders 0.7% STRONGER UK PMI Construction 53.2 STRONGER IT PMI Mfg 49.2 WEAKER FR PMI Mfg 51.2 AS DM PMI Mfg 52.2 LESS EZ PMI Mfg 52 LESS DM Import prices 0.4m, 4.4y LESS THAN EXPECTED
Wednesday	US MBA mrtge apps -2.5% WEAKER US ADP Employ'm't chge 227k STRONGER US Q3 ECI 0.8% AS US Chicago PMI 58.4 WEAKER DM Retail sales 0.1m, -2.6y WORSE EZ Unemploy'm't rate 8.1% AS EZ CPI Estimate 2.2y STRONGER JP Vehicle production -0.3% AS JP Cons confidence 43.0 LESS JP Construction orders 1.0% BETTER JP PMI Mfg 52.9 WEAKER THAN EXPECTED		



US MARKETS: economic background

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Last week's focus was split between the ISM Manufacturing survey and non-farm payroll, stronger data would cement the Fed's resolve to pursue its rate hike agenda.

In the event the ISM manufacturing survey fell short of consensus, but non-farm payroll was a lot stronger than expected and in an already tight labour market environment.

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; **ISM Non-manufacturing survey and Mid Term elections,**
- On Wednesday; **Consumer credit,**
- On Thursday; **Jobless claims and FOMC Rate decision, and**

- On Friday; **PPI, Wholesale inventories and University of Michigan sentiment.**

There are three key events this week. The Mid term elections, ISM non-manufacturing and the FOMC policy decision.

They all have market moving potential. The elections might give the democrats the House which could counter balance Trump.

The ISM will likely have little impact on the Fed as they have already made their minds up, but a stronger than expected report would likely weigh on bonds.

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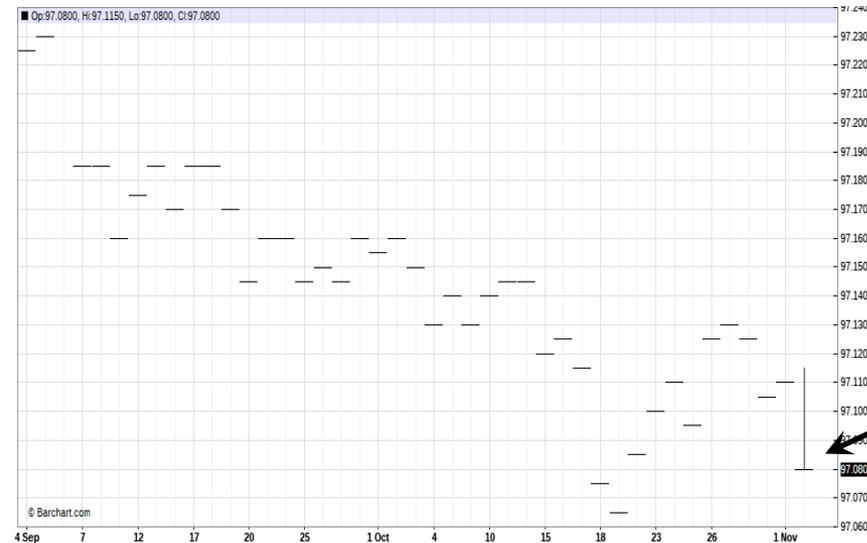
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US MARKETS: Eurodollars

OUR TRADING STANCE: BEARISH.

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



Eurodollars turned lower after Friday's very strong payroll report.

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

...“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”...

In the event a very strong non-farm payroll report set the pace in this market sending it lower as traders continue to price in a more hawkish Fed.

Looking ahead all eyes on the FOMC policy decision and especially the policy statement for any signs the Fed is firming its hawkish stance.

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: **BEARISH.**

Last week we were Square of the 10 year note.



The 10 year note's correction exhausted and reversed.

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

...“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”...

In the event the key data release; non-farm payroll was very much stronger than expected and Bonds

gave up their gains.

Looking ahead the ISM non-manufacturing survey and FOMC policy decision are due, but we judge the Fed's course is set and Bonds look set to sell off further.

We are bearish.

Our suggested target is 117.15 and our suggested stop set at 118.22 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 rallied further before week end profit taking set in.

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

...“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”...

In the event non-farm payroll was much stronger than forecast but ahead of the Mid-Term elections and an FOMC policy decision traders took profit.

