

### The Day So Far

Equities considerably lower this morning, driven by fresh yearly lows in crude with the commodity testing the \$36 handle. Assuming we close the week around these lows, this represents a \$4 move lower the week after OPEC decided to leave production unchanged and the IEA this morning predicted that global oil inventories, already standing close to 3 billion barrels, are set to continue rising next week. A similar situation last week and we could close out the year with crude testing the 2009 lows of \$32.50, a fair reflection of the bleak outlook for WTI in particular. We could see a rebound there but a sustainable move is hard to foresee while the shale producers and Saudi/Iran go toe-to-toe to gain market share as global demand for crude begins to plateau. Equities have reacted negatively to this crude sell-off as they have done all week, Dax and Stoxx both making fresh lows for the month and S&P breaking Wednesday's lows. A move down to 2000 pre-Yellen next Wednesday now looks inevitable.

The other correlation to look out for is the euro, where euro strength is dragging equities lower; the euro has now broken back above 1.10 handle and has a very strong negative correlation in particular with European equities. The yen has also appreciated against the dollar as funds move towards safe haven assets following a perfect re-test of the previous six week range at 122000 handle

### The Afternoon View

Some heavy-hitting consumer data from the US this afternoon, firstly with US Retail Sales at 13:30 BST and then University of Michigan Consumer Sentiment at 15:00 BST. Retail Sales has consistently underwhelmed this year as the bonus from lower costs at the pump haven't translated through to higher discretionary spending. This reflects the lack of wage growth the average consumer has experienced post-financial crisis and the lack of confidence in the future, with many households opting to save and pay off debts than to splash out. However, the low rates and low oil prices have encouraged a boom in auto sales which is why particular attention should be paid to the ex-Autos component of the Retail Sales figures. We stick with the bearish action in equities so far today, looking for a short from S1, while our bias in the euro has shifted back to bullish following the push up above the 1.10 handle. Despite the risk off and the gradual grind higher in the fixed income space, we are reluctant to be anything other than short t-notes so close to the Fed meeting. We stick with our short bias in crude as it ends the week firmly on the back foot.

### Key Headlines

#### Market Sentiment: Bearish

- Equities lower across the board on crude weakness
- Brent testing \$39 handle

### Major Data Releases

Data	Expected	Previous
Retail Sales Advance (Nov) m/m	0.30%	0.10%
Retail Sales Ex Auto (Nov) m/m	0.30%	0.20%
PPI Final Demand (Nov) m/m	0.00%	-0.40%
Business Inventories (Oct)	0.10%	0.30%
U. Of Michigan Sentiment (Dec P) m/m	92	91.3

Strategy	Short
Entry	2032.75
1 <sup>st</sup> Target	2022.75
2 <sup>nd</sup> Target	2009.75
Stop	2039.75

Key Levels	Comments
2045.75	Pivot
2039.75	Low of 4 <sup>th</sup>
2032.75	S1
2022.75	S2
2009.75	S3



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*Please see page 5 for more information*

Strategy	Long
Entry	1.0954
1 <sup>st</sup> Target	1.0991
2 <sup>nd</sup> Target	1.1028
Stop	1.0934

Key Levels	Comments
1.1070	High of 9 <sup>th</sup>
1.1028	R1
1.1000	Handle Resistance
1.0991	Pivot
1.0954	Yesterday's Low
1.0934	S1

