



Week 28
9th – 15th July 2019

Summary

Global Calendar

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- + 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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+ 10 YEAR NOTE
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+ S&P 500

● SQUARE
● BULLISH
● SQUARE
● SQUARE

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+ SHORT STERLING
+ GILT
+ STERLING
+ FTSE

● SQUARE
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● SQUARE

Euro Zone Markets

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● SQUARE
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● SQUARE

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● SQUARE
● SQUARE

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● SQUARE
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This week's global calendar

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	Week of 8 th July		Week of 8 th July
Monday	US Consumer credit \$16.900B UK BRC Sales -1.5y DM Ind production 0.3m, -3.2y DM Trade bal 17.0B DM C/A 12.5B JP C/A Y1380.9B JP Trade bal -Y758.9B JP Machine orders -3.Ym, -3.6y JP Bk Indg n/f JP Bankruptcies n/f JP Eco watchers 43.8 JP Labour cash earnings -0.6%	Thursday	US Jobless claims 221k US CPI 0.0m, 1.6y US CPI Ex-F&E 0.2m, 2.0y US Fed's Powell testifies @ senate US Monthly budget statem't -\$20.00 DM CPI 0.3m, 1.6y EZ ECB minutes June 5-6 JP Tertiary ind inx -0.1%
Tuesday	US NFIB Sml bus optimism 103.1 JP Machine tool orders n/f JP Dmstic corp gds prcs -0.1m, 0.4y		
Wednesday	US MBA Mrtge apps n/f US Fed's Powell testifies @ House US Wholesale Invntry 0.4% US FOMC Minutes UK Monthly GDP 0.3m/m UK Ind production 1.5m, 1.2y UK Mfg output 2.2m, 1.1y UK Construct'n output 0.4m, 0.9y UK Indx of srvc 0.1m, 0.1(3m.3m) UK Trade bal -£12.500B UK Non-EU Trade -£4.600B UK RICS HPB -12.0% JP Tokyo avrge office vacancies n/f	Friday	US PPI 0.1m, 1.6y US PPI Ex-F&E 0.2m, 2.1y DM WPI n/f EZ Ind production 0.2m, -1.6y JP Ind production n/f JP Capacity utilisation n/f

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	Week of 1 st July		Week of 1 st July
Monday	<p>US ISM Mfg 51.7 BETTER</p> <p>US ISM Prces paid 47.9 WEAKER</p> <p>US Construction spndg -0.8% WEAKER</p> <p>UK Net cons credit 0.8B LESS</p> <p>UK Net Indg on dwtlgs 3.1B WEAKER</p> <p>UK Mrtge sprvlis 65.4k LESS</p> <p>UK PMI Mfg 48.0 LESS</p> <p>UK Nationwide HPI 0.1m, 0.5y LESS</p> <p>IT PMI Mfg 48.4 LESS</p> <p>FR PMI Mfg 51.9 LESS</p> <p>DM PMI Mfg 45.0 LESS</p> <p>EZ PMI Mfg 47.6 LESS</p> <p>EZ Unemploy't Rate 7.5% LESS</p> <p>EZ M3 (A) 4.8y/y STRONGER</p> <p>JP Tankan lrgge mfg indx 7 WEAKER</p> <p>JP Tnkan lrgge non-mfg indx 23 STRONGER</p> <p>JP Lrgge all industry CAPEX 7.4% WEAKER</p> <p>JP Loans & Disc corp 3.24% LESS</p> <p>JP Consumer confidence 38.7 WEAKER</p> <p>JP PMI Mfg 49.3 LESS THAN EXPECTED</p>	Thursday	<p>EZ Retail sales -0.3m, 1.3y WEAKER</p> <p>JP Household spending 4.0y/y STRONGER THAN EXPECTED</p>
Tuesday	<p>UK PMI Construction 43.1 WEAKER</p> <p>UK BRC Shop prices -0.1 WEAKER</p> <p>DM Retail sales -0.6m, 4.0y WEAKER</p> <p>EZ PPI -0.1m, 1.6y WEAKER</p> <p>JP PMI Services 51.9 MORE THAN EXPECTED</p>	Friday	<p>US Non-farm payroll 224k STRONGER</p> <p>US Unemploy't rate 3.7% MORE</p> <p>US Averige hrly earngs 0.2nm 3.1y WEAKER</p> <p>US Averige wrk week 34.4 AS</p> <p>UK Halifax HPI -0.3m, 5.7(3m/y) BETTER</p> <p>UK Q1 Unit labour costs 2.1% LESS</p> <p>DM Factory orders -2.2m, -8.6y WEAKER THAN EXPECTED</p>
Wednesday	<p>US Mba mrtge apps -0.1% WEAKER</p> <p>US ADP Employ'm't chge 102k WEAKER</p> <p>US Trade bal -\$55.8B WORSE</p> <p>US jobless claims 221k MORE</p> <p>US Factory orders -0.7% WORSE</p> <p>US ISM Non-mfg 55.1 WEAKER</p> <p>UK PMI Services 50.2 WEAKER</p> <p>IT PMI Services 50.5 MORE</p> <p>FR PMI Services 52.9 WEAKER</p> <p>DM PMI Services 55.8 BETTER</p> <p>EZ PMI Services 53.6 BETTER THAN EXPECTED</p>		



