

The Day So Far

Yesterday's stock market gyrations several tested our newfound-bullishness in equities, as the S&P gave back practically all Wednesday's 'window dressing' rally at the European close. The catalyst: weak US ISM Manufacturing, coming in a touch above the 50 level which signifies economic expansion and briefly re-igniting fears regarding the global economy. This was the one caveat to our bullish call in equities; that a deterioration in the US economy would provide evidence that the global slowdown had begun to adversely affect the world's largest economy. However, markets swiftly retraced through to the US close and our faith in the bull case remains intact...for now.

The Afternoon View

This leads us nicely to today's NFP report, and for once the impact on Fed policy is not expected to be the deciding factor driving assets post-release. The no-hike in September at the last FOMC meeting, and more importantly the reasons given by Yellen during her press conference; blaming external factors such as China slowdown, as well as noting the lower medium term inflation outlook and her relatively downbeat assessment of the state of the labour market, left already jittery investors fretting about the US economy.

We arrive at this release with markets worried about global growth. Therefore, 'good news is good news' in that a positive set of numbers here will be interpreted as a good sign for the global economy, that the US is still in good shape despite slowing growth elsewhere. Rate hike worries might come in closer to the next FOMC meeting perhaps, but for now good news is back to being good news. The other observation to make is that the headline number, as well as previous revisions, assume greater importance than in recent months, as this post-crisis recovery has been marked by the lack of broad-based wage inflation and in any case we aren't concerned at the moment for the implications on Fed policy therefore the quality of jobs is less important than the sheer number. Any number above 200k we think would be enough to placate investors and equities should continue to rally, between 180-200 and the bullish case for the day is less clear but I wouldn't expect a move below 1900 on the S&P, whereas a headline number below 180k could lead to global growth fears flaring once again and equities will end another turbulent week comfortably below 1900. Seeing as we are looking for a good number above 200k, we are long equities and short the rest.

Key Headlines

Market Sentiment: Bullish

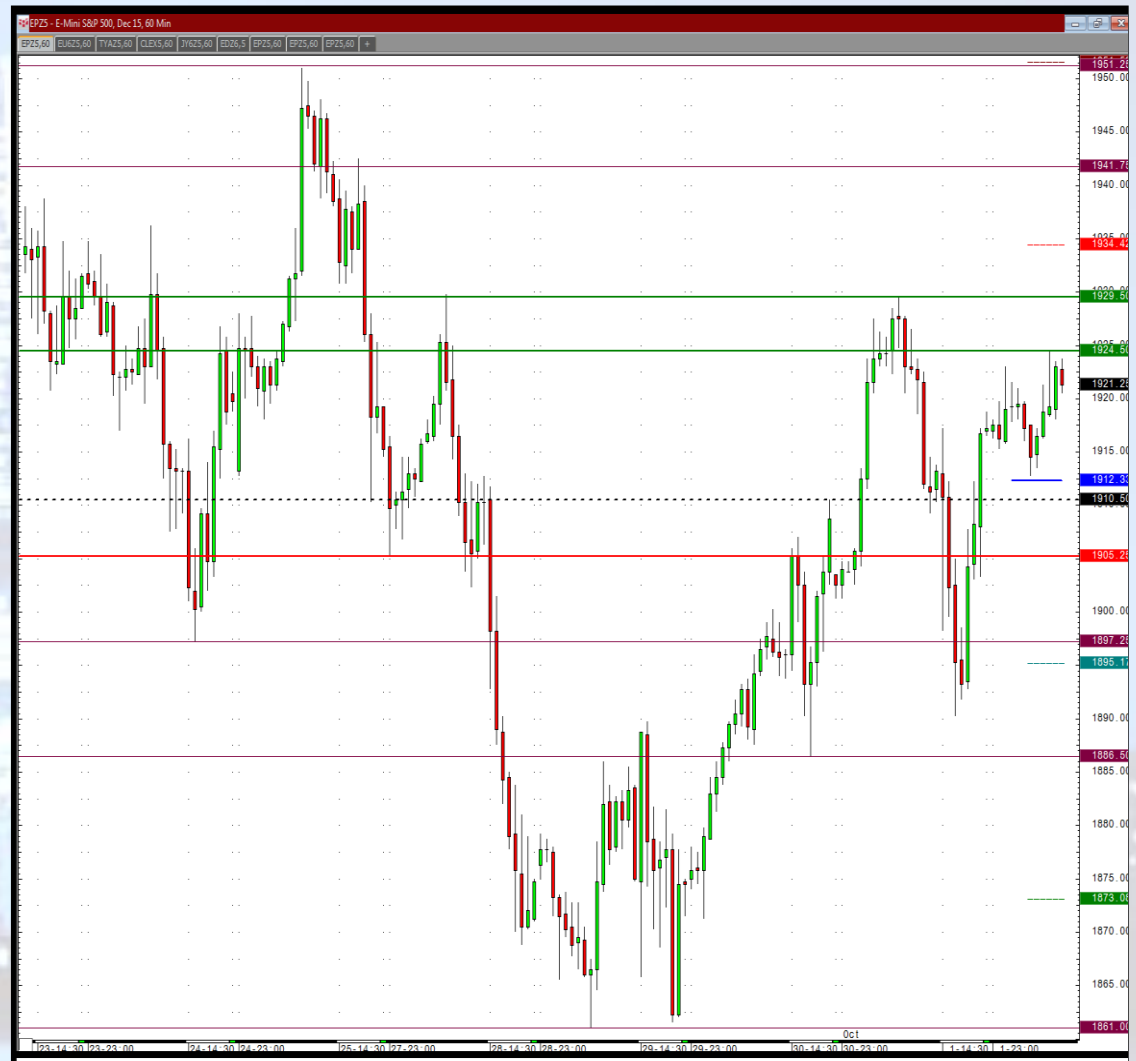
- Angela Merkel's popularity hits 4-year low
- UK construction PMI comfortably beats expectations: 59.9 vs. exp. 57.5