Looking ahead three key events for the Dollar this week. The Mid-term elections, ISM non-manufacturing survey and the FOMC policy decision. Unless Trump loses control of the House and Senate we judge traders will focus on the Fed since a Democrat controlled house is in the market already.

We remain bullish the Dollar against the Euro

Our suggested target remains 1.1250 and our suggested stop continues at 1.1495 for closer protection.

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US MARKETS: S&P500

OUR TRADING STANCE: SQUARE

Last week we were **Bearish** of the S&P 500.



The S&P reversed as Trump sounded some positive noises about a trade deal with China.

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

...“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”...

In the event non-farm payroll was much stronger than expected and the Fed will surely feel justified in

flagging the labour market as a risk to rising inflation, but Trump's remarks about a possible trade deal with China sent this market higher.

Looking ahead the Mid term elections and the FOMC policy decision are the key events for this market. Will the Fed harden its stance on policy as the labour market unbelievably continues to tighten.

We are now square after the stop was hit.

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UK MARKETS: economic background

Last week's calendar had two key events, the Budget and the Bank of England policy decision and quarterly inflation report.

The Budget was more expansionary than expected and the Chancellor held out the prospect of yet more spending in the event the UK agrees a deal with the EU.

The Bank of England left policy on hold, but in the press conference Carney said in the event of a no deal "BREXIT" the Bank would be unable to do much to support the economy. But in the event a deal was agreed, policy would more than likely be tightened.

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; **PMI Services survey and BRC Sales,**
- On Wednesday; **Halifax house price index and RICS House price index, and**
- On Friday; **Trade balance, Industrial production, manufacturing output, construction output, Q3 Index of services, Q3 Total business investment and Q3 GDP.**

The calendar is packed this week. The PMI services survey at the start of the week and a whole raft of data due Friday.

We are interested in the Q3 GDP report. At a Q/Q rate of 0.6% it represented a stronger result than Q1 and Q2, but will it be revised?

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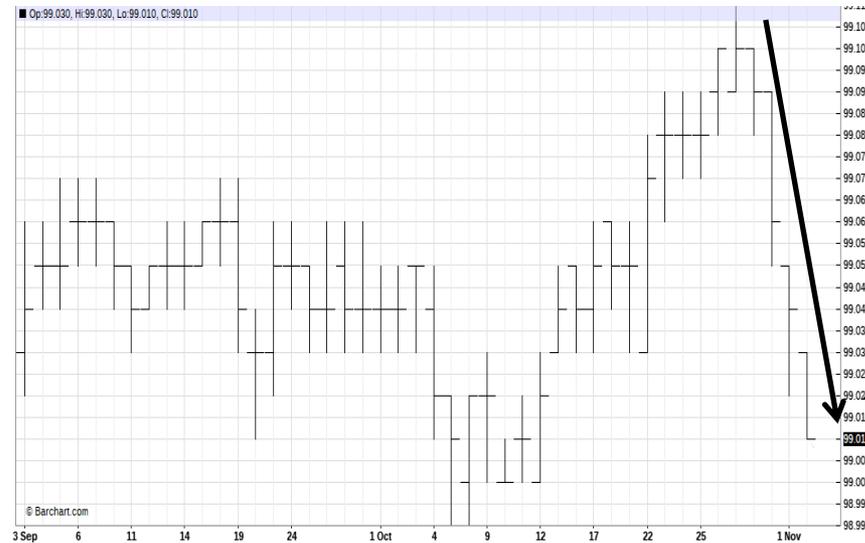
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling sold off as traders reacted to an expansionary budget and Thursday's BOE inflation report.

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

...“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”...

In the event the Bank's Governor said in the event of a “BREXIT” deal the Bank would adjust policy higher,

which together with an expansionary budget sent the market lower.

Looking ahead there are several key releases, but we are focussed on Q3 GDP, will it be revised from the first estimates release of 0.6%q/q?

We remain square as we judge the Bank's threat to hike is ill judged given the uncertainty still hitting the economy due to “BREXIT”.

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Commodities

- + GOLD
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Disclaimer

UK MARKETS: Gilt

OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the Gilt reversed as the Chancellor kicked the ambition of a balanced budget into the long grass.

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

...“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”...

In the event equity markets steadied but an expansionary budget weighed on the Gilt.

Looking ahead Q3 GDP is due, will it confirm the economy performed better than expected during the summer?

