

The Day So Far

Equities continuing to tumble this morning despite a calmer session for the Chinese markets, where the Shanghai Composite recovered from some heavy selling early on to close the day almost flat. There are several catalysts for this early January weakness; firstly, the Yen broke aggressively higher against the dollar as investors bid up the ultimate safe haven currency. This led to correlated selling in equities; traders should continue to monitor that currency pair for signs of risk-on/risk-off moves developing. The other major asset to watch is crude, as the positive correlation with crude and equities remains intact. WTI crude finally lost the battle with the \$38 handle, closing the day below \$37 as the commodity struggles for direction at the start of the year. With the supply/ demand picture unlikely to shift in a major way in the near future, look to geopolitics to set the tone for crude in the short term as tensions between Saudi Arabia and Iran escalate. Following a bounce through to the US session close, equities are once again firmly on the back foot with the Dax breaking below yesterday's lows and the S&P trading below 2000. We anticipate further weakness across the board in the session ahead.

The Afternoon View

Having kicked off the month with a feast of macro data yesterday, today is a relative famine with solely the ISM New York on the slate at 14:45 GMT. Yesterday's ISM Manufacturing and construction output didn't bode well for US Q1 GDP growth as the world's largest economy looks to bounce back from a sluggish finish to last year, and already the Atlanta Fed, who produce the most closely-followed GDP forecasts, reduced their Q1 US GDP estimates from 1.1% to 0.70% after the release. We are sticking with our bearish bias in equities, they look very vulnerable to further downside. Even though the fundamental picture hasn't materially changed since the close of 2015, evidently sentiment has. The dollar has also dominated against sterling and the euro, with cable particularly weak as several research houses suggesting the BoE will not mimic the Fed in raising rates until at least the end of 2016. Cable now trades at the lowest level since April last year and looks odds on to test the 2015 lows in the days ahead.

Key Headlines

Market Sentiment: Bearish

- EU CPI for December 0.20% vs. Exp. 0.30%
- Global default rate hits highest since 2009
- US government files lawsuit against Volkswagen, faces fine of up to \$90bn

Major Data Releases

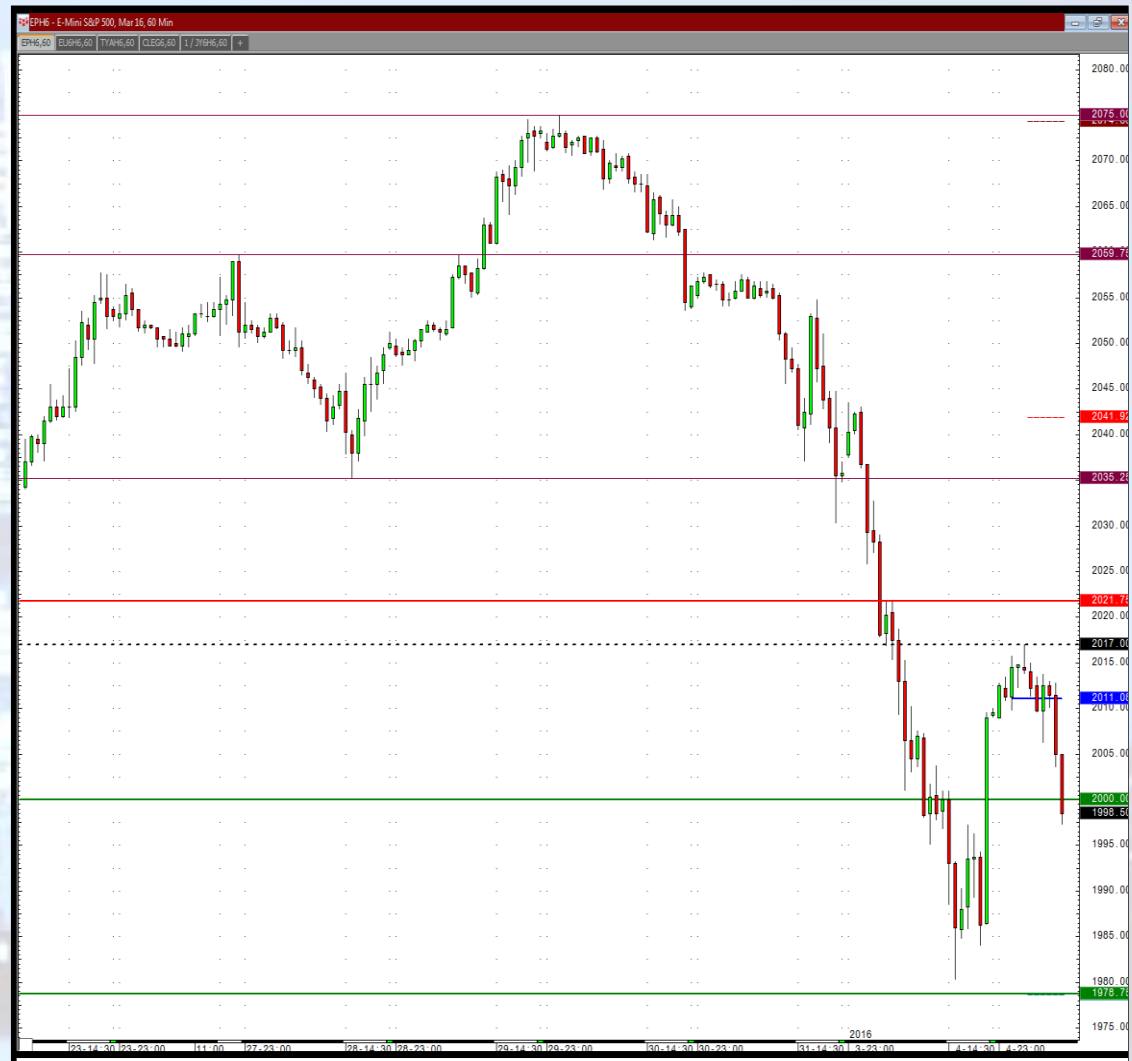
Data	Expected	Previous
ISM New York		60.7

