



Week 29
16th – 22nd July 2019

Summary

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

Disclaimer



Multi-asset fundamental strategies

John Lewis

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● SQUARE
● BULLISH
● SQUARE
● BULLISH

UK Markets

+ SHORT STERLING
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+ FTSE

● SQUARE
● SQUARE
● SQUARE
● SQUARE

Euro Zone Markets

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● SQUARE
● SQUARE
● SQUARE
● SQUARE

Japanese Markets

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● SQUARE
● SQUARE
● SQUARE

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● SQUARE
● BEARISH

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This week's global calendar

	Week of 15 th July		Week of 15 th July
Monday	US Empire mfg 1.0 UK Right move HPI n/f	Thursday	US Jobless claims 216k US Philly Fed 5.0 UK Retail sales -0.3m, 2.6y JP National CPI 0.7y
Tuesday	US Retail sales 0.1m, US Retail sales Ex-Autos 0.1m US Import prices -0.7m, -2.1y US Ind production 0.2% UA Capacity utilisation 78.2% US Business invntry 0.4% US NAHB Housing mkt indx 64 UK Average earngs 3.1% UK AE Ex-Bonus 3.5% UK Unemplm't chge 18.9k UK Uemployment rate 3.1% UK ILO Rate 3.8% DM ZEW -22.1 EZ Trade bal n/f		
Wednesday	US Mtge apps n/f US Building permits 1300k US Housing starts 1262k US Fed's Beige book UK CPI 0.3m, 2.0y UK PPI Input -1.0m, 0.8y UK PPI Output 0.1m, 1.7y UK Core PPI 0.1m, 1.7y UK RPI 0.1m, 2.9y UK RPI-X 2.9y UK House price indx 1.2% EZ CPI 0.1m, 1.2y EZ Construct'n output n/f JP Trade bal Y420.0B	Friday	US U. of Michigan Sentiment 98.6 UK PSNCR n/f UK PSNB 3.40B DM PPI -0.1m, 1.4y DM WPI n/f EZ C/A 21.2B JP All industry actvty indx 0.3%

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Last week's releases

	Week of 8 th July		Week of 8 th July
Monday	US Consumer credit \$17.086B STRONGER UK BRC Sales -1.6y WEAKER DM Ind production 0.3m, -3.7y WEAKER DM Trade bal 18.7B STRONGER DM C/A 16.5B STRONGER JP C/A Y1594.8B STRONGER JP Trade bal -Y650.9B BETTER JP Machine orders -7.8m, -3.7y WEAKER JP Bk Indg 2.3% LESS JP Bankruptcies 6.37% WORSE JP Eco watchers 44.0 BETTER THAN EXPECTED	Thursday	US Jobless claims 209k BETTER US CPI 0.1m, 1.6y MORE US CPI Ex-F&E 0.3m, 2.1y STRONGER US Fed's Powell testifies @ senate US Monthly budget statem't -\$8.5B BETTER DM CPI 0.3m, 1.6y AS EZ ECB minutes June 5-6 JP Tertiary ind inx -0.2% WEAKER THAN EXPECTED
Tuesday	US NFIB Sml bus optimism 103.3 BETTER JP Machine tool orders -38.0 WORSE JP Dmstic corp gds prcs -0.5m, 0.1y WEAKER THAN EXPECTED	Friday	US PPI 0.1m, 1.7y MORE US PPI Ex-F&E 0.3m, 2.3y STRONGER DM WPI 0.5m, 0.3y WEAKER EZ Ind production 0.9m, -0.5y STRONGER JP Ind production 2.0m, 2.1y LESS JP Capacity utilisation 1.7% LESS THAN EXPECTED
Wednesday	US MBA Mrtge apps -2.4% WEAKER US Fed's Powell testifies @ House DOVISH US Whholesale Invntry 0.4% AS US FOMC Minutes UK Monthly GDP 0.3m/m AS UK Ind production 1.4m, 0.9y WEAKER UK Mfg output 1.4m, 0.0y WORSE UK Construct'n output 0.6m, 1.7y STRONGER UK Indx of srvc 0.0m, 0.3(3m.3m) LESS UK Trade bal -£11.520B BETTER UK Non-EU Trade -£4.905B WORSE UK RICS HPB -1.0% STRONGER THAN EXPECTED		

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US MARKETS: economic background

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Last week's focus was the FOMC minutes and Powell's twin testimony in Congress.

