

The Day So Far

Surprise drawdown in the API crude inventories last night briefly gave equities a bit of a bounce following yesterday's heavy selloff, before sellers emerged once again this morning with European equities leading the way as Stoxx and the Dax broke yesterday's lows. WTI crude had a very hectic session yesterday, dropping all the way from \$38 handle to \$1 at \$36.60, before roaring all the way back to pivot later on in the session as US equities bounced. This morning crude is chopping around the \$38 handle once more, above the previous yearly lows as traders weigh up the prospect of a first drawdown in DOE US crude inventories in 10 weeks, last night's API showing a drawdown of 1.9 million barrels. This provides some short-term respite to a massively oversupplied market but we are sticking with our short bias in crude for now until fundamentals improve further.

In China, Producer prices deflated for a 45th consecutive month in November, this time at a rate of 5.9% as Chinese demand continues to underwhelm, whilst in M&A news US chemical giants Dow Chemical and DuPont are in talks on a deal to combine the two companies to create the 2nd largest chemicals company in the world. Global M&A spend recently exceeded the 2007 highs as companies have rushed to take advantage of the low rate environment to splash out on other competitors and acquire top-line growth in a world where organic growth has proven hard to achieve.

The Afternoon View

Looking ahead to the afternoon session, the DOE inventory data the highlight at 15:30 BST particularly given the focus on crude at the moment. The DOE estimates are unchanged despite last night's API release so a drawdown is likely. How the market reacts is unclear but could give way to a choppy session for crude as shorts pause for breath after a very strong sell-off in recent weeks. We are short the S&P once more, although it should be noted that the correlation with S&P and crude is positive and powerful at present, so equity shorts should be wary if crude rallies hard this afternoon. Short notes once more, yesterday's strategy working well and we look for another short from yesterday's high, while we are short the euro from last Thursday's 'Draghi disappointment' highs, not anticipating a convincing break of the 1.10 handle before the FOMC in a week's time.

Key Headlines

Market Sentiment: Bearish

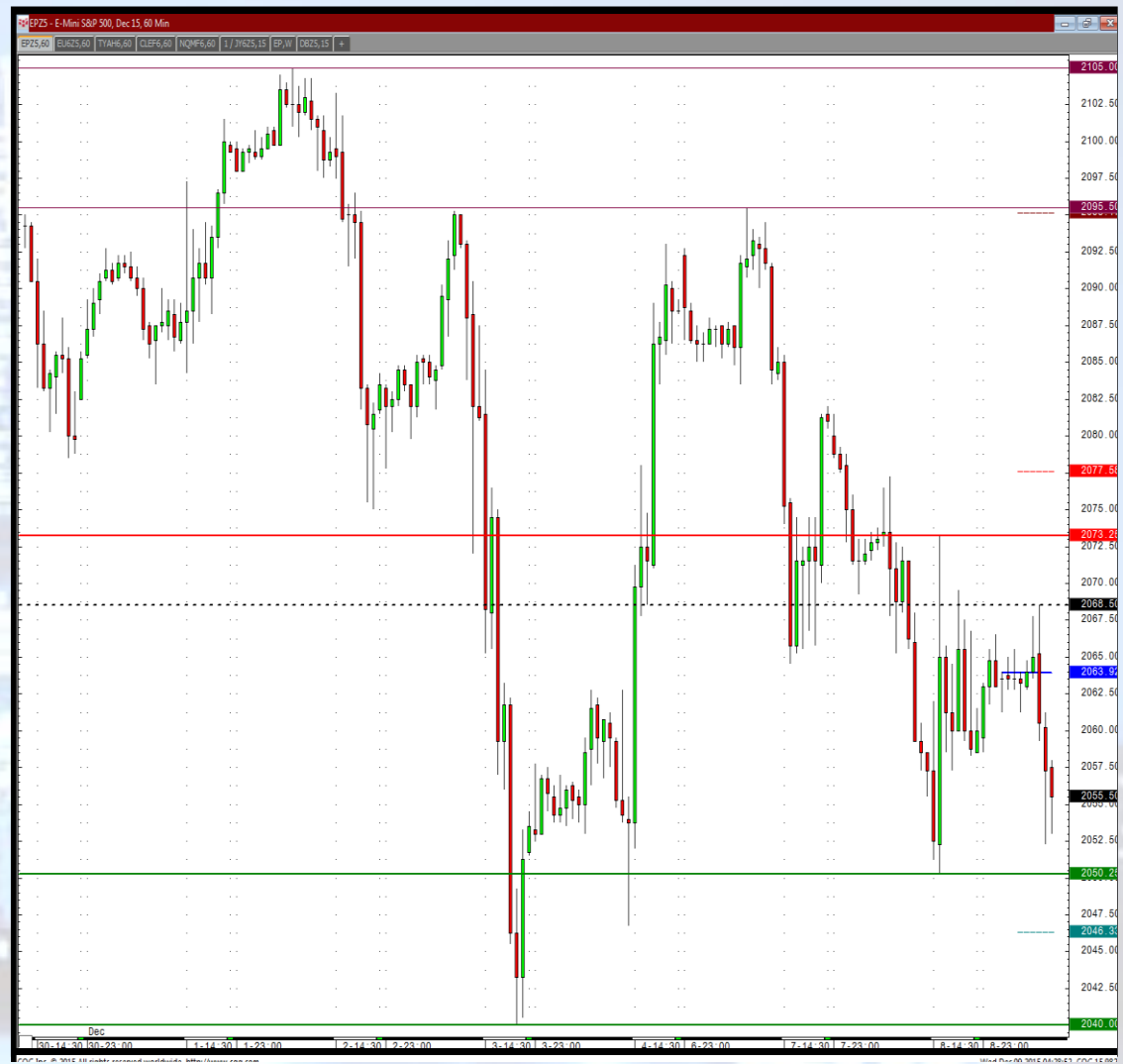
- Chinese PPI falls for 45th straight month
- DuPont and Dow Chemical in merger talks
- API inventories reveal first drawdown in US crude supply in 10 weeks.

