

## The Day So Far

Equities globally reeling from a total collapse in Chinese equities, which were halted for the entire day just 30 minutes into the session after the new 'improved' circuit breakers were employed when the markets reached 7% down. This is the second time these circuit breakers have been reached in 2016 and we are only four trading days into the new year! The catalyst for the move lower this time was the decision by the PCOB to fix the yuan to its weakest level in five years against the dollar, a move which investors have taken as a panicked move by the central planners to curb the economic downturn. The other major concern for markets is WTI crude which finally broke below the 2009 lows of \$33.17. This is a level we have long since considered to be an important barrier and from which we could see a bounce from here on profit-taking and rumours that OPEC will now surely have to act to stabilize the market. The action witnessed so far this morning is eerily reminiscent of 'Black Monday' last August where a limit-down session in China led to extreme selling in European and US equities. This selling appears a little irrational given that we are right at the start of the year and earning expectations in the US and Europe are predicted to recover later this year so today's capitulation could mark a short-term bottom for equities.

## The Afternoon View

That said, we have to stay with the bearish trend for this afternoon, albeit with a conservative short entry in the S&P. Initial Jobless Claims are the only notable piece of economic data so we could see the extraordinarily volatile trading conditions calm a touch ahead of tomorrow's NonFarm Payrolls. No change for now to our bias towards the other assets, although we are monitoring crude closely to see if the 2009 lows mark a significant bottom this time. In t notes our long call has been the right one so far, aided by the market turmoil and the dovish FOMC meeting minutes last night. The US 10 year is now trading at its highest level since October.

## Key Headlines

### Market Sentiment: Bearish

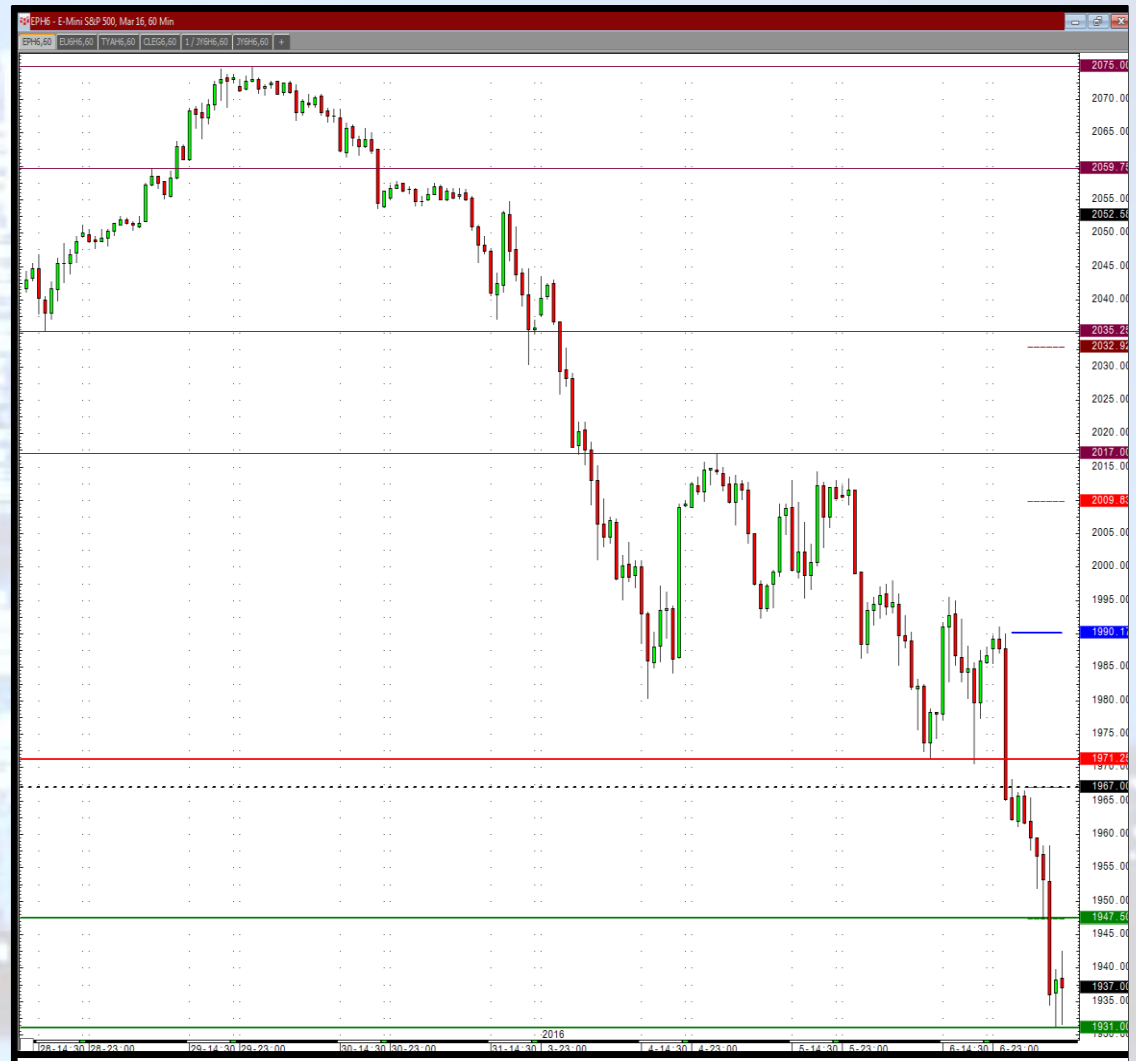
- Chinese stock markets halted limit-down after less than half an hour of trading
- WTI Crude breaks 2009 lows

