



Week 8
19th – 25th February 2019

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



Multi-asset fundamental strategies

John Lewis

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SUMMARY

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US Markets

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

● SQUARE
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UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

● SQUARE
● BULLISH
● SQUARE
● SQUARE

Euro Zone Markets

+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

● SQUARE
● BULLISH
● SQUARE
● SQUARE

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

● BULLISH
● SQUARE
● SQUARE

Commodities

+ GOLD
+ OIL

● BULLISH
● SQUARE

Disclaimer

More



Summary

Global Calendar

US Markets

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

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

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+ EURIBOR
+ BUND
+ EURO
+ DJ EURO STOXX 50

Japanese Markets

+ JAPANESE BONDS
+ YEN
+ NIKKEI

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This week's global calendar

	Week of 18 th February		Week of 18 th February
Monday	UK Rght mve HPI n/f UK CBI Trends orders -5 UK CBI Selling prices 16 JP Machine orders -1.1m, 3.4y JP Tokyo condo sales n/f	Thursday	US Jobless claims 230k US Philly Fed 14.8 US Durable goods 1.8% US DG Ex-Transport 0.3% US Existing home sales 5.00M UK PSNCR n/f UK PSNB -11.1B DM CPI -0.8m, 1.4y EZ PMI composite survey 51.1 EZ ECB Minutes JP Machine tool orders n/f JP National CPI 0.2%
Tuesday	US NAHB House mkt indx 59 UK Unemplym't rate 2.8% UK Unemploy'm't chge 19k UK ILO 4.0% UK Avrge earngs 3.5% UK AE Ex-Bonus 3.4% EZ C/A n/f EZ Construct'n output n/f DM ZEW -13.7 JP Trade bal -Y1029.5B JP Super mkt sales n/f	Friday	UK CBI Sales 5 DM Q4 GDP 0.0q, 0.6y DM IFO 98.9 EZ CPI -1.1m, 1.4y
Wednesday	US MBA Mrtge apps n/f US FOMC Minutes DM PPI -0.1m, 2.2y EZ Consumer confidence -7.7 JP Nationwide dept stre sales n/f JP Tokyo dept stre sales n/f JP PMI Mfg n/f JP All ind actvty index -0.2%		

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

Last week's releases

	Week of 11 th February		Week of 11 th February
Monday	UK Q4 GDP 0.2q, 1.3y WEAKER UK Tot Bsn's invstmnt -1.4q, -3.7y WEAKER UK Trade bal -£12.100B WORSE UK Trade Ex-EU -£3.600B BETTER UK Ind production -0.5m, -0.9y WORSE UK Mfg output -0.7m, -2.1y WORSE UK Construct'n output -2.8m, -2.4y WORSE UK Indx of srvc's -0.2m, 0.4(3m/3m) WORSE JP Tertiary industry index -0.3m WEAKER THAN EXPECTED	Thursday	US PPI -0.1m, 2.0y LESS US PPI Ex F&E 0.3m, 2.6y MORE US Jobless claims 239k MORE US Retail sales -1.2m, WORSE US RS Ex-Autos -1.8m, WORSE US Business invntry -0.1% WEAKER DM WPI -0.7m, -1.1y WEAKER DM Q4 GDP 0.0q, 0.6y WORSE EZ Employ'm't 0.3q, 1.2y AS EZ Q4 GDP 0.2q, 1.2y AS JP Ind production -0.1m, -1.9y AS JP Capacity utilisation -1.9% WORSE THAN EXPECTED
Tuesday	US NFIB Sml bus optimism 101.2 WEAKER JP Machine tool orders -18.8% WORSE JP Dmstic corp gds prces -0.6m, 0.6y WORSE THAN EXPECTED	Friday	US Empire mfg 8.8 STRONGER US Import prices -0.5m, -1.7y WEAKER US Industrial production -0.6% WEAKER US Capacity utilisation 78.2 WEAKER US U.of.Michigan sentiment 95.5 STRONGER UK Retail sales 1.00m, 4.2y STRONGER EZ Trade bal 15.6B WEAKER THAN EXPECTED
Wednesday	US MBA -3.7% WEAKER US CPI 0.0m, 1.6y MORE US CPI Ex- F&E 0.2m, 2.2y MORE US Monthly bdgt statm't -\$13.5B WORSE UK CPI -0.8m, 1.8y WEAKER UK RPI -0.9m, 2.5y WEAKER RPI-X 2.5y WEAKER UK PPI Input -0.1m, 2.9y WEAKER UK PPI Output 0.0m, 2.1y LESS UK Core PPI 0.4m, 2.4y MORE UK House price index 2.5% AS UK RICS HPI -22 WEAKER EZ Ind production -0.9m, -4.2y WORSE JP Q4 GDP 0.3q, 1.4(A) LESS THAN EXPECTED		

