



Week 46
13th – 19th November 2018

Summary

Global Calendar

US Markets

- + EUROS 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



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 the EURO
- BEARISH

UK Markets

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

- SQUARE
- SQUARE
- SQUARE
- SQUARE

Euro Zone Markets

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

- SQUARE
- SQUARE
- BEARISH v the DOLLAR
- SQUARE

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

- SQUARE
- SQUARE
- SQUARE

Commodities

- + GOLD
- + OIL

- SQUARE
- BEARISH

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

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

This week's global calendar

	Week of 12 th November		Week of 12 th November
Monday	<p>JP Machine tool orders n/f</p> <p>JP Domestic corp gds orders n/f</p> <p>JP Loans & Discount corp n/f</p> <p>JP PPI 0.1m, 2.8y</p>	Thursday	<p>US Empire mfg 19.3</p> <p>US Retail sales 0.5%</p> <p>US RS Ex- Autos 0.5%</p> <p>US Philly Fed 20.2</p> <p>US Import prices 0.1m,</p> <p>US Jobless claims 216k</p> <p>US Bus invntry 0.3%</p> <p>UK Retail sales 0.1m, 2.8y</p> <p>EZ Trade bal n/f</p>
Tuesday	<p>US NFIB Sml bus optimism 108.0</p> <p>US Mnthly bdgt statement -116.6B</p> <p>UK Unemploy'm't rate 2.6%</p> <p>UK Unemploy'm't chge 4.3k</p> <p>UK Averige earnings 3.0%</p> <p>UK AE Ex-Bonus 3.1%</p> <p>UK ILO Rate 4.0%</p> <p>DM CPI 0.2m, 2.5y</p> <p>DM ZEW -24.2</p> <p>JP Q3 GDP -1.1 (A)</p> <p>JP Q3 GDP -0.4q</p> <p>JP Tertiary ind index -0.4%</p> <p>JP Capacity utilisation n/f</p> <p>JP Industrial production -1.1m,</p>	Friday	<p>US Ind production 0.2%</p> <p>US Capacity utilisation 78.3</p> <p>EZ CPI 0.2m, 2.2y</p>
Wednesday	<p>US MBA Mrtge apps n/f</p> <p>US CPI 0.3m, 2.5y</p> <p>US CPI Ex – F&E 0.2m, 2.2y</p> <p>UK CPI 0.2m, 2.5y</p> <p>UK RPI 0.2m, 3.4y</p> <p>UK RPI-X 3.4y</p> <p>UK PPI Input 0.6m, 9.6y</p> <p>UK PPI Output 0.2m, 3.1y</p> <p>UK PPI Core 0.2m, 2.4y</p> <p>UK House price index 3.3%</p> <p>DM Q3 GDP -0.3q, 1.2y</p> <p>EZ Ind production -0.4m, 0.3y</p> <p>EZ Q3 GDP 0.2q, 1.7y</p> <p>EZ Employment chge 0.3q, 1.4y</p> <p>DM WPI 0.2m,</p> <p>JP Tokyo Condo sales n/f</p>		

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

Week of 5 th November		Week of 5 th November	
Monday	US ISM Non-mfg 60.3 STRONGER US Mid-term elections UK PMI Services 52.2 WEAKER UK BRC Sales 0.1y WEAKER JP BOJ Minutes JP Household spndg -1.6y WEAKER JP PMI Services 52.4 STRONGER THAN EXPECTED	Thursday	US Jobless claims 214k AS US FOMC Rate decision 2.25% AS DM Trade bal 18.4B WEAKER DM CA 21.1B AS THAN EXPECTED
Tuesday	DM Factory orders 0.3m, -2.2y BETTER IT PMI Services 49.2 WORSE FR PMI Services 55.3 WEAKER DM PMI Services 54.7 STRONGER EZ PMI Services 53.7 BETTER EZ PPI 0.5m, 4.5y STRONGER JP Labour cash earnings 1.1% AS THAN EXPECTED	Friday	US PPI 0.6m, 2.9y STRONGER US PPI Ex- F&E 0.5m, 2.6y STRONGER US Wholesale inventory 0.4% MORE US U. of Michigan sentiment 98.3 MORE UK Trade bal -£9.730B BETTER UK Trade non-EU -£2.340B BETTER UK Ind production 0.0m, 0.0y BETTER UK Mfg output 0.2m, 0.5y BETTER UK Construction output 3.0m, 1.7y STRONGER UK Q3 Indx of services -0.1q, 0.4(3m/3m) LESS UK Q3 GDP 0.6q, 1.5y AS UK Q3 Tot bus investmt -1.2q, -1.9y WORSE THAN EXPECTED
Wednesday	MBA Mrtge apps -4.0% WEAKER US Consumer credit \$10.923B WEAKER UK Halifax HPI 0.7m, 1.5y STRONGER UK RICS House prices -10 WORSE DM Ind production -0.2m, 0.8y MORE EZ Retail sales 0.0m, 0.8y LESS JP Machine orders -18.3m, -7.0y WORSE JP C/A Y1,821.6B BETTER JP Trade bal Y323.3B LESS JP Bank lending 2.2% WEAKER JP Eco watcher survey 49.5 STRONGER JP Bankruptcies -0.4% WORSE THAN EXPECTED		