US MARKETS: economic background

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Last week's focus was the non-farm payroll report, after the previous months unexpected weakness would the series bounce back or were we seeing the start of a new trend?

In the event the number came in much stronger than expected at 224k, but the unemployment rate rose; maybe previously discouraged workers re-joining the labour force?

The other two key releases; ISM Manufacturing and ISM non-manufacturing, delivered mixed signals. The former came in a little stronger while the later was weaker.

But the Fed is concerned by softer than expected inflation and international trade friction.

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; **consumer credit**,
- On Tuesday; **NFIB small business optimism**,
- On Wednesday; **Fed Chairman Powell testifies at the House, wholesale inventories and FOMC minutes**,
- On Thursday; **Jobless claims, CPI, Fed's Powell testifies at the Senate and monthly budget statement**, and
- On Friday; **PPI**.

The calendar is once again packed with heavy weight data.

The key events are the FOMC minutes and Powell's twin testimony in Congress, both of which can be a market moving events and then there is CPI and PPI.

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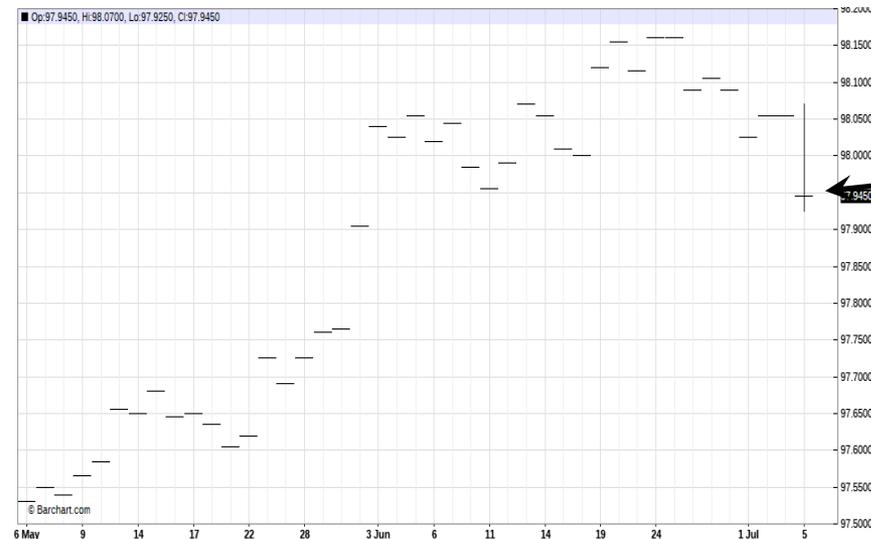
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars sold off on Friday's stronger than expected payroll report.