More



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Global Calendar

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- + 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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US MARKETS: economic background

Last week's focus was PPI, CPI and retail sales, three reports were expected to throw light on the economy's current health after the recent data vacuum.

In the event CPI was a little stronger, PPI headline was weaker, but the core measure was stronger, but the big surprise was the much weaker than expected retail sales report. The Fed's pause currently looks like the right decision.

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; **NAHB Housing market index**,
- On Wednesday; **FOMC minutes**, and
- On Thursday; **jobless claims**, **Philly Fed**, **Durable goods and existing home sales**.

The main event this week is the FOMC minutes, a detailed look at the thinking behind the Fed's decision to pause.

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

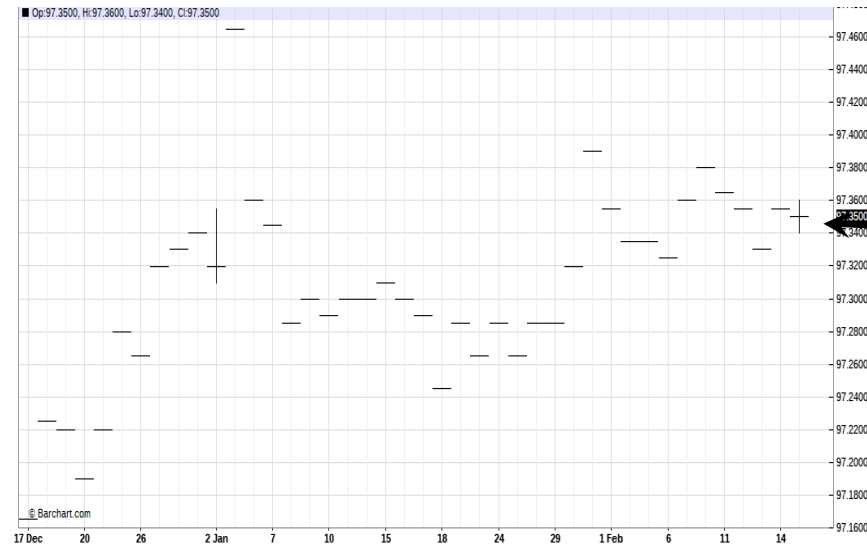
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars look supported by the Fed's pause.

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

...“Looking ahead PPI, CPI and retail sales are due, if released a chance to gauge the current health of the economy”...

In the event CPI and PPI offered mixed signals, but retail sales was un-mistakably weak.

Looking ahead the FOMC minutes are due offering traders a deeper understanding of the Fed's decision to pause.

We are 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

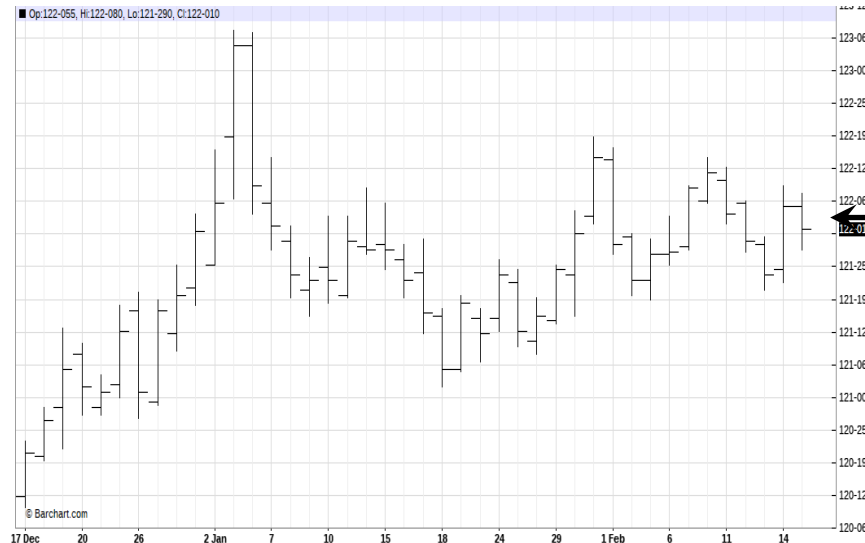
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US MARKETS: 10 Year Note

