



Week 50
11th – 17th December 2018

Summary

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- + 10 YEAR NOTE
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- + SHORT STERLING
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- + STERLING
- + FTSE

Euro Zone Markets

- + EURIBOR
- + BUND
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- + 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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● SQUARE
● SQUARE
● SQUARE

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● SQUARE
● SQUARE
● BEARISH v the EURO
● SQUARE

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● BEARISH

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● SQUARE
● SQUARE

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This week's global calendar

	Week of 10 th December		Week of 10 th December
Monday	UK Trade bal -£10.50B UK Non-EU Trade -£3.15B UK Ind production 0.1m, -0.2y UK Mfg output 0.1m, 0.4y UK Construction output -0.5m, 3.2y UK Q3 GDP 0.6q, UK Q3 Indx of services n/f DM Trade bal 17.7B DM C/A n/f JP Q3 GDP -0.5q, -1.9(A) JP C/A Y1,384.0B JP Trade Bal n/f JP BK Lndg n/f JP Eco watchers n/f JP Bankruptcies n/f	Thursday	US Import prices -0.7m, US Jobless claims 227k DM CPI 0.1m, 2.3y EZ ECB Policy decision 0.0% JP Tanka lrg mfg 17 JP Tankan lrg non-mfg 21 JP Tankan all ind CAPEX 12.7% JP PMI Mfg n/f JP Capacity utilisation n/f JP Industrial production 2.9m,
Tuesday	US NFIB Sml bus optimism 107.0 US PPI 0.1m, 2.5y US PPI Ex-F&E 0.2m, 2.6y UK Unemployment't rate 2.7% UK Unemploy'm't chge 12k UK ILO Rate 4.1% UK Avenge earngs 3.0% UK AE Ex-Bonus 3.2% UK CBI Sales n/f UK Parliament BREXIT vote DM ZEW -25 JP Machine tool orders n/f JP Dmstc corp goods prices n/f JP Machine orders 10.5m, 5.9y JP Tertiary index n/f JP PPI -0.1m, 2.4y	Friday	US Retail sales 0.4% US RS Ex-Autos 0.5% US Ind production 0.3% US Capacity utilisation 78.5% US Business invntry 0.5% EZ PMI Composite 52.7
Wednesday	US MBA Mrtge apps n/f US CPI 0.1m, 2.2y US CPI Ex-f&e 0.2m, 2.2y US Mthly bdgt statement n/f UK RICS House prices -7 EZ Ind production 0.2m, 0.8y DM WPI n/f JP Tokyo office vacancies n/f		

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Last week's releases

	Week of 3 rd December		Week of 3 rd December
Monday	US Construction spndg -0.1m, WEAKER US ISM Mfg 59.3 STRONGER US ISM Prices 60.7 WEAKER UK PMI Mfg 53.1 STRONGER UK BRC Sales -0.5 WEAKER IT PMI Mfg 48.6 LESS FR PMI Mfg 50.8 MORE DM PMI Mfg 51.8 MORE EZ PMI Mfg 51.8 MORE JP Loans discount 3.3% LESS JP Vehicle sales 8.3% LESS JP PMI Mfg 52.2 STRONGER THAN EXPECTED	Thursday	US Trade bal -\$55.5B WORSE US Jobless claims 231k WORSE US Factory orders -2.1% WEAKER DM Factory orders -0.3m, -2.7 AS JP Househld spndg -0.3m, WORSE JP Labour cash earnings 1.5y STRONGER THAN EXPECTED
Tuesday	UK BOE Carney in Parliament UK PMI Construction 53.4 STRONGER EZ PPI 0.8m, 4.9y STRONGER JP PMI Services 52.3 AS THAN EXPECTED	Friday	US Non-farm payroll 155k WEAKER US Unemploy'm't rate 3.7% AS US Averige hrly earngs 0.2m, 3.1y LESS US Averige wrk wk 34.4 LESS US Wholesale invntry 0.8% MORE US U.of Michigan sentiment 97.5 MORE US Consumer Cr \$25.384B STRONGER UK Halifax HPI -1.5m, 0.3y WEAKER DM Ind production -0.5m, 1.6y WEAKER EZ Q3 GDP 0.2q, 1.6y WEAKER THAN EXPECTED
Wednesday	US MBA Mtg apps 2.0% WEAKER US ADP Employment chge 179k WEAKER US Q3 Non-farm productvty 2.3% LESS US Q3 Unit labour costs 0.9% LESS US ISM non-mfg 60.7 STRONGER US Feds powell @ joint economic committee US Feds Beige book UK PMI Services 50.4 WEAKER IT PMI Services 50.3 STRONGER FR PMI Services 55.1 STRONGER DM PMI Services 53.3 AS EZ PMI Services 53.4 STRONGER EZ Retail sales 0.3m, 1.7y LESS THAN EXPECTED		

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US MARKETS: economic background

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Last week's focus was split between a raft of data with non-farm payroll the main event and Fed Chairman Powell's testimony to the joint economic committee in Congress on Wednesday.

