

## The Day So Far

Bearish start to the post-US bank holiday, S&P drifting back towards Monday's lows and Stoxx on the lows of the day after briefly spiking higher on comments from ECB's Draghi. However, Draghi said nothing new regarding policy and was always unlikely to contradict the similarly dovish comments made by other ECB governing council members in recent days. Therefore, the 'dovish Draghi' rally is likely to be less and less effective until the next meeting; indeed, there is considerable room for disappointment at the December meeting given that the markets are expecting further QE or an extension of the programme at the very least whereas sources this week suggest that a lowering of the deposit rate is more likely. This would likely have marginal impact on the Eurozone economy. German 2 year yields have dropped further into negative territory (-0.37) on ECB QE hopes and persistently low inflation for the foreseeable future. While inflation is likely to remain low, these bonds wouldn't qualify for the ECB's bond-buying even if the deposit rate is cut by 10 basis points, which suggests that the German bond market has gotten ahead of itself once again and could be set for a selloff if the ECB disappoints in December.

Elsewhere, copper prices hit a fresh 6-year low as commodity prices continue to get hammered. Yesterday's strategy of short crude from \$44 worked a treat as it fell all the way below \$43 to challenge the October lows. Although, due to the bank holiday the DOE inventory release was pushed back to today at 16:00, the fundamentals remain weak and a challenge of the yearly lows are a distinct possibility.

## The Afternoon View

This afternoon brings initial jobless claims as usual at 13:30 BST, as well as the DOE inventories at 16:00 BST, hand day and half an hour later than normal following the US bank holiday. Expectations are set for a build of 1300k, nowhere near as much the API inventories released on Friday of 6.3 million barrels. OPEC reported today that global inventory levels are the highest they have been in a decade and while no asset goes down every day, there are very clear fundamentals supporting downward pressure on the price, potentially testing the yearly lows before the OPEC meeting next month. Elsewhere, we retain our short bias in equities, both targets 1 & 2 achieved yesterday on the S&P, and are short euro and t notes. Busy day for central bankers, led by Yellen at 14:30 BST.

## Key Headlines

### Market Sentiment: Bearish

- Eurozone industrial production drops 0.3% m/m
- Copper falls to fresh 6 year low
- Rolls Royce falls 20% on the day following yet another profit warning