OUR TRADING STANCE: SQUARE.

Last week we were Square of the 10 year note.



The 10 year note continues to trade sideways.

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

...“Looking ahead PPI, CPI, Retail sales and industrial production are all due. If all released traders will get an opportunity to assess the current health of the economy, something they have been denied over several week, but weakness would offer this market support”...

In the event CPI and PPI offered slightly mixed signals, but retail sales and industrial production were both weak, however this market offered no reaction.

Looking ahead the FOMC minutes are due, will the reveal the Fed is more concerned about the outlook than the original policy decision indicated.

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

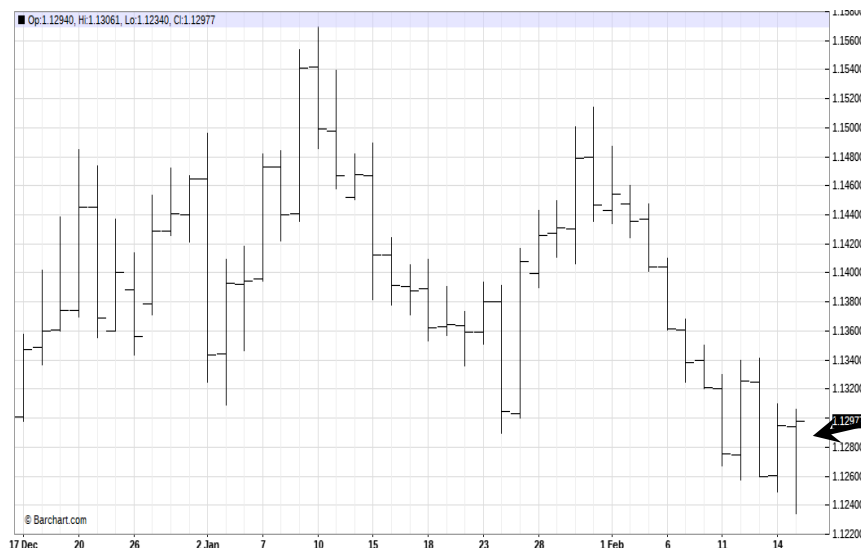
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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE

Last week we were Square



The Dollar remains range bound awaiting concrete developments from the US/China trade talks.

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

...“Looking ahead retail sales is again listed for release, together with PPI, CPI and industrial production, can these numbers force the Dollar out of its trading range or are traders more concerned about a looming new government shut down and developments in US/China trade talks”...

In the event data failed to help the Dollar, CPI and PPI offered conflicting signals, but Retail sales and

Industrial production were much weaker than expected, but the avoidance of a new government shut down combined to leave the Dollar in its current trading range.

Looking ahead the FOMC minutes are due, we doubt they will offer the Dollar fresh direction.

We are square.

The Dollar continues to range trade.

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

US MARKETS: S&P500

OUR TRADING STANCE: SQUARE

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



The S&P continues to crawl higher despite disappointing data?

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

...“Looking ahead several key data releases due, will they send the market higher? We judge a positive outcome in the US/China trade talks is required”...

In the event data was far from supportive and the US/China trade talks are yet to offer a break through, but a fresh government shut down has been averted

even though Trump has controversially declared a state of emergency to get funding for his cherished border wall.

Looking ahead the key release this week is the FOMC minutes, will they tell us anything new?

We are staying square.

The rally still looks fragile.

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 important data releases and we judged it difficult to single one that was the main focus.

