

## The Day So Far

Equities globally on the charge this morning, S&P adding a further 15 points to go with yesterday's strong rally into the close. The Dax briefly cleared 9700 before giving back some of the gains on profit-taking. This is all despite more weak Chinese data, the Manufacturing PMI up slightly from August's three year low to 49.8, still in contraction territory. The Services PMI also disappointed, hitting a 14 month low in September of 50.5, perhaps indicating that the transition towards services-based growth and away from export-led, manufacturing-heavy growth isn't going as smoothly as planned and that the ongoing slowdown is more broad-based.

The S&P has marched some 70 points from Monday's lows and all the doom and gloom seems to have abated. The strong gains today could indicate something more substantial is afoot than mere end-of-quarter 'window-dressing', as some attributed yesterday's bounce to. We were looking for a move to test the October lows in the S&P, or the August lows at the very least, but the failure to reach there and evidence of large institutional buying of this second dip suggests that markets have priced in China growing at a lower pace and an earnings 'recession' in US equities. The other factor driving the rebound is hope that central bankers will enact more QE in response to this falling inflation and weak global growth outlook. This should fuel a decent bounce in risk assets in Q4, which has historically been the best performing period for equities, although we don't find the macro environment conducive to new highs, so a new range between 1900-2000 is likely for the medium term. The one caveat to that would be if US economic data, starting with tomorrow's NFP, shows real signs of weakening, providing evidence that the global slowdown is gathering pace and dragging other economies with it. This would be cause to re-visit the bear case.

## The Afternoon View

In line with our commentary above, we are moving back into the bull camp, bullish equities and bearish t notes, short crude and short euro. Do keep one eye on the important US ISM Manufacturing release at 15:00 BST, as weak US data could throw a spanner in the works of this rebound ahead of tomorrow's NFP.

## Key Headlines

### Market Sentiment: Bullish

- China services sector growth at 14 month low
- EU Manufacturing PMI inline (52.0 vs exp. 52.0)

