



Week 16
16th – 22nd April 2019

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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+ EURODOLLARS
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● SQUARE
● SQUARE
● SQUARE
● BULLISH

UK Markets

+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

● SQUARE
● SQUARE
● SQUARE
● SQUARE

Euro Zone Markets

+ EURIBOR
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● SQUARE
● SQUARE
● SQUARE
● SQUARE

Japanese Markets

+ JAPANESE BONDS
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● BULLISH
● SQUARE
● SQUARE

Commodities

+ GOLD
+ OIL

● BEARISH
● SQUARE

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This week's global calendar

	Week of 15 th April		Week of 15 th April
Monday	US Empire mfg 8.0 UK Rght mve HPI n/f	Thursday	US Retail sales 0.8% US RS Ex-Autos 0.7% US Philly Fed 11 US Jobless claims 201k US Business invnry 0.3% UK Retail sales -0.4m, 4.6y DM PPI 0.2m, 2.7y EZ PMI Composite 53.1 JP National CPI 0.5y JP Supermkt sales n/f
Tuesday	US Ind production 0.3% US Capacity utilisation 79.2% US NAHB House mkt indx 64 UK Unemploy'm't rate 2.9% UK Unemploy'm't chge 14k UK ILO 4.0% UK Averse earngs 3.5% UK AE Ex-Bonus 3.4% EZ Construct'n output n/f DM ZEW 0.5 JP Tokyo condo sales n/f JP Trtiary industry indx -0.2% JP Trade bal Y363.2B JP National dept stre sales n/f JP Tokyo dept stre sales n/f	Friday	US Housing starts 1230k US Buildg permits 1300k
Wednesday	US MBA Mrtge apps n/f US Trade bal -\$53.6B US Wholesale invnry 0.4% US Fed's Beige book UK CPI 0.2m, 2.0y UK RPI 0.2m, 2.6y UK RPI-X 2.5% UK PPI Input 0.5m, 4.1y UK PPI Output 0.3m, 2.2y UK PPI Core 0.1m, 2.2y UK HPI n/f EZ C/A n/f EZ Trade bal n/f EZ CPI 0.3m, 1.4y JP Ind production n/f JP Capacity utilisation n/f		

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	Week of 8 th April		Week of 8 th April	
Monday	US Factory orders -0.5% AS UK BRC Sales -1.1% WEAKER DM Trade bal 17.9B STRONGER DM C/A 16.3B WEAKER JP Consumer confidence 40.5 WEAKER JP Eco watchers 44.8 WEAKER JP C/A Y2676.8B STRONGER JP Trade bal Y489.2B WEAKER THAN EXPECTED	Thursday	US PPI 0.6m, 2.2y STRONGER US PPI Ex F&E 0.3m, 2.4y MORE US Jobless claims 196k LESS DM CPI 0.4m, 1.3y AS THAN EXPECTED	
Tuesday	US NFIB Sml bus optmsm 101.8 LESS JP Dmstc corp gds prices 0.3m, 1.3y MORE JP Machine orders 1.8m, -5.5y WEAKER JP BK Lndg 2.5y MORE THAN EXPECTED	Friday	US Import prices 0.6m, 0.0y MORE US U. of Michigan sentiment 96.9 WEAKER DM WPI 0.3m, 1.8y MORE EZ Industrial production -0.2m, -0.3y BETTER THAN EXPECTED	
Wednesday	US MBA Mrtge app -5.6 WEAKER US CPI 0.4m, 1.9y MORE US CPI Ex F&E 0.1m, 2.0y LESS US FOMC Minutes US Mthly bdgt statm't -\$146.9B LESS UK Trade bal -£14.112B WORSE UK Non-EU Trade -£5.841B WORSE UK Ind production 0.6m, 0.1y STRONGER UK Mfg output 0.9m, 0.6y STRONGER UK Construct'n output 0.4m, 3.3y STRONGER UK GDP 3M/3M 0.3% STRONGER UK Indx of srvc 0.1m, 0.4(3m/3m) AS UK RICS House prices -24.0 BETTER EZ ECB Rate decision 0.00% AS EZ ECB Press conference JP Tokyo office vacancies 1.78 AS THAN EXPECTED			



US MARKETS: economic background

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Last week's focus was CPI, PPI and the FOMC minutes, but the main event was the FOMC minutes.