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 focus was split between the ISM non-Manufacturing survey, FOMC policy decision and Mid-Term elections.

In the event the Fed left rates on hold, but in sighting strong economic growth and a strong labour market policy makers remain on course to hike at their December meeting as they repeated their intention to continue with gradual policy adjustments. And although they mentioned some inflation indicators had eased a little over recent weeks, on balance policy makers judged the outlook remained unchanged.

The other two key events saw the Democrats taking control of the House of Representatives and the ISM non-manufacturing survey beating consensus.

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; **NFIB Small business optimism and monthly budget statement,**
- On Wednesday; **CPI,**
- On Thursday; **Jobless claims, Empire manufacturing, retail sales, Philly Fed, import prices and Business inventories, and**
- On Friday; **industrial production and capacity utilisation.**

The focus this week is CPI and retail sales.

Stronger CPI and or retail sales will increase the already strong chances of a December rate hike.

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

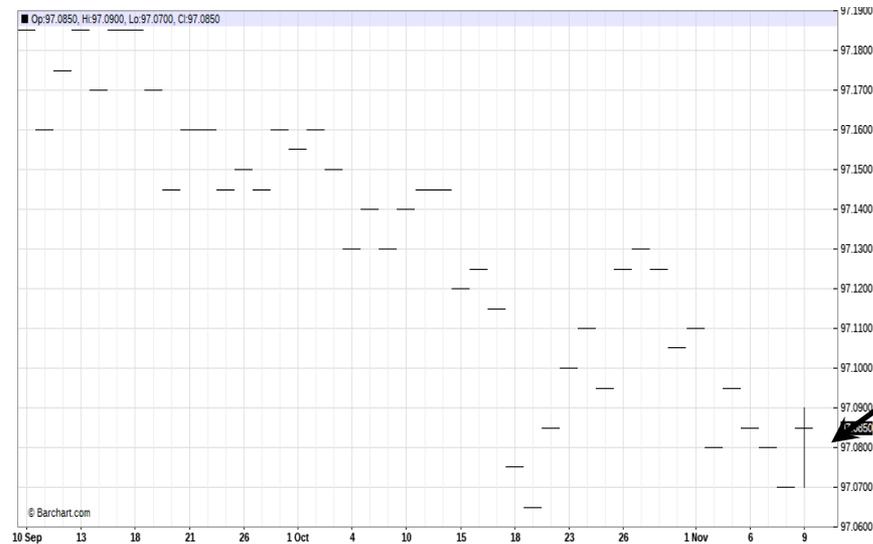
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- + OIL

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US MARKETS: Eurodollars

OUR TRADING STANCE: **BEARISH.**

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



Eurodollars remain under pressure as further rate hikes are expected.

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

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

In the event the Fed re-iterated its intention to continue hiking rates based on strong growth and a strong labour market.

Looking ahead CPI and retail sales are the main focus, after last weeks stronger than PPI all eyes on CPI to see if price pressures have passed through.

We remain Bearish Eurodollars.