In the event the FOMC minutes revealed that some policy makers wanted to ease policy at that meeting. Generally the risks posed to the economy by global trade tensions and subdued inflation were factors mentioned that make a near term rate cut look highly likely.

Then Powell's twin testimony in Congress cemented the view that at the very least one rate cut was in the pipe line.

Data wise both CPI and PPI came in a little stronger 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; **Empire manufacturing,**
- On Tuesday; **Retail sales, import prices, industrial production, capacity utilisation, business inventories and NAHB Housing market index,**
- On Wednesday; **building permits, housing starts and Fed's Beige book,**
- On Thursday; **Jobless claims and Philly Fed, and**
- On Friday; **University of Michigan sentiment.**

The calendar is once again packed with data.

The key events are retail sales and industrial production.

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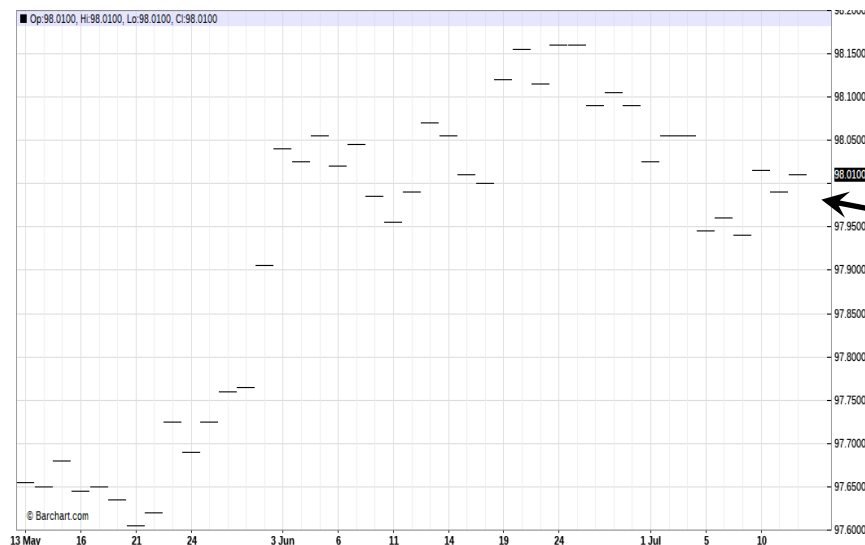
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US MARKETS: Eurodollars

OUR TRADING STANCE: SQUARE.

Last week we were Square of Eurodollars.



Eurodollars drifted lower as PPI and CPI came in a little stronger.

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

...“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”...

In the event the FOMC minutes and Powell's testimony confirmed to us that the Fed is set to ease, most likely

at their up coming meeting.

Looking ahead retail sales and industrial production stand out. Both are good indicators of the underlying health of the economy. But crucially the Fed is focussed on the damage external uncertainties caused by trade friction can cause the economy.

We are staying square for now, still preferring bonds.

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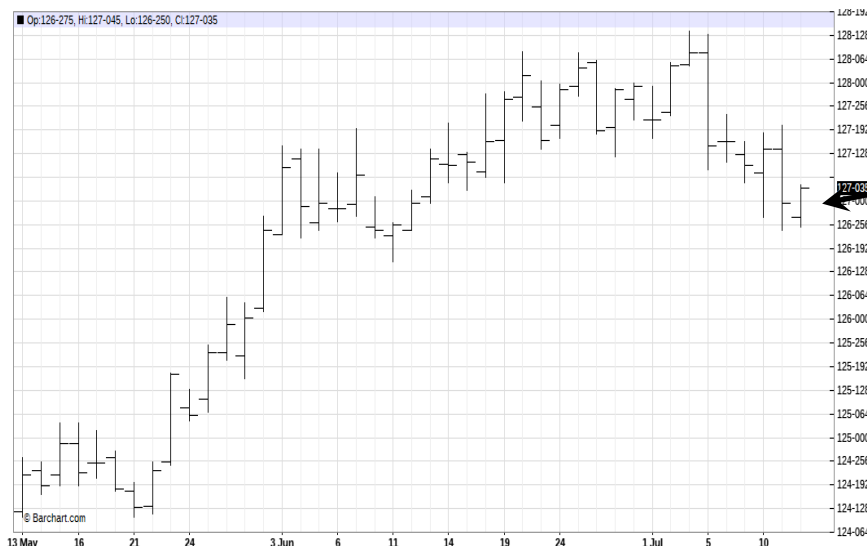
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US MARKETS: 10 Year Note

OUR TRADING STANCE: BULLISH.