In the event CPI was mixed, but PPI was stronger than expected.

The FOMC minutes offered differing views:

- Some thought rates could rise later this year if the economy picked up,
- the majority thought that rates were likely to remain where they are for the rest of the year, and
- another group thought they could go in either direction.

In summary the pause continues but the Fed has left the door open to a hike if activity strengthens, both domestic and globally.

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; **Empire manufacturing,**
- On Tuesday; **Industrial production, capacity utilisation and NAHB Housing market index,**
- On Wednesday; **Trade balance, wholesale inventories and the Feds Beige book,**
- On Thursday; **jobless claims, retail sales, Philly Fed and business inventories, and**
- On Friday; **Housing starts and building permits.**

The key release this week is retail sales, a key indicator of domestic demand.

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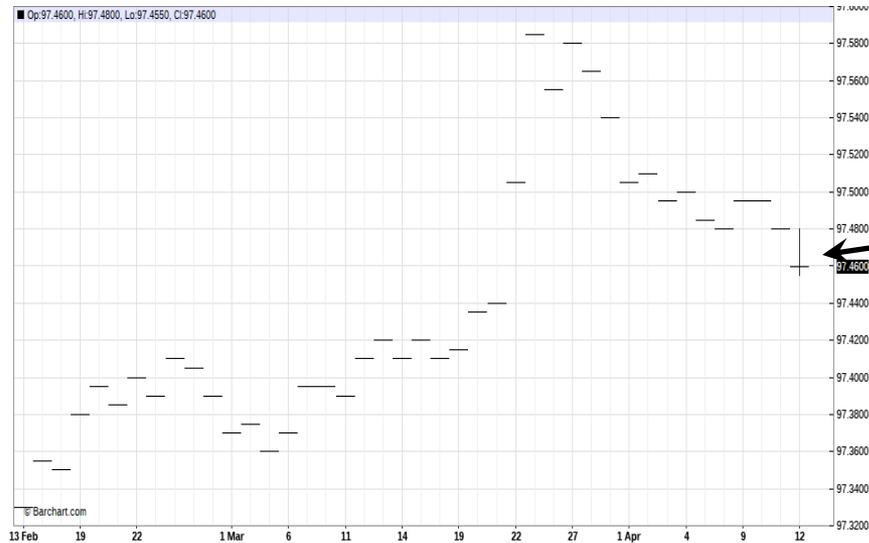
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars drifted lower on mixed signals from CPI and the FOMC minutes.

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

...“Looking ahead the FOMC minutes are due, the Fed expanded its pause at that meeting will there be more useful information for traders to digest, we expect there will be!”...

In the event the Fed offered further insight to its thinking with three differing views of how policy could evolve, but the core message seemed to be rates remain on hold unless and until economic activity picks

up.

Looking ahead retail sales are due and as a key indicator of domestic demand, traders will be looking for signs of renewed economic strength.

We are staying square.

Rates are on hold and the trade talks drag on.

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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 sold off further on mixed messages from the Fed.

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

...“Looking ahead the FOMC minutes are the main event, will the Fed expand further on its current pause?”...

In the event the Fed revealed a split on how policy makers thought policy could evolve, but for now the

pause continues with the door open to further hikes if necessary.

Looking ahead industrial production and retail sales are due, both offer clues on how the economy is performing.

We are currently square.

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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE

Last week we were Square



The Dollar remains firmly trapped in the trading range.

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

...“Looking ahead several key data releases due, our focus is the FOMC minutes, will they reveal more detail on the decision to pause?”...