In the event Powell's testimony was postponed due to the death of former US President George H W Bush with Wednesday declare a day of National mourning.

However data releases went ahead, al beit some rescheduled, but non-farm payroll came out on Friday as usual. The number fell well short of consensus at just 155k, Although that seems to support recent FOMC minutes which indicate a Fed pause, policy makers will not be swayed by one months data.

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 PPI,**
- On Wednesday; **CPI and monthly budget deficit,**
- On Thursday; **Jobless claims and import prices, and**
- On Friday; **retail sales, industrial production, capacity utilisation and business inventories.**

There are several key releases this week, PPI, CPI Retail sales and industrial production.

Clearly stronger than expected inflation and retail sales would lead traders to question the Fed's commitment to a pause, similarly weaker data would have the opposite impact.



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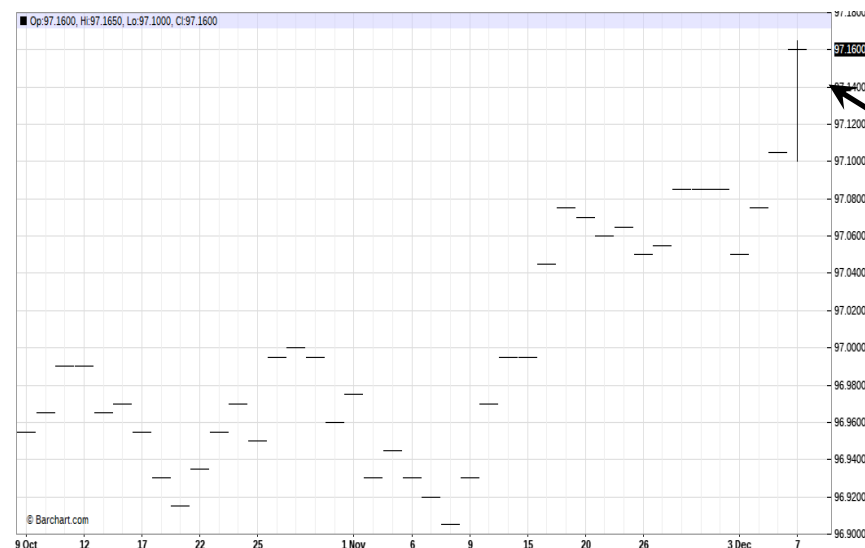
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars rallied on weak non-farm payroll..

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

...“Looking ahead a whole raft of data due, but all eyes on Fed Chairman Powell when he testifies in Congress on Wednesday; will there be yet more surprises?”...

In the event the testimony was postponed due to a day of National mourning and non-farm payroll fell short of consensus.

Looking ahead several key data releases due, with CPI and retail sales the main events.

We are square.

The Fed may want to take a pause but rates aren't going down so any rally is surely limited; watch PPI and CPI.

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US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note extended the recent rally on weaker than expected non-farm payroll.

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

...“Looking ahead all eyes on the Fed Chairman Powell when he testifies at the joint economic committee in Congress on Wednesday. Traders will be seeking clarity after the Feds apparent less hawkish tone”...

In the event the testimony was postponed due to the death of George H W Bush, but non-farm payroll

released on Friday was much weaker than expected.

Looking ahead inflation and retail sales reports due, will they support recent Fed remarks of a policy pause?

We are staying square. The US/China trade relationship is a major dynamic in stock markets and thus Bonds, and is difficult to predict due to politics and Trump.

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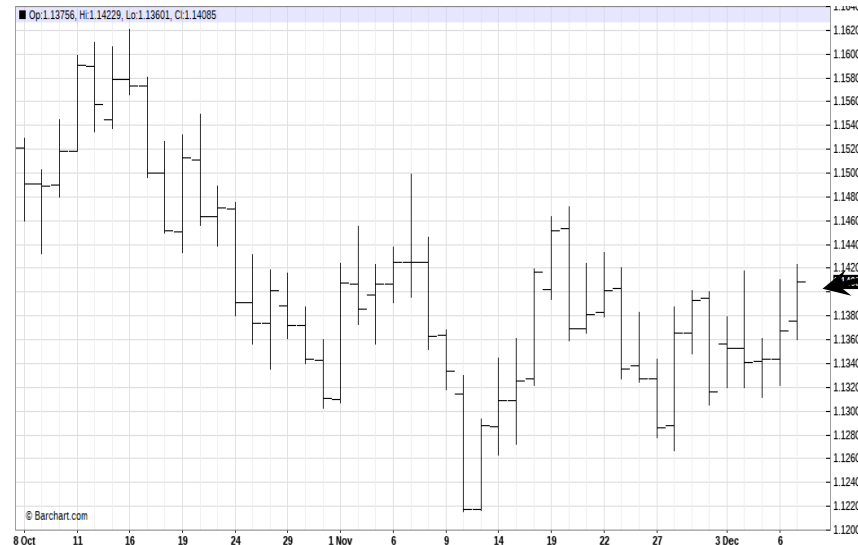
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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE

Last week we were **BULLISH** v the Euro



The Dollar looks increasingly range bound.