Last week we were **Bullish** of the 10 year note.



The 10 year note corrected last week despite the expectation of a Fed rate cut.

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

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

In the event the market was still responding to the previous week's stronger than expected non-farm payroll report and last week's firmer CPI and PPI which traders judged might delay the Fed's rate cut.

Looking ahead retail sales and industrial production are due, any signs of weakness will see this market push higher.

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, and although or stop was just hit we remain Bullish.

Our suggested target continues at 128.16 and our suggested stop is reset at 126.16 for protection. If hit the market could correct lower still.

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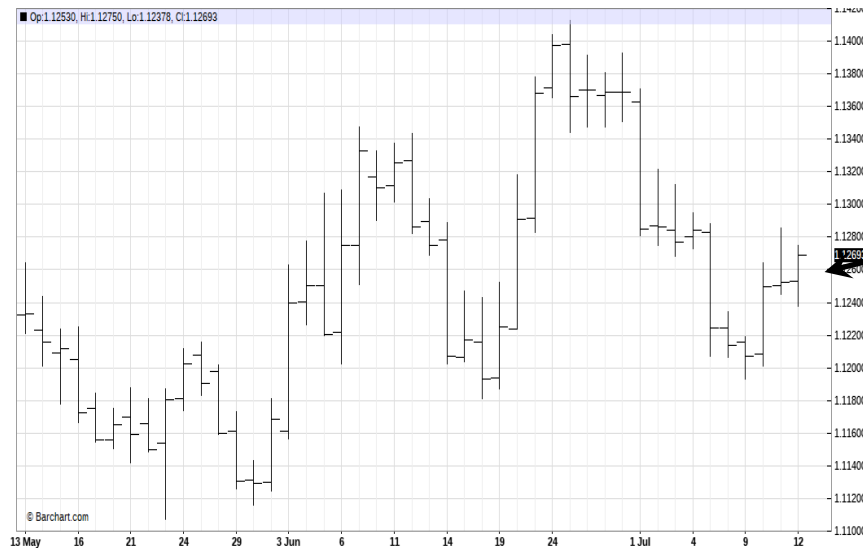
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US MARKETS: US Dollar

OUR TRADING STANCE: SQUARE

Last week we were Square



The Dollar remains in a clearly defined trading range.

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

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

In the event firmer CPI and PPI together with dovish FOMC minutes and testimony from Powell left the Dollar in a trading range.

Looking ahead retail sales and industrial production due, but we don't see the Dollar escaping the trading range.

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: BULLISH

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



The S&P remains well supported with rate cuts the focus..

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

..."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"...

In the event the FOMC minutes and Powell confirmed the Fed is on course to ease and although CPI and PPI were stronger than expected, the Fed is looking at

outside influences that could derail the economy.

Looking ahead the retail sales and industrial production reports are due, but traders are tuned into the Fed.

We are now Bullish the S&P.

Our suggested target is 3035.0 and our suggested stop is set at 2960.0 for protection.

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Commodities

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Disclaimer

UK MARKETS: economic background

Last week's focus was industrial production and manufacturing output.

In the event the numbers were weaker than expected, once again highlighting the fact that previous strength was "BREXIT" related inventory building.

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**,

- On Tuesday; **Average earnings, and unemployment report**,
- On Wednesday: **CPI, PPI, RPI and house price index**,
- On Thursday; **Retail sales, and**
- On Friday; **PSNCR and PSNB**.

The key releases this week are the unemployment report and retail sales, of these the main event is retail sales.