## Major Data Releases

Data	Expected	Previous
Initial Jobless Claims	275k	287k

Strategy	Short
Entry	1967.00
1 <sup>st</sup> Target	1947.50
2 <sup>nd</sup> Target	1931.00
Stop	1971.25

Key Levels	Comments
1990.25	Pivot
1971.25	S1
1947.50	S2
1931.00	Today's Low

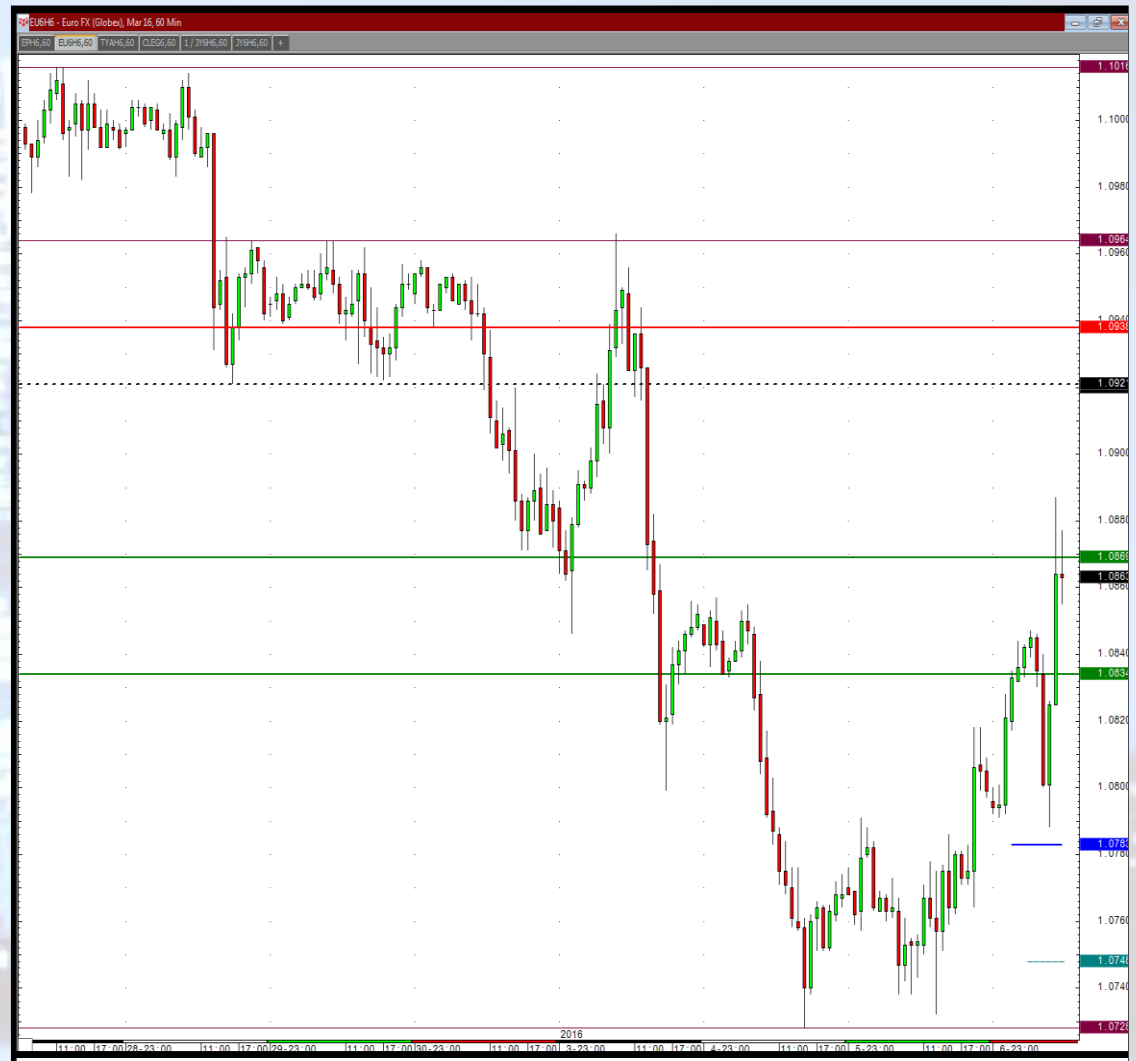


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*Please see page 5 for more information*

Strategy	Short
Entry	1.0921
1 <sup>st</sup> Target	1.0869
2 <sup>nd</sup> Target	1.0834
Stop	1.0938