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

...“Looking ahead several key data releases due, but we are focussed on Powell’s testimony at the joint economic committee on Wednesday. The Fed threw markets a curve ball, what Powell has to say will likely impact the Dollar’s direction going forward”...

In the event testimony cancelled due former President Bush’s death. However non-farm payroll fell short of consensus and leaves the Dollar looking range bound,

at least short term.

Looking ahead PPI, CPI and retail sales stand out. Strong data should prove bullish, but the Russia probe continues to dog Trump and the US/China trade rapprochement looks increasingly fragile.

We are now square.

Range trading looks most likely.

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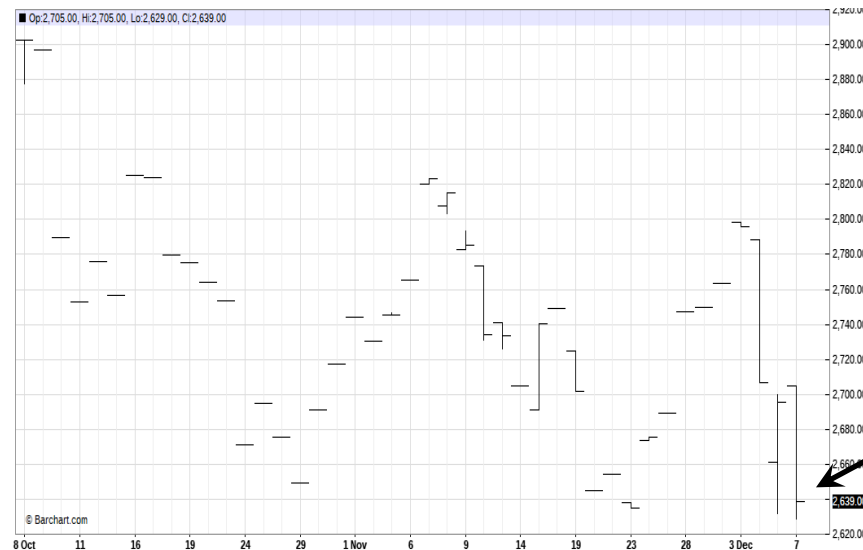
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US MARKETS: S&P500

OUR TRADING STANCE: SQUARE

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



The S&P sold off on weak non-farm data and the arrest in Canada of a top Chinese executive.

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

...“Looking ahead several key data release due with non-farm payroll on Friday, but we judge traders will take their lead from Powell’s testimony at the joint economic committee on Thursday”...

In the event Powell’s testimony was cancelled and a day of National mourning was announced upon the death of George H W Bush. However non-farm payroll was weaker than expected, but global stocks were

rattled by the arrest of the Huawei executive in Canada as the US seeks her extradition.

Looking ahead, several key releases due, but we judge stocks will remain sensitive to the fate of the Chinese executive with political and trade repercussions.

We are staying square.

The general environment for stocks looks too volatile.

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Commodities

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Disclaimer

UK MARKETS: economic background

Last week's focus was split between data and "BREXIT".

In the event the PMI surveys were mixed, but the key services survey was materially weaker than expected, however the main focus was the upcoming "BREXIT" vote in Parliament which PM May looked set to lose heavily.

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: **Trade data, industrial production,**

manufacturing output, construction output, Q3 GDP and Q3 Index of services,

- On Tuesday; **Unemployment report, average earnings, CBI Sales and Parliament BREXIT vote, and**
- On Wednesday; **RICS House prices.**

There are several key data releases due this week, but our focus is Q3 GDP and the "BREXIT" vote.

At the time of writing it is unclear whether the vote will go ahead.



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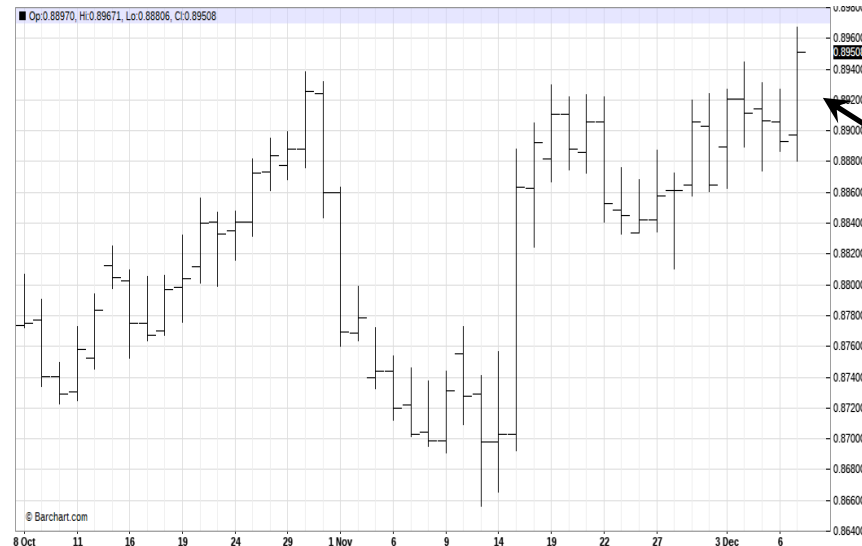
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling drew support from a weak PMI Services survey.

