



Week 2
8th – 14th January 2010

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

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+ US DOLLAR
+ S&P 500

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- SQUARE
- SQUARE

UK Markets

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- SQUARE
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- SQUARE

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Japanese Markets

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- SQUARE
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Commodities

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+ OIL

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Commodities

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This week's global calendar

| | Week of 7 th January | | Week of 7 th January |
|-----------|---|----------|---|
| Monday | US Factory orders 0.6% US ISM Non-mfg survey 59.4 US Advance gds trade bal -\$76.0B US Construct'n orders 0.3% US New home sales 568k US Wholesale invnry n/f DM Factory orders -0.4m, DM Retail sales 0.3m, -0.7y EZ Retail sales 0.1m, JP Loans & discount corp n/f JP PMI Services n/f | Thursday | US Jobless claims 225k JP Household spndg n/f JP C/A Y605.3B JP Trade bal n/f JP Bank Indg n/f JP Eco watchers survey n/f |
| Tuesday | US NFIB Sml business optmsm n/f US Trade bal -\$51.8B US Consumer credit \$18.000B UK Halifax HPI 0.2m, 0.4y DM Ind production 0.3m, EZ Cons confidence -6.2 EZ Ind confidence 3.0 EZ Services confidence 12.2 JP Consumer confidence n/f JP Labour cash earnngs n/f | Friday | US CPI -0.1m, 1.9y US CPI Ex f&e 0.2m, 2.2y US Monthly budget statement n/f UK Trade bal -£11.40B UK Trade bal non-EU -£3.78B UK Ind production 0.2m, -0.7y UK Mfg output 0.4m, -0.7y UK Construct'n output 0.2m, 2.5y UK GDP m/m n/f |
| Wednesday | US MBA Mrtge apps n/f US FOMC Minutes UK BRC Sales n/f RICS House prices -10 DM Trade bal 18.0B DM C/A Bal n/f EZ Unemployment rate 8.1% | | |

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Last week's releases



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| Week of 31 st December | | Week of 31 st December | |
|-----------------------------------|---|-----------------------------------|--|
| Monday | NEW YEARS EVE | Thursday | US MBA Mrtge apps -8.5% WORSE US ADP Employ'm't chge 271k STRONGER US Jobless claims 231k WORSE US Construct'n spndg 0.3% WEAKER US ISM Mfg 54.1 WEAKER US ISM prices 54.9 WEAKER UK Construction PMI 52.8 LESS UK BRC Shop prices 0.3% MORE EZ M3 (y/y) 3.7% LESS JP PMI Mfg 52.6 MORE THAN EXPECTED |
| Tuesday | NEW YEARS DAY 2019 | Friday | US Non-farm payrolls 312k STRONGER US Unemploy'm't rate 3.9% WORSE US Average hrly earngs 0.4m, 3.2y STRONGER US Average wrk week 34.5 AS UK Net cons Cr 0.9B LESS UK Net Indg on dwellgs 3.45B WEAKER UK Mrtge approvals 63.7K WEAKER UK PMI Services 51.2 STRONGER UK Nationwide HPI -0.7m, 0.5y WEAKER IT PMI Services 50.5 MORE FR PMI Services 49.0 LESS DM PMI Services 51.8 WEAKER EZ PMI Services 51.2 WEAKER DM Unemploy'm't rate 5.0% AS DM Unemploy'm't chge -14k BETTER EZ PPI -0.3m, 4.0y WEAKER EZ CPI Estimate 1.6% WEAKER THAN EXPECTED |
| Wednesday | UK PMI Mfg 54.2 STRONGER IT PMI Mfg 49.2 STRONGER FR PMI Mfg 49.7 AS DM PMI Mfg 51.5 AS EZ PMI Mfg 51.4 AS THAN EXPECTED | | |

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US MARKETS: economic background

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Last week's focus was non-farm payroll. In a holiday shortened week and in the middle of a government shut down traders were eager to see if employment was suffering.

In the event the number was much stronger than expected, and although the unemployment rate rose, that was due to previously discouraged workers returning to the labour market.

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; **Factory orders, ISM non-manufacturing survey, advanced goods**

trade balance, construction orders, New Home sales and wholesale inventories,
• On Tuesday; **NFIB small business optimism, trade balance and consumer credit,**
• On Wednesday; **FOMC minutes,**
• On Thursday; **Jobless claims, and**
• On Friday; **CPI and monthly budget statement.**

The two key releases this week are ISM non-manufacturing survey and FOMC minutes.