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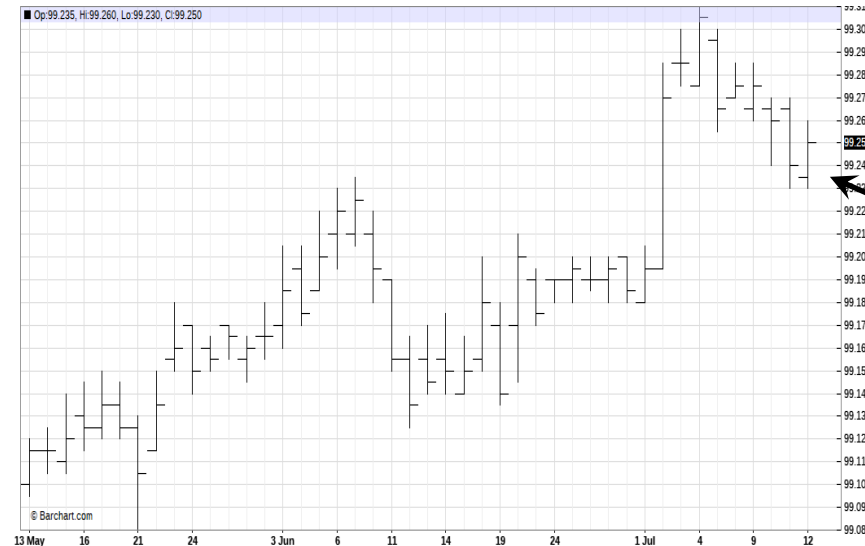
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UK MARKETS: Short Sterling

OUR TRADING STANCE: SQUARE.

Last week we were Square of Short Sterling.



Short Sterling retraced last week despite weak data and the realisation that no deal “BREXIT” would be a strong recession risk requiring the Bank of England to ease policy.

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

...“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”...

In the event that was the result; weak industrial production and manufacturing output confirmed

“BREXIT” related stock building is over.

Looking ahead all eyes on retail sales , but a soft report is expected.

We remain square.

The Bank of England has awoken to the reality of a hard “BREXIT” meaning rates would have to be cut! But when? A deal or no-deal will determine their response.

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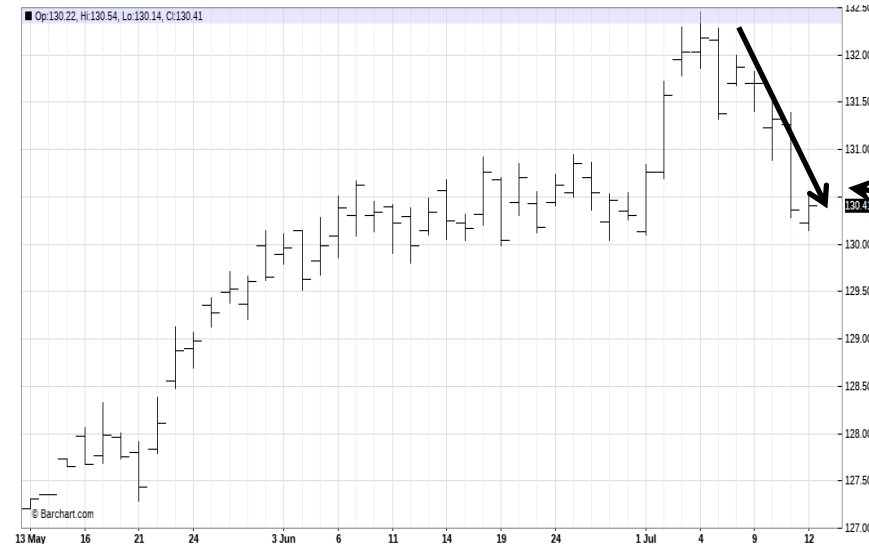
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UK MARKETS: Gilt

OUR TRADING STANCE: SQUARE.

Last week we were Square.



See how the Gilt's rally reversed last week, but is it a correction or something worse.

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

...“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”...

In the event the industrial production and manufacturing output reports were weaker than expected, but with the Tory party leadership campaign drawing to a close and the two hopefuls promising all

kinds of extra spending and tax cuts investors are potentially becoming nervous.

Looking ahead the Unemployment and retail sales reports are due, but we sense they will have limited impact against the back drop of the campaign to be the next Tory party leader and thus PM!

We are square.

There is still too much political and economic uncertainty.

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Commodities

- + GOLD
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Disclaimer

UK MARKETS: Sterling

OUR TRADING STANCE: SQUARE

Last week we were Square



The Pound is hostage to
"BREXIT" no one knows how it
will end.

