

## The Day So Far

Equities stuck a bullish tone this morning as investors continue to pore over Friday's weak NonFarm Payrolls data. Initially, equities headed lower as fears that the global slowdown had begun to reach the US were finally founded, the weak August print revised lower to show two consecutive months of sub-150k jobs growth for the first time since Q4 2013. So much for 'escape velocity'; in 2014 jobs growth averaged 260k whereas so far this year the average has slipped to 198k. Average hourly earnings were flat and the labour force participation rate has continued to decline. The S&P predictably headed lower by 30 points in the 5 minutes following the release, below 1900 handle, but what happened thereafter defied logic as it rallied right through to the US close to end the day some 15 points above the pre-NFP level and up 1.40% on the day in cash terms.

There are two possible explanations for this: firstly, that this was merely a 'blip' in an otherwise solid jobs market and should be revised higher in the coming months. Secondly, the 'bad is good' trade is back, ie. Traders are already looking ahead to the Fed's dovish reaction to this, postponing the rate hike and maybe even embarking on QE4. Of the two theories, I'd say the 2<sup>nd</sup> one is more plausible than the first, in the short-term equities should rally on dovish central bankers, as they have done through the post-financial crisis world. However, with the global economy clearly now showing signs of real weakness and earnings season around the corner, this is not a sustainable rally in the current economic backdrop. The issue for the bears is that although fundamentals are not pointing to a big rally in equities; the issue for the bears is that we are now heading for what has seasonally been a bullish period for stocks so there is room for more upside in the short-term, certainly at least until the Bank of Japan and the European Central Bank policy meetings later on this week.

## The Afternoon View

Typically quiet post-NFP calendar for today, with just the Services PMI at 14:45 BST and the ISM Non-manufacturing composite 15 minutes afterwards. We are respecting the massive rally in equities on Friday and looking for further upside today. Medium-term bearish, but short-term bullish. We are long the euro, long t notes as markets for now hope Friday's data forces a very dovish about-turn from the Fed.

## Key Headlines

### Market Sentiment: Bullish

- UK Services PMI weakest on a quarterly basis since 2013
- UK entering Q4 growing at just 0.30%, according to Markit
- Portuguese Prime Minister Coelho wins re-election

## Major Data Releases

Data	Expected	View
Services PMI (Sept F)	No expectations	N/A
ISM Non-Manufacturing Composite (Sept M/M)	58	Inline

Strategy	Long
Entry	1929.50
1 <sup>st</sup> Target	1937.25
2 <sup>nd</sup> Target	1951.00
Stop	1923.25

Key Levels	Comments
1951.00	High of 25 <sup>th</sup>
1937.25	Support on 2 <sup>nd</sup>
1929.50	High of 1 <sup>st</sup>
1923.25	Pivot
1902.75	S1

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Strategy	Long
Entry	1.1238
1 <sup>st</sup> Target	1.1295
2 <sup>nd</sup> Target	1.1331
Stop	1.1227

Key Levels	Comments
1.1331	High of 2 <sup>nd</sup>
1.1314	R1
1.1295	High of 28 <sup>th</sup>
1.1238	Pivot
1.1227	High of 25 <sup>th</sup>
1.1162	Low of 2 <sup>nd</sup>



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Strategy	Long
Entry	129.010
1 <sup>st</sup> Target	129.150
2 <sup>nd</sup> Target	130.005
Stop	128.260

Key Levels	Comments
130.005	High of 2 <sup>nd</sup>
129.315	R1
129.150	Overnight high
129.095	Pivot
129.010	High of 1 <sup>st</sup>
128.260	Resistance on 2 <sup>nd</sup>
128.185	S1

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Strategy	Long
Entry	45.75
1 <sup>st</sup> Target	46.00
2 <sup>nd</sup> Target	46.32
Stop	45.59

Key Levels	Comments
46.32	R1
46.00	Handle Resistance
45.75	High of 2 <sup>nd</sup>
45.15	Pivot
44.68	Low of 30 <sup>th</sup>
44.48	S1



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