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

...“Looking ahead the two ISM surveys and non-farm payroll are due, all eyes on payrolls after last month's weakness”...

In the event mixed signals from the ISM surveys, but a stronger than expected non-farm payroll report, but if

the June and July reports together with downward revisions are averaged out the report is below trend.

Looking ahead the FOMC minutes and Powell's twin appearances at Congress stand out, but contrary to Friday's market moves we judge the Fed is still set to cut rates..

We are staying square for now, still preferring bonds.

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US MARKETS: 10 Year Note

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of the 10 year note.

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Disclaimer



The 10 year note took a beating on a non-farm payroll report that on the surface looked stronger than expected, but dig a little deeper and the numbers for June and July are running sub-trend!

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

...“Looking ahead the key release this week is the non-farm payroll report. The Fed has voiced its concerns about global trade friction weighing on the US economy, a weak payroll report would likely bring a rate cut that much closer!”...

In the event headline non-farm payroll was stronger than expected, but look at the two month average together with revisions and the report over the last two months is below trend. Next months report will be

important, will it confirm a new lower trend or re-establish the existing trend?

Looking ahead the FOMC minutes are due and Powell testifies in the House and Senate so much for traders to consider this week.

We remain Bullish this market as we judge the Fed remains concerned about soft inflation and the potential impact on the economy from global trade friction.

Our suggested target continues at 128.16 and our suggested stop remains set at 126.24 for protection.

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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE

Last week we were Square



The Dollar received a lift from the Trump/Xi G20 meeting and another lift from Friday's non-farm payroll report.

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

...“Looking ahead the two ISM surveys and non-farm payroll are due. We are focussed on payrolls especially after last months surprisingly weak number”...

In the event the headline number beat consensus, but on a two month average with downward revision the number looks less compelling.

Looking ahead a whole raft of key data releases due with the FOMC minutes and Powell in the spotlight.

We are square.

The Dollar's rally is still within the established trading range.

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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's rally paused after Friday's non-farm payroll report.

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

..."Looking ahead non-farm payroll stands out. After last months weakness traders will be looking for a bounce back"...

In the event the number more than bounced back but the two month average with downward revisions look week, another months report is needed to confirm revival or a new weaker trend.

Looking ahead Powell's twin testimony in Congress stands out, will he confirm the Fed's recent message that rate cuts are in the pipe line, watch out for the FOMC minutes too. Data wise CPI and PPI are due.

We are square, for now. Will the US and China really agree a trade deal in the near future? We have our doubts!

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Commodities

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UK MARKETS: economic background

Last week's focus was the three PMI surveys with special attention on the dominant service sector report.

In the event all three fell short of consensus with only the Services version just holding above 50 at 50.2, indicating the economy is slowing under the uncertainty caused by "BREXIT" and the Tory party leadership contest.

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: **BRC Sales, and**
- On Wednesday: **Monthly GDP report, industrial production, manufacturing output, index of services, trade data and RICS House price survey.**

The key releases this week are all on Wednesday and our focus is the industrial production and manufacturing output reports.

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Commodities

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Disclaimer

UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling's rally driven by weak domestic data was cut short by stronger US non-farm payroll on Friday.

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

...“Looking ahead the three PMI surveys are due, our focus is the Services sector. It represents by far the largest sector of the UK economy and weakness here would signal a weak economy”...

In the event all three PMI's fell short of consensus with Services just hovering above the key 50 level.

Looking ahead the key release is industrial production/manufacturing output. We anticipate further weakness, “BREXIT” stock building has finished but uncertainty remains a major inhibitor to economic activity.

We remain square.