In the event data was almost uniformly weak, with one exception; retail sales. Market consensus was a rise of 0.2 month on month, in the event it was much stronger at 1.0%, but with Q4 GDP weak the economic outlook seems little changed.

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; **Right move house prices, CBI trends orders and CBI Trends selling prices,**
- on Tuesday; **unemployment report and average earnings,**
- On Thursday: **PSNCR and PSNB, and**
- On Friday; **CBI Sales.**

The focus this week is unemployment and Thursday's government borrowing data.



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

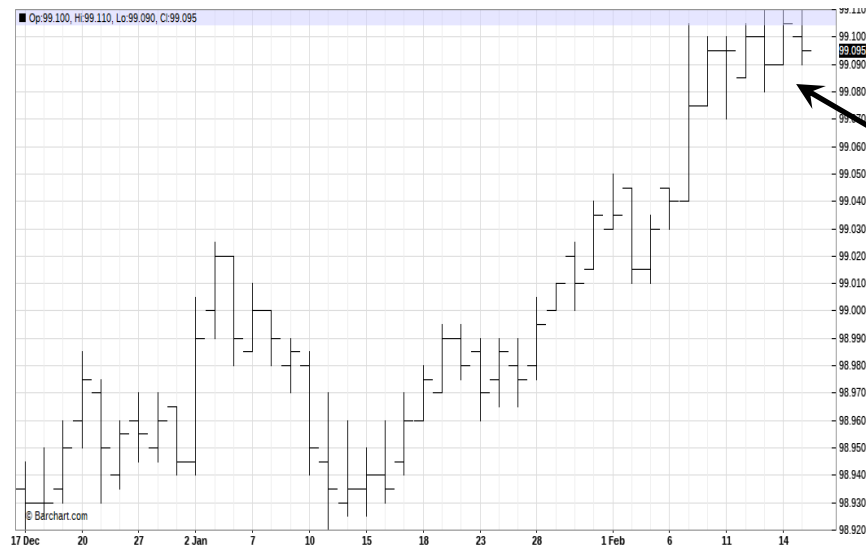
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling was supported by the much better than expected inflation data.

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

...“Looking ahead the Q4 GDP report, various inflation reports and retail sales are due. Weakness would offer this market further support, but the Bank of England isn't talking rate cuts!”...

In the event weak Q4 GDP and inflation and although retail sales were stronger, that report has been erratic over recent months.

Looking ahead the unemployment report and government borrowing data are due, but we doubt they will under mine this market.

We remain square.

Inflation continues to moderate, growth is weak and “BREXIT” dominates politics and the Bank of England looks like a by stander!

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

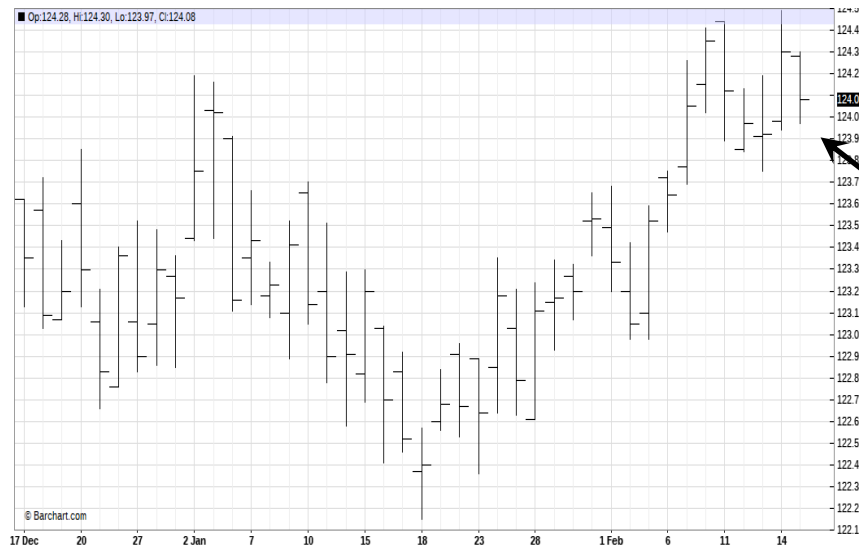
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UK MARKETS: Gilt

OUR TRADING STANCE; BULLISH.

