

The Day So Far

2016 has begun with a whimper as European equities have been rattled by a volatile trading session in Asia, where the Chinese blue-chip CSI 300 index fell 7% and the small-cap Shenzhen Composite fell the most in 9 years. Trading was then halted for the day as new circuit-breakers came into effect. Investors are worried in particular about the imminent unwinding of many of the protective measures put in place by the Chinese regulators during the extremely volatile period for markets last summer, which included the infamous 'Black Monday' selloff. Notably, the ban on short selling, put in place last July, is set to expire, and many fear this will lead to a fresh wave of selling to start the year. To cap it all, the Chinese manufacturing PMI shrank for a 5th straight month in December, coming in at 49.7, below the 50 level which indicates economic expansion. The Dax has fallen as much as 4% on the day, whilst US equities were far from immune from the carnage, the S&P 500 testing the critical 2000 handle before rebounding a touch.

Elsewhere, WTI crude briefly jumped above \$38 as tensions rose between Saudi Arabia and Iran after the execution of 47 people, many of whom were Shia, by the Saudis on Saturday.

The Afternoon View

Busy start to month in terms of economic data, with the ISM Manufacturing the highlight at 15:00 GMT. The ISM Manufacturing has diminished in importance in recent years as the contribution of the manufacturing sector to US economic growth has gradually reduced, but it remains an important piece of data nonetheless and a focal point for traders today. We are kicking off the year with a short bias in the S&P, although our 2nd target is 2000, which has been a solid area of support in recent weeks. Short euro and crude were some of the more popular trades for 2015, though I think both are poised for a rebound this year as the multi-year dollar rally begins to falter and crude supply starts to come off, we are sticking with a short bias for now in both for today.

Key Headlines

Market Sentiment: Bearish

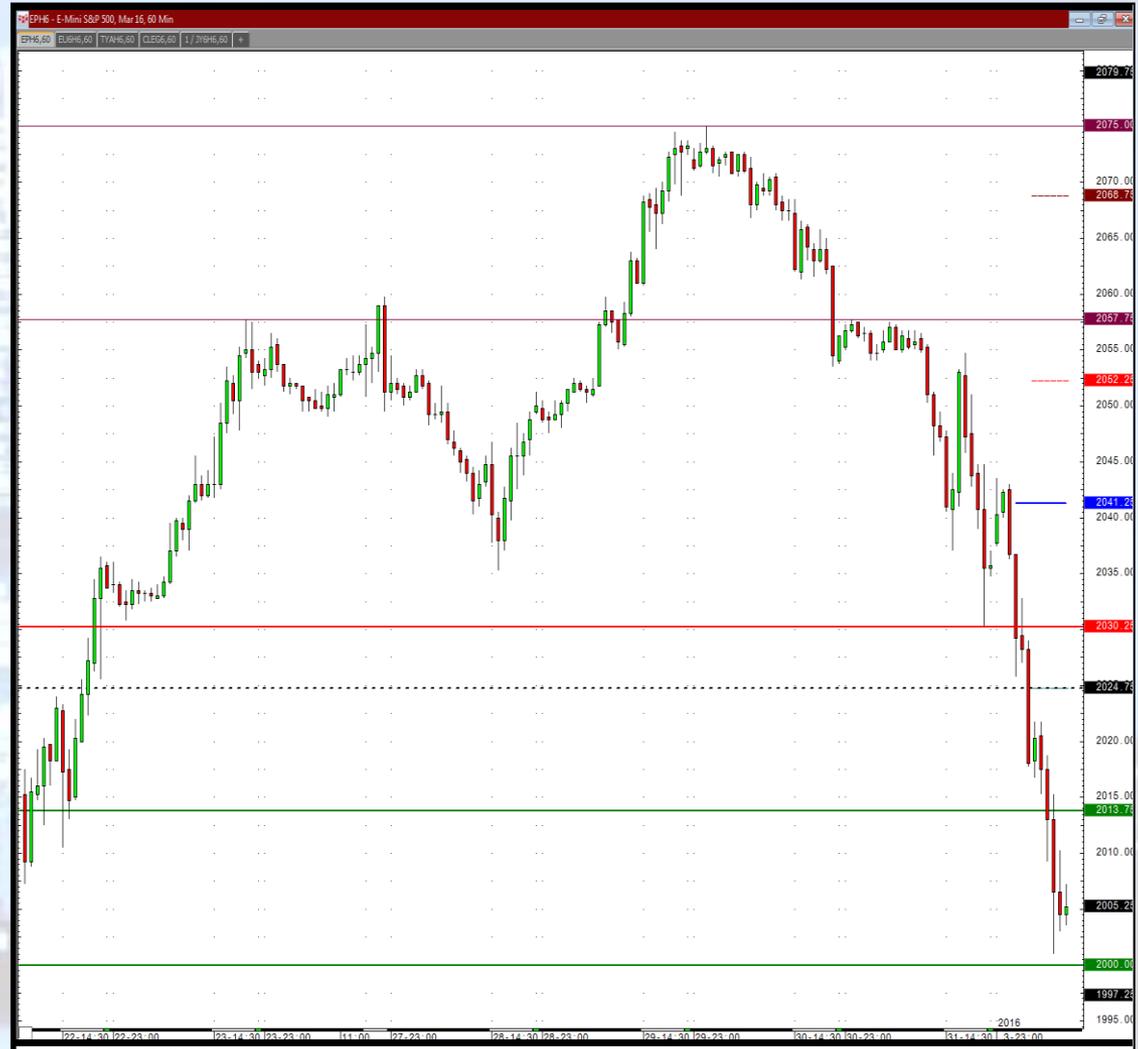
Chinese blue-chip CSI 300 falls 7%, halting trading for the day
Bearish Asian session sets tone for Western equities, as S&P futures break 2000 ahead of the US open

Major Data Releases

Data	Expected	Previous
German CPI (Dec) Y/Y	0.60%	0.40%
ISM Manufacturing (Dec)	49	48.6
US Construction Spending (Nov) M/M	0.70%	1.0%
ISM Prices Paid	36	35.5

Strategy	Short
Entry	2024.75
1 st Target	2013.75
2 nd Target	2000.00
Stop	2030.25

Key Levels	Comments
2041.25	Pivot
2030.25	Support on 31 st
2024.75	S1
2013.75	S2
2000.00	Handle Support



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Please see page 5 for more information

Strategy	Short
Entry	1.0966
1 st Target	1.0935
2 nd Target	1.0903
Stop	1.0978

Key Levels	Comments
1.0990	R2
1.0978	Support on 28 th
1.0966	Today's High
1.0935	R1
1.0903	Pivot
1.0848	S1



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Strategy	Long
Entry	126.015
1st Target	126.065
2nd Target	126.130
Stop	125.305

Key Levels	Comments
126.130	High of 28 th
126.065	R2
126.015	R1
125.305	Support on 24 th
125.270	Pivot
125.220	S1

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Strategy	Short
Entry	37.83
1 st Target	37.38
2 nd Target	37.03
Stop	38.00

Key Levels	Comments
38.32	Overnight High
38.00	Handle Resistance
37.83	R1
37.38	Support on 24 th
37.03	Pivot
36.60	Support on 28 th
36.26	S1



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