The Bank of England seems finally to have awoken to the reality of a hard “BREXIT” meaning rates would have to be cut! But when?

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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt suffered a heavy correction on Friday along with other major Government bond markets.

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

...“Looking ahead the three PMI Surveys are due, we judge they will indicate weakness”...

In the event yes they did and the gilt responded with a rally that was cut short by US non-farm payroll data released on Friday.

Looking ahead the industrial production and manufacturing output reports are due, we anticipate

weakness and this market should shake off the impact of Friday's US data because look behind the headline number and there is potential weakness.

We are square.

There is still too much political and economic uncertainty.

We prefer the US TNote and Bund.

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UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE

Last week we were Square



The Pound sold off against a Dollar buoyed by Friday's non-farm payroll report.

The Macro Trader's view of the Pound is: Last week's price action was driven by a mix of weak UK and US data, mixed in with the ups and downs of the Tory party leadership election campaign, but Friday's strong headline US non-farm payroll report briefly sent Sterling through the recent lows against the Dollar.

Looking ahead there are US and UK data and events due this week that will likely have an impact on currencies and Cable in particular. In the US the FOMC minutes and the Fed's Powell testifying in Congress and in the UK industrial production and manufacturing

output.

Add in the release of sensitive diplomatic emails criticising the Trump administration and the Pound could be in for a choppy week.

We are square.

The "BREXIT" drama is far from over, it merely has a new twist playing out; the Tory party leadership election.

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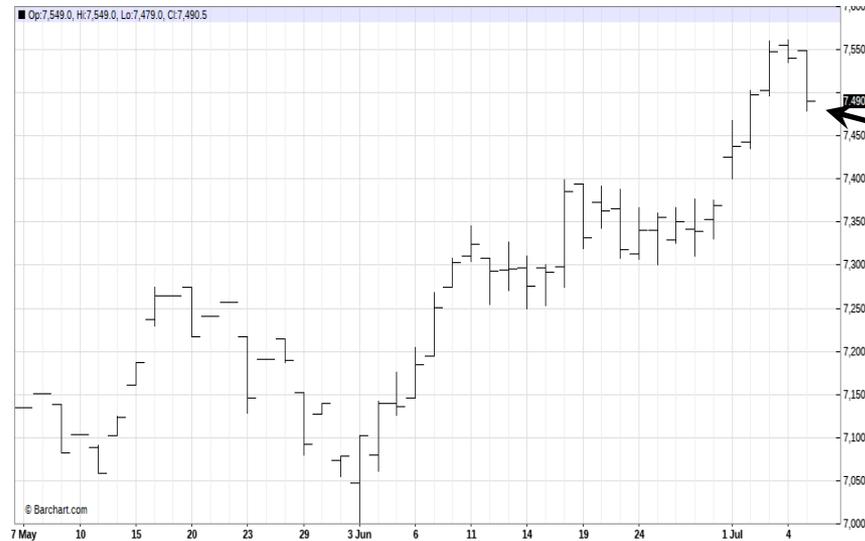
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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



The FTSE corrected as trader fretted a stronger than expected US non-farm payroll report might delay the anticipated US rate cut.

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

...“Looking ahead the key data release this week is the Q1 GDP report, but unless materially different to consensus, we judge stocks will be focussed on this week's G20 meeting and the a meeting between US President Trump and Chinas Xi”...

In the event we judge that was the outcome. The Q1 GDP report met consensus and Trump and Xi held a meeting on the side lines of the G20 that according to

Trump has resulted in a break through in the stalled trade talks.

Looking ahead the PMI Surveys are due, but will they point to economic weakness, since Q1 GDP strength was derived from manufactures building stocks ahead of what was the March 31st “BREXIT” dead line?

We are staying square for now. But Trump and Xi's apparent trade talk break through at the G20 if it proves to be more than warm words could see a general rally in global equity markets.