Last week we were Square.



See how the Gilt looks well supported despite “BREXIT” uncertainty and what a no deal exit could mean for government finances.

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

...“Looking ahead several key data releases due as detailed on the calendar. We judge yet more weakness will be the theme and this market looks set to move higher”...

In the event inflation came in below consensus and Q4 GDP was weak and although retail sales surprised on the upside that data series has been erratic leaving traders to focus on the outlook for policy as the Bank of England recently dropped its desire to tighten policy.

Looking ahead unemployment report and PSNB due. Given that a no deal “BREXIT” seems to be the most likely outcome, traders should be a little more concerned about the prospects for government finances.

However we remain bullish the Gilt as a weak economic outlook clearly remains the dominant factor.

Our suggested target continues at 125.0 and our suggested stop remains set at 123.48 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

- + 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 has given back its gains as Japanese car makers scale back their UK investment

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

...“Looking ahead a string of important data is due. We judge Q4 GDP is important as it will put a number on the hit the economy is taking from “BREXIT” inertia”...

In the event the Q4 GDP report was weak, and “BREXIT” is clearly having an impact as leading Japanese auto manufacturers announce they are reducing there UK investment with Honda quitting all together.

Looking ahead not much for the Pound to get excited about this week unless there is an unexpected breakthrough on “BREXIT”; unlikely!.

We are square.

The “BREXIT” drama looks far from over and we judge a no deal exit is looking very likely.

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

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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



The FTSE further extended the rally, but on what. There isn't even optimism of a good "BREXIT" deal!

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

..."Looking ahead PPI, CPI, RPI, Q4 GDP and Retail sales are all due, but the focus will remain "BREXIT" and all its attendant uncertainty"...

In the event the inflation data was weak, Q4 GDP was weak, meaning the Bank was right to rule out near term rate hikes and although retail sales were strong the series has been erratic.

Looking ahead the main event is the unemployment report but highly unlikely to impact this market, so what will? Nissan and Honda scaling back or quitting the UK should hit confidence.

We are staying square as we judge the outlook too uncertain, and May seems to have run out of ideas, Labour is only interested in engineering a General election and the EU refuse to amend the divorce deal that Parliament has firmly rejected.



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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

EURO ZONE MARKETS: economic background

Last week's focus was the German and Euro zone Q4 GDP reports. They were expected to provide further evidence of economic weakness.

In the event that was the outcome, but what will the ECB do about it?

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; **Euro zone C/A, Construction output and ZEW survey,**

- On Wednesday; **German PPI and Euro zone consumer confidence,**
- On Thursday; **German CPI, Euro zone PMI Composite survey and ECB minutes, and**
- On Friday; **German Q4 GDP, IFO Survey and Euro zone CPI.**

The key report this week is the Euro zone PMI Composite survey.

Another chance to gauge the extent of the Euro zone economic slowdown.



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

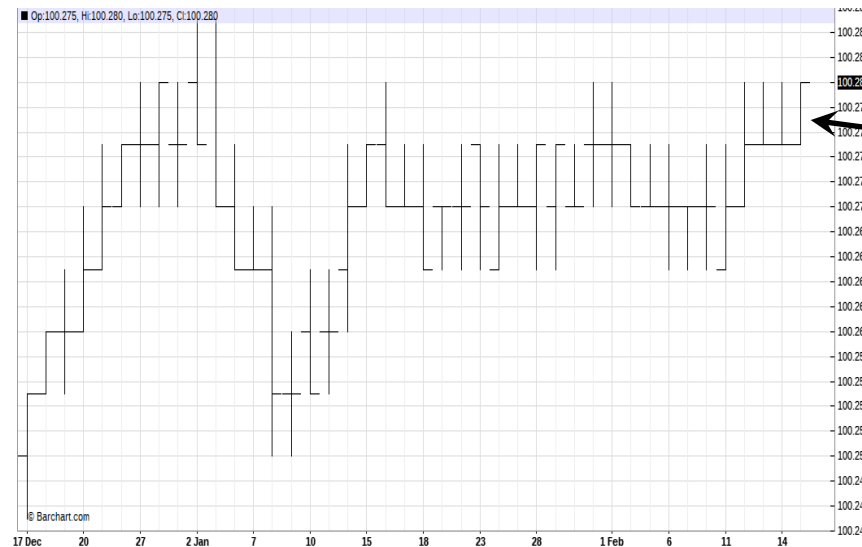
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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains well supported at the highs.

