

The Day So Far

We saw a very choppy trading session across most major markets yesterday, with equities trading sideways following the sharp losses since the turn of the year. However, US equities finally found some direction after the European close, falling steadily to test the lows of the month as WTI crude took a tumble once again after the DOE inventories release. Crude continues to drive equities lower, particularly the S&P and the FTSE, which have considerable exposure to the commodity space. Although the DOE inventories release showed a first drawdown in US crude supply in 10 weeks, there are 3 billion barrels stored in OECD countries and the supply/demand gap remains a record levels at close to 1.5 million barrels a day in excess supply. Furthermore, those banking on a rebound in crude prices will have been disappointed to learn that this morning OPEC production increased once again in November, hitting a 3 year high.

The euro hit 1.10 handle versus the dollar and now lies slap bang in the middle of the yearly range. Much of this move has taken place in the wake of Draghi failing to deliver last week and the prospect of a 'dovish hike' by the FOMC in less than a week's time. I think that we are likely to be range-bound in this currency pair ahead of the Fed, with perhaps a further push higher once the first Fed hike is out the way, although traders will be anxiously scanning the FOMC members' 'dot plot' for signs of the steepness of the trajectory of rate increases.

The Bank of England rate decision announced no change in rates as anticipated, with an 8-1 vote split among MPC members but a downbeat assessment of inflation and on nominal wage growth. Cable had strengthened in recent days, hitting the 1.52 handle for the first time this month, but has retraced a touch immediately following the midday announcement following the cautious MPC outlook.

The Afternoon View

Our strategy for the day is short across the board for the assets we cover, albeit a more conservative entry for the S&P short from R1, while crude short from pivot is the most natural entry point for our ongoing bearish bias; pivot has been a good level from which to short in recent weeks as the selloff in crude accelerated. T notes have enjoyed a decent rally since the start of the month, mainly driven by the push lower in crude, but we are cautious in fixed income with just 4 days before the Fed is expected to announce the first rate hike since 2006.