Major Data Releases

Data	Expected	Previous
Wholesale Inventories (Oct)	0.20%	0.50%
DOE US Crude Oil Inventories	900k	1177k
Cushing OK Crude Inventory	650k	428k
Refinery Utilization	0.50%	2.50%

Strategy	Short
Entry	2068.50
1 st Target	2050.25
2 nd Target	2040.00
Stop	2073.25

Key Levels	Comments
2077.50	R1
2068.50	Today's High
2064.00	Pivot
2050.25	Yesterday's Low
2046.25	S1
2040.00	December Low



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Please see page 5 for more information

Strategy	Short
Entry	1.0984
1 st Target	1.0920
2 nd Target	1.0900
Stop	1.1000

Key Levels	Comments
1.1000	Handle Resistance
1.0984	Draghi High
1.0948	R2
1.0920	R1
1.0900	Handle Support
1.0875	Pivot
1.0847	S1

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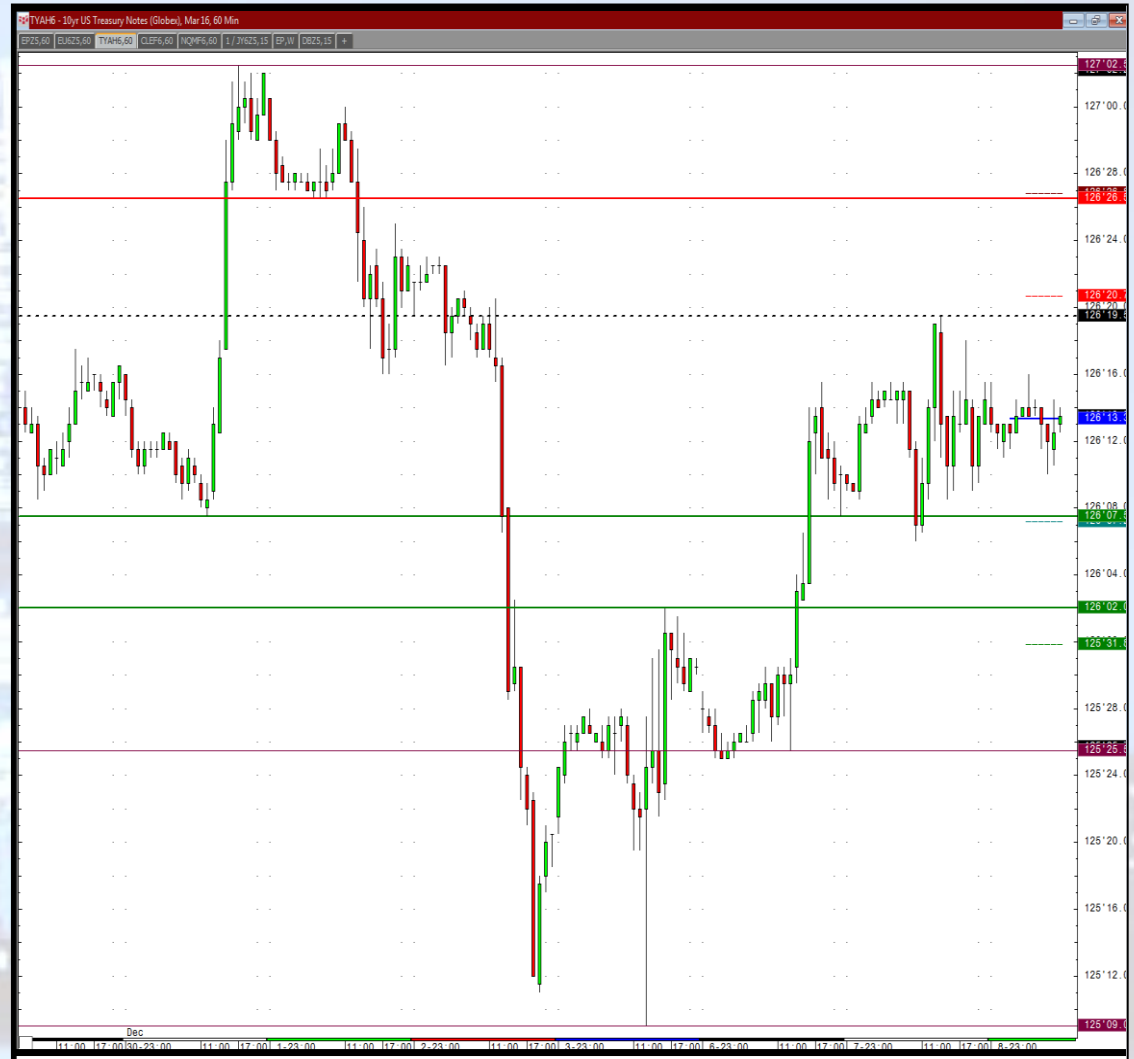