Amid all the talk of a Fed pause, these minutes should prove particularly interesting.

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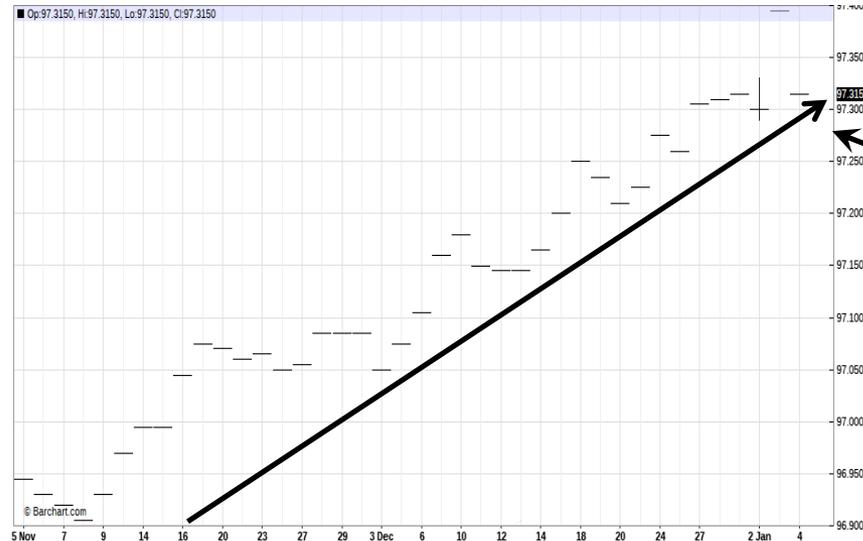
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars extended their gains as Fed talk of a pause persist despite very strong non-farm payroll data.

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

...“Looking ahead several key data releases due, but our focus is the FOMC rate decision and policy statement. Will there be more talk of a pause?”...

In the event the Fed hiked rates, but a pause is still being spoken of despite last Friday's strong non-farm payroll report.

Looking ahead the ISM non-manufacturing survey and FOMC minutes stand out. Will the minutes throw more light on a Fed pause?

We are square.

The Fed may want to take a pause but rates aren't going down.

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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 rally over the holiday period as the US government entered a shut down over Trump's demand for cash to build his boarder wall.

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

...“Looking ahead the main event in a packed calendar this week is the FOMC policy decision and statement. Whether or not the Fed hikes traders will be more interested in what the policy statement says”...

In the event the Fed hiked, but other events dominated as Trump shut down US government departments over Congresses refusal to fund his US\$5.0B demand to build the boarder wall with Mexico, but last week's

strong payroll report seemed to halt the rally. Looking ahead the key release this week is the FOMC minutes. Will they throw more light on the mooted Fed pause?.

We are staying square.

The US/China trade relationship is a major dynamic in stock markets and thus Bonds, and it remains difficult to predict due to politics and Trump, but there seems to be progress in those trade talks.

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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE

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

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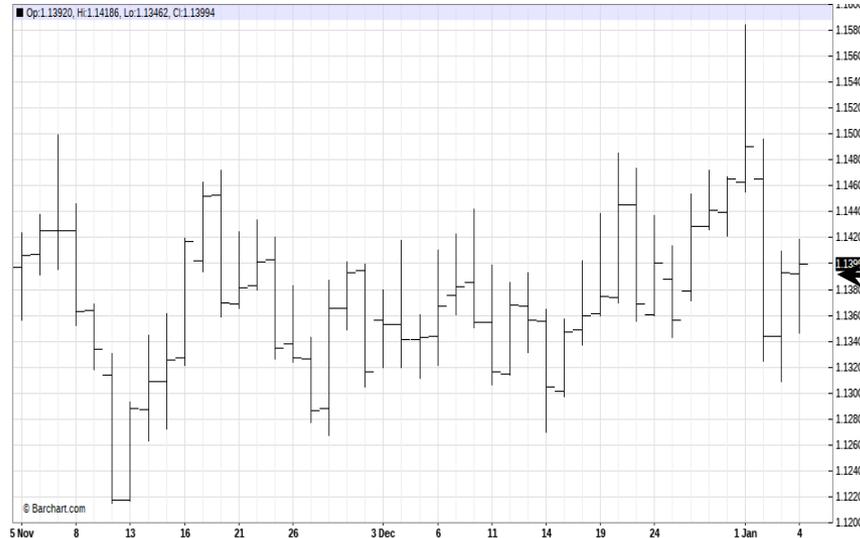
Japanese Markets

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Commodities

- + GOLD
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Disclaimer



The Dollar remains in a trading range that has persisted through November and December.