Key Headlines

Market Sentiment: Bearish

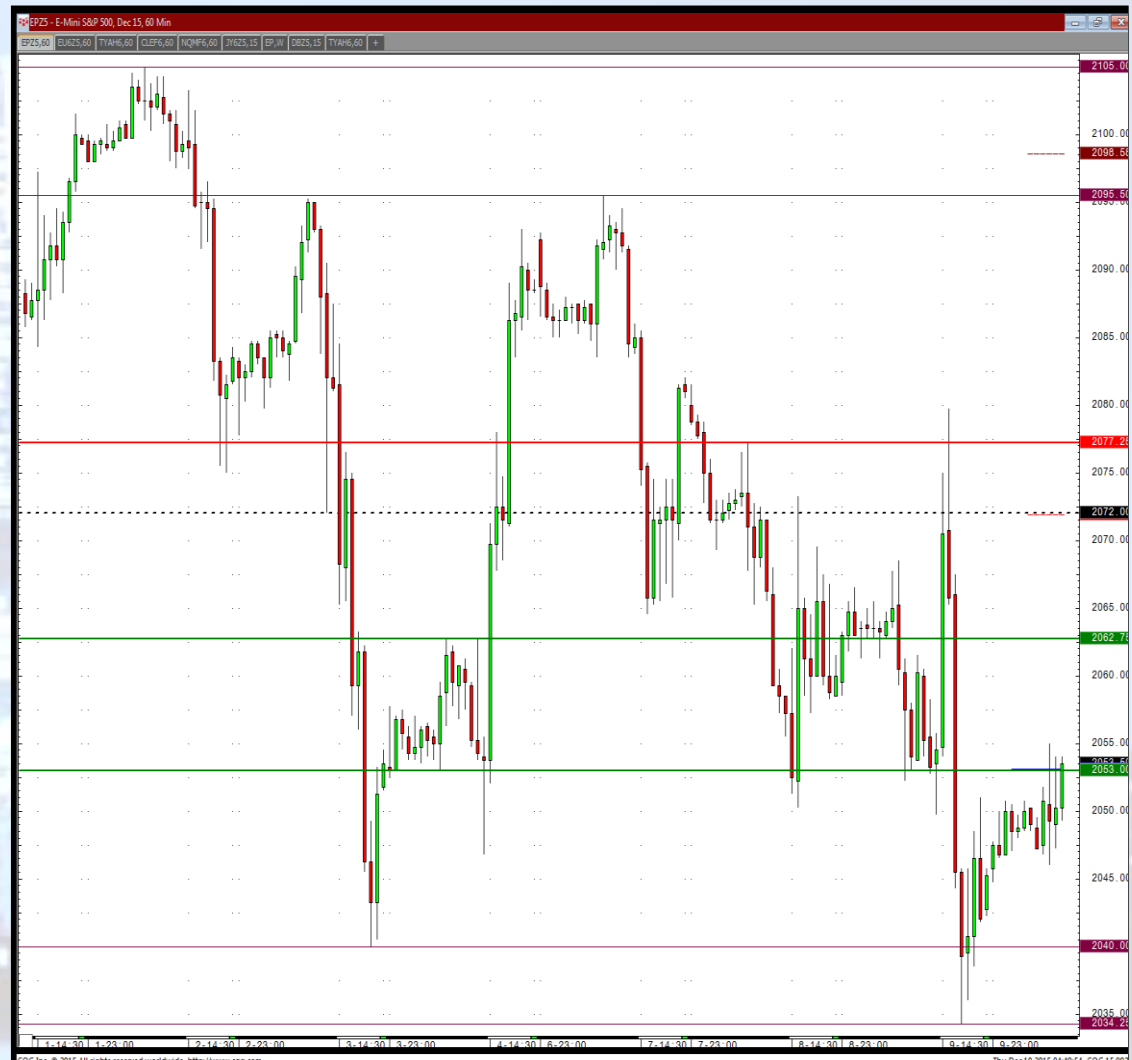
- Bank of England MPC meeting minutes show 8-1 in favor of leaving rates unchanged
- UK October trade deficit hits widest in over 40 years
- OPEC crude production rises to three year high

Major Data Releases

| Data | Expected | Previous |
|------------------------|----------|----------|
| Initial Jobless Claims | 270k | 269k |
| Continuing Claims | 2155k | 2161k |

| Strategy | Short |
|------------------------|---------|
| Entry | 2072.00 |
| 1 st Target | 2062.75 |
| 2 nd Target | 2053.00 |
| Stop | 2077.25 |

| Key Levels | Comments |
|------------|-------------------------------|
| 2077.25 | Resistance on 8 th |
| 2072.00 | R1 |
| 2062.75 | Resistance on 4 th |
| 2053.00 | Pivot |
| 2040.00 | Low of 3 rd |
| 2034.25 | Yesterday's Low |



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Please see page 5 for more information

| Strategy | Short |
|------------------------|--------|
| Entry | 1.0984 |
| 1 st Target | 1.0953 |
| 2 nd Target | 1.0924 |
| Stop | 1.1000 |

| Key Levels | Comments |
|------------|-------------------------|
| 1.1000 | Handle Resistance |
| 1.0984 | Draghi High |
| 1.0953 | High of 4 th |
| 1.0924 | S1 |
| 1.0900 | Handle Support |
| 1.0820 | S2 |



