

The Day So Far

US equities just about managed to escape a sixth down day in a row as they eked out slim gains. There was the sense that the sell-off on Monday, coming as it did with little data and a largely headline-absent weekend, was perhaps a little unwarranted particularly given what is still to come this week. This morning has seen a strong rebound in risk assets, the Dax trading just shy of 9700 handle, the FTSE 100 hitting the key 6000 mark and S&P futures coming within a couple of points of 1900. This is being attributed to end-of-quarter window dressing with fund managers trying to put a positive gloss on what has been the worst quarter for developed market equities since 2011. This is despite more troubling data overnight, this time Japanese industrial production much weaker than anticipated (0.2% vs exp. 1.8%).

We got a final look at UK 2nd quarter GDP, slightly below expectations as well (2.40% vs exp. 2.60%) but sterling appreciated as the current account deficit narrowed considerably. Eurozone CPI was slightly lower than expected, raising the pressure on the ECB to expand their monetary stimulus to combat deflation once again. Crude has traded in a tight range this morning as traders await the DOE inventory data this afternoon. The API inventories showed a massive build in supply of 4.6 million barrels.

The Afternoon View

Big day for data as we gear up for Friday's NonFarms, today's ADP Employment report to be released at 13:15 will certainly give an indication as to the likely NFP print. Expectations are for a gain of 190k, in-line with the previous month. Looking at the way markets are trading, we have a general risk-on theme in play which is undoubtedly partly responsible for the sharp sell-off in t notes, but the dollar strength is suggesting a strong number is likely. In this situation, we think 'good news is good news' and equities should continue to rebound, perhaps even above 1900 in the S&P. We are also factoring in the quarter-end 'window-dressing' also aiding sentiment this morning and driving our bias back into the bullish camp for today. Aside from the data points mentioned, look out for Fed Chair Yellen speaking alongside Fed's Bullard in St. Louis, supposedly on community banking, but markets will be watching the text closely for any hints on Fed policy.

Key Headlines

Market Sentiment: Bearish

- Eurozone CPI for September slips to -0.10%
- UK Q2 GDP 2.40% vs. exp. 2.60%
- API inventories show build of 4.6 million barrels

Major Data Releases

| Data | Expected | View |
|----------------------------------|----------|--------|
| ADP Employment Change (Sept) | 190K | Inline |
| Chicago PMI | 53 | Inline |
| DOE US Crude Oil Inventories W/W | -500k | Inline |

| Strategy | Long |
|------------------------|---------|
| Entry | 1889.25 |
| 1 st Target | 1897.25 |
| 2 nd Target | 1904.00 |
| Stop | 1886.00 |

| Key Levels | Comments |
|------------|--------------------------|
| 1904.00 | R2 |
| 1897.25 | Low of 24 th |
| 1889.25 | R1 |
| 1886.00 | High of 28 th |
| 1875.00 | Pivot |
| 1861.00 | Yesterday's Low |

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Please see page 5 for more information



| Strategy | Short |
|------------------------|--------|
| Entry | 1.1254 |
| 1 st Target | 1.1229 |
| 2 nd Target | 1.1200 |
| Stop | 1.1274 |

| Key Levels | Comments |
|------------|------------------------------------|
| 1.1302 | R1 |
| 1.1274 | Overnight High |
| 1.1254 | Pivot |
| 1.1229 | Overnight High of 28 th |
| 1.1214 | S1 |
| 1.1200 | Handle Support |
| 1.1166 | S2 |

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| Strategy | Short |
|------------------------|---------|
| Entry | 128.205 |
| 1 st Target | 128.130 |
| 2 nd Target | 128.085 |
| Stop | 128.235 |

| Key Levels | Comments |
|------------|--------------------------|
| 128.235 | High of 28 th |
| 128.210 | Pivot |
| 128.130 | S1 |
| 128.085 | Yesterday's Low |
| 128.010 | S2 |