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

...“Looking ahead German and Euro zone Q4 GDP are due, they are expected to be weak”...

In the event German Q4 GDP was 0.0q/q, 0.6y/y a significant slowdown.

Looking ahead the key release this week is the Euro zone PMI Composite survey. Additional weakness is anticipated.

For now we are staying square, interest rates are going no where just yet, but at what point does the ECB recognise the economy has lost more than just momentum and is rapidly cooling?

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: **BULLISH**.

Last week we were **Bullish** of The Bund.



The Bund remains a clear cut bull market supported by fundamentals.

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

...“Looking ahead Euro zone and German Q4 GDP are due. The market consensus is for a German GDP report of 0.8 year on year, that is a serious loss of momentum and as the Euro zones locomotive the ECB needs to switch on to what is happening”...

In the event the outcome was weaker than expected at 0.0q/a and 0.6y/y, helping the Bund consolidate and revisit the highs.

Looking ahead the main event this week is the Euro zone PMI Composite survey. More evidence of weakness will help this market extend the rally.

We remain Bullish of the Bund.

Our target remains 167.20 and our suggested stop continues at 165.45 for closer 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

- + 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: SQUARE

Last week we were Square



The Euro the Euro lacks direction against either the Dollar or Sterling.

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

...“Looking ahead the German and Euro zone Q4 GDP reports and Euro zone industrial production are all due and likely to provide further evidence of a weakening economy”...

In the event further evidence of weakness, but weak US retail sales and on going UK “BREXIT” angst renders Dollar/Euro and Sterling/Euro range bound.

Looking ahead the US FOMC minutes and Euro zone PMI Composite surveys are due, but will they offer anything capable of breaking the trading ranges; we doubt it!

We are staying square.

The various factors at work in the US, UK and Euro zone result in inertia in Dollar/Euro and Sterling Euro.

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: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square



See how the market extended the rally as traders reason gathering weakness will result in ECB monetary stimulus.

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

last week we said...

...“Looking ahead Euro zone Q4 GDP, Industrial production and German Q4 GDP are due, more weakness is expected”...

In the event data disappointed but traders are looking to the ECB in anticipation of a policy response.

Looking ahead the Euro zone PMI Composite survey is due, more weakness expected. Additionally the German and Euro zone CPI reports are due. Inflation is weakening along with growth, ergo the ECB needs to seriously contemplate easing..

We are staying square.

More



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

JAPANESE MARKETS: economic background

Last week's focus was the Q4 GDP report. Would it show weakness or is the economy bouncing back?

In the event the number fell short of consensus on a quarter on quarter measure, but on an annualised basis met consensus, but other data was weaker.

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 orders and Tokyo Condo sales,**
- On Tuesday; **trade balance,**

- On Wednesday; **nationwide and Tokyo department store sales, PMI Manufacturing and all industry activity index, and**
- On Thursday; **Machine tool orders and National CPI.**

The main event this week is the National CPI report just 0.2% is expected which should prompt some serious thinking at the Bank of Japan.



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

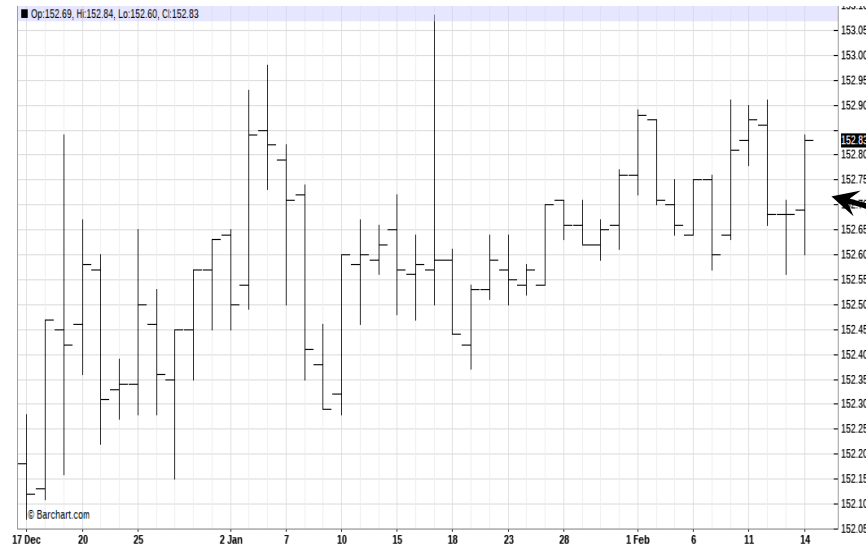
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of Japanese Bonds.