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

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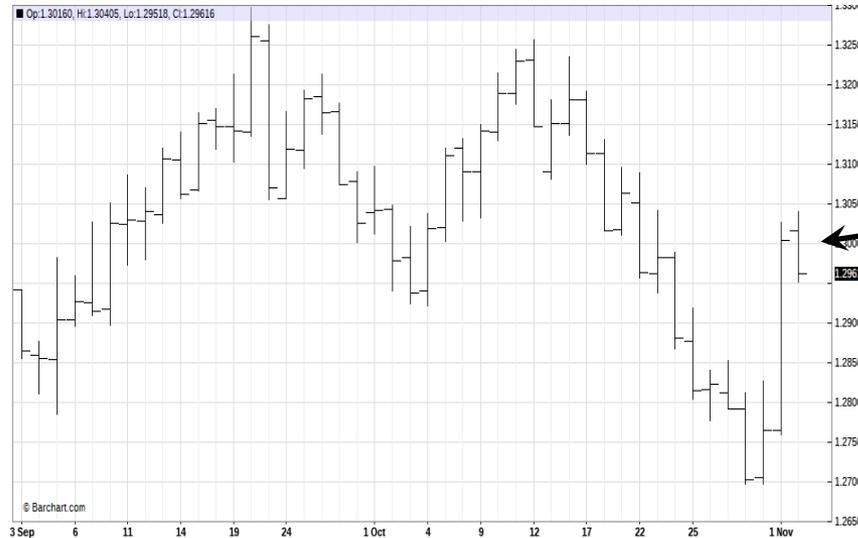
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UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE

Last week we were Square



The Pound dragged its self off the lows on talk a "BREXIT" is close.

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

...“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”...

In the event strong US data weighed on Sterling into mid-week as “BREXIT” angst continued to dominate, but a recovery ensued as talk a “BREXIT” deal was actual close to being concluded with the EU making concessions on a bare bones UK customs union.

Looking ahead the PMI Services survey is due together with Q3 GDP, but unless there is further positive “BREXIT” news, we judge the result of the US Mid-Term elections and FOMC meeting later in the week will dominate FX trading.

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.



The FTSE staged a modest recovery after Trump said a trade deal with China was possible.

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

...Looking ahead there are heavy weight data releases due both home and abroad, but will traders focus on stronger data and reverse the recent sell off or will they see stronger data, if that is the outcome, as guarantying higher US interest rates, a more hawkish Fed and send global stocks lower"...

In the event data was not the main factor as the Chancellor delivered an expansionary budget, the Bank warned of higher interest rates in the event a

"BREXIT" deal was agreed, but the lift came from Trump when he commented a trade deal between the US and China was doable; we shall see.

Looking ahead several key domestic releases due but we judge stocks will be driven by international sentiment driven by the US mid-term elections and the FOMC policy decision.

For now we are remaining square, since for the FTSE "BREXIT" uncertainty remains an additional dominant factor.

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EURO ZONE MARKETS: economic background

Last week's focus was the various Euro zone PMI manufacturing surveys and Q3B GDP reports.

In the event the message from the GDP reports was a slowdown, the PMI surveys under lined that message.

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, Italian, French and**

Euro zone PMI Services surveys and Euro zone PPI,

- On Wednesday; **German Industrial production and Euro zone retail sales, and**
- On Thursday; **German trade and C/A data.**

The key releases this week are the various PMI Surveys, will they confirm slower growth and then there is the German industrial production report.

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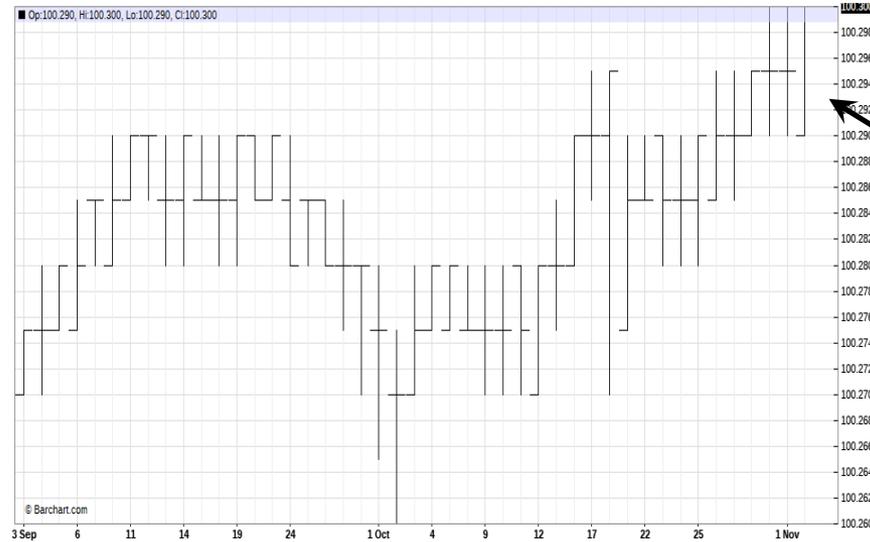
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains supported by evidence of an economic slow down.