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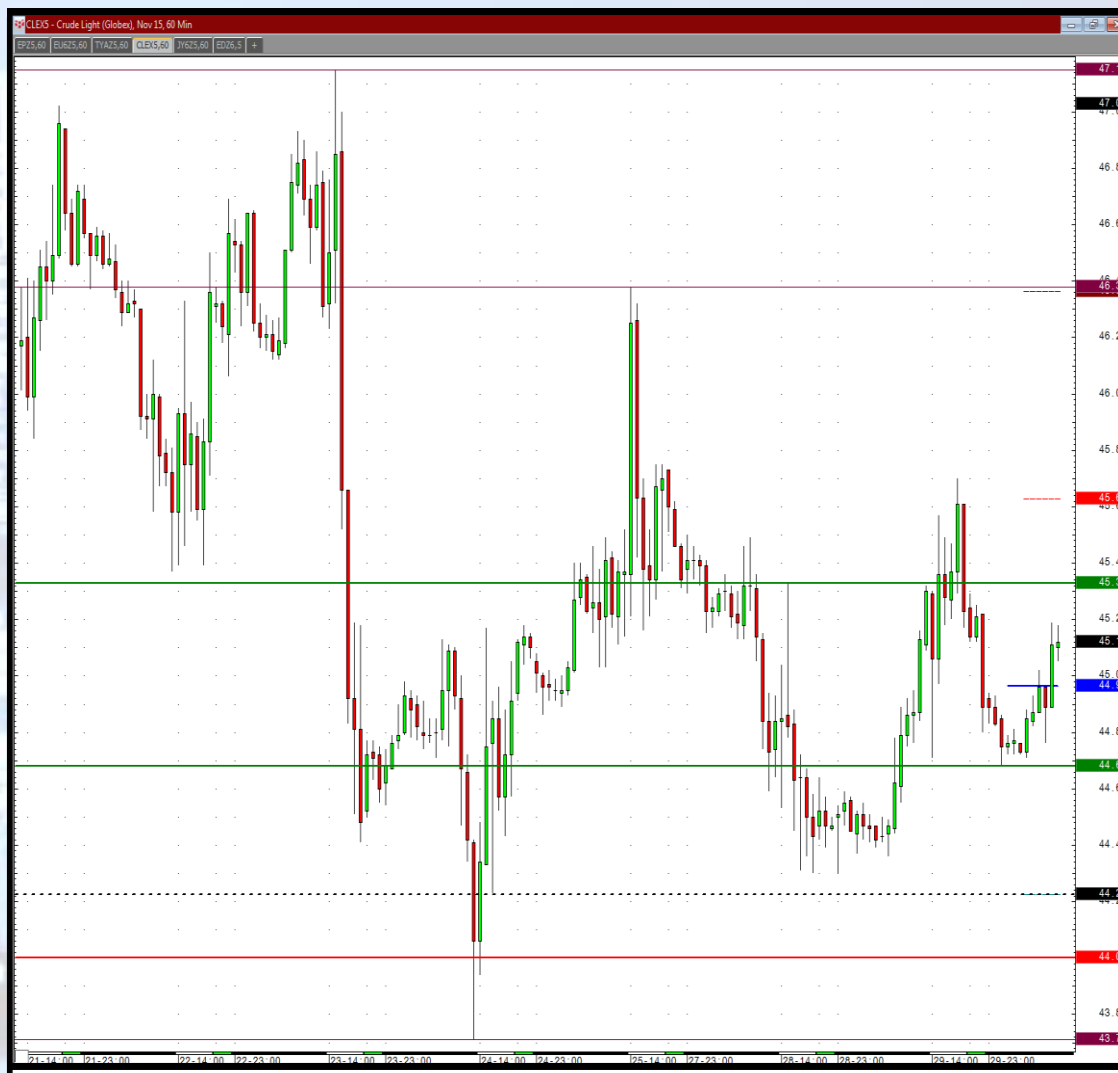


| Strategy | Long |
|------------------------|-------|
| Entry | 44.23 |
| 1 st Target | 44.68 |
| 2 nd Target | 45.33 |
| Stop | 44.00 |

| Key Levels | Comments |
|------------|--------------------------|
| 45.63 | R1 |
| 45.33 | High of 28 th |
| 44.96 | Pivot |
| 44.68 | Yesterday's Low |
| 44.23 | S1 |
| 44.00 | Handle Support |
| 43.71 | Low of 24 th |

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