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

More



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

US MARKETS: 10 Year Note

OUR TRADING STANCE: **BEARISH.**

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



The 10 year note sold off further on the Fed and PPI before a late bounce.

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

...“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”...

In the event ISM non-manufacturing was stronger than expected, PPI was much stronger on both headline

and core measures and the Fed reminded traders of its often stated course of policy direction.

Looking ahead CPI and Retail sales are due, strong data will weigh on this market.

We remain bearish.

Our suggested target continues at 117.15 and our suggested remains set at 118.22 for protection.

More



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

US MARKETS: US Dollar

OUR TRADING STANCE: BULLISH v the EURO

Last week we were Bullish v the Euro



The Dollar remains a solid Bull market against the Euro.

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

...“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”...

In the event Trump only lost the House, which was expected. The Fed held policy steady but looks set to hike in December and the ISM non-manufacturing survey beat consensus.

Looking ahead the key events this week are CPI and retail sales. Of the two we judge CPI is the main focus, a stronger report would mean the Fed will definitely hike at its December meeting.

We remain bullish the Dollar against the Euro

Our suggested target of 1.1250 is hit.

Our suggested target is reset at 1.1185 and our suggested stop reduced to 1.1325 for closer protection.

More



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

US MARKETS: S&P500

OUR TRADING STANCE: SQUARE

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



The S&P staged a recovery but can it extend?

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

...“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”...

In the event the Mid-term elections were broadly as

expected; the Democrats took control of the House. The Fed re-iterated its intention to continue hiking interest rates with the next move almost certainly at their December meeting.

Looking ahead CPI stands out. Last week's PPI was much stronger than expected, will that feed into CPI?

We are staying square, the outlook is unclear.

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 calendar was full of key data releases, but our focus was Q3 GDP.

In the event the report met consensus, confirming the stronger economic performance during the summer, but can it continue with the uncertainty generated by "BREXIT", which is only 4 months away and no deal agreed as yet!

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; **unemployment report and average earnings,**

- On Wednesday; **CPI, RPI, PPI and House price index, and**
- On Thursday; **Retail sales.**

The two key releases this week are CPI and retail sales.

The Bank of England is itching to hike rates, a stronger CPI and or Retail sales report would nudge them closer to action, but in the current environment of uncertainty, is that the best course of action?

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: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling remains under pressure as the bank is known to want to hike.

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

...“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?”...

In the event no; the number met consensus, but does it represent a pick in economic activity or a one off weather related blip?

Looking ahead CPI and retail sales are due. A stronger than expected CPI report would weigh on the market, but Sterling has held up well recently. Then there is retail sale? Will that number disappoint?

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”.

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: Gilt

OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the Gilt bounced on talk a "BREXIT" deal is close!

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

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

In the event the number was as expected, but as ever "BREXIT" speculation remained a key dynamic.

Looking ahead retail sales and CPI are due, will these two numbers remind traders that the Bank of England is itching to hike rates as soon as a "BREXIT" deal is agreed, if one ever is!

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

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

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- + GOLD
- + OIL

Disclaimer

UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE

Last week we were Square



The Pound is in reality still in a trading range.

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

...“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”...

In the event that was largely the outcome as the Fed re-iterated its chosen course for policy, “BREXIT” news remains unclear and UK PMI Services were weaker, despite Q3 GDP meeting consensus.

Looking ahead the CPI report is due, so too retail sales. A strong CPI will play to the Bank's desire to hike rates, but will retail sales fit their script; we don't think it will!

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, and in any event the Pound is still in a trading range.

More



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

UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



The FTSE staged what looks a half hearted correction that has run out of energy.

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

...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"...

In the event that was just about true. The Democrats took the House, which was expected, the Republican's

strengthened their grip on the senate; grid lock in the US looks the most likely outcome, in the UK talk of a "BREXIT" break through looks premature as the government still looks split on what is and isn't acceptable, mean while time is running out to get a deal.

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

More



Summary

Global Calendar

US Markets

+ EUROS
+ 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 various Euro zone PMI Services surveys and German industrial production.

Would they paint a positive growth outlook or confirm the slowdown indicated by other recent data?

In the event the PMI surveys were mixed; weaker Italian and French, stronger German and pan Euro zone. The German industrial production report was a little better than expected.