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

...“Looking ahead the main event this week is the FOMC policy decision and statement, but even if the event goes to script; rate hike and talk of a pause, we doubt the Dollar will take much from it”...

In the event a rate hike it was and speculation of a pause continues, but with the US Government in partial shut down and last week's non-farm payroll beating consensus by a margin, the Dollar lacked

direction.

Looking ahead the ISM non-manufacturing survey and FOMC minutes are due, More talk of a Fed pause will not strengthen the Dollar even if the ISM survey beats consensus and with Trump and Congress still at odds over funding for his boarder wall the Dollar looks set to remain stuck in its current trading range.

We are square.

Continued range trading looks most likely.

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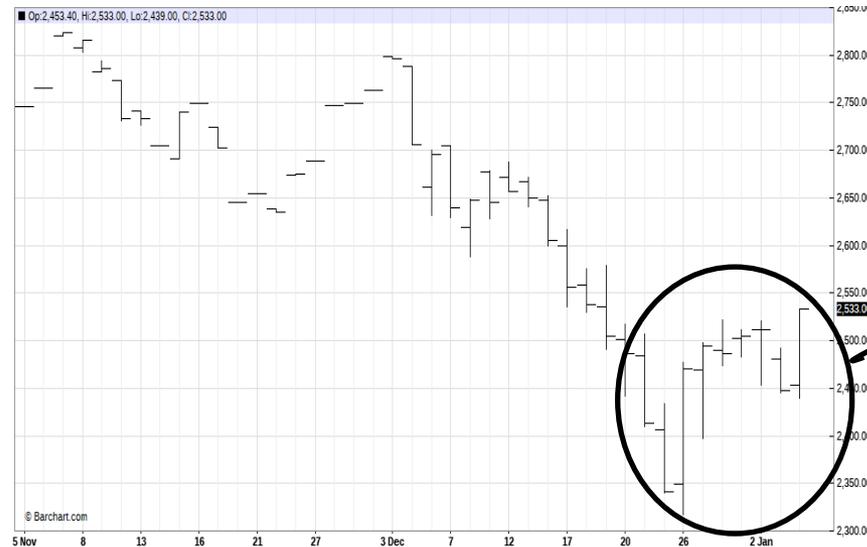
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US MARKETS: S&P500

OUR TRADING STANCE: SQUARE

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



The S&P bounced off of the lows as US/China trade talks showed progress.

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

...“Looking ahead all eyes on the Fed and its policy statement. Will it flesh out earlier talk of a policy pause; we are not so sure”...

In the event the Fed hiked and talk of a pause, or patient approach to policy has continued. Although the market initially sold off on an Apple profit warning and Trump induced government shut down, it has since

staged a recovery driven by more talk of a Fed pause and progress in US/China trade talks.

Looking ahead the FOMC minutes stand out, will they add flesh to the bones of policy pause talk, then there is the US/China trade talks, clearly a deal would boost stocks.

We are now square after our target was more than met.

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Commodities

- + GOLD
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Disclaimer

UK MARKETS: economic background

Last week's focus was the PMI surveys and despite the clock running down to "BREXIT" the manufacturing and Services surveys performed better than expected.

But as far as the manufacturing survey is concerned, much of the strength was likely due to contingency inventory building in the event of a no deal "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 Tuesday: **Halifax house price index**,
- On Wednesday; **BRC Sales and RICS House**

price index, and

- On Friday; **Trade balance, industrial production, manufacturing output, construction output and GDP monthly report.**

The key releases this week are the Industrial production and manufacturing output reports.

In the run up to "BREXIT" can manufacturing ride out the continued uncertainty?

