

The Day So Far

This morning's price action has been mainly driven by a hang over from yesterday's moves that saw yet another large step lower for the commodity complex. Crude oil was the leader with a further fall out from Friday's OPEC meeting and a very important test of the August low at \$37.75. Officially yesterday's low at \$37.50 was a new near 7 year low. Industrial metals also took a pummelling resulting in the broader commodity index plumbing new 16 year lows.

The commodity moves carry ramifications for all other assets. This morning Anglo American announced they are suspending their dividend for 2 years resulting in their share price plunging 8% to a new record low and now a staggering 90% off its 2011 highs. This move dragged Glencore down 8% and BHP Billiton down 5% respectively. This has meant the FTSE 100 is underperforming, but the global equity space is lower across the board as a result. There is bad news on the demand side as well with Chinese trade data being announced overnight. Exports dropped for a 5th month in a row, import numbers were slight better than expected but still showing decent sized contractions compared to 2014.

The commodity price drop also has a strong effect on long duration bonds with yields dipping as medium term inflation expectations drop. Oil prices going even lower and the prospect of prices remaining well below \$50 into 2016 means the global disinflation environment is here to stay and this puts down side pressure on T-Notes yields and therefore upside pressure on prices. However there is a counter force to this for US bonds as we are now just 9 days away from the Fed's rate hike.

The Afternoon View

For the US session we are looking for short entries across all four assets in this report. The S&P was particularly resilient to the oil price drop yesterday with a sharp bounce into the close last night. But we expect the imminent Fed rate hike plus the new multi-year low for crude prices to drive the index lower today. For EURUSD we expect some dollar strength to drive another small pull back from the ECB fuelled giant spike higher last Thursday. For T-Notes we think the oil inspired rally yesterday will hit the rate hike headwind and pull back lower. For Crude oil we are more cautious as the Aug 2015 low at \$37.75 is a big technical support. For today we expect more of a consolidation day and look to go short on any bounce to the pivot.

Key Headlines

Market Sentiment: Bearish

- German Industrial Production grows in October 0.20% vs. Ex. 0.80%%
- Anglo American cancel dividends for 2 years that sends mining stocks sharply lower.
- Sources claim China are to announce a new policy to incentivise people living in rural areas to buy their first property in urban areas.

