

The Day So Far

The S&P had its biggest sell-off in seven weeks yesterday as the plethora of afternoon Fed speakers were suitably hawkish so as to all but confirm that a first Fed rate hike since 2006 is on the cards in December. However, as equities sold off t notes rallied a touch on the correlated risk-off but also because doubts exist about whether this is 'one and then done' or the start of an interest rate normalisation. We are in the camp that this hiking 'cycle' will likely be very slow and unlikely to challenge even the previous lowest post-WWII hiking cycle of 2.40% given the fragility of the global economic outlook and persistently low inflation.

As expected, more crude carnage yesterday following the Department of Energy inventory data, closing below \$42 before rebounding mildly this morning. The International Energy Agency revealed in its monthly report today that global oil inventories breached new record levels, rising to near 3 billion barrels. The world is drowning in oil and we are staying bearish for now until there is evidence that at the very least the inventory pile-up is slowing.

Just to add to the bearish sentiment, UK Construction Output disappointed m/m (-0.20% vs. exp. 1.50%) and Eurozone economic growth slowed to 0.3% in the 3rd quarter, less than the 0.4% economists had been expecting.

The Afternoon View

Busy day for data US Retail Sales, which have disappointed this year in spite of generally healthy consumer sentiment, as well as the University of Michigan sentiment survey at 15:00 BST. We are short equities, euro and crude, continuing with our bias for the past week or so, but long t notes if risk-off develops and investors start to look beyond the December meeting and speculate on the likely trajectory of rates once the FOMC get the ball rolling in 4 and a half weeks' time.

Another important point to watch closely this afternoon is whether crude stays below the major \$42 today after the pit open. We saw yesterday how the break of that level immediately pulled equities with it, and if that level now works as resistance, we can reasonable expect further equity downside and will watch whether the August low can be breached in the coming weeks.

Key Headlines

Market Sentiment: Bearish

- Eurozone economic growth slows to 0.3% in Q3
- UK construction output falls 0.2% in September

Major Data Releases

Data	Expected	Previous
Retail Sales (Oct)	0.30%	0.10%
Retail Sales Ex Auto	0.40%	-0.30%
PPI Ex Food & Energy M/M	0.10%	-0.30%
Business Inventories (Sept M/M)	0.00%	0.00%
U. Of Michigan Sentiment	91.5	90

Strategy	Short
Entry	2052.50
1 st Target	2038.25
2 nd Target	2027.50
Stop	2057.50

Key Levels	Comments
2065.50	R1
2057.50	Resistance of 12 th
2052.50	Pivot
2038.25	Yesterday's Low
2027.50	S1



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Strategy	Short
Entry	1.0835
1 st Target	1.0782
2 nd Target	1.0729
Stop	1.0849

Key Levels	Comments
1.0869	R1
1.0849	Low of 3 rd
1.0835	Yesterday's High
1.0782	Pivot
1.0729	S1
1.0695	Yesterday's Low



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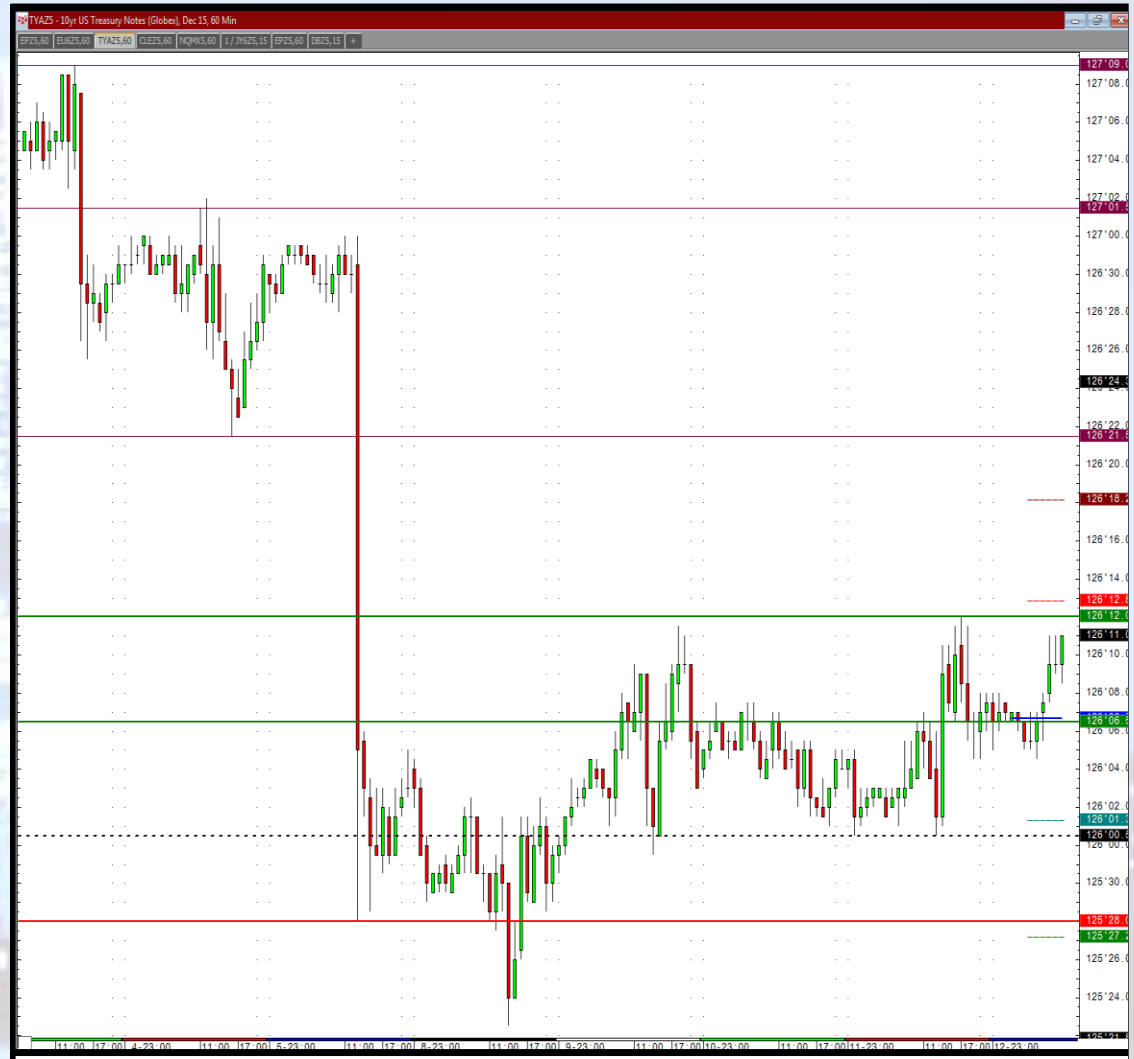
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Strategy	Long
Entry	126.005
1 st Target	126.065
2 nd Target	126.120
Stop	125.280

Key Levels	Comments
126.130	R1
126.120	Yesterday's High
126.065	Pivot
126.015	S1
126.005	Yesterday's Low
125.280	Low of 6 th

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Strategy	Short
Entry	42.77
1 st Target	42.17
2 nd Target	41.38
Stop	43.00

Key Levels	Comments
43.55	Low of 10 th
43.00	Handle Resistance
42.77	R1
42.17	Pivot
41.38	Yesterday's Low
40.98	S1



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