The JGB remains supported in a slow upward trend.

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

...“Looking ahead Q4 GDP is due, will there be signs of recovery, market consensus points that way?”...

In the event annualised GDP was as expected, but the Q/Q measure fell short of consensus.

Looking ahead the key release this week is the

National CPI report even an in line reading should prompt the Bank of Japan to consider new policy measures.

We remain bullish the JGB.

Our suggested target continues at 153.50 and our suggested stop remains set at 152.10 for protection.

More



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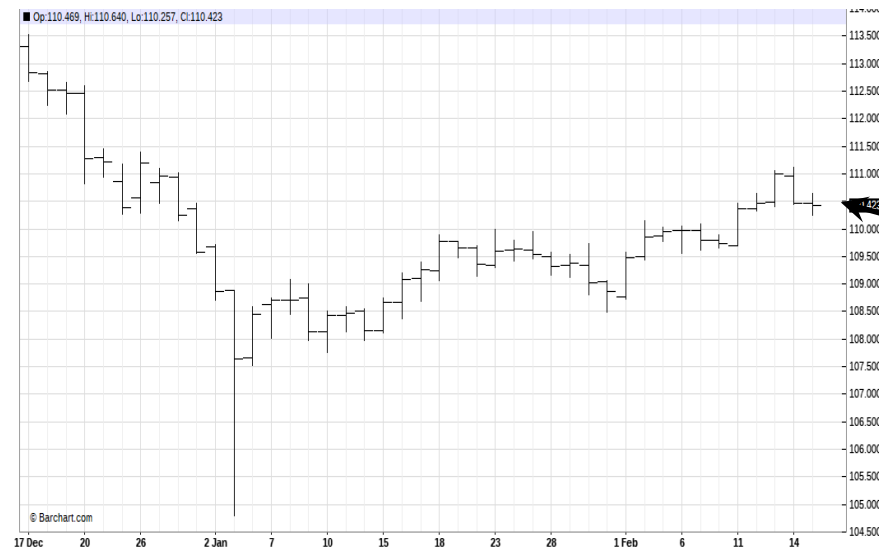
- + GOLD
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Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen looks range bound much like other major currency pairs.

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

...“Looking ahead Q4 GDP is due, but traders are waiting for a break through in the US/China trade talks”...

In the event no major surprises from Q4 GDP and disappointingly no break through of note in the US/China trade talks.

Looking ahead the key release this week is National CPI, when consensus is a reading of just 0.2%.

We are staying square, the Yen has lost its dynamism, as has the Dollar, Euro and Sterling.

More



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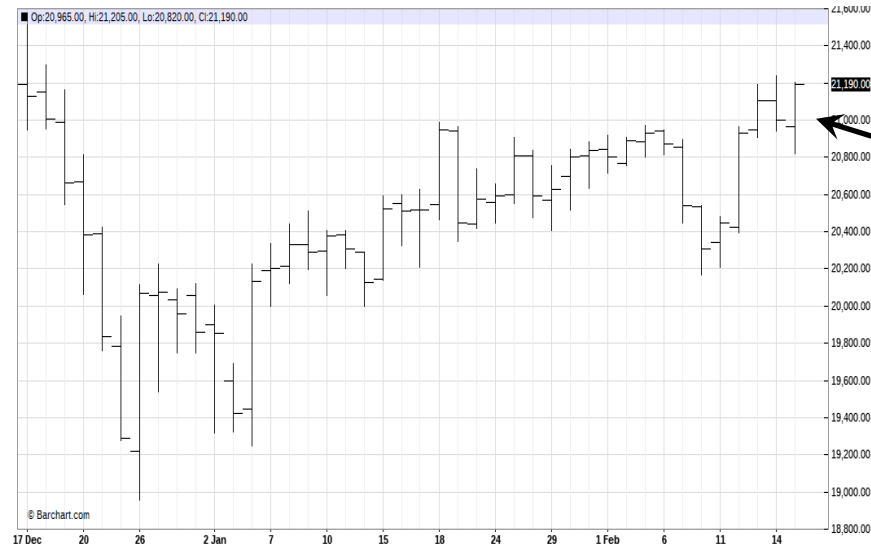
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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were Square of the Nikkei.



