

The Day So Far

Markets benefitting this morning from a much calmer session for Chinese equities, which were boosted by news that the regulators decided to remove the much-maligned circuit-breakers following a disastrous start to the year. These circuit-breakers had almost become a target for short sellers and the decision to remove them, plus active stock buying by the 'National Team' of major government-sponsored institutions, led to a broadly positive session as the Shanghai Composite ended the day up almost 2%. One senses that the bottom for Chinese equities has not yet been reached and that a period of under-performance relative to other indices is on the cards as China transitions to a lower growth phase. Yesterday felt like a capitulation at least in the short-term, something I discussed in the strategy, and there is room for a bounce here as equities look to recover from a very shaky start to 2016. Accommodative monetary policy from the ECB and the BOJ remain in place, while the Fed is likely to proceed with caution with rate hikes and S&P corporate earnings are still forecast to grow, however improbably, by 7.6% in the 2nd half of this year. These factors should support equities for the time being.

The Afternoon View

This afternoon brings the first Nonfarm Payrolls report of the year, and probably one of the least anticipated in recent months. The US labour market is in good shape and unless this report is far above or below consensus market participants will likely return their focus on the direction of crude oil and the volatility in Chinese markets. We are positioned for a strong set of numbers today following on from the very solid ADP Employment report on Wednesday and the Challenger Jobs cuts release yesterday, which showed that corporate layoffs reached their lowest level since December 2010. We are looking to long the S&P from yesterday's lows and short euro and t notes. Crude bounced impressively yesterday above \$34 but that looks to be a solid resistance level and we look for a short from R1, also the overnight resistance level.

Key Headlines

Market Sentiment: Bearish

- Chinese regulators remove equity market circuit-breakers
- Saudi Aramco confirms it is exploring a potential IPO

Major Data Releases

Data	Expected	Previous
Nonfarm Payrolls (Dec) M/M	200k	211k
Unemployment Rate	5.00%	5.00%
Average Hourly Earnings	0.20%	0.20%
Wholesale Trade Sales (Nov) M/M	0.00%	0.00%

Strategy	Long
Entry	1928.50
1 st Target	1951.25
2 nd Target	1970.25
Stop	1924.00

Key Levels	Comments
1974.25	R1
1970.25	Low of 6 th
1951.25	Pivot
1928.50	Yesterday's Low
1911.75	S1

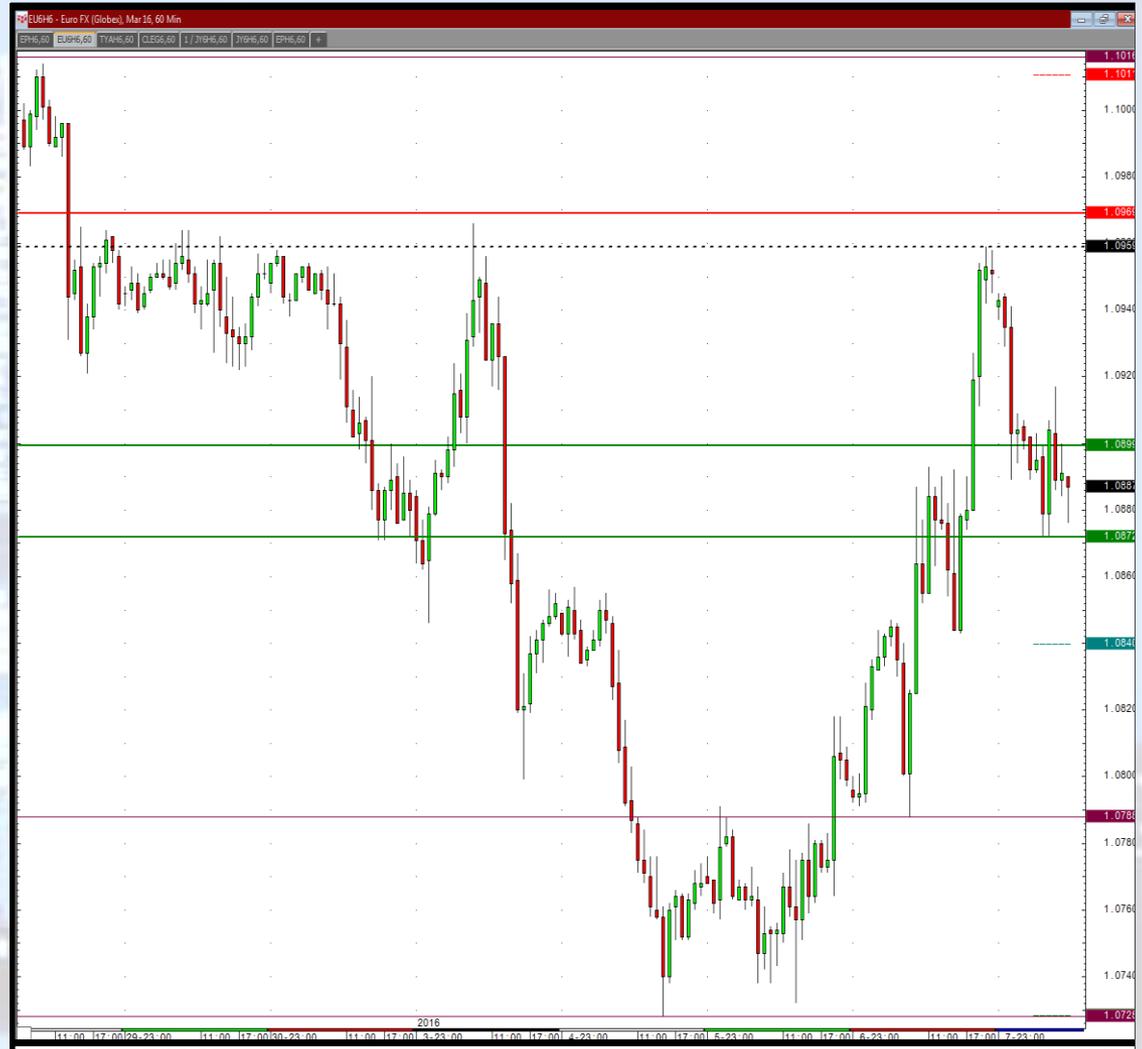


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Please see page 5 for more information

Strategy	Short
Entry	1.0959
1 st Target	1.0899
2 nd Target	1.0872
Stop	1.0969

Key Levels	Comments
1.1000	Handle Resistance
1.0959	Yesterday's High
1.0899	Pivot
1.0872	Overnight Low
1.0840	S1



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Strategy	Short
Entry	127.065
1 st Target	126.255
2 nd Target	126.180
Stop	127.100

Key Levels	Comments
127.140	R1
127.100	High of 6 th
127.065	Yesterday's High
127.015	Pivot
126.255	S1
126.180	High of 4 th

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Strategy	Short
Entry	34.31
1 st Target	33.77
2 nd Target	33.21
Stop	34.62

Key Levels	Comments
34.31	R1
33.77	Support on 6 th
33.21	Pivot
32.15	S1
32.10	Low of 7 th



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