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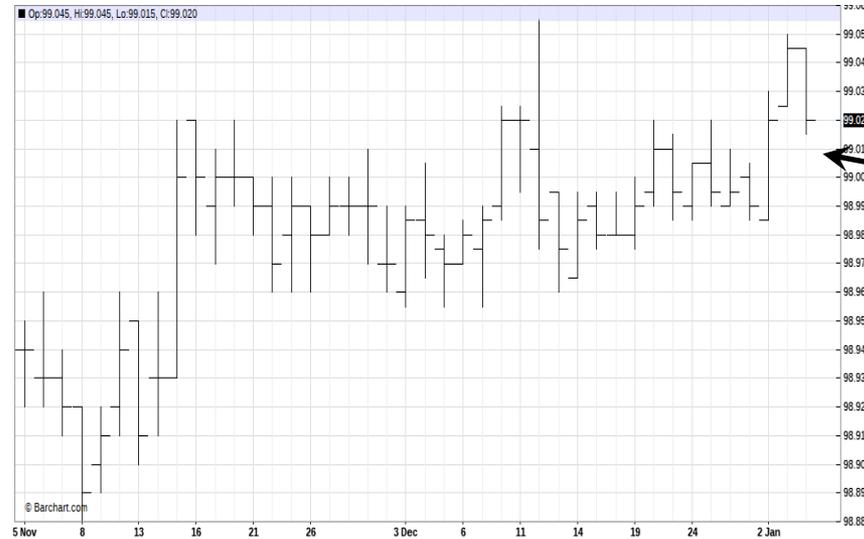
- + GOLD
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling is range bound as inflation remains contained.

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

...“Looking ahead several key data releases due, but all eyes on the BOE/MPC policy decision”...

In the event no surprises, rates were held steady.

Looking ahead the industrial production and

manufacturing output reports are due, can they maintain the strength indicated by last week's PMI Manufacturing survey?

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
- + OIL

Disclaimer

UK MARKETS: Gilt

OUR TRADING STANCE; SQUARE.

Last week we were Square.



See how the Gilt looks supported close to the highs as “BREXIT” uncertainty weighs on stocks, the economy and any thoughts of higher interest rates.

The Macro Trader’s view of the Gilt is; last time we said...

...“Looking ahead, the PSNB data, Retail sales and BOE policy decision are due, but “BREXIT” disarray will continue to dominate”...

In the event “BREXIT” remained the main dynamic as the EU refused to renegotiate any of the terms of the UK/EU divorce agreement.

Looking ahead industrial production and manufacturing output are due, but we doubt they will supplant “BREXIT” as the main dynamic.

We are remaining square, stock market price action still looks a risk to price action here, but “BREXIT” is the main source of uncertainty and it just drags on.

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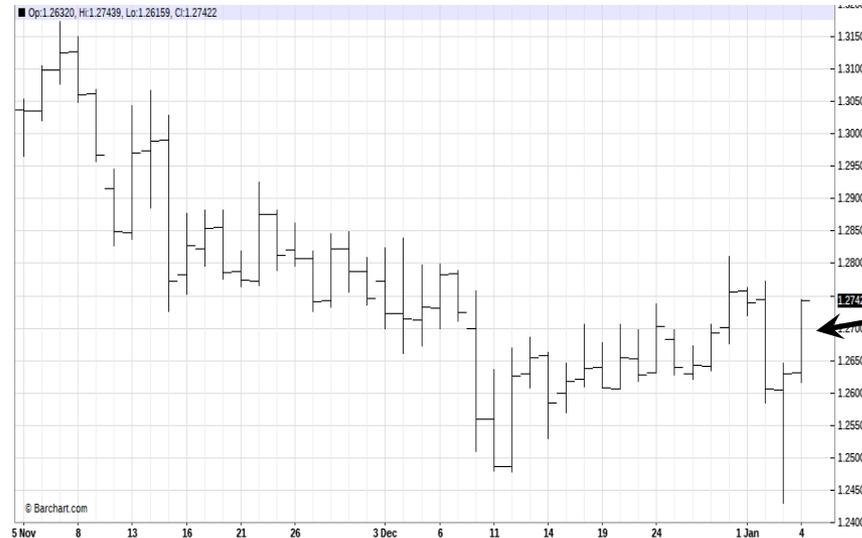
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UK MARKETS: Sterling

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

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



The Pound looks becalmed against the Dollar, more vulnerable against the Euro.