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

...“Looking ahead the PMI surveys are due, will they move the market? We judge the next move in the “BREXIT” drama is likely to prove crucial”...

In the event the PMI's were mixed with services falling well short of consensus, but as suspected, “BREXIT” remained the key dynamic.

Looking ahead several key data releases due, but “BREXIT” remains the focus, will May get her deal through Parliament and if not what next?

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 remains well supported, by fear a hard "BREXIT" would hit the economy.

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

..."Looking ahead the PMI surveys are due, but crunch time looms for May's "BREXIT" divorce deal, would a hard "BREXIT" weigh on the Gilt?"...

In the event a hard "BREXIT" looks like the outcome as May is forecast to lose her vote in Parliament, meaning the economy would take a hit.

Looking ahead there are several key data releases due including Q3 GDP, but the drama of "BREXIT" will continue to dominate.

We are remaining square, stock market price action still looks a risk to price action here, but "BREXIT" is the main source of uncertainty.

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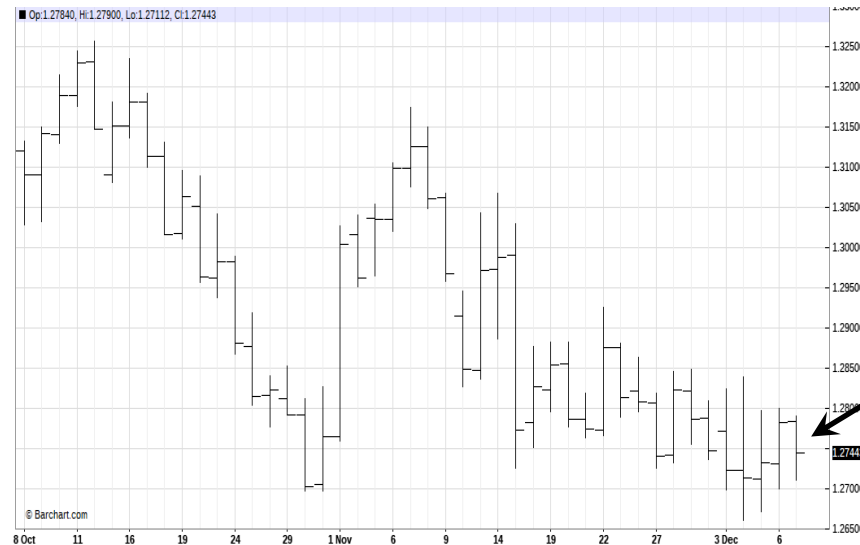
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UK MARKETS: Sterling

OUR TRADING STANCE: **BREARISH v the EURO**

Last week we were Square



The Pound looks poised for a fresh sell off in the event Parliament votes against May's deal.

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

...“Looking ahead the PMI surveys are due, but “BREXIT” remains the dominant theme and a vote in Parliament looms next week and May currently looks set to lose it, meaning Sterling would sell off”...

In the event the “BREXIT” vote was the dominant theme as the Parliamentary arithmetic points to a heavy defeat for May's deal.

Looking ahead several key data releases due with Q3 GDP the main event data wise, but for Sterling “BREXIT” remains the focus and it currently looks like the vote due in Parliament on Tuesday will be cancelled, meaning Sterling looks set to take a big hit as a hard “BREXIT” is looking the most likely outcome.

We are Bearish of Sterling v the Euro.

Our suggested target is 0.9225 and our suggested stop loss is 0.8915 for protection.

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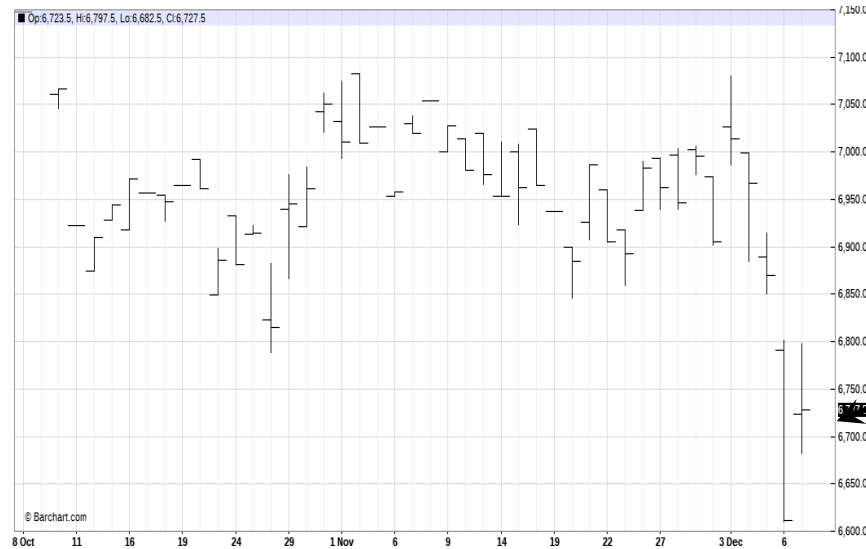
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UK MARKETS: FTSE