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 CPI and ZEW Survey**,
- On Wednesday; **German Q3 GDP, Euro zone industrial production, Q3 GDP, Employment change and German WPI**,
- On Thursday; **Euro zone trade balance**, and
- On Friday; **Euro zone CPI**.

There are several key releases due this week. Q3 GDP and CPI from Germany and also from the Euro zone.

More



EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.

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



Euribor remains supported, but data remained solid enough to cap the attempted rally.

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

...“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”...

In the event data mainly confirmed the view that economic activity has cooled a little, but is this

permanent or transitory.

Looking ahead the key releases this week are German and Euro zone CPI and Q3 GDP reports. The ECB is unlikely to alter course if CPI is benign or even if Q3 GDP is revised lower, but stronger reports may prompt a policy re-assessment.

For now we are staying square.

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 remains supported by the Brussels/Rome stand off.

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

...“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”...

In the event we judge that was the outcome as the budget stand off remains unresolved, but data was mixed too which helped support the Bund.

Looking ahead two key CPI and Q3 GDP reports due, but we judge the Bund continues to draw support from the Brussels/Rome budget stand off.

We are square, price action in bonds and equity markets are inter linked and uncertain. Has economic activity cooled enough for the Bund to extend the rally? Or is the current period of weaker activity merely transitory?

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 Euro

OUR TRADING STANCE: BEARISH v the DOLLAR

Last week we were Bearish v the DOLLAR



The Euro remains under pressure against the Dollar and even Sterling.

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

...“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”...

In the event in the event Euro zone data was mixed and the US FOMC meeting and US Mid-term elections had the anticipated influence on the Dollar, helping it to extend the rally and even talk of an imminent “BREXIT” deal helped Sterling recover against the Euro.

Looking ahead all eyes on German and Euro zone CPI and Q3 GDP, but with CPI also due in the US the Dollar could receive another push higher against the Euro..

We remain bearish of the Euro against the Dollar.

Our suggested target of 1.1250 is hit.

Our suggested target is reset at 1.1185 and our suggested stop reduced to 1.1325 for closer protection.

More



EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square

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

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See how the market's rally appears to fade on mixed data.

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

...“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”...

In the event data was mixed and the FOMC meeting in the US and US Mid-term elections left traders with a sense of where next as they tried to decide if political

grid lock in the US was market positive or negative.

Looking ahead CPI is due in the Euro zone and US and we judge these reports will have a bearing on price action here, especially if US CPI is stronger than expected, indicating a potentially more hawkish Fed moving forward.

We are square here. Nothing much has changed.

More



Summary

Global Calendar

US Markets

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

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

Commodities

+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: economic background

Last week's focus was the Bank of Japan's policy meeting minutes, would they throw more light onto the perception the BOJ is contemplating tightening policy at any point soon?

In the event the Bank dropped strong hints monetary easing is coming to an end as the BOJ Governor hinted the next policy move would be a tightening as he said the economy was stronger than five years ago with inflation having strengthened, albeit still short of the 2.0% target.

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; **Machine tool orders, domestic**

corporate goods orders, loans and discount corporations and PPI,

- On Tuesday; **Q3 GDP, Tertiary industry index, capacity utilisation and industrial production, and**
- On Wednesday; **Tokyo Condominium sales.**

The main event this week is Q3 GDP report. Following recent comments from the Bank of Japan that the next move is a tightening, the Q3 GDP report will be a good indicator of whether policy makers are thinking too far ahead and risk repeating past errors of acting before the recovery was self sustaining.

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

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- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