Major Data Releases

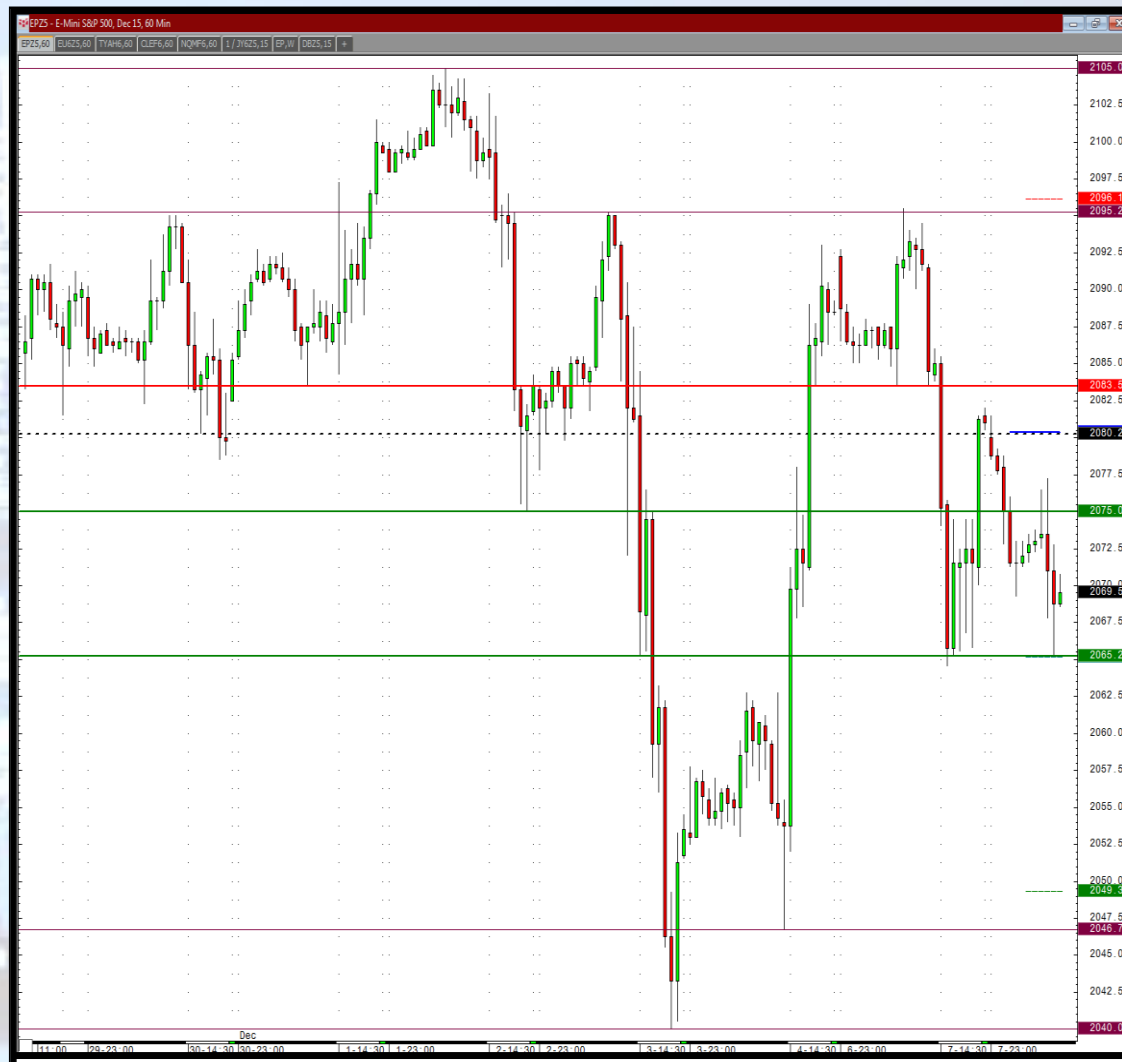
Data	Expected	Previous
Jolts Job Openings	5540	5526
IBD/TIPP Economic Sentiment	45	45.5

Strategy	Short
Entry	2080.25
1 st Target	2075.00
2 nd Target	2065.25
Stop	2083.50

Key Levels	Comments
2095.25	High of 3 rd
2083.50	AM Low of 7 th
2080.25	Pivot
2075.00	Low of 2 nd
2065.25	S1
2049.25	S2
2046.75	Low of 4 th

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Strategy	Short
Entry	1.0934
1 st Target	1.0886
2 nd Target	1.0842
Stop	1.0953

Key Levels	Comments
1.0984	High of 3 rd
1.0953	High of 4 th
1.0934	R2
1.0886	R1
1.0842	Pivot
1.0797	Low of 7 th