In the event the Fed surprised traders with the spread of opinions on how policy could evolve this year, but for now all agreed to remain on hold.

Looking ahead retail sales stand out, but the trade talks with China seem to be moving to a crucial phase, will an agreement emerge?

We are square.

The Dollar continues to range trade. The focus continues to be the US/China trade talks which drag on.

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US MARKETS: S&P500

OUR TRADING STANCE: BULLISH

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



The S&P extended its gains as the FOMC minutes revealed a degree of confusion among policy makers.

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

...“Looking ahead CPI, PPI and the FOMC minutes stand out. We judge the minutes are the main event, will they reveal anything not said in the original policy statement and will the trade talks make further progress?”...

In the event CPI was mixed, PPI stronger and the FOMC minutes revealed policy makers divided into three groups with various views on the outlook for

policy.

Looking ahead the trade talks and retail sales dominate this week, but barring a breakdown in the trade talks we judge this market remains bullish.

We are now Bullish.

Our suggested target of 2903.0 is hit.

Our suggested target is now 2927.0 and our suggested stop raised to 2870.0 for closer protection.

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Commodities

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UK MARKETS: economic background

Last week's focus was Wednesday's run of data with further insights to both manufacturing and services, but as yet another "BREXIT" dead line approaches we judged that will once again dominate!

In the event the EU agreed to extend the "BREXIT" deadline to 31st October, so more angst and uncertainty.

The data made interesting reading as the trade deficit ballooned further, but industrial production, manufacturing output, construction out put and GDP were all better than expected?

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 price index, and**
- On Tuesday; **the unemployment report and average earnings,**
- On Wednesday: **CPI, RPI, PPI and house price index, and**
- On Thursday; **retail sales.**

The key releases are CPI and retail sales.

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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling sold off as a no deal "BREXIT" receded.

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

...“Looking ahead Wednesday’s run of data gives a further insight to the health of the economy, but as “BREXIT” uncertainty continues the data seems to have limited impact”...

In the event the EU/UK agreed an extended “BREXIT” data. Data wise the trade deficit ballooned and other data released on Wednesday was stronger than

expected.

Looking ahead CPI, Unemployment and retail sales all due, will it be more weakness or will the economy take a breather due to the 6 months to sort out “BREXIT”?

We remain square.

The “BREXIT” data has been kicked down the road but it hasn’t delivered any more certainty, in fact the complete opposite!

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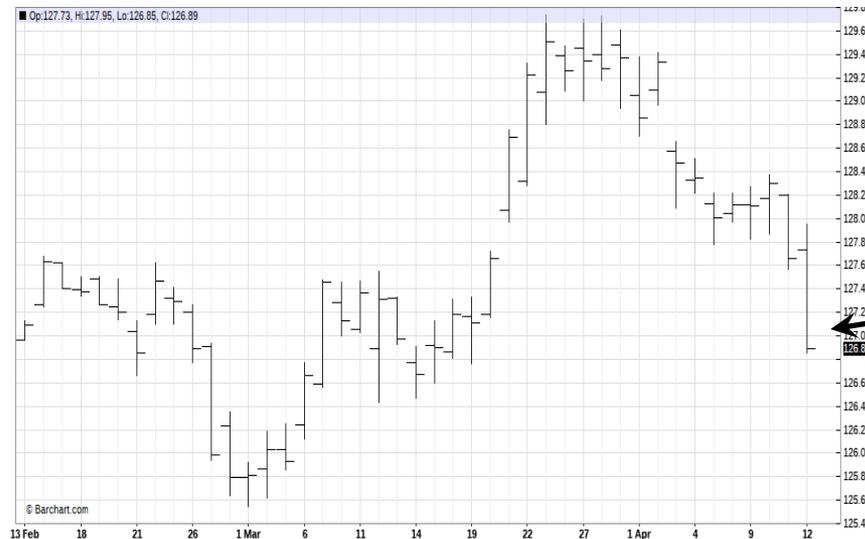
- + GOLD
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt sold off with other bond markets as the Fed looked less committed to an extended pause.