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

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...

In the event data in the US was a little firmer, in the UK weaker, in both countries rate cuts are looming, but the

Pound is trapped by the uncertainty of "BREXIT".

Looking ahead the unemployment and retail sales reports are due, but we judge the Pound is "driven" by politics centred on "BREXIT".

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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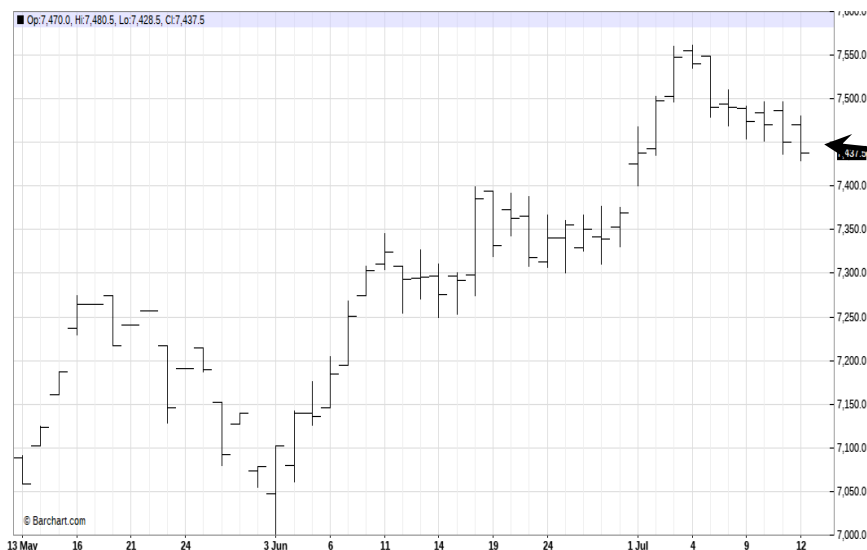
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UK MARKETS: FTSE

OUR TRADING STANCE: SQUARE.

Last week we were Square.



The FTSE drifted lower last week, but is most likely a correction.

The Macro Trader's view of the FTSE is; last week's price action was driven by a mix of weaker data and "BREXIT" uncertainty heightened by the Conservative part leadership election campaign drawing towards a close with both candidates having made various tax cut and spending commitments without explaining where the funds will come from.

Looking ahead the key releases this week are the unemployment report and retail sales, but with trade

tensions no where near resolved and diplomatic email leaks continuing to strain the UK/US relationship this market needs a new reason to rally.

We are staying square for now.

The FTSE has to contend with both external and internal factors and we judge uncertainty still to great for any clarity.

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EURO ZONE MARKETS: economic background

Last week's focus was the ECB minutes to see if there were further comments about easing policy.

In the event the ECB minutes revealed policy makers were ready and prepared to unleash new stimulus measures due to heightened uncertainties over the ECB's economy. Their discussions covered cutting rates and restarting asset purchases.

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 Tuesday; **German ZEW survey and Euro**

zone trade balance,

On Wednesday; **Euro zone CPI and construction output, and**

On Friday; **German PPI, WPI and Euro zone C/A.**

The two key releases this week are Euro zone CPI and German PPI.

Both reports should confirm just how weak the Euro zone's inflation is and that the ECB can act by easing policy.



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EURO ZONE MARKETS: Euribor

OUR TRADING STANCE: SQUARE.

Last week we were Square of Euribor.



Euribor remains supported just below the recent highs.

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

...“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”...

In the event the minutes clearly revealed the concerns of policy makers regarding the risks to the economy due to a range of uncertainties, mainly derived from

Trump's trade policies which already include a US/China trade war and various threats of tariffs on a range of Euro zone exports, especially autos.

Looking ahead Euro zone CPI and German PPI are due, they are sure to indicate just how weak Euro zone inflation is.

We are staying square, focussing on the Bund.

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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 last week despite a bullish set of ECB minutes.

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

...“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”...

In the event German industrial production was weaker,

Euro zone industrial production was stronger, but the Bund sold off despite Bullish ECB minutes indicating the ECB is ready and willing to ease further.

Looking ahead Euro zone CPI and German PPI are due, they are likely to indicate weakness, but the Bund suddenly looks fragile.

We are square after our stop was hit.