OUR TRADING STANCE: **BEARISH.**

Last week we were Square.



The FTSE looks bearish as May's "BREXIT" deal looks doomed.

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

...“Looking ahead the focus this week is the PMI services survey, but with the Fed softening on hiking rates and Trump looking to do a trade deal with China, equity markets could receive a much needed boost, but for the FTSE “BREXIT” is the main reality”...

In the event the arrest in Canada of a senior Huawei executive put the thaw in US/China relations at risk and together with “BREXIT” weighed on global equity markets.

Looking ahead several important data releases due, But this PM, Prime minister May announced the cancelling of Tuesday's “BREXIT” vote in Parliament because her deal faces certain defeat meaning she goes back to the EU begging or the UK leaves the EU with no deal.

We are now very Bearish the FTSE, no deal will hit the economy and this market.

Our suggested target is 6010.0 and our suggested stop is set at 6875.0 for protection.

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EURO ZONE MARKETS: economic background

Last week's focus was split between the various Euro zone PMI surveys and Euro zone Q3 GDP.

In the event the PMI surveys were broadly better than expected, but the Q3 GDP report was weaker, but will that mean anything to the ECB.

Looking ahead there are several key reports due which are detailed on the global calendar, but we judge these are the week's **key** releases:

- On Monday; **German trade and C/A data**,
- On Tuesday; **German ZEW Survey**,
- On Wednesday; **Euro zone industrial**

production and German WPI,

- On Thursday; **German CPI and ECB policy decision, and**
- On Friday; **Euro zone PMI Composite survey.**

The main event this week is the ECB policy decision and press conference.

The Euro zone economy is cooling; will the ECB take that into account and amend their policy stance? Probably not!



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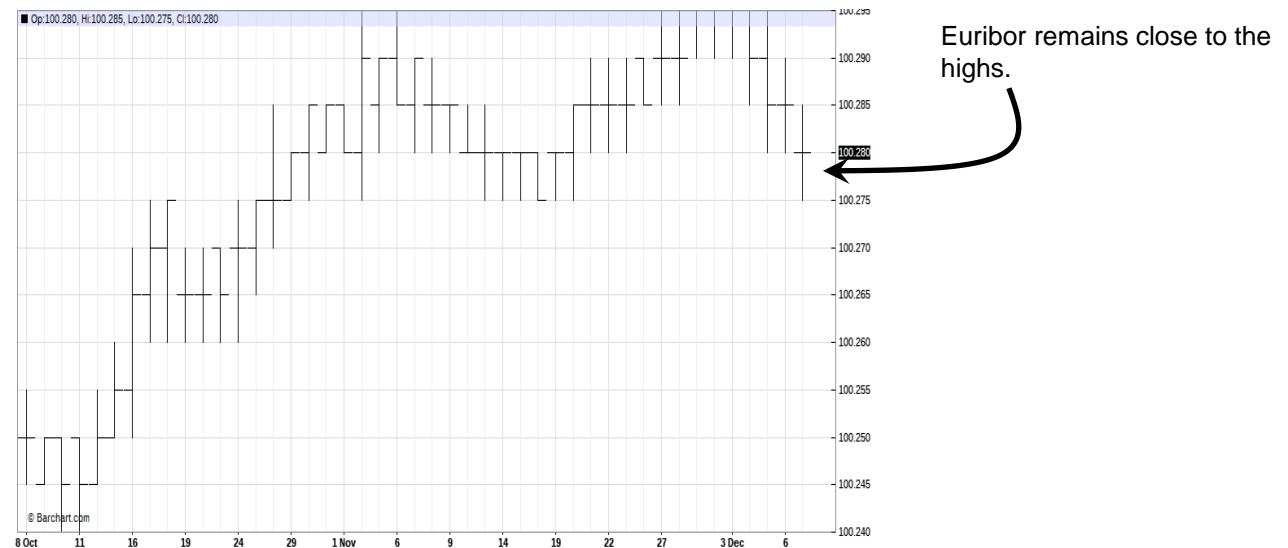
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



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

...“Looking ahead several key reports due, our focus is Euro zone Q3 GDP. Just how much of a slowdown is taking place?”...