The Macro Trader's view of the Pound is: Price action over the Christmas and New Year Holiday period has shown little sign of breaking out of the established pattern. Against the Dollar the Pound looks becalmed, against the Euro, vulnerable to more negative "BREXIT" news.

Looking ahead the industrial production and manufacturing output reports are due, but as the Parliamentary vote set for 15th January on May's

"BREXIT" deal approaches, with little chance of her winning, the Pound is likely to remain volatile as the chances of a no deal "BREXIT" seem to increase.

We remain Bearish of Sterling v the Euro.

Our suggested target continues at 0.9225 and our suggested stop loss remains set at 0.8915 for protection.

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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were **Bearish**.



The FTSE rejected the lows as progress on US/China trade talks buoyed global equity markets.

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

...“Looking ahead there are several key data releases due, but all eyes remain trained on “BREXIT. PM May has ruled out a 2nd referendum, although members of her government and others are calling for a new vote to break the dead lock, but will it?”...

In the event “BREXIT” remained a dominant factor, but as the US/China trade talks showed signs of progress

and the Fed's Powell spoke of policy patience global equity markets moved away from the lows.

Looking ahead the key domestic data release is the industrial production and manufacturing report, but we judge equity markets will be driven by a combination of US/China trade talk news and the US FOMC minutes.

We are now square as we judge the market has found some support.

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EURO ZONE MARKETS: economic background

Last week's focus was the various Euro zone PMI surveys, as traders sought further evidence the Euro zone economy was experiencing a slow down.

In the event the Manufacturing surveys were as expected with the Italian survey slightly stronger than forecast. However, the Services surveys were mainly weaker than expected with only the Italian report coming in better than consensus.

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; **Euro zone retail sales, German retail sales and factory orders,**

- On Tuesday; **German industrial production, Euro zone industrial confidence, services confidence and consumer confidence, and**
- On Wednesday; **Euro zone unemployment rate, German trade and C/A data.**

The two key reports this week are German and Euro zone industrial production reports.

Will they deliver good news or offer more evidence of a slowdown?

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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor lacks direction.

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

...“Looking ahead, French Q3 GDP is due, will it show ongoing weakness or has the economy stabilised?”...

In the event the number fell just short of consensus, and last week's data offered mixed signals with PMI Manufacturing surveys mainly as expected, but PMI

Service surveys weaker than forecast.

Looking ahead several key data releases due with the German and Euro zone industrial production reports the main events, but we expect little new direction to enter this market

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: SQUARE.

Last week we were [Bullish](#) of The Bund.



The Bund more than met our suggested target.

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

...“Looking ahead the French Q3 GDP report is due, will it show additional economic weakness”...

In the event the number fell short of consensus, but the sell off in stocks driven by fears of a global slowdown forced government bonds higher including the Bund.

Looking ahead the two key reports are the German and Euro zone industrial production reports, but the FOMC minutes due out in the US on Wednesday and US/China trade talks are likely to have a greater impact.

We are now square after our suggested target was more than met.

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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: BULLISH v STERLING

Last week we were Bullish v Sterling



The Euro is becalmed against the Dollar, but looking more bullish against Sterling.

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

...“Looking ahead there are several data releases due this week, but our focus in the Euro zone is French Q3 GDP and “BREXIT”, further afield the FOMC policy decision is due”...

In the event the Fed hiked, “BREXIT” uncertainty and confusion continues and French Q2 GDP fell short of consensus.

Looking ahead several important Euro zone reports due, but we judge the “BREXIT” drama will continue to drive Sterling/Euro despite signs of emerging Euro zone weakness, but against the Dollar we see little to offer any fresh direction in the short/medium term..

We remain Bullish of the Euro v the Pound.

Our suggested target remains 0.9225 and our suggested stop loss continues at 0.8915 for protection.

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EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were **Bearish**

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See how the market hit our target before rejecting the lows.

The Macro Trader's view of DJ Euro Stoxx 50 is:

last week we said...

...“Looking ahead the key release this week is the French Q3 GDP report, but sentiment remains a key factor in equity markets as trade tensions continue”...

In the event French Q3 GDP fell short of target, Apple issued a profit warning and Trump closed down the US government over a fight with Congress for funds to build his boarder wall prompting a sell off in global

equity markets.