Major Data Releases

Data	Expected	View
Change in Nonfarm Payrolls (Sept)	200K	Inline
Unemployment Rate	5.10%	Inline
Average Hourly Earnings	0.20%	Inline
Factory Orders (Aug)	-1.20%	inline

Strategy	Long
Entry	1910.50
1 st Target	1924.50
2 nd Target	1929.50
Stop	1905.25

Key Levels	Comments
1934.50	R1
1929.50	High of 1 st
1924.50	Overnight high
1912.25	Pivot
1910.50	High of 30 th
1905.25	Low of 25 th
1895.25	S1

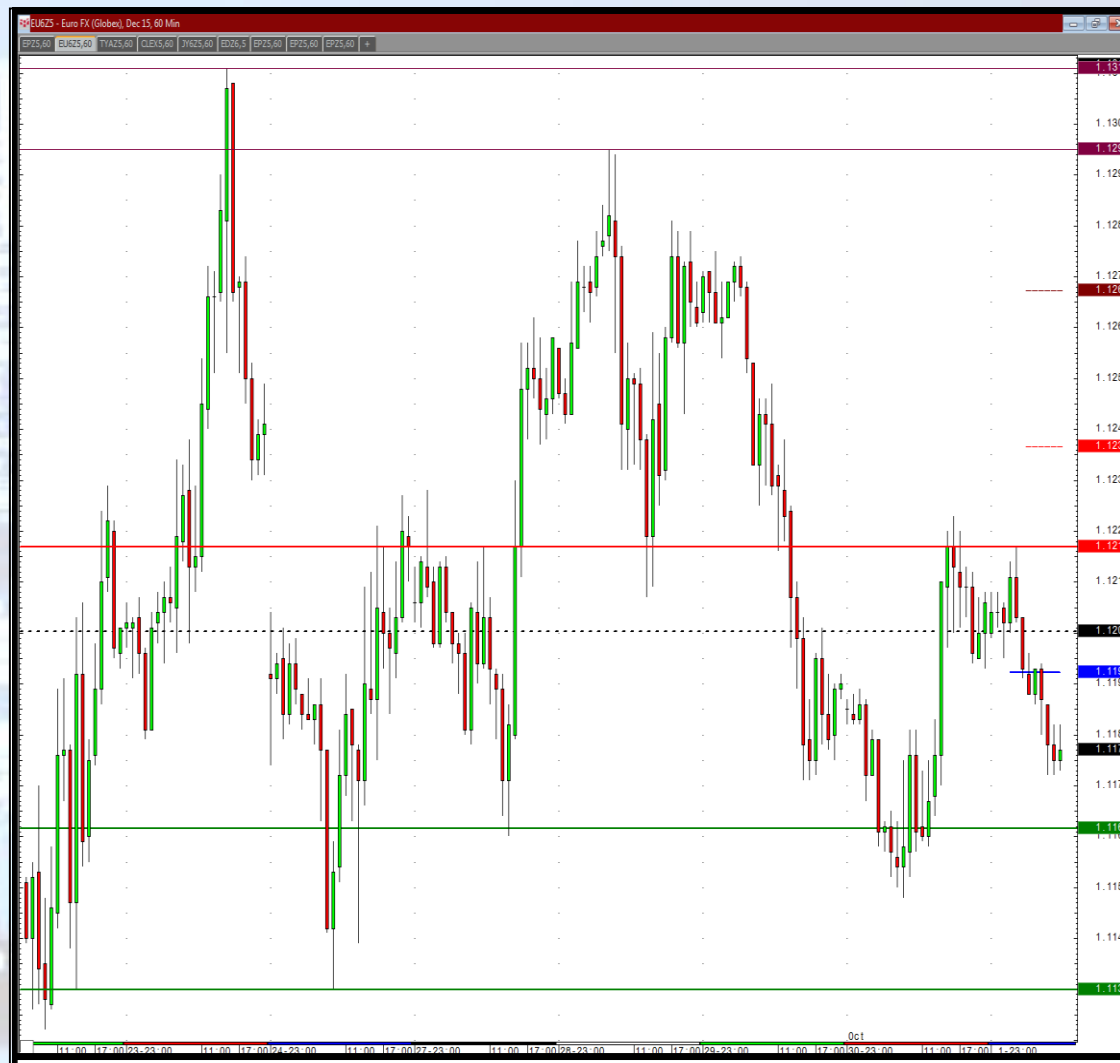


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Please see page 5 for more information