In the event Q3 GDP was weaker than expected, but recent ECB policy makers comments indicate no

deviation from their policy course; we shall see!

Looking ahead there are several data releases due, but the main event is the ECB policy decision. We expect no changes to their policy stance.

For now we are staying square, interest rates are going no where fast.

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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of The Bund.



The Bund remains well supported by soft data and Italy/Brussels budget standoff.

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

...“Looking ahead several key reports due, our focus is the Euro zone Q3 GDP report. The German, French and Italian equivalents have all shown degrees of cooling, so too should the pan Euro zone report, which together with ongoing friction between Brussels and Rome over Italy's budget should keep the Bund supported”...

In the event that proved the case; the Euro zone GDP report was revised lower and the Brussels/Rome budget spat remains unresolved.

Looking ahead the ECB policy statement is due, we doubt they will be willing or ready to consider any deviation from their policy course, but apart from budget disputes and a cooling economy, the hoped for improvement in US/China relations suffered a set back when Canada arrested a top Huawei official in response to a US extradition request.

We remain bullish of the Bund.

Our suggested target of 162.80 was more than met.

Our suggested target is reset at 164.00 and our suggested stop raised to 162.00 for closer protection.

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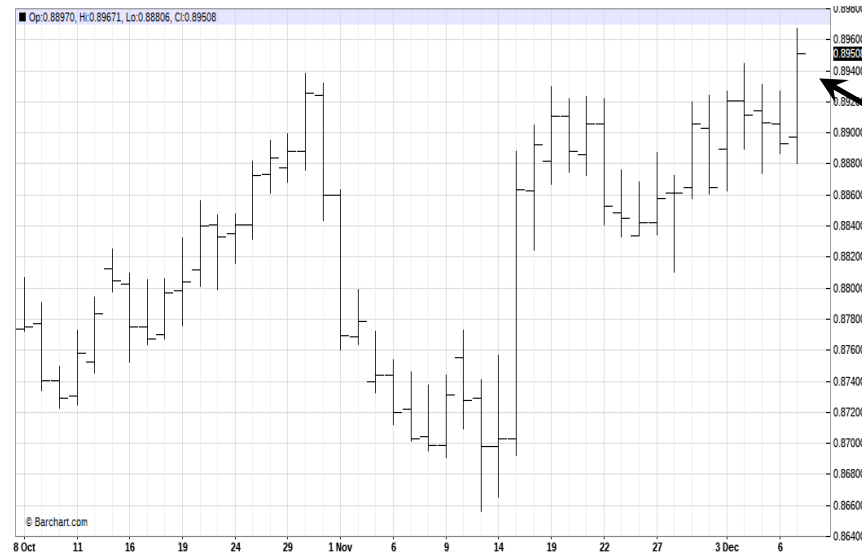
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BULLISH v STERLING

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



The Euro looks range bound against the Dollar, but Bullish against Sterling.

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

...“Looking ahead several key data releases due globally but for the Euro the direction of travel is likely to remain unchanged; weak against the Dollar, stronger against a “BREXIT” dogged Sterling”...

In the event the Euro has settled into a trading range against the Dollar which looks set to endure at least short term and possibly a little longer, against Sterling the Euro looks bullish as the Pound remains dogged by UK “BREXIT” disarray.

Looking ahead the ECB policy decision is the main event this week, but we expect policy makers to hold to their current stance despite evidence of a cooling economy, however given the political melt down in the UK the Euro looks set to extend the rally against the Pound.

We are Bullish of the Euro v the Pound.

Our suggested target is 0.9225 and our suggested stop loss is 0.8915 for protection.

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- + FTSE

Euro Zone Markets

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

Japanese Markets

- + JAPANESE BONDS
- + YEN
- + NIKKEI

Commodities

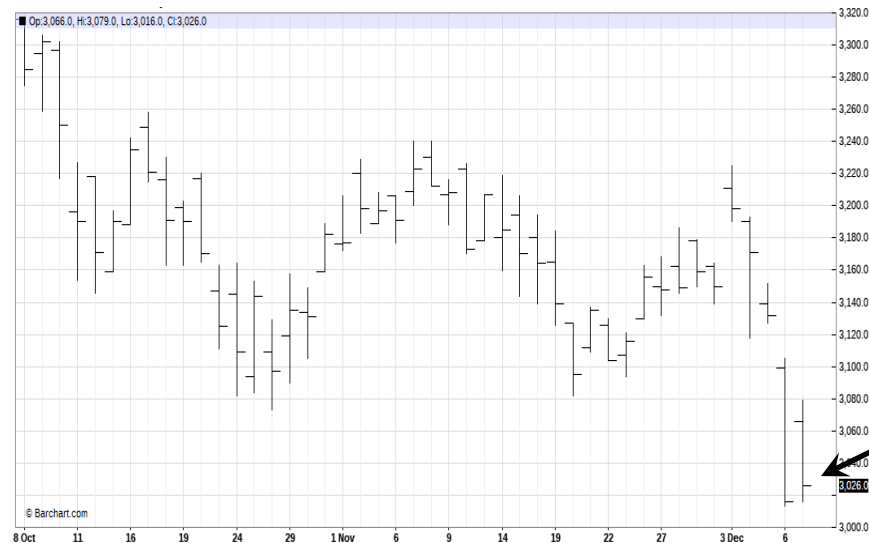
- + GOLD
- + OIL

Disclaimer

EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: **BEARISH.**

Last week we were Square



See how the market looks very vulnerable to the downside.