Looking ahead several key data releases due as detailed on the calendar, but we judge equity markets will be focussed on the US FOMC minutes and the ongoing trade negotiations between the US and China which are reported to be making progress.

We are now square after our suggested target was more than met.

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JAPANESE MARKETS: economic background

Last week's focus was the PMI Manufacturing survey as traders sought reassurance the economy wasn't entering a cooler phase.

In the event the number came in better than expected, but after the National CPI rate slipped to 0.8%, questions remain unanswered about the current state of the economy.

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; **loans and Discount corporations**

and PMI Services,

- On Tuesday; **consumer confidence and labour cash earnings, and**
- On Thursday; **Household spending, C/A, Trade balance, Bank lending and Eco watchers survey.**

The main event this week is the PMI Services survey, yet another chance to gauge the health of Japan's economy.

More



JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.

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



The JGB further extended the current leg of the long Bull market.

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

...“Looking ahead the BOJ policy decision is due this week and so too National CPI, surely recent data releases have opened the BOJ's eyes to how premature their shift to a tightening bias is”...

In the event the BOJ held policy steady, and CPI came in at a disappointing 0.8%. Last week's key event; PMI

Manufacturing came in better than expected offering mixed signals.

Looking ahead the main event this week is the PMI Services survey. Would a stronger than expected survey halt the rally or will global sentiment dominate?

We are staying square, for now.

More



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Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen extended its gains on safe haven buying as traders fretted about US government shut down and talk of slower global growth.

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

...“Looking ahead National CPI and the Bank of Japan’s policy decision are due, will policy makers wake up to the reality of a cooling economy and fading inflation?”...

In the event the BOJ held steady and CPI was a disappointing 0.8%, giving back some recent gains. Last week saw a better than expected PMI

Manufacturing survey offering hope the economy remains on track.

Looking ahead the main event this week is the PMI Services survey, will it show the economy remains on course or is the recent weaker CPI a more accurate guide?

We are staying square, the Yen enjoyed some safe haven buying, but will it last?

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 succumbed to the same influences that led other global equity markets lower.

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

...“Looking ahead the Bank of Japan policy decision is due, will policy makers alter their bias? They should after last week's worse than expected Q3 GDP report and especially if the National CPI report falls short of expectation”...

In the event the BOJ held policy steady, but CPI is now weaker than it was just a few months ago. Last week's

PMI Manufacturing survey coming in better than expected offered some hope the economy remains on track, but recent data has delivered mixed signals.

Looking ahead the PMI Services survey is due will it reassure or raise more difficult questions?

We are staying square, the Nikkei bounced from the lows but is it just a dead cat bounce? Real progress in US/China trade talks would help.

More



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Commodities

- + GOLD
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Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold has rallied while the Dollar has remained becalmed and Trump closed down the US government.

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

...“Looking ahead the US FOMC meeting is due. A rate hike is expected, of greater interest will be the policy statement. Will it allude further to a policy pause?”...

In the event the Fed hiked, US non-farm payrolls were very strong, Trump shut down the US government in an attempt to get Congress to fund his boarder wall but the big concern was Apples profit down grade, blaming a drop in sales in China further fuelling fears of a global economic slowdown.

Looking ahead the FOMC minutes are due, clarification of a Fed pause is sought especially as Powel recently spoke of “policy patience”, the there is the US/China trade negotiations, both sides seem to have much to gain from doing a deal.

We are staying square.

The US government wont stay shut for ever, already Trump is talking a steel barrier instead of his insistence of a concrete wall, and if the US and China actually agree a deal that removes recently imposed tariffs, Gold will look over bought.

More



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Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE

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



See how oil recovered with equity markets on talk on progress in US/China trade talks.

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

...“Looking ahead we judge oil traders will be watching economic data from key economies since global growth and trade are forecast to cool, meaning weaker demand for oil, as forecast by the IEA”...

In the event a profit warning driven by slower sales in China from Apple led equities and Oil lower, but markets, including oil, staged a rally on talk of progress

in US/China trade talks.

Looking ahead the FOMC minutes are due, will they say more about a Fed pause and all eyes on US/China trade talks; real progress here would be bullish for stocks and oil.

We are now square after our target was more than met.

More



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- + OIL

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