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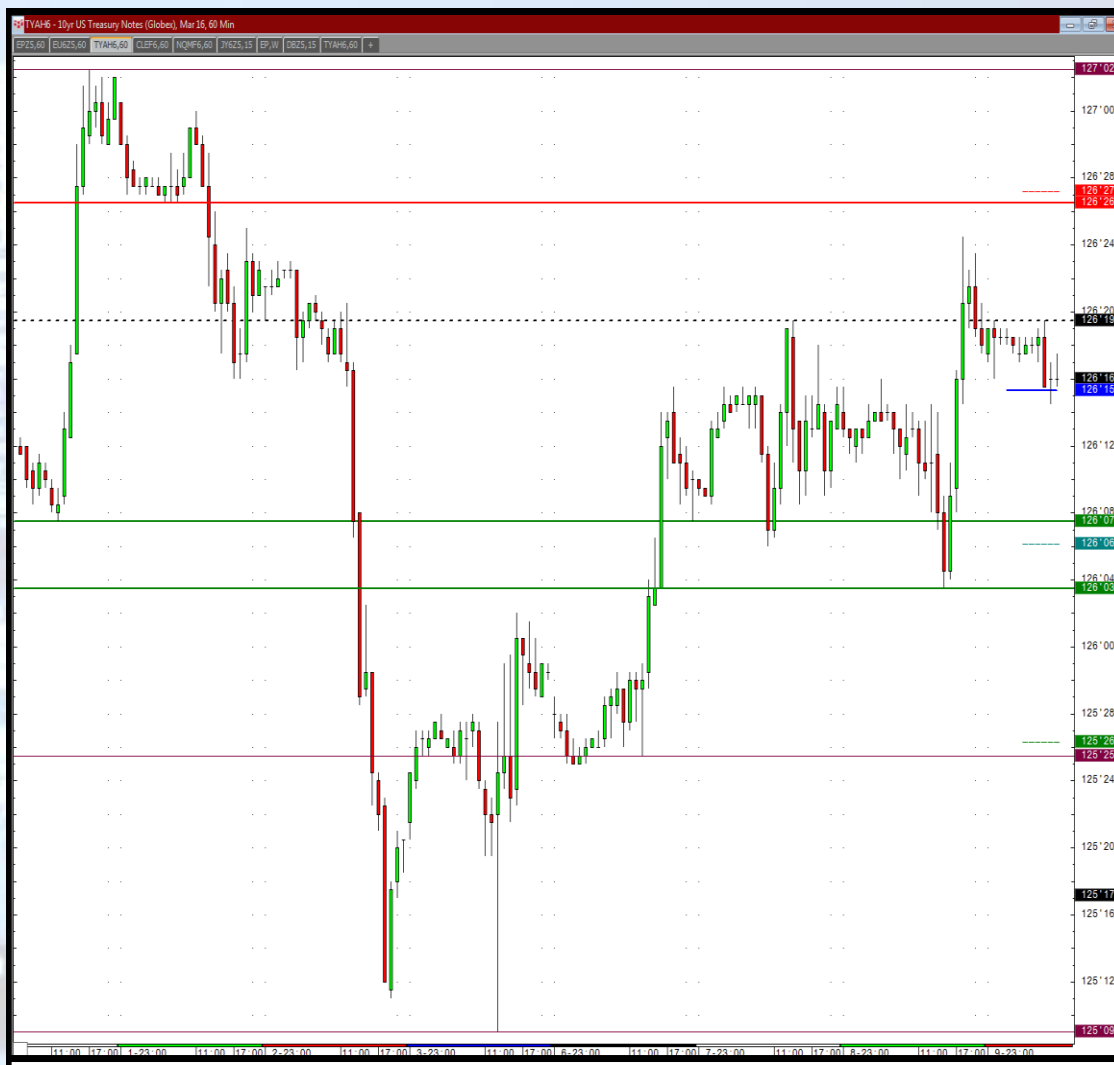
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| Strategy | Short |
|------------------------|---------|
| Entry | 126.195 |
| 1 st Target | 126.075 |
| 2 nd Target | 126.035 |
| Stop | 126.265 |

| Key Levels | Comments |
|------------|----------------------------|
| 126.270 | R1 |
| 126.265 | Support on 2 nd |
| 126.155 | Pivot |
| 126.075 | Support on 7 th |
| 126.060 | S1 |
| 126.035 | Low of 9 th |