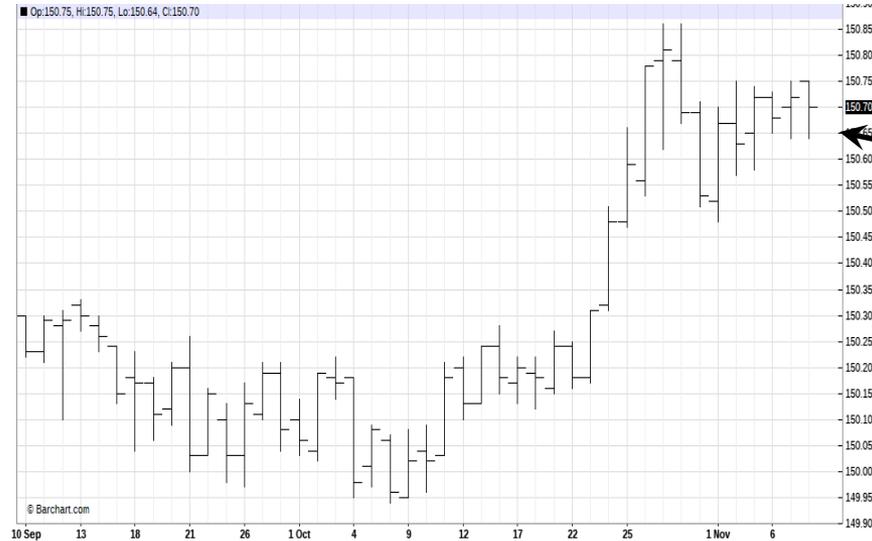
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB looks supported despite BOJ comments about ending the massive monetary stimulus.

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

...“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”...

In the event the BOJ repeated the line that large scale monetary stimulus would come to an end with a tightening the next move; but when?

Looking ahead the Q3 GDP report is due, a weaker than expected report would place a question mark over the Bank of Japan's judgement about seeking to end policy easing, raising questions about whether it would repeat the error of the past when it tried to tighten prematurely.

We are staying square, the BOJ dropping hints about a tightening being their next move seems a little premature.

More



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- + US DOLLAR
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- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

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

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JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen weakened further despite BOJ remarks about a tightening being the next policy move.

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

...“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?”...

In the event the BOJ did allude to scaling back its policy easing and the next move being a tightening, but

judging by the price action, traders thought the FOMC policy statement more credible as the Yen weakened against the Dollar.

Looking ahead the Q3 GDP report is due, a contraction is forecast, if the report is worse than expected the Yen would weaken further, as traders would surely judge the Bank of Japan's talk of tightening, albeit with no mentioned time frame, premature.

We are staying square, ahead of Q3 GDP.

More



Summary

Global Calendar

US Markets

- + EURO DOLLARS
- + 10 YEAR NOTE
- + US DOLLAR
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- + SHORT STERLING
- + GILT
- + STERLING
- + FTSE

Euro Zone Markets

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

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- + NIKKEI

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- + OIL

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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were Square of the Nikkei.



The Nikkei staged a limited recovery in line with other major global equity markets.

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

...“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”...

In the event BOJ minutes were un helpful as talk of tightening seems premature and no new talk of a

US/China trade deal.

Looking ahead the Q3 GDP report is due, but we judge equity markets will be driven by US data where CPI and retail sales are due and strength there would all but guaranty a December US rate have with more to follow in the New Year.

We are staying square, the recovery already looks tired.

More



Summary

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

Euro Zone Markets

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

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- + GOLD
- + OIL

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COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold's price action mirrors the Dollars.

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

...“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?” ...

In the event the Democrats gained control of the House and the Fed repeated its recent line of strong economic growth and a still tightening labour market means

tighter monetary policy, all of which fed into a Dollar rally, sending Gold away from its recent limited highs.

Looking ahead US CPI is due, last week US PPI was released and it was very much stronger than expected, a similar CPI report would further boost the Dollar and remove support from Gold.

We are staying square for now, if the Fed turns increasingly hawkish a rallying Dollar will further depress Gold.

More



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- + S&P 500

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

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

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COMMODITIES: Oil

OUR TRADING STANCE: BEARISH

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



See how oil continued to weaken.

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

...“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.

In the event the Democrats took control of the House and although Trump still has the Senate grid lock now looks likely as there is no love lost between the Democrats and Trump.

Looking ahead all eyes on Saudi Arabia. They have apparently hinted at reducing oil output, but with the Khashoggi murder still hanging and no credible answers forthcoming will they upset the US by attempting to push up the oil price?

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

Our suggested target of 61.50 is hit.

Our suggested target is now 56.00 and our suggested stop is reduced to 63.10 for closer protection.

More



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

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

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- + JAPANESE BONDS
- + YEN
- + NIKKEI

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