Strategy	Short
Entry	1.1200
1 st Target	1.1162
2 nd Target	1.1130
Stop	1.1217

Key Levels	Comments
1.1237	R1
1.1217	Overnight high
1.1200	Handle Resistance
1.1192	Pivot
1.1162	Low of 28 th & S1
1.1130	Low of 25 th



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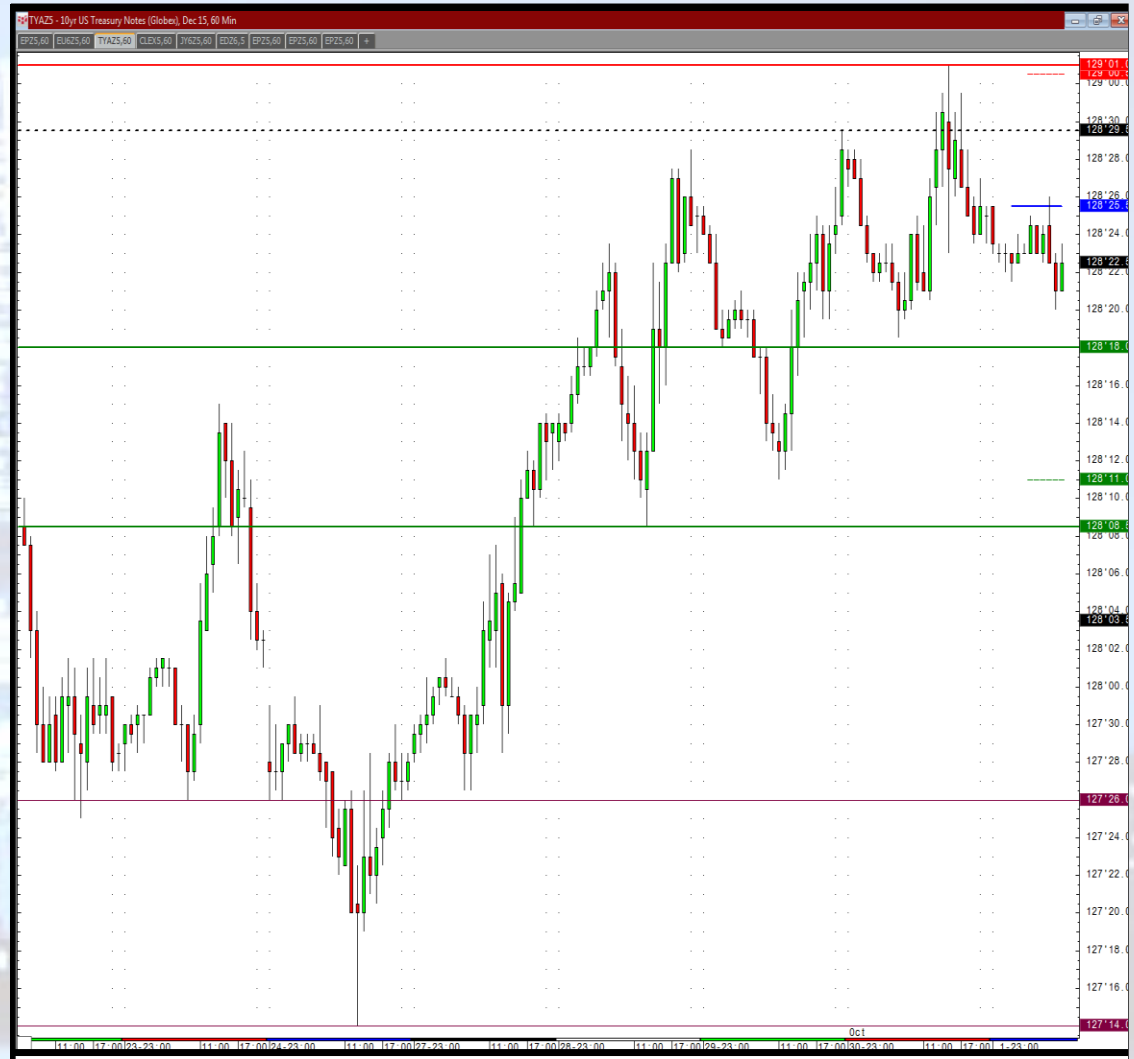
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Strategy	Short
Entry	128.295
1 st Target	128.180
2 nd Target	128.180
Stop	129.010

Key Levels	Comments
129.010	Yesterday's High & R1
128.295	High of 1 st
128.255	Pivot
128.180	S1
128.110	S2
128.085	Low of 29 th

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Strategy	Short
Entry	45.75
1 st Target	44.68
2 nd Target	44.30
Stop	46.00

Key Levels	Comments
46.38	High of 25 th
46.00	Handle Resistance
45.75	Overnight High
45.58	Pivot
44.68	Low of 29 th
44.30	Low of 28 th
44.07	S1



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