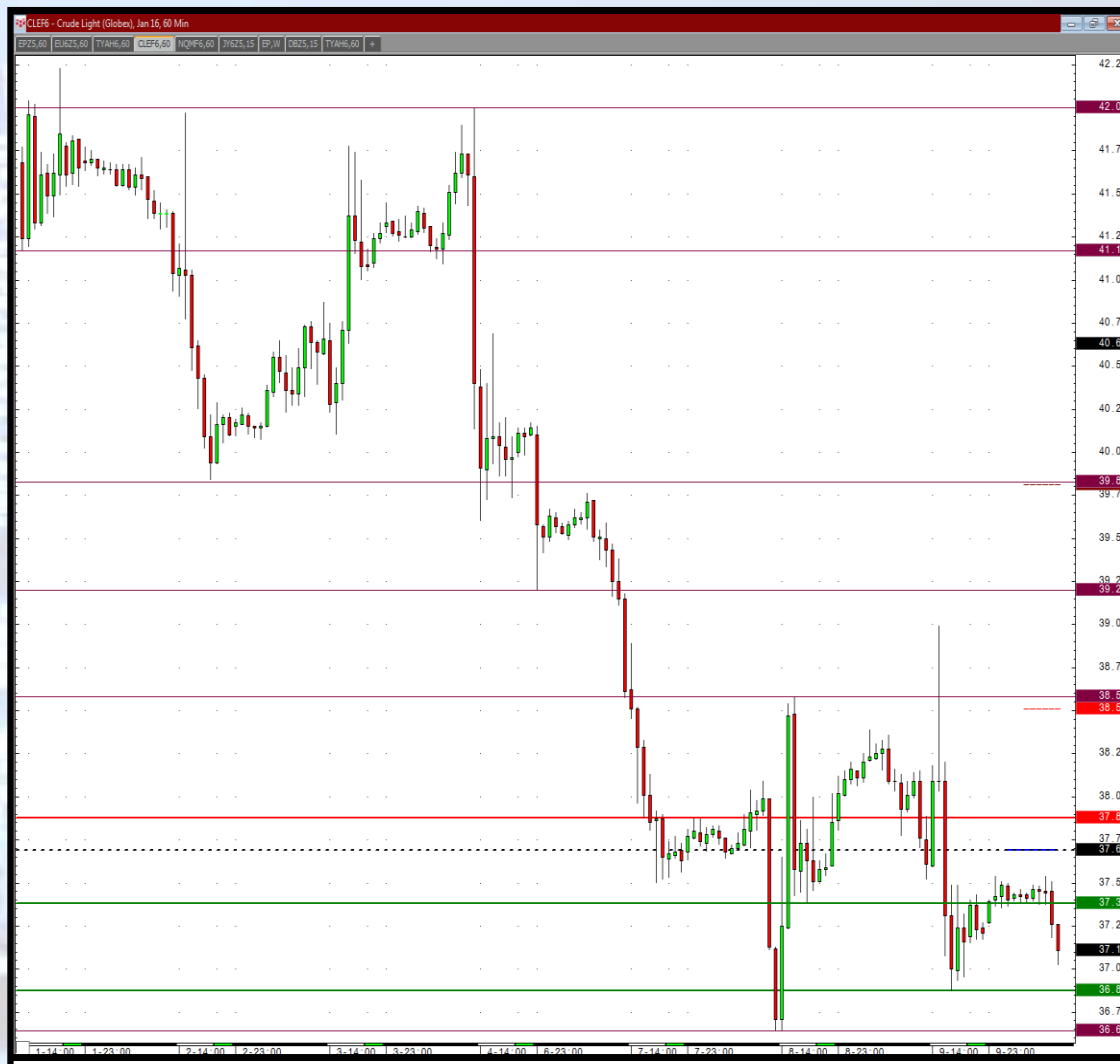
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| Strategy | Short |
|------------------------|-------|
| Entry | 37.69 |
| 1 st Target | 37.38 |
| 2 nd Target | 36.87 |
| Stop | 37.88 |

| Key Levels | Comments |
|------------|-------------------------------|
| 37.88 | Resistance on 7 th |
| 37.69 | Pivot |
| 37.38 | S1 |
| 36.87 | Low of 9 th |
| 36.64 | Low of 8 th |



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