Strategy	Short
Entry	2017.00
1 st Target	2000.00
2 nd Target	1978.75
Stop	2021.75

Key Levels	Comments
2021.75	Resistance Yesterday
2017.00	Overnight High
2011.00	Pivot
2000.00	Handle Support
1978.75	S1

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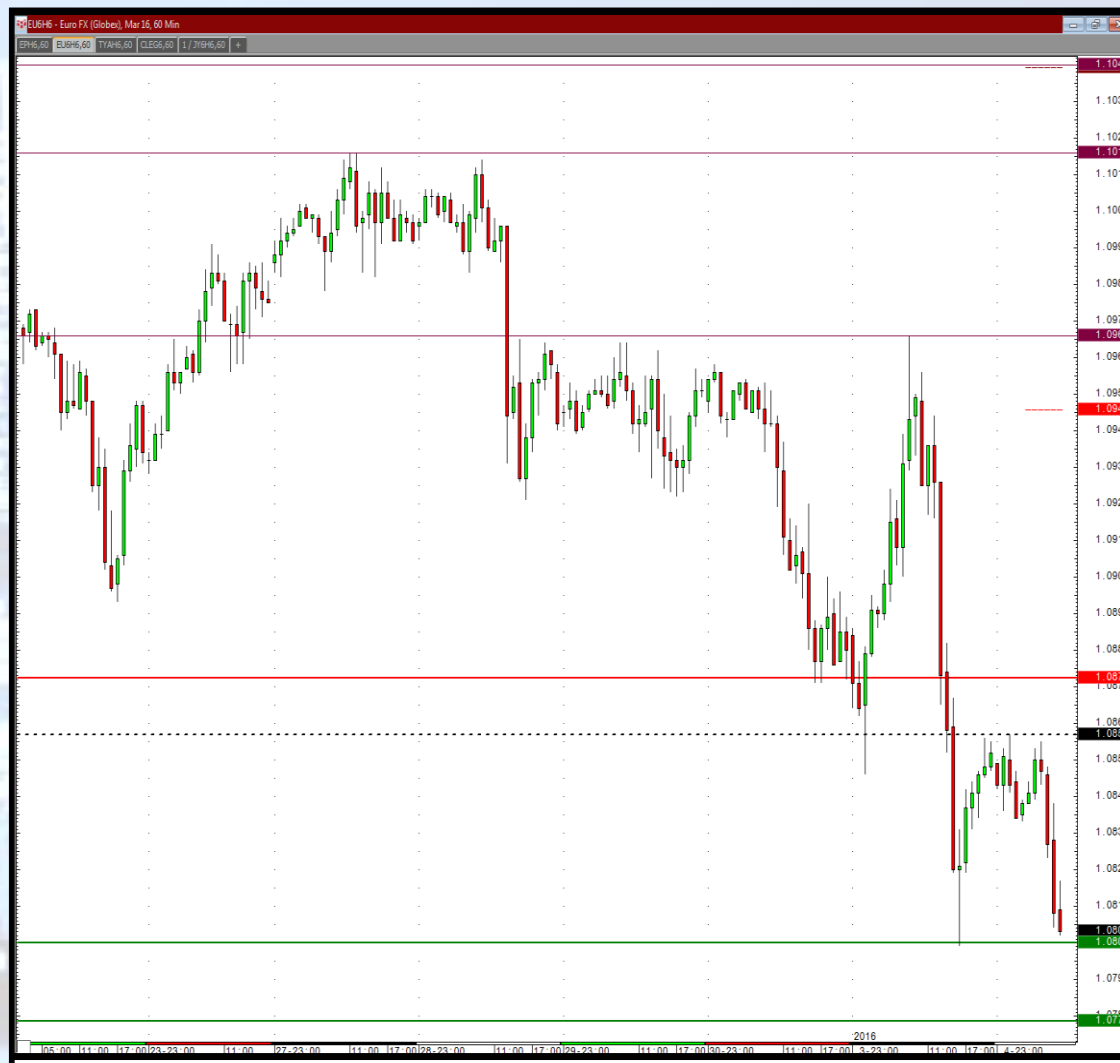