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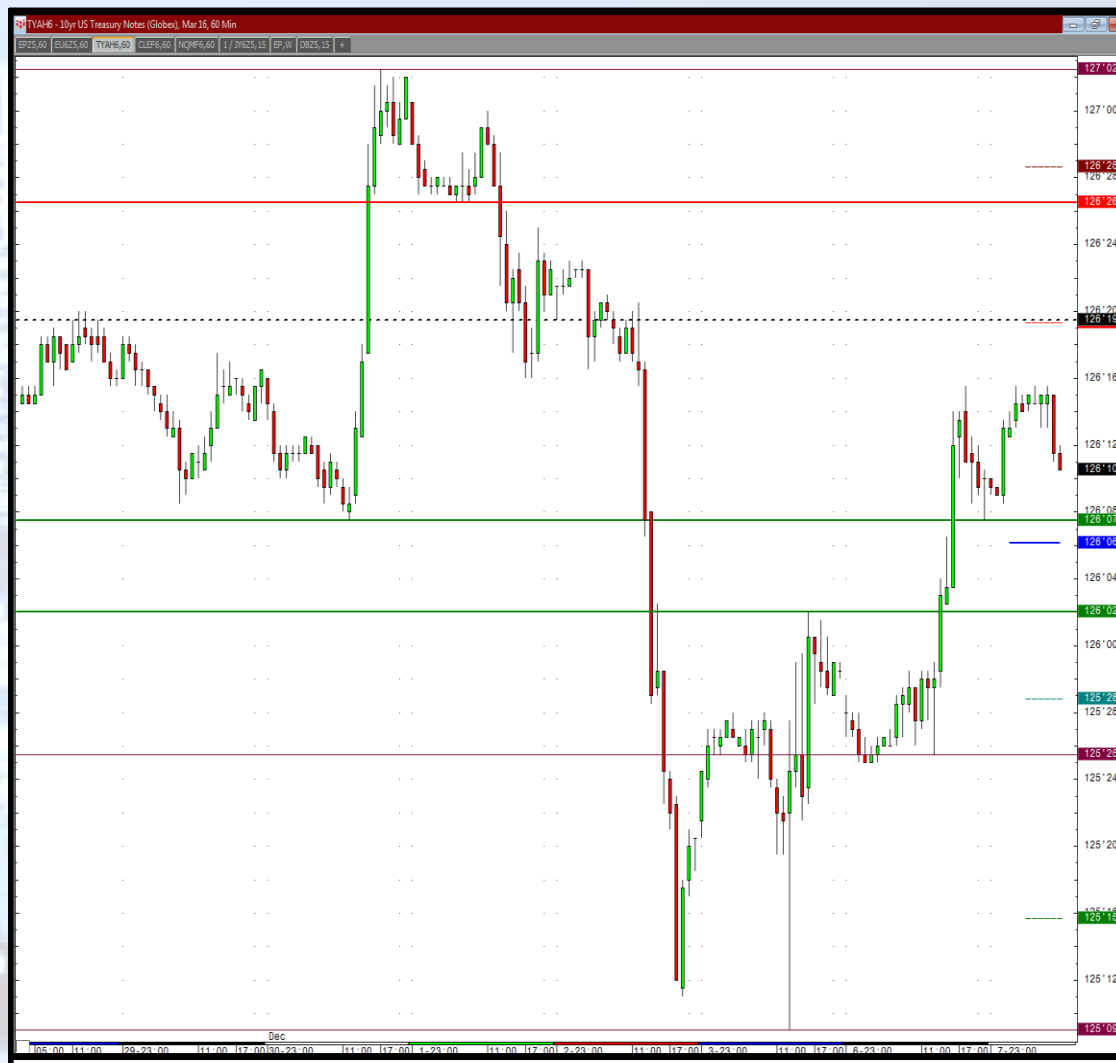


Strategy	Short
Entry	126.195
1 st Target	126.075
2 nd Target	126.020
Stop	126.265

Key Levels	Comments
127.025	High of December
126.285	R2
126.265	Support on 2 nd
126.195	R1
126.075	Low of 1 st
126.060	Pivot
126.020	High of 4 th

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Strategy	Short
Entry	38.43
1 st Target	38.04
2 nd Target	37.50
Stop	38.63

Key Levels	Comments
39.20	Low of 4 th
38.43	Pivot
38.04	Today's High
37.50	Yesterday's Low
36.70	S1

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Bill Norman

Senior Analyst

Email: bill.norman@amplifytrading.com

Vasilis Ntiskos

Senior Analyst

Email: vasilis.ntiskos@amplifytrading.com

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