## Major Data Releases

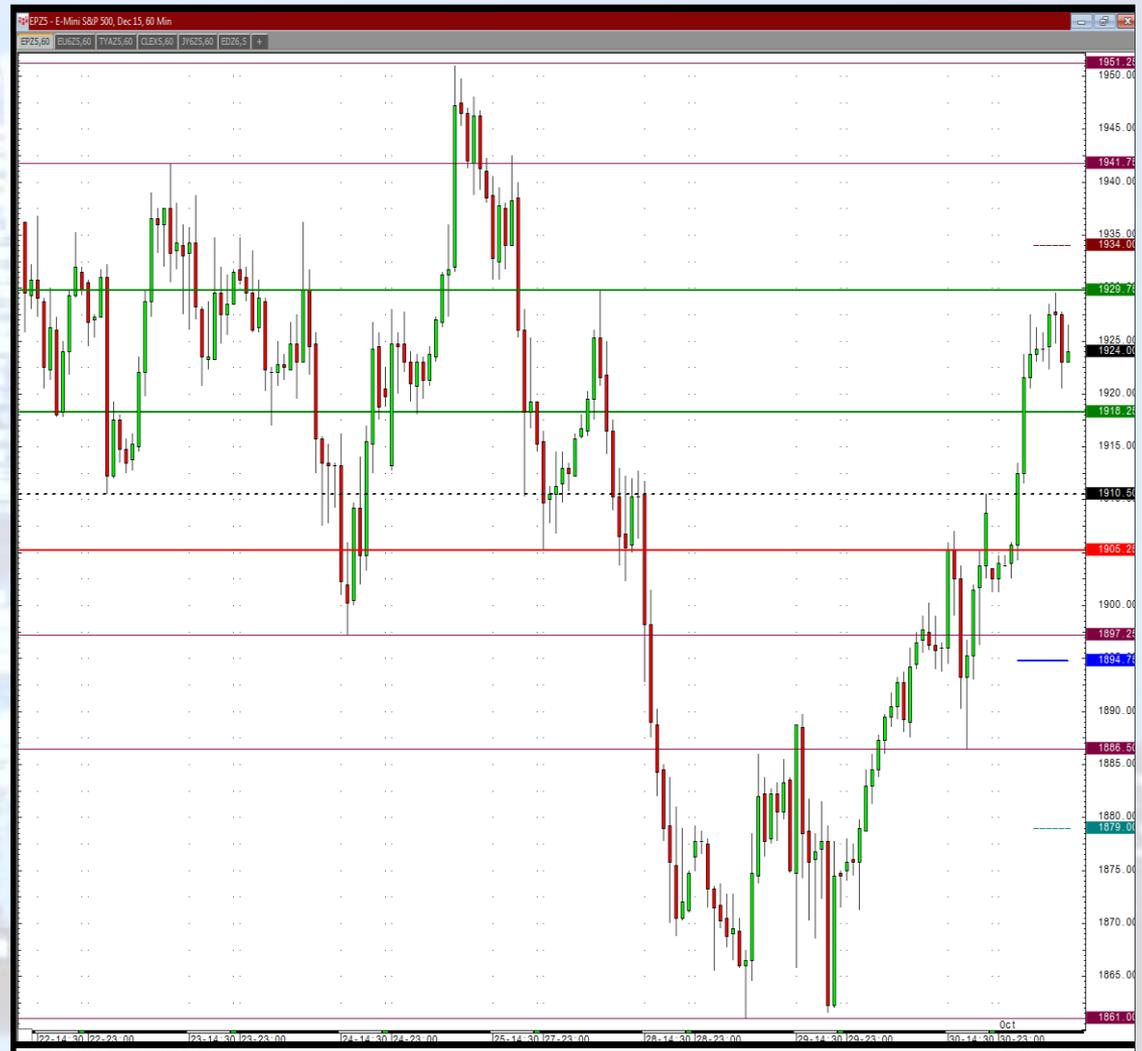
Data	Expected	View
Initial Jobless Claims	271K	Inline
US Manufacturing PMI (Sept F)	53	Inline
Construction Spending (Aug)	0.50%	Inline
ISM Manufacturing (Sept M/M)	50.6	inline

Strategy	Long
Entry	1910.50
1 <sup>st</sup> Target	1918.25
2 <sup>nd</sup> Target	1929.75
Stop	1905.25

Key Levels	Comments
1934.00	R2
1929.75	High of 28 <sup>th</sup>
1918.25	R1
1910.50	Yesterday Resistance
1905.25	Low of 25 <sup>th</sup>
1897.25	Low of 24 <sup>th</sup>
1894.75	Pivot

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Strategy	Short
Entry	1.1207
1 <sup>st</sup> Target	1.1149
2 <sup>nd</sup> Target	1.1130
Stop	1.1227

Key Levels	Comments
1.1253	R1
1.1227	High of 25 <sup>th</sup>
1.1212	Pivot
1.1207	Low of 29 <sup>th</sup>
1.1149	S1
1.1130	Low of 25 <sup>th</sup>



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Strategy	Short
Entry	128.295
1 <sup>st</sup> Target	128.165
2 <sup>nd</sup> Target	128.085
Stop	129.030

Key Levels	Comments
129.030	R1
128.295	Yesterday's High
128.230	Pivot
128.165	S1
128.085	Low of 29 <sup>th</sup>
128.045	S2

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Strategy	Short
Entry	46.38
1 <sup>st</sup> Target	46.00
2 <sup>nd</sup> Target	45.70
Stop	46.50

Key Levels	Comments
46.50	Resistance on 22 <sup>nd</sup>
46.47	R2
46.38	High of 25 <sup>th</sup>
46.00	Handle Support
45.91	R1
45.70	High of 29 <sup>th</sup>
45.30	Pivot
44.74	S1



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