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EURO ZONE MARKETS: The Euro

OUR TRADING STANCE: SQUARE

Last week we were Square



The Euro remains in a trading range against the Dollar and unable to benefit from the uncertainty caused by "BREXIT".

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

...“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”...

In the event both the Fed and ECB are moving towards easing, Given the Euro zone economy is slowing and the Fed fears the US will be weakened by external factors, currencies are lacking a dynamic capable of breaking the long standing trading patterns.

Looking ahead Euro zone CPI and German PPI are due, but cannot see any change to the established trading patterns.

We are staying square. The trade talks between the US and China are apparently unlocked, but there has been no new news on how they are progressing, and “BREXIT” cannot be concluded one way or another until the UK has a new PM, probably not until the end of July and we don’t really know what their plan to move “BREXIT” forward might be.

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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 despite ECB remarks about easing.

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

...“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”...

In the event mixed news; German industrial production was weaker, Euro zone industrial production stronger,

but as the German economy is the Euro zones largest and growth engine what goes on there is of the greatest significance.

Looking ahead Euro zone CPI and German PPI are due, they are likely to confirm weak inflation and ultimately prompt the ECB to ease.

We are staying square for now.

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Disclaimer

JAPANESE MARKETS: economic background

Last week there was a whole raft of data due, our focus was industrial production and capacity utilisation, but we judged global markets would also be affected by the release of US FOMC minutes and Powell's twin testimonies in Congress.

In the event both industrial production and capacity utilisation fell short of consensus, and other data releases weren't much better.

The FOMC minutes and Powell confirmed the Fed is on track to ease policy in response to Trump's trade policies that have started a trade war with China and the EU is in his sights; economic vandalism!

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 Wednesday; **Trade balance**,
- On Thursday; **National CPI**, and
- On Friday; **All industry activity index**.

The main event this week is National CPI.

At an expected 0.7% year on year, it is still a long way from the 2.0% target. The Fed and ECB are setting the scene to ease due to weak inflation, amongst other concerns, what will the Bank of Japan do if it is yet another weak report?.



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: SQUARE.

Last week we were Square of Japanese Bonds.



The JGB corrected along with other government bond markets.

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

...“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”...

In the event industrial production fell short of consensus and other data was no better.

Looking ahead the key release this week in a very light calendar is National CPI.

We are staying square here preferring the US 10year Note and Euro Bund. Data comes in weak and the market corrects lower?

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Commodities

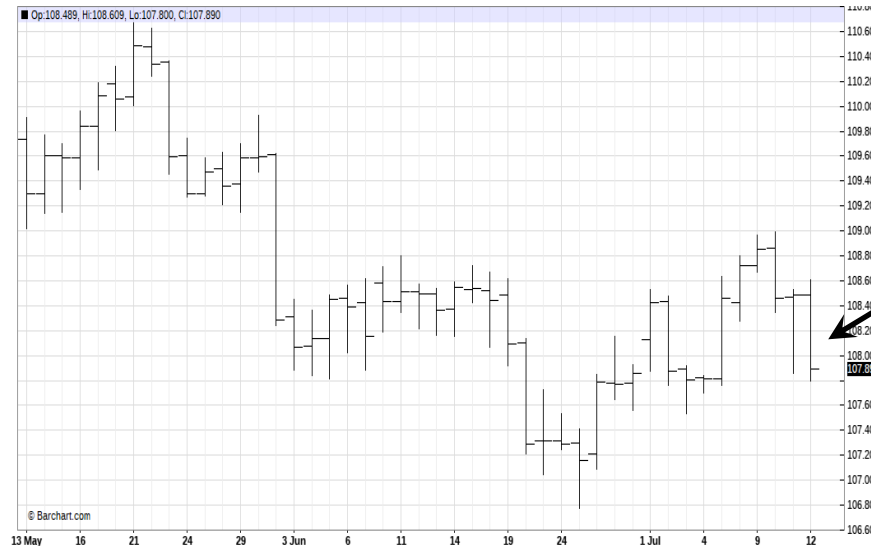
- + GOLD
- + OIL

Disclaimer

JAPANESE MARKETS: Yen

OUR TRADING STANCE: SQUARE

Last week we were Square



The Yen seems to have lost its way.

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

...“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”...