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

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

In the event the reason and the energy came from disappointing Q3 GDP reports and PMI Manufacturing

Looking ahead the various Euro zone PMI services surveys and German industrial production are due, but will they reverse the sense of an economy that has cooled off.

For now we are staying square.

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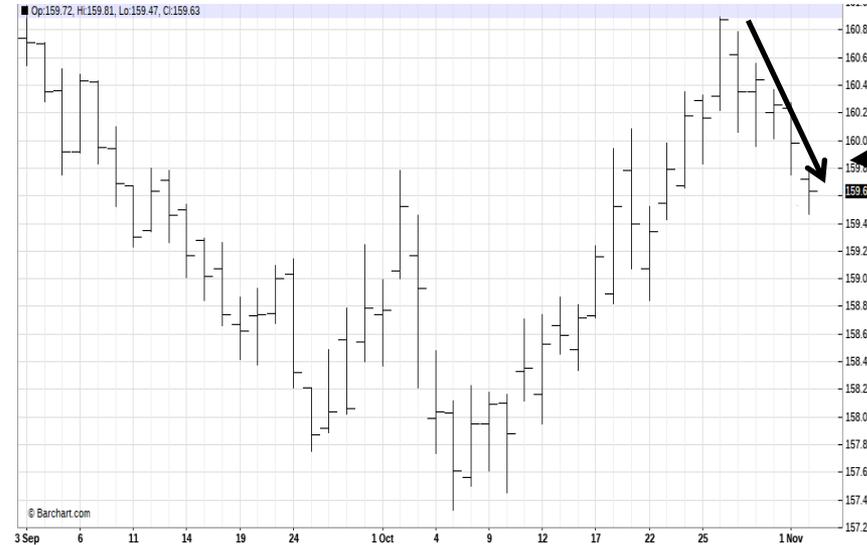
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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

Last week we were Square of The Bund.



The Bund reversed last week as selling in equity markets eased.

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

...“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”...

In the event data was mixed, but equity markets steadied on Trump remarks about a US/China trade

deal, and although the friction between Brussels and Rome continued over Italy’s proposed budget, the Bund reversed.

Looking ahead the various Euro zone PMI service sector surveys are due, but we judge price action in equity markets and Rome/Brussels budget friction will remain key factors here.

We are square, price action in bonds and equity markets are inter linked and uncertain.

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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 gave back the previous week's gains against Sterling on more positive noises about "BREXIT".

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

...“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”...

In the event the Italy budget issue remains unresolved, data disappointed, US Data was strong and “BREXIT” talk turned a little more optimistic.

Looking ahead the various Euro zone PMI services surveys are due, but in the FX market we judge politics will dominate in the shape of the US mid term elections and ongoing “BREXIT” negotiations.

We remain Bearish the Euro v the Dollar.

Our suggested target remains 1.1250 and our suggested stop continues 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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Disclaimer



See how the market staged a short covering rally when Trump commented on a possible US/China trade deal.

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

...“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”...

In the event domestic data was disappointing, US employment report strong, but the market received support from an unlikely source: Trump commented

that he thought there was a chance of doing a good trade deal with China, since US/China trade friction has weighed heavily on stocks, traders responded with a short covering rally.

Looking ahead the various Euro zone PMI Services surveys are due, but with US mid term elections taking place and an FOMC meeting too we judge stocks will continue to be driven by international sentiment.

We are square here. Nothing much has changed.

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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 split between industrial production, PMI Manufacturing and the Bank of Japan's policy decision.

In the event industrial production was weaker than expected, so too was the PMI Manufacturing survey, but the surprise was the BOJ signalled the years of monetary stimulus were coming to an end and the next policy move would be a tightening, but CPI less fresh food and energy is up only 0.4% year on year doesn't sound like they have met their target yet!

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; **BOJ minutes, household spending and PMI Services,**
- On Tuesday; **labour cash earnings, and**
- On Wednesday; **Machine orders, C/A, Trade balance, Bank lending, Eco watchers survey and Bankruptcies.**

The main event this week is the Bank of Japan's minutes, will they throw more light on the possibility QE is coming to an end?

