

## The Day So Far

Positive start to the day, carrying on from the broadly positive Asian session as investors looked beyond another weak Chinese Manufacturing PMI to ensure December got off to a bullish start. The willingness of markets to shrug off the PMI data, where both the official reading and the private one came in at sub-50, suggests that the slowdown in the world 2<sup>nd</sup> largest economy to 7% GDP growth or slightly below, has largely been priced in and markets are looking ahead to the other main events later on this week. Elsewhere in emerging markets, the Indian manufacturing PMI in November reached its lowest level since 2013; this is certainly more of a worry in terms of global growth, particularly given how strongly the Indian economy has performed on a relative basis since the commodity super cycle came to an end in 2011. Brazil also delivered some unwelcome news this morning, its economy contracting for a third straight quarter for the first time to records began in the mid-1990s. There was better news in Europe as the region's unemployment rate ticked to its lowest level in three years and the region-wide Manufacturing PMI came in inline with expectations of 52.8 for November. The dollar has given back some of yesterday's gains as investors position ahead of the key US data later today and in the week, while equities remain stuck in tight ranges, lacking a catalyst to break higher and lower at this point. We expect these ranges to hold until the ECB meeting on Thursday.

## The Afternoon View

Particular attention should be paid to the ISM Manufacturing Survey at 15:00 BST, the highlight of an afternoon calendar which also includes Construction Spending and the US Manufacturing PMI. We have seen nothing to change our bearish bias across all four products few cover, the topside of the range in S&P between 2092-2094 a solid entry point and our 2<sup>nd</sup> target of 2077.50 has been a good area of support in recent weeks. For the Euro, short R2 if we get a 2<sup>nd</sup> test of the level, the 2<sup>nd</sup> target of the low of the day implies that we do not anticipate a major break of the lows in that currency pair pre-Draghi. We are short crude too, looking for the low of yesterday and today of \$41.30 to be broken ahead of tonight's API release. Please note that equities and fixed income appear to be slightly positively correlated, negating the traditional risk-on/risk-off correlation we are so used to seeing. This is in anticipation of further stimulus from the ECB and is likely to remain the case in the run-up to and immediately after the meeting, whether Draghi delivers or disappoints.

## Key Headlines

### Market Sentiment: Neutral-bearish

- Chinese Manufacturing PMI remains in contractionary territory
- Brazilian contracts for 3<sup>rd</sup> quarter in a row for the first time since the mid-1990s
- Eurozone unemployment hits lowest level in three years

## Major Data Releases

Data	Expected	Previous
US Manufacturing PMI (Nov)	52.6	52.6
Construction Spending (Oct)	0.60%	0.60%
ISM Manufacturing (Nov)	50.5	50.5
ISM Prices Paid	40	39

Strategy	Short
Entry	2094.00
1 <sup>st</sup> Target	2082.25
2 <sup>nd</sup> Target	2077.50
Stop	2098.25

Key Levels	Comments
2098.25	High of 26 <sup>th</sup>
2094.00	R1
2086.25	Pivot
2082.25	Low of 29 <sup>th</sup>
2077.50	S1

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Strategy	Short
Entry	1.0614
1 <sup>st</sup> Target	1.0576
2 <sup>nd</sup> Target	1.0560
1.0630	1.0626

Key Levels	Comments
1.0630	Resistance on 25 <sup>th</sup>
1.0614	R2
1.0591	R1
1.0576	Pivot
1.0560	Yesterday's Low

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# US 10yr T-Notes (Dec'15) Futures: 1<sup>st</sup> December 2015

Strategy	Short
Entry	126.200
1 <sup>st</sup> Target	126.145
2 <sup>nd</sup> Target	126.085
Stop	126.245

Key Levels	Comments
126.245	R2
126.205	R1
126.200	Double Top
126.145	Pivot
126.105	S1
126.085	Today's Low
126.045	S2

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Strategy	Short
Entry	42.36
1 <sup>st</sup> Target	41.50
2 <sup>nd</sup> Target	41.00
Stop	42.48

Key Levels	Comments
42.36	R1
41.93	Pivot
41.50	Low of 29 <sup>th</sup>
41.25	S1
41.00	Handle Support
40.82	S2

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