## Major Data Releases

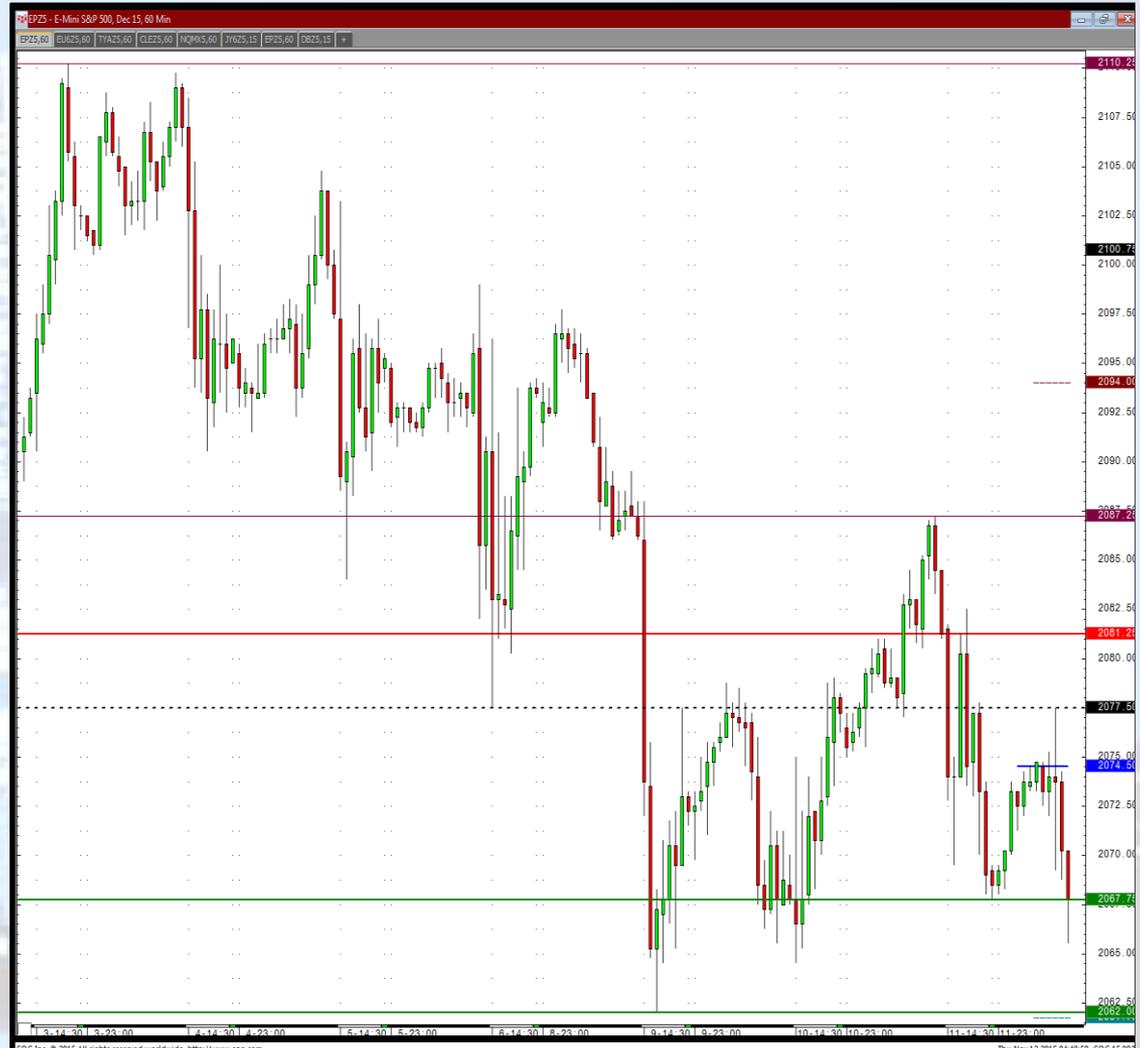
Data	Expected	Previous
Initial Jobless Claims	270k	276k
Continuing Claims	2155k	2163k
JOLTS Job Openings (Sept)	5400	5370
DOE US Crude Oil Inventories	1300k	2847k
DOE Gasoline Inventories	-1000k	-3300k
DOE Refinery Utilization	0.50%	1.10%

Strategy	Short
Entry	2077.50
1 <sup>st</sup> Target	2067.75
2 <sup>nd</sup> Target	2062.00
Stop	2081.25

Key Levels	Comments
2087.25	Yesterday's High
2081.25	R1
2077.50	Today's High
2074.50	Pivot
2067.75	Yesterday's Low
2062.00	Low of 9 <sup>th</sup>