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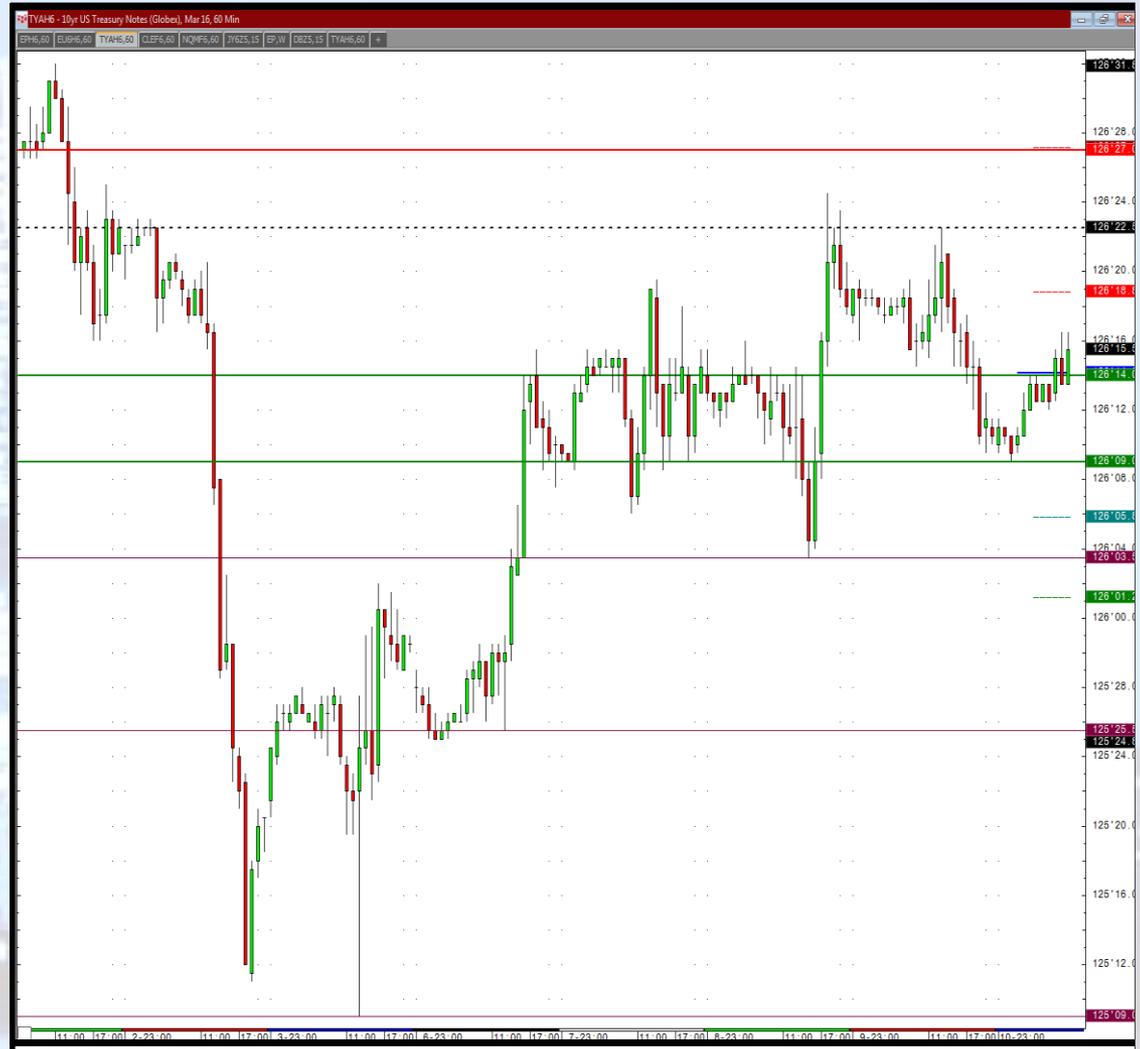


Strategy	Short
Entry	126.225
1 <sup>st</sup> Target	126.140
2 <sup>nd</sup> Target	126.090
Stop	126.270

Key Levels	Comments
126.270	R2
126.225	Yesterday's High
126.190	R1
126.140	Pivot
126.090	Yesterday's Low
126.060	S1

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Strategy	Short
Entry	36.83
1 <sup>st</sup> Target	36.53
2 <sup>nd</sup> Target	36.13
Stop	37.00

Key Levels	Comments
37.29	R1
37.00	Handle Resistance
36.83	Pivot
36.53	Yesterday's Support
36.13	S1



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