

The Day So Far

Last night's API inventory drawdown of 5.6 million barrels has proved no panacea for WTI crude as it broke \$35 this morning, dragging equities lower in the process. Global crude inventories remain around 3 billion barrels so it will take more than one solid drawdown to materially affect the fundamental outlook for crude. The Yen has made a new high against the dollar, while the Bund and T notes stay bid in correlated risk-off positioning. This has very much been the story of 2016, as investors fret about global growth, the unwinding of years of ultra-accommodative Fed policy and the upcoming earnings season. On that note, do not underestimate the importance of reports this morning that Apple is cutting production of its latest iPhone models by 30% amid weaker demand from China. Apple has been one of the darlings of this bull market, rallying from a low of \$11 in January 2009 to over \$100 today and the market is very sensitive to developments regarding their iPhone sales. A new product launch is due later this year. The S&P has now broken the yearly lows and looks set for further downside depending the US data this afternoon.

The Afternoon View

Massive day for data today, in particular the ADP employment report at 13:15 GMT and ISM Non-Manufacturing Composite half an hour after the cash open. The Department of Energy inventories release caps off the busy day for data at 15:30 GMT. At the moment, there is a clear difference in opinion between the markets expectations for Fed rate hikes in 2016 and the FOMC's own 'dot plot'; Fed Funds Futures are pricing in two hikes this year, while the dot plot is suggesting between three and four hikes, but a string of strong economic data could force the market to re-evaluate. This would not be good news for equities, which are already under pressure, and the minutes from the December FOMC meeting will also be closely watched this evening for hawkish undertones. Our bias for the day remains the same; bearish equities and bullish t notes, although the t notes call to some extent depends on the data. Short euro and crude from their respective pivots are the other strategies.

Key Headlines

Market Sentiment: Bearish

- API inventory shows drawdown of 5.6 million barrels
- Reports that Apple is cutting production of its iPhones