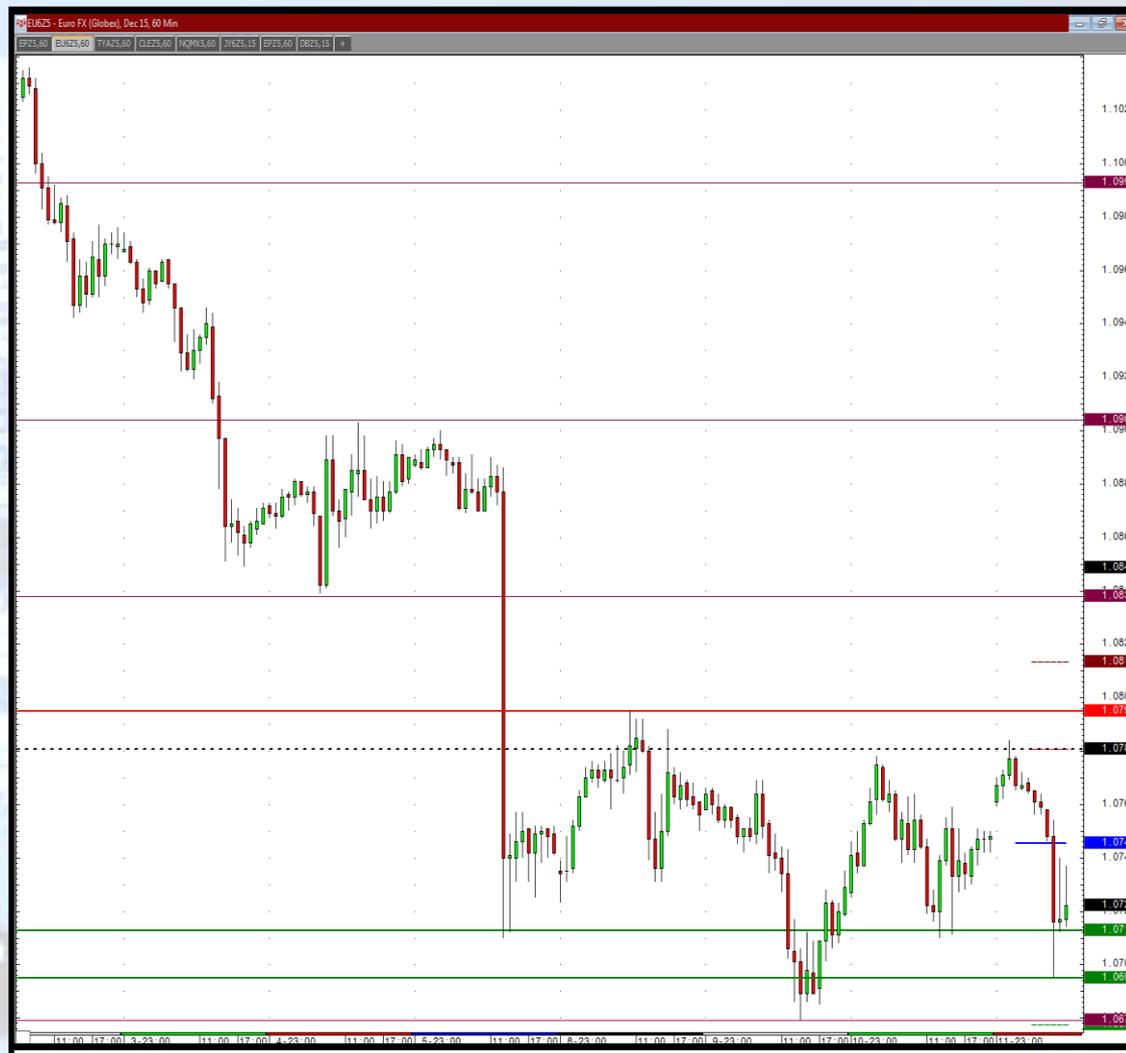
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*Please see page 5 for more information*



Strategy	Short
Entry	1.0781
1 <sup>st</sup> Target	1.0713
2 <sup>nd</sup> Target	1.0695
Stop	1.0795

Key Levels	Comments
1.0813	R2
1.0795	High of 9 <sup>th</sup>
1.0781	R1
1.0745	Pivot
1.0713	S1
1.0695	Today's Low