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

...“Looking ahead several key data releases due, all on Wednesday and another chance to gauge the health of the economy”...

In the event the trade balance ballooned, no doubt due to industry stock building and industrial production and manufacturing output beat consensus, likely for the

same reason.

Looking ahead the inflation reports, unemployment report and retail sales are all due. Will there be evidence of “BREXIT” stock building here?

We are square. “BREXIT” remains a seemingly unsolvable problem with too much uncertainty, even after the EU/UK agreed a 31st October leaving date.

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Japanese Markets

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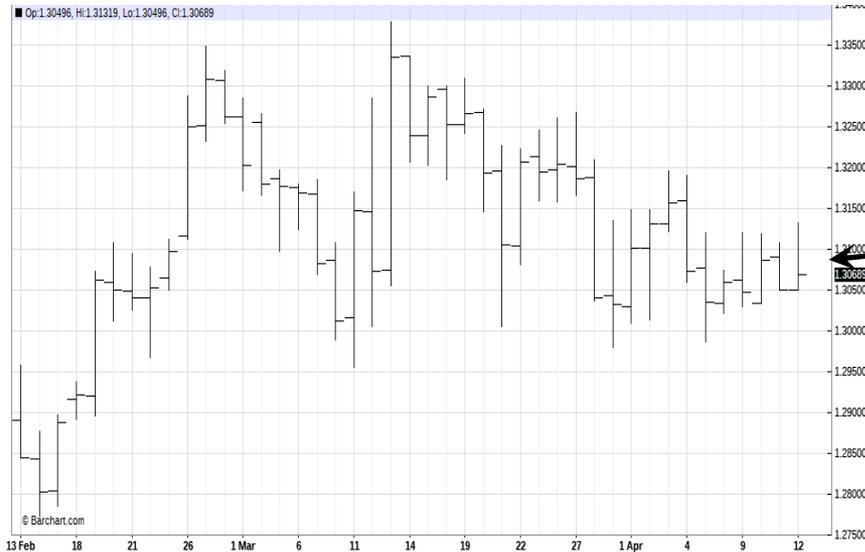
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UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE

Last week we were Square



The Pound has reduced volatility but still within the trading range.

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

...“Looking ahead Wednesday is the day to watch both data wise and for “BREXIT” will the EU grant the UK a new extension?”...

In the event data was likely due to stock building in anticipation of a disorderly “BREXIT”, but those efforts look wasted as the EU/UK agreed a new date 31st October.

Looking ahead three key data releases due; inflation, unemployment and retail sales, but as ever we judge “BREXIT” is the dynamism in this market. If the ruling Conservatives manage to agree a deal with the opposition Labour party and get it through Parliament, that would significantly change the outlook for Sterling.

We are square.

The “BREXIT” drama is far from over, and Labour and Conservatives agreeing? Don't hold your breath!

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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



The FTSE drew support from the relief of short term "BREXIT" uncertainty.

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

...“Looking ahead several data releases due on Wednesday, but as the EU meets on the 10th to discuss the up coming “BREXIT” dead line on the 12th, the Pound remains hobbled and the FTSE benefits from its weakness, will anything change this week?”...

In the event data reflected the stock building driven by fears of a no deal “BREXIT” but the EU/UK agreed an extended exit date of 31st October which eased fears

and helped support this market.

Looking ahead CPI and retail sales due, but we judge the trade talks between the US and China are the focus for traders now there is a 6 month “BREXIT” breathing space.

We are staying square as we judge the outlook remains uncertain. Everything now depends on the Conservatives and Labour finding a compromise.

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EURO ZONE MARKETS: economic background

Last week's focus was Euro zone industrial production and the ECB policy decision.

In the event Euro zone industrial production was better than expected, and ECB policy makers agreed to hold rates steady until the end of 2019 and longer if necessary, moreover they also agreed to continue reinvesting in full the maturing proceeds of their QE holdings.