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EURO ZONE MARKETS: economic background

Last week's focus was the various Euro zone PMI Surveys.

In the event they were a mixed bag. Across the board weakness in the manufacturing surveys, and apart from a weaker French services survey the Italian, German and Euro zone surveys were marginally stronger than forecast.

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

- On Monday; **German industrial production, trade balance and C/A,**
- On Thursday; **German CPI and ECB minutes, and**
- On Friday; **German WPI and Euro zone industrial production.**

There are several key data releases due but our focus is the ECB minutes to see if there are further comments about easing policy.

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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor in concert with Eurodollars and Short sterling sold off on a stronger US non-farm payroll report as traders fretted it could change the Fed's view on policy.

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

...“Looking ahead all eyes on the various Euro zone PMI surveys”...

In the event a mixed bag; mainly weaker manufacturing PMI's, mostly better Services surveys.

Looking ahead several key data releases due, but our focus is the ECB minutes; seeking further clues on their thoughts of easing and restarting QE.

We are staying square.

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EURO ZONE MARKETS: The Bund

OUR TRADING STANCE: BULLISH.

Last week we were Bullish of The Bund.



The Bund suffered the same fate as the US 10 year Note ad UK Gilt; a hit from a stronger looking US non-farm payroll report.

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

...“Looking ahead the various Euro zone PMI surveys are due and likely to reveal yet more German economic cooling”...

In the event the surveys were a mixed bag and even where they were better than consensus the margin was minimal. The German factory orders report was much weaker than expected.

Looking ahead the ECB minutes are due and may

provide further insight to the ECB's thinking on easing policy, but both German and Euro zone Industrial production are due and they should prove more informative; weakness would send the Bund higher.

We remain bullish of the Bund. Our suggested target of 173.65 was met.

Our suggested target is now set at 174.25 and our suggested stop raised to 172.75 for yet closer protection of profits.

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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were Square



The Euro weakened against the Dollar but flat lined against Sterling.

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

...“Looking ahead the various Euro zone PMI surveys are due, but we judge currencies will be driven as follows: Dollar/Euro by the US non-farm payroll report and what that means for US interest rates and in Sterling/ Euro by the UK Tory party leadership election campaign and what that means for “BREXIT””...

In the event that was more or less how it worked out, but mixed to weak Euro zone data left Sterling Euro

broadly unchanged.

Looking ahead the FOMC minutes and ECB minutes are due, together with the Fed's Powell's testimony in Congress, we judge that should be the main dynamic this week.

We are staying square. The trade talks between the US and China are apparently unlocked; that remains to be seen, and “BREXIT” cannot be concluded one way or another until the UK has a new PM, probably not until the end of July.

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EURO ZONE MARKETS: DJ Euro Stoxx 50

OUR TRADING STANCE: SQUARE.

Last week we were Square



See how the market retraced, but still looks bullish.

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

...“Looking ahead there are key data releases in the Euro zone, US and UK, but we judge equity markets generally will receive at least a short term boost from Trump’s G20/Xi tweet, there after deeds need to match words!”...

In the event the under lying direction looks set, but stronger non-farm payroll took traders by surprise

causing the market to retrace. However look deeper and the under lying trend over June and July looks potentially weaker.

Looking ahead the German and Euro zone Industrial production reports are due, weakness will see the market rally as traders bet the ECB will ease policy and restart QE.

We are staying square for now.

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+ 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 key data releases were the Tanka and PMI surveys, of these the main event is the Tankan survey

In the event the Tankan offered mixed signals;

- Large manufacturing index was weaker,
- Large non-manufacturing index was stronger, and
- Large all industry CAPEX was weaker.

The PMI surveys too offered mixed signals. The manufacturing version was weaker than consensus, where as the Services version was stronger.

On balance traders have to contend with an economy throwing out mixed messages.