The Nikkei continues to nudge higher.

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

...“Looking ahead Q4 GDP due but we judge the focus will remain those trade talks unless GDP is materially different to consensus”...

In the event minor GDP disappointment and no break through in the US/China trade talks, but traders remain hopeful.

Looking ahead the National CPI report is due, a weak report is expected, but will the Bank of Japan respond?

We are staying square.

The rally in global equity markets looks fragile and dependant on a positive outcome from the US/China trade talks.

More



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Japanese Markets

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- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: BULLISH

Last week we were Square of Gold.



See how Gold remains well supported by political friction in the US and Global trade friction.

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

...“Looking ahead several previously delayed US data reports are due including retail sales, together with the latest PPI and CPI reports. But as a fresh US government shut down looms closer and the trade talks continue, gold is likely to retain support”...

In the event a fresh US Government shut down was averted but only by Trump declaring a controversial National emergency to allow him to take funds from the military budget to build his wall. Data wise the PPI and

CPI reports were mixed and Industrial production and retail sales were weak and no break through in US/China trade talks.

Looking ahead the US FOMC minutes are due, but without a break through in those trade talks trade friction will persist and the global economy cool and now Trump is threatening the EU with trade tariffs.

We are now Bullish of Gold.

Our suggested target is 1365.0 and our suggested stop set at 1320.0 for close protection.

More



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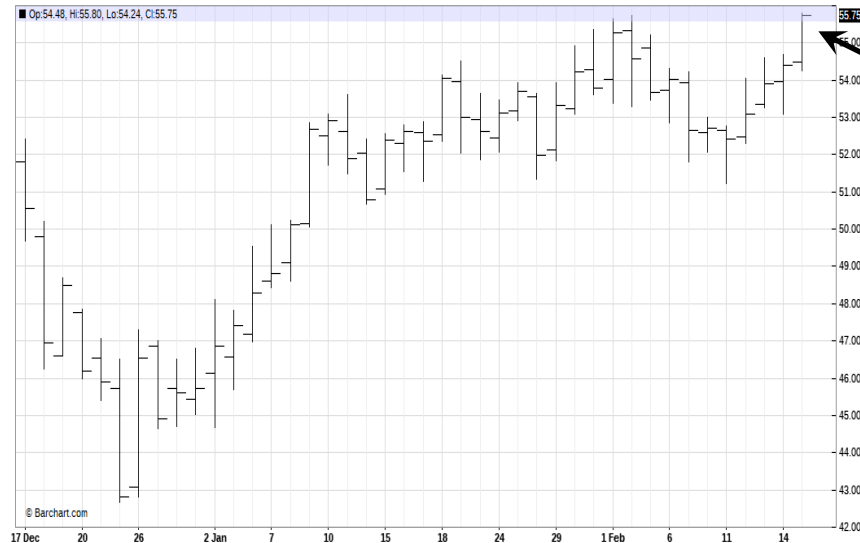
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE

Last week we were Square of Oil.



See how oil continues to test the recent highs.

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

...“Looking ahead several key data releases due but we judge last week’s comments...”the global economy shows signs of cooling and although there is unrest in Venezuela, a significant oil exporter, what is the key dynamic in this market? Surely demand and a weakening global economy means softer demand going forward”...

In the event none of that has changed but oil continues to test the recent highs.

Looking ahead the US/China trade talks are key to solving trade tensions and getting global growth stabilised.

We are staying square.

More



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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

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