The industrial production report fell short of consensus, but with the Fed setting the stage for easier policy, the

Yen strengthened, but within what is starting to look like yet another trading range.

Looking ahead the National CPI report is due. The expectation is another very soft report.

We are remaining square.

The US Fed is set to ease, what will the Bank of Japan do?

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- + OIL

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JAPANESE MARKETS: Nikkei

OUR TRADING STANCE: SQUARE

Last week we were Square of the Nikkei.



The Nikkei remains well supported just below the highs.

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

...“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”...

In the event industrial production fell short of

expectations and the FOMC minutes and Powell's twin testimonies did nothing to suggest anything other than the Fed is set to ease.

Looking ahead National CPI is due, but even if yet another weak report will the Bank of Japan respond, and what with?

We are square.

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Commodities

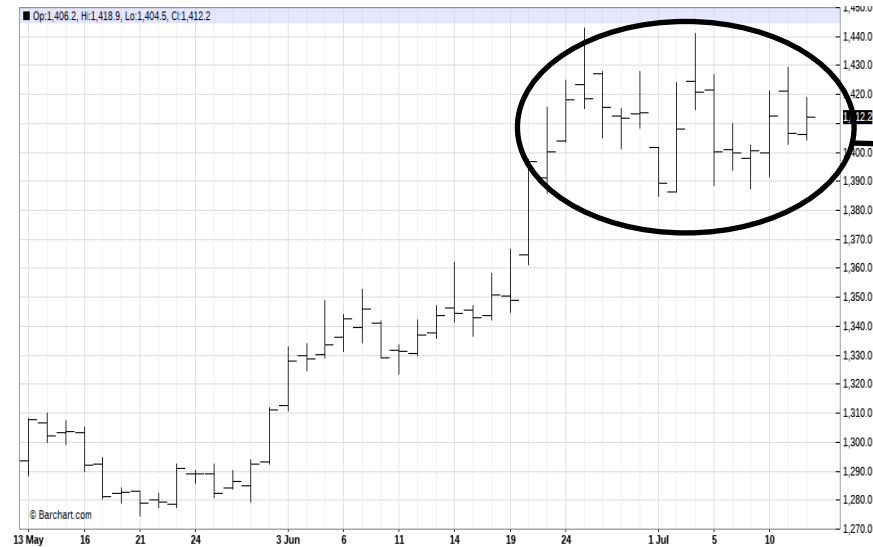
- + GOLD
- + OIL

Disclaimer

COMMODITIES: Gold

OUR TRADING STANCE: SQUARE

Last week we were Square of Gold.



See how Gold has lost momentum as the US/China trade talks are back on.

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

...“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...

In the event Powell's remarks were dovish and the stage is set for a rate cut, additionally the US and China have resumed the trade talks.

Looking ahead the key releases this week are US retail

sales and industrial production, but the Fed is focussed on the damage the Trump induced trade war is likely to do to the US economy.

We are square.

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. While the talking continues the Dollar remains range bound and gold has for now, lost direction.

A strong dose of clarity is required.

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Disclaimer

COMMODITIES: Oil

OUR TRADING STANCE: **BEARISH**

Last week we were Square of Oil.



See how oil extended the rally on tensions in and around the Gulf and the seizure in Gibraltar of an Iranian tanker suspected of shipping oil to Syria.

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

...“Looking ahead the FOMC minutes and the twin testimonies of the Fed's Powell stand out and given the resent 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?”...

In the event Powell made his concerns clear during testimony in Congress, the ECB too is worried about the Euro zone's slow down, the UK economy is looking shaky too, add in recent approaches from Iran to the

UK that they don't want to escalate the tensions surrounding the seized tanker and oil's rally looks more like a correction than a new Bull run.

Looking ahead retail sales and industrial production due in the US, clearly signs of renewed economic strength in the US and global economy would support oil, but while the trade war continues that isn't going to happen.

We are now Bearish of oil.

Our suggested target is 56.00 and our suggested stop is set at 62.50 for protection.

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Commodities

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- + OIL

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SEVEN DAYS AHEAD

Authorised and Regulated by the FSA

124 REGENTS PARK ROAD LONDON NW18XL

TEL +44 (0) 7849 922573 E-MAIL jlewis@sevendaysahead.com,

msturdy@sevendaysahead.com

WEB SITE SEVENDAYS Ahead.COM

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