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 construction output and German ZEW,**

- On Wednesday; **Euro zone C/A, Trade balance and CPI, and**
- On Thursday; **German PPI and Euro zone PMI Composite survey.**

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

Will it showed on going weakness or the start of a turn around.

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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor is well supported at the highs.

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

...“Looking ahead the ECB policy decision is the main event, what will Draghi's assessment of the economy be this time?”...

In the event the ECB said rates would remain on hold until at least year end and QE proceeds would be fully re-invested.

Looking ahead the key release is the Euro zone PMI Composite survey, will it show any improvement because the ECB's recent special lending hasn't so far filtered through to the economy

We are staying square, interest rates are going nowhere just yet, even as the ECB begins to recognise the economy has lost more than just momentum.

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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: SQUARE.

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



The Bund sold off as the Fed position on its pause seemed a little less fixed.

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

...“Looking ahead the ECB policy decision is the main event, will Draghi see under lying weakness or will unrealistic optimism be his theme?”...

In the event the ECB committed to holding rates steady until at least year end and continue fully re-investing QE proceeds, but Draghi thought he saw

signs the economy could start to improve later this year.

Looking ahead the Euro zone PMI Composite survey is due, will it show ongoing weakness or signs of a fledgling recovery.

We are square after the stop was hit today.

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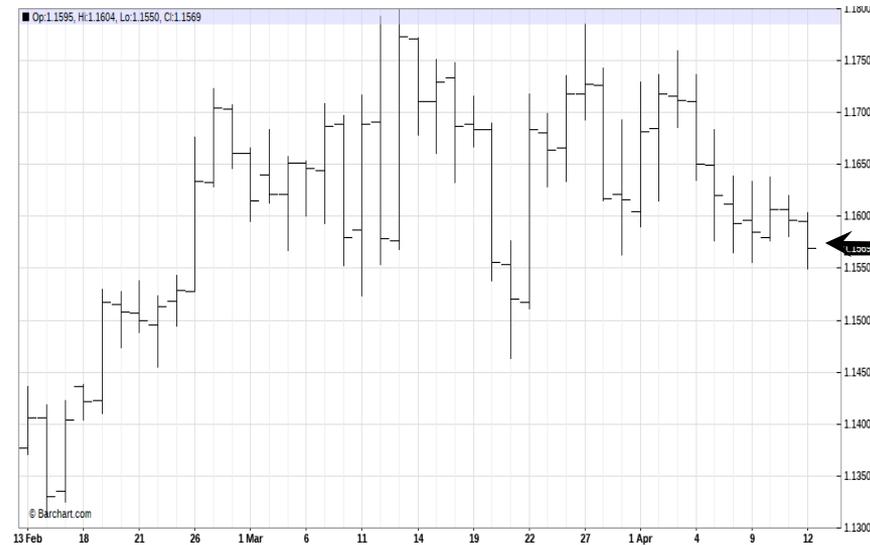
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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were Square



The Euro remains range bound against the Pound as "BREXIT" remains unresolved and the ECB commits to holding policy steady.

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

...“Looking ahead the ECB policy decision and press conference is the main event, but unless a surprise rate move is delivered, the trading range will hold”...

In the event no surprise rate move and the Euro remains range bound.

Looking ahead the Euro zone PMI composite survey is the main event and traders will be eager to see where the economy is heading; yet more weakness.

We are staying square, currencies have no settled direction yet.

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EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square

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See how the market looks supported by the ECB and the US/China trade talks.

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

...“Looking ahead the ECB policy decision is due, but the Trump administration threatens air bus with higher tariffs due to unfair state subsidy”...

In the event the market has so far brushed off Trump's threats as the EU voted in favour of opening trade talks with the US.

Looking ahead the Euro zone PMI Composite survey is due, but we judge stocks are supported by US/China trade talk optimism as they are entering a crucial phase.

We are staying square.

This market is driven by hopes of a US/China trade deal, but obstacles still remain, but what of US/EU trade relations?