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

...“Looking ahead a whole raft of data releases due globally. In the US Fed Chairman Powell testifies in Congress, a chance to hear more on the Fed's sudden change of tone, in the Euro zone the pan Q3 GDP report is due”...

In the event Powell's testimony was postponed due to former President George H W Bush's death and National mourning, but stocks were rattled by the

threat to warming US/China relations caused by the arrest of a senior Huawei executive in Canada.

Looking ahead the key event this week the ECB policy decision, but we judge this and other global equity markets will be focussed on the state of US/China relations.

We are Bearish of this market.

Our suggested target is set at 2925.00 and our suggested stop is placed at 3097.0 for protection.

More



Summary

Global Calendar

US Markets

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

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

Euro Zone Markets

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Commodities

+ GOLD
+ OIL

Disclaimer

JAPANESE MARKETS: economic background

Last week's focus was PMI surveys with an eye trained on trade relations between the US and China.

In the event the PMI Manufacturing survey was better than expected and the services version met consensus, but the trade relations between the US and China grabbed attention as the arrest of a top Huawei official threatened to put relations back on ice.

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; **Q3 GDP, Trade data, C/A, Bank**

lending, Eco watchers survey and Bankruptcies,

- On Tuesday; **Machine tool orders, domestic corporate goods prices, machine orders, tertiary index and PPI,**
- On Wednesday; **Tokyo office vacancies, and**
- On Thursday; **Tankan survey, PMI Manufacturing, industrial production and capacity utilisation.**

There are several key data releases due this week, but the main event is Q3 GDP.



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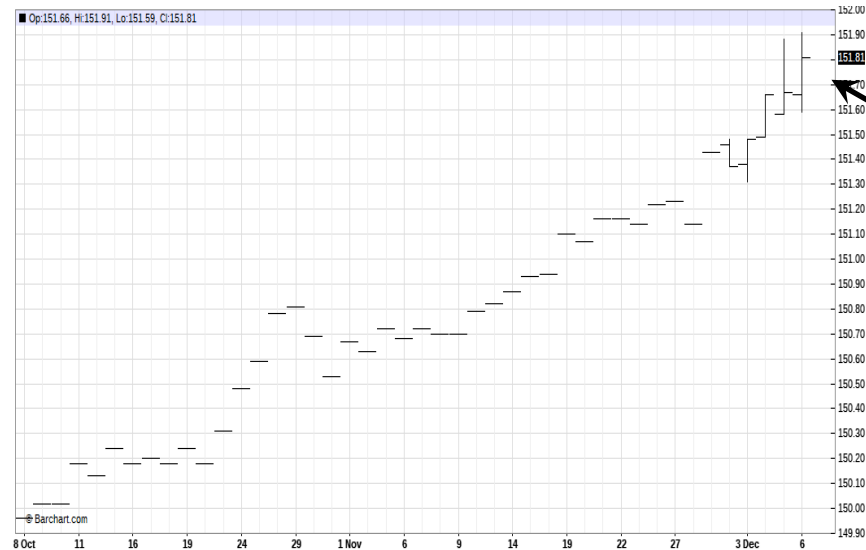
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Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB remains supported by weakness in stocks and softer than expected recent CPI reports.

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

...“Looking ahead the two PMI surveys are due, but a change of tone at the Fed meaning US monetary policy could be placed on hold, together with last week's weak Tokyo CPI, looks set to support this market”...

In the event the PMI surveys were broadly better than expected, but the JGB benefitted from weakness in stocks fuelled by a potential break down in the trade

rapprochement between the US and China over the arrest of a senior Huawei executive.

Looking ahead Q3 GDP is due and further downward revisions are expected, but all eyes are on the US and China over the Huawei arrest.