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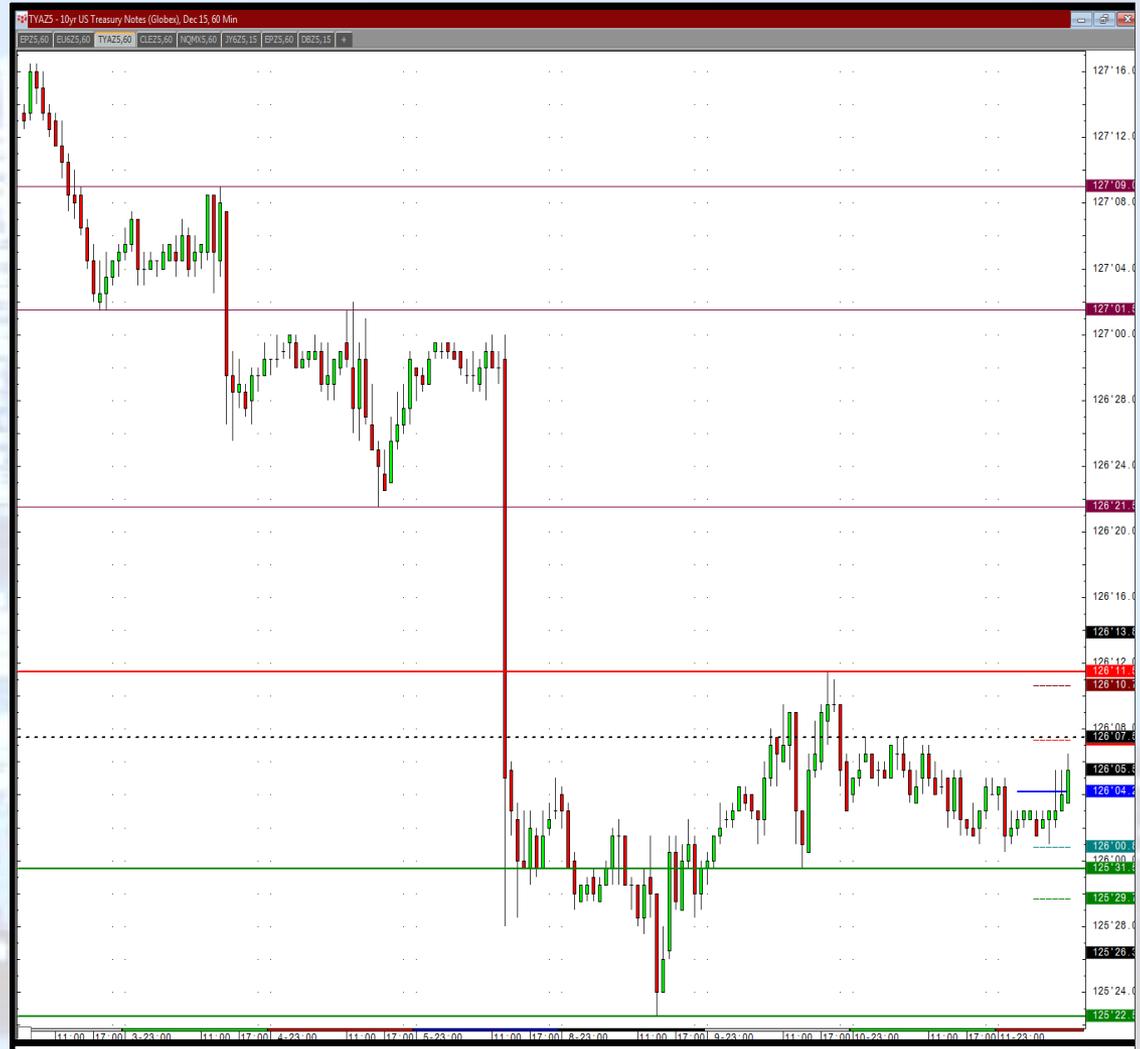
*Please see page 5 for more information*

Strategy	Short
Entry	126.075
1 <sup>st</sup> Target	125.315
2 <sup>nd</sup> Target	125.225
Stop	126.115

Key Levels	Comments
126.115	High of 10 <sup>th</sup>
126.105	R2
126.075	R1
126.040	Pivot
126.010	S1
125.315	Low of 10 <sup>th</sup>
125.300	S2
125.225	Low of 9 <sup>th</sup>

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Strategy	Short
Entry	43.55
1 <sup>st</sup> Target	42.90
2 <sup>nd</sup> Target	42.62
Stop	43.74

Key Levels	Comments
43.91	R1
43.74	Support on 9 <sup>th</sup>
43.55	Low of 10 <sup>th</sup>
43.27	Pivot
42.90	Overnight Support
42.62	Yesterday's Low



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**Vasilis Ntiskos**

Senior Analyst

Email: [vasilis.ntiskos@amplifytrading.com](mailto:vasilis.ntiskos@amplifytrading.com)

**Bill Norman**

Senior Analyst

Email: [bill.norman@amplifytrading.com](mailto:bill.norman@amplifytrading.com)

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