Key Levels	Comments
1.0964	High of 30 <sup>th</sup>
1.0938	Support on 30 <sup>th</sup>
1.0921	Low of 29 <sup>th</sup>
1.0869	R2
1.0834	R1
1.0783	Pivot



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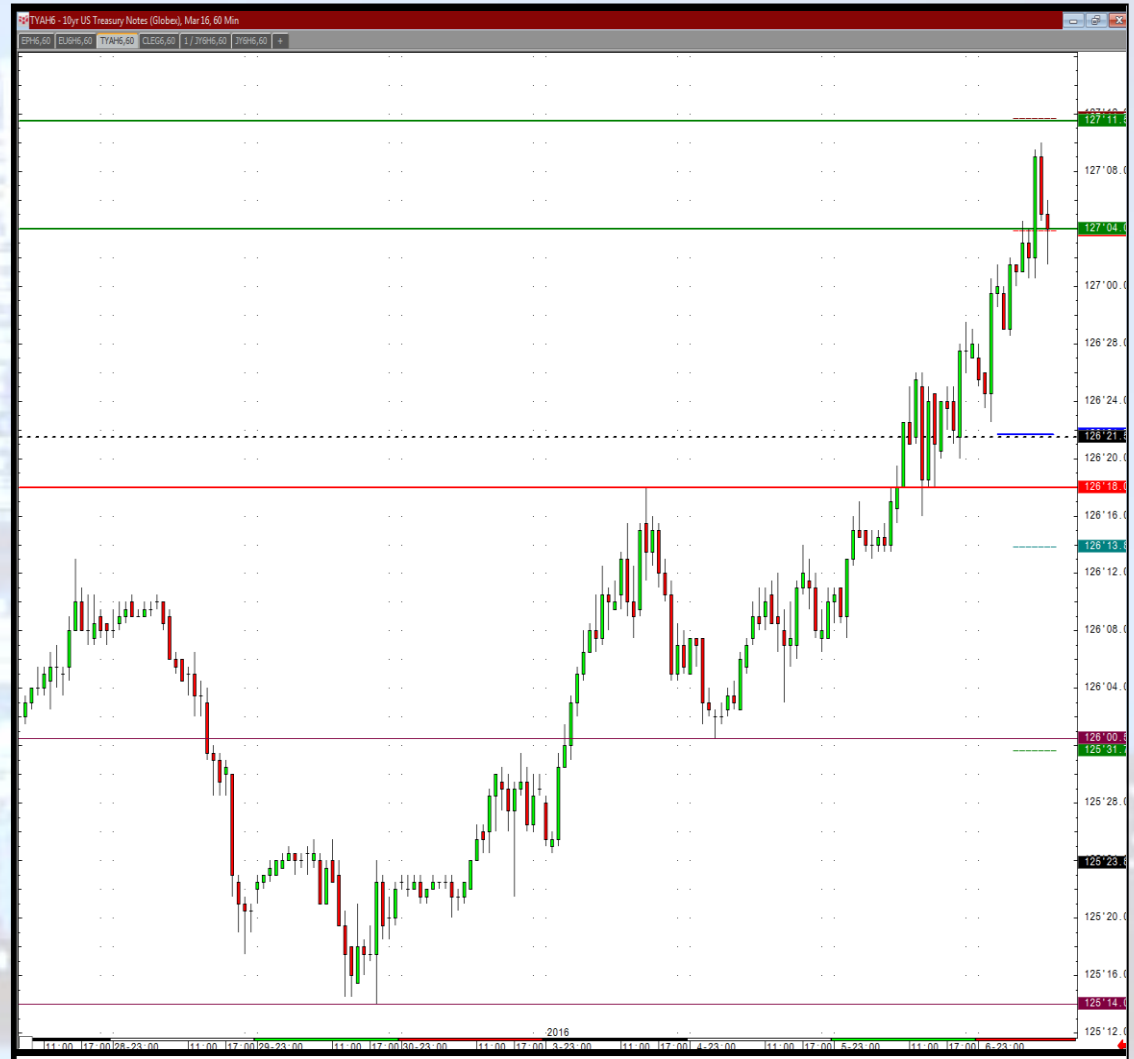
*Please see page 5 for more information*

<b>Strategy</b>	<b>Long</b>
<b>Entry</b>	<b>126.215</b>
<b>1<sup>st</sup> Target</b>	<b>127.040</b>
<b>2<sup>nd</sup> Target</b>	<b>127.115</b>
<b>Stop</b>	<b>126.180</b>

Key Levels	Comments
127.115	R2
127.040	R1
126.215	Pivot
126.180	High of 4 <sup>th</sup>
126.140	S1

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Strategy	Short
Entry	34.74
1 <sup>st</sup> Target	33.77
2 <sup>nd</sup> Target	33.09
Stop	35.00

Key Levels	Comments
35.71	R1
35.00	Handle Resistance
34.74	Pivot
33.77	Support on 6 <sup>th</sup>
33.09	S1
32.12	S2



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