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

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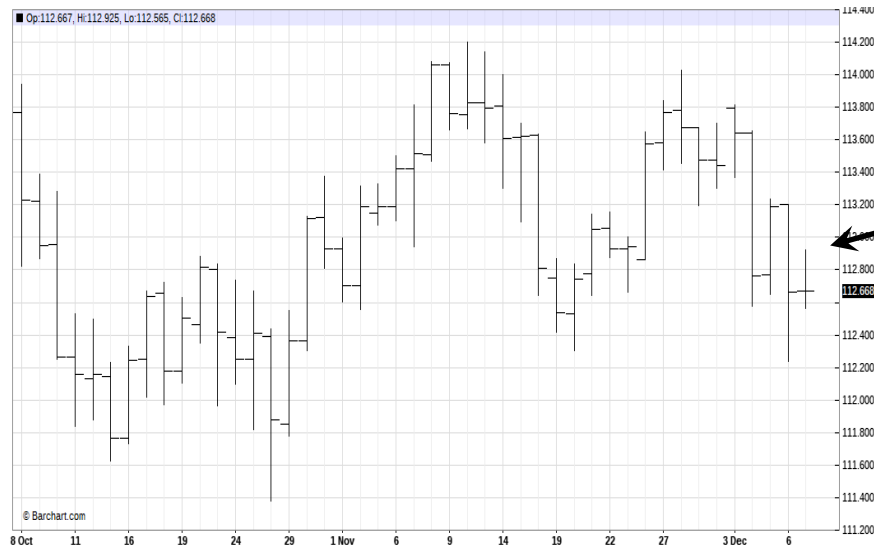
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JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen is range bound.

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

...“Looking ahead the key domestic data releases are the two PMI surveys, but with relations between the US and China apparently warming and the Fed thinking of a policy pause, can the Yen break free of the trading range?”...

In the event no, and the China/US situation has been placed on a knife edge by the Huawei arrest.

Looking ahead the Q3 GDP report is due, a downward revision would work against the Yen, but the Dollar is troubled by how the tension caused by the Huawei executive arrest will be resolved.

We are staying square, the Yen is in a trading range that doesn't look like giving way any time soon.

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Commodities

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- + OIL

Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were Square of the Nikkei.



The Nikkei looks vulnerable and a weak Q3 GDP report might just be the trigger.

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

...“Looking ahead several key events due this week, but we sense what Fed Chairman Powell says in Congress this week together with any further developments on US/China trade negotiations will have an impact on global equity markets”...

In the event the Powell testimony was postponed due to a US National day of mourning and China/US

relations are looking threatened by the Huawei executives arrest.

Looking ahead all eyes on China and the US. The US requested Canada arrest the Huawei executive and extradite her to the US, China is angered by the move, threatening consequences?

We are staying square, the positive news from the G20 has all but evaporated.

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Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold rallied on renewed US/China tensions.

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

...“Looking ahead all eyes on Powell’s testimony at the joint economic committee on Congress”...

In the event the testimony was postponed due to a US National day of mourning declared following the death of previous US President George H W Bush, but other events; the arrest in Canada of a senior Huawei executive took centre stage.

Looking ahead several key data releases due globally, but all eyes on the US and China as the diplomatic drama over the Huawei executives arrest unfolds

We are staying square. Will the US and China jeopardise their long term trade interests over the arrest of a corporate executive?

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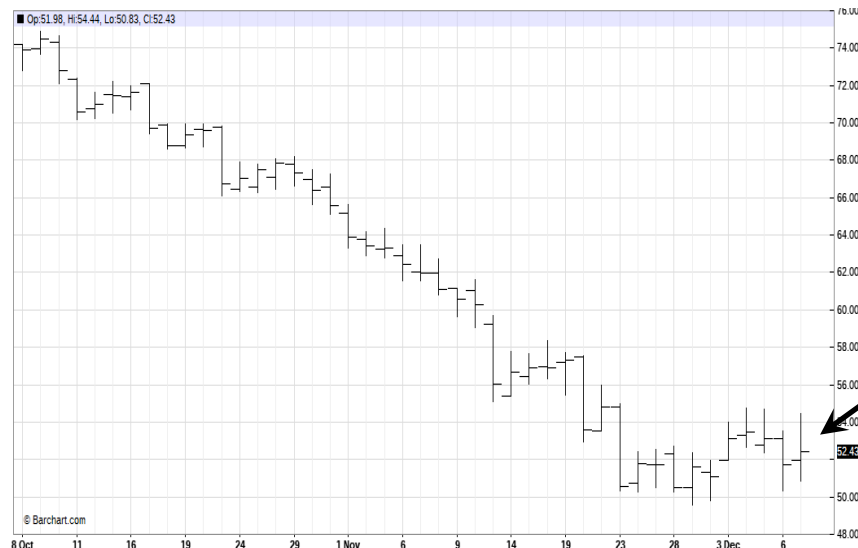
- + GOLD
- + OIL

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COMMODITIES: Oil

OUR TRADING STANCE: SQUARE

Last week we were Square of Oil.



See how oil appears to have bottomed out.

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

...“Looking ahead we judge the outlook is now less clear. If Saudi Arabia leaves production unchanged, the price could ease lower, if however OPEC collectively decides to act then the sell off is over, for now”...

In the event OPEC/Russia agreed a production cut and the market steadied.

Looking ahead will traders judge the production cut is enough to send the oil price higher, or will they take the view it isn't enough?

We are now square, watching the price action, but we think the market could resume its slide.

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Commodities

- + GOLD
- + OIL

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