Strategy	Short
Entry	126.195
1 st Target	126.075
2 nd Target	126.020
Stop	126.265

Key Levels	Comments
126.265	R2
126.211	R1
126.195	Yesterday's High
126.135	Pivot
126.075	S1
126.020	High of 4 th
1256.000	S2

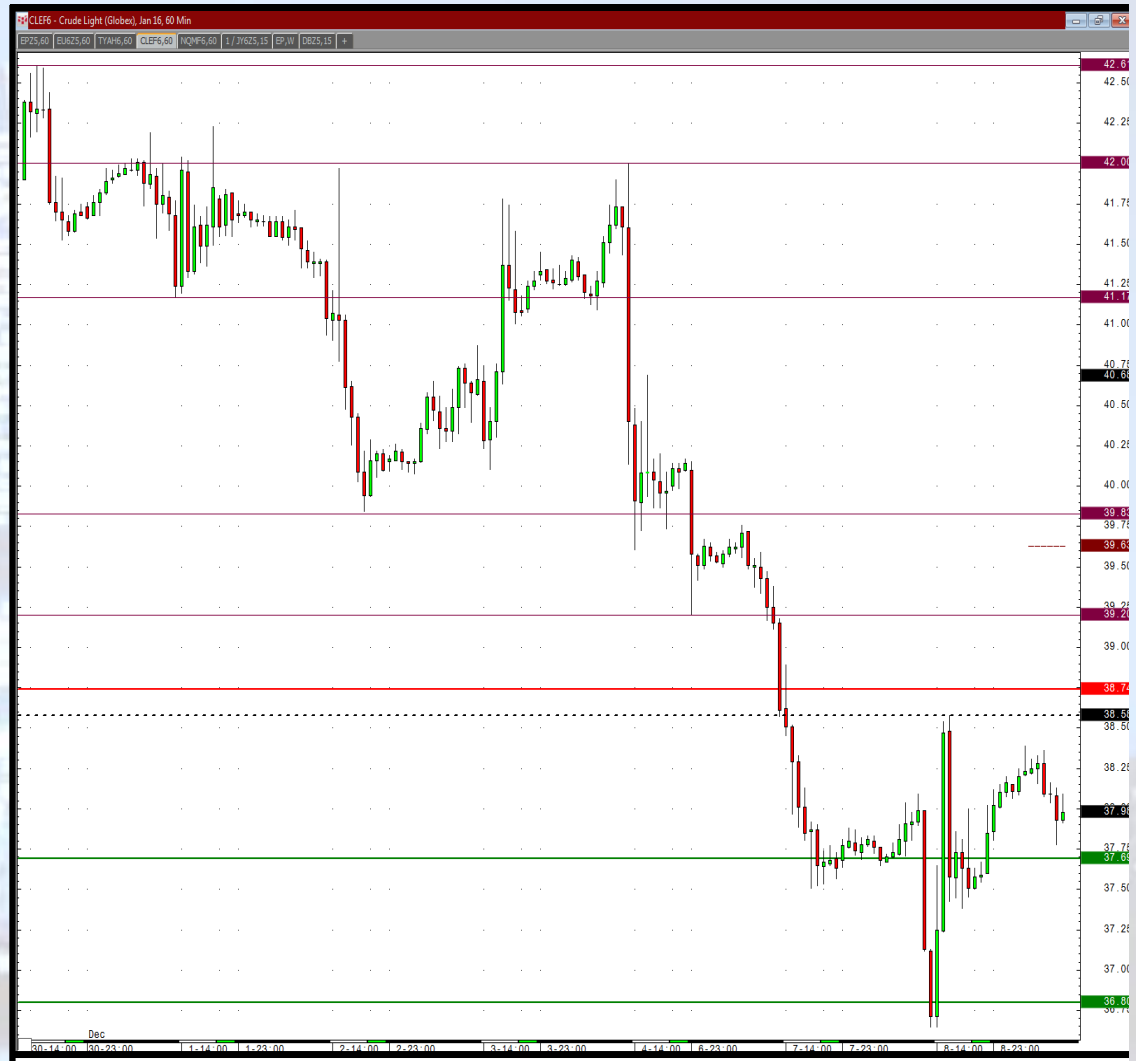
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Strategy	Short
Entry	38.58
1 st Target	37.69
2 nd Target	36.80
Stop	38.74

Key Levels	Comments
38.74	R1
38.58	Yesterday's High
37.69	Pivot
36.80	S1
36.64	Yesterday's Low



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