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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 followed other leading bond markets lower late in the week as stocks staged a limited rally.

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

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

In the event the BOJ dropped hints that QE is near its end game but they still haven’t hit their target of 2.0%.

Looking ahead the Bank of Japan minutes are due, will they throw more light on the potential end of QE and over what time frame.

We are staying square, the market retraced on a brief rally in stocks, but the BOJ is dropping hints about a tightening being their next move, seems a little premature.

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Commodities

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Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen looks confused.

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

...“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”...

In the event the Bank of Japan governor spoke of a tightening being the Bank's next move. Given inflation is still below target, one would have thought it prudent

to first hit target and then see if it can be sustained.

Looking ahead the Bank of Japan minutes are due, will they throw more light on the comments made in the policy statement and will traders judge a tightening of policy a reason to buy the Yen or judge it too premature a move and sell?

We are staying square, for now.

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Commodities

- + GOLD
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Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were Square of the Nikkei.



The Nikkei rejected the lows in a short covering rally.

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

...“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”...

In the event the market global stocks staged a limited

recovery on comments Trump made on the possibility of a US/China trade deal.

Looking ahead the BOJ minutes are due, but we judge equity markets continue to be dominated by the US imposed friction on international trade, especially between the US and China and unless Trumps talk of a trade deal becomes more than words, stocks will remain vulnerable.

We are staying square, 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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Commodities

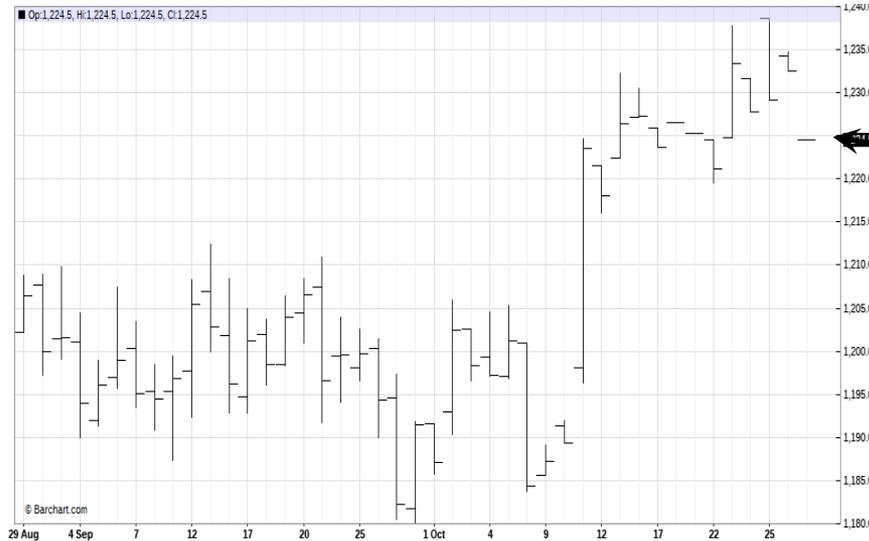
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold's rally stalled as the Dollar rallied further on strong non-farm payroll.

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

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

In the event the Saudi response has been one of incremental admission to the crime but in such away as to infer the leadership didn't arrange Khoshoggi's death and that those responsible would be punished, but that doesn't sound credible given he was killed in the Saudi consulate!

Looking ahead attention has turned to the US mid term elections. It seems Trump expects the Democrats to take control of the House but what of the Senate and how would a change of control in Congress affect US policy?

We are staying square for now, the Khashoggi affair looks like being brushed under the proverbial mat and if the Fed turns increasingly hawkish a rallying Dollar will crimp Gold.

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Commodities

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Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: **BEARISH**

Last week we were Square of Oil.



See how oil price continued to slide as the Saudis announced they wouldn't use oil as a political weapon and the US waived sanctions on Iran for Turkey and 7 other states to carry on buying Iranian crude.

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

...“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”...

In the event the truth about Khashoggi remains elusive, the US doesn't want to hurt a strategic partnership and

Saudi Arabia doesn't want to upset the US.

Looking ahead all eyes on the US Mid term elections, the out come of which could mean more of the same US policies or if one or both houses of Congress change hands Trump could find himself unable to push through his policy agenda, either result has implications for markets including oil.

We are now bearish of oil as we judge the current environment is negative for global trade and growth.

Our suggested target is 61.50 and our suggested stop is placed at 66.05 for protection.

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Commodities

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- + OIL

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