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; **Trade balance, C/A, Machine orders, Bank lending, bankruptcies, Eco watchers and labour cash earnings,**
- On Tuesday; **Machine tool orders and domestic corporate goods prices,**
- On Wednesday; **Tokyo average office vacancies,**
- On Thursday; **Tertiary industry index, and**
- On Friday; **industrial production and capacity utilisation.**

There is a whole raft of data due this week, our focus is industrial production and capacity utilisation, but we judge global markets will also be affected by the release of US FOMC minutes and Powell's twin testimonies in Congress.

More



JAPANESE MARKETS: Japanese Bonds

OUR TRADING STANCE: SQUARE.

Last week we were Square of Japanese Bonds.

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The JGB bounced on domestic data ignoring US non-farm payroll unlike other leading bond markets.

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

...“Looking ahead the Tankan report and both PMI surveys are due. Traders will be eager to learn of the under lying health of the economy”...

In the event the Tankan and PMI surveys were mixed. Add in weaker than expected consumer confidence and the JGB extended the recovery from the recent

lows.

Looking ahead industrial production together with several other key data releases are due, will it be more mixed signals or will a clearer picture emerge.

We are staying square here preferring the US 10year Note and Euro Bund.

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JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen weakened as the Dollar drew support from a stronger than expected US non-farm payroll report.

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

...“Looking ahead the Tankan report stands out. Will it be an up beat or down beat economic assessment?”...

In the event the report was mixed and that was accompanied by a mixed set of PMI surveys, backed up by weaker than expected consumer confidence.

Looking ahead the industrial production report is due,

but with Fed Chairman Powell testifying in the House and Senate this week and the FOMC minutes due for release, we judge Dollar Yen will be driven mainly by non domestic events.

We are remaining square.

The US non-farm payroll number looked strong but the two month average, taking downward revisions into account looked less so.

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Disclaimer

JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were **Bullish** of the Nikkei.



The Nikkei rallied last week, but after the mixed signals from data we are now square.

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

...“Looking ahead the Tankan survey and two PMI surveys are due, any Signs the economy is gaining momentum, together with the restarting of US/China trade talks would send this market higher”...

In the event data was mixed to weaker and the

resumption of the trade talks has yet to bear any fruit, that's if they ever do.

Looking ahead the key data release is industrial production, but traders have interpreted Friday's US non-farm payroll report as a potential block on the Fed easing, we don't agree.

We are now square.

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COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold has entered a period of volatility.

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

...“Looking ahead several key data releases due globally, but traders will be focussed on the trade talks and if they actually regain momentum”...

In the event data has been less than clear cut. Even the US non-farm payroll report shouldn't be taken at face value. If next months number falls short of consensus then there will be evidence the labour market has cooled, because the average for June and July together with downward revisions makes the number look much weaker than the headline.

Looking ahead the US FOMC minutes are due, and traders will be seeking further clues on policy. Also Powell makes two testimonies in Congress and any remarks he makes on policy will include last week's run of data.

We are square for now.

The trade talks could yet stall once more, we judge China is reluctant to agree to US terms and Trump's view is the US has been taken for a ride by its partners for too long.

A strong dose of clarity is required.

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Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: SQUARE

Last week we were Square of Oil.



See how oil's rally looks vulnerable.

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

...“Looking ahead several key data releases globally with the US non-farm payroll report the main event”...

In the event data globally was fairly mixed and supported the view that global trade frictions continue to negatively impact global economic growth with question marks hanging over the US and Euro zone economies.

Looking ahead the FOMC minutes and the twin

testimonies of the Fed's Powell stand out and given the recent agreement between OPEC/Saudi Arabia and Russia to extend their production cut for a further 6 to 9 months we judge this market looks vulnerable to the downside, but where is the trigger to start the sell off?

We are now square.

What drags oil back is continued trade frictions. Even if the US and China were back on track, trade deals take time to agree and ratify. Much damage to the global economy has already been done and demand lost, so a strong rally in oil still looks doubtful.

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