Strategy	Short
Entry	1.0857
1 st Target	1.0800
2 nd Target	1.0779
Stop	1.0872

Key Levels	Comments
1.0872	Pivot
1.0857	Overnight High
1.0800	Handle Support
1.0779	S1

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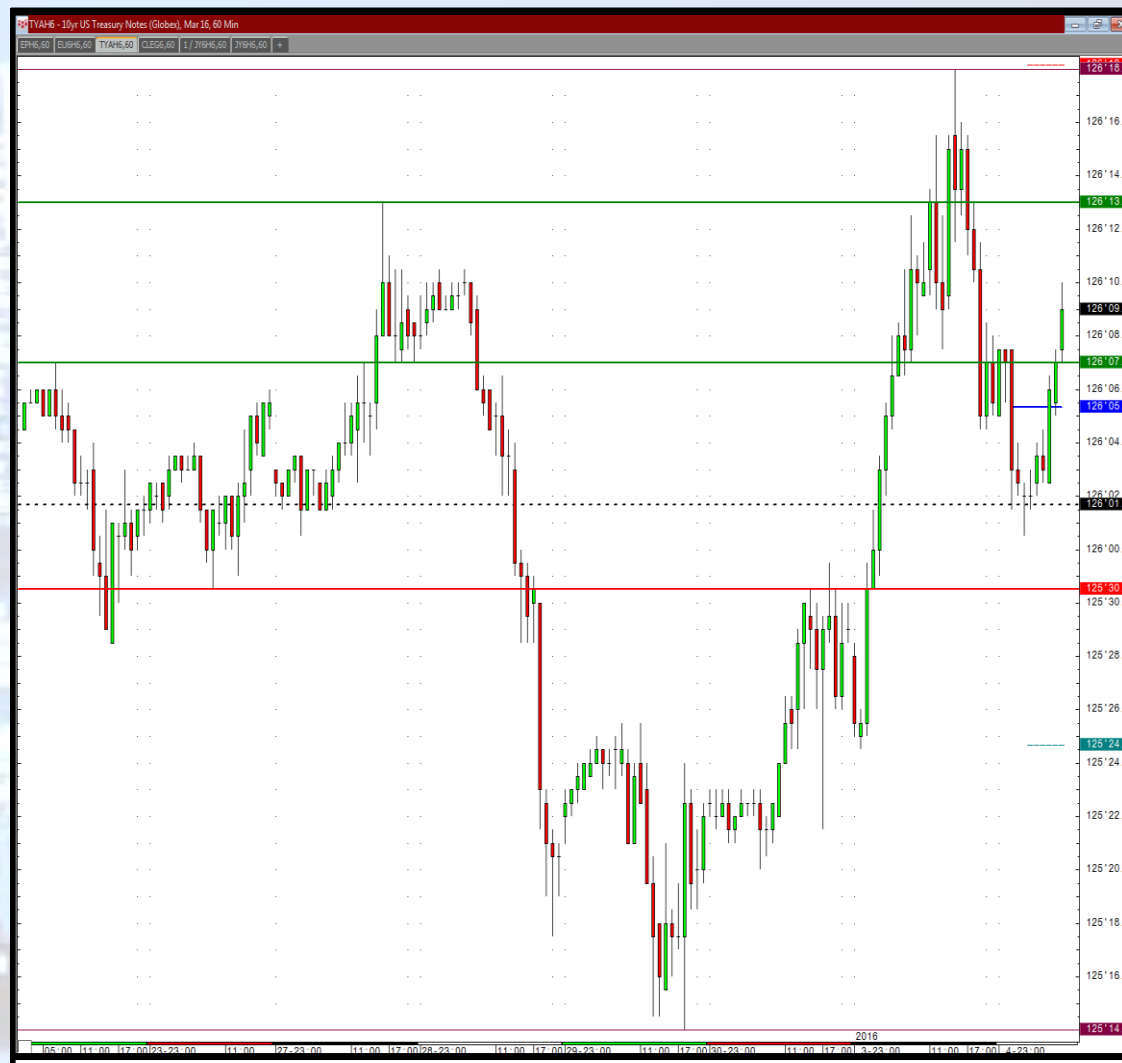


Strategy	Long
Entry	126.015
1 st Target	126.070
2 nd Target	126.130
Stop	125.305

Key Levels	Comments
126.180	Yesterday's High
126.130	High of 28 th
126.070	Support on 28 th
126.055	Pivot
126.015	Support Yesterday
125.305	Low of 24 th

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Strategy	Short
Entry	37.20
1 st Target	36.54
2 nd Target	36.22
Stop	37.38

Key Levels	Comments
37.94	High of 29 th
37.38	Low of 24 th
37.20	Pivot
36.54	Today's Low
36.22	Low of 31 st
36.01	S1

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