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JAPANESE MARKETS: economic background

Last week's focus was the Machine orders and Machine tool orders reports.

In the event Machine orders were weaker than expected as were most other data releases.

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; **Tokyo condo sales, tertiary industry index, trade balance, national and**

Tokyo department store sales,

- On Wednesday; **industrial production and capacity utilisation, and**
- On Thursday; **National CPI.**

There are several key data releases this week, but we are focused on the National CPI report.

Will CPI move towards target a key measure of policy success.

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Japanese Markets

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- + YEN
- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of Japanese Bonds.



The JGB rejected the lows on weaker data.

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

...“Looking ahead the key releases are Machine orders and Machine tool orders. As core reports of manufacturing activity will they offer greater clarity?”...

I the event Machine orders were weaker than expected and other data was weaker too offering the market support.

Looking ahead the main event this week is National CPI, a weaker than expected report would offer this market further report.

We remain bullish the JGB, the economy offers a patchy picture.

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

Commodities

- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen weakened further on disappointing data despite a range bound Dollar.

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

...“Looking ahead the Machine orders and Machine tool orders are due, but we doubt they will offer the Yen direction”...

In the event Machine orders and other data were weaker than expected, leading the Yen lower.

Looking ahead the key release this week is the National CPI report, a weaker than expected number would weigh on the Yen.

We are staying square for now, but the Yen looks set to weaken further.

More



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Global Calendar

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- + EURO DOLLARS
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UK Markets

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

Euro Zone Markets

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- + BUND
- + EURO
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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were Square of the Nikkei.



The Nikkei drew support from Yen weakness and hopes of a breakthrough in the US/China trade talks.

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

...“Looking ahead we judge the trade talks will remain the main dynamic and as long as the US and China keep talking traders will remain optimistic”...

In the event the Yen weakened further and the trade talks seem to be nearing a crucial point.

Looking ahead the main data release is the National CPI report, but developments in the US/China trade talks are likely to remain the focus.

We are staying square.

The rally in global equity markets remains dependant on a positive outcome from the US/China trade talks, but a successful conclusion is still just out of reach.

More



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- + S&P 500

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- + STERLING
- + FTSE

Euro Zone Markets

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- + BUND
- + EURO
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Japanese Markets

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Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: **BEARISH**

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



See how Gold's retracement failed.

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

...“Looking ahead the US FOMC minutes are due as is the ECB policy decision. Will that help gold? We don't think so”...

In the event the FOMC minutes revealed a potential three way split and the ECB pledged to hold policy steady until at least year end, add in the optimism generated by the on going US/China trade talks and gold seems to be loosing support.

Looking ahead US industrial production and retail sales are due, stronger data will support the Dollar and weigh on Gold, but even if data falls short Gold will weaken if the US/China trade talks look to be moving towards an agreement..

We remain Bearish of Gold.

Our suggested target continues at 1265.0 and our suggested stop remains set at 1335.0 for protection.

More



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- + EURO
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Japanese Markets

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- + NIKKEI

Commodities

- + GOLD
- + OIL

Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE

Last week we were Square of Oil.



See how oil continued to rally despite fears of weaker global economic growth.

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

...“Looking ahead the US/China trade talks are the main event. A successful outcome would boost world trade and the global economy and demand for energy, whereas failure would weigh heavily on confidence further depress trade and global economic activity”...

In the event global trade is cooling so too the global economy and although US/China trade talks continue a conclusion remains elusive and then there is Trump's latest threat to slap trade tariffs on the EU due to state subsidies to Airbus. For now though weaker OPEC

production is of greater importance to this market, but for how much longer.

Looking ahead we judge the dynamics outlined above remain in play, but Russia has threatened to end its cooperation with OPEC in an effort to win market share despite threatening weaker oil prices.

We are staying square, if Russia and OPEC go their separate ways oil prices will fall, if not and the US/China reach a trade agreement then oil can rally further.

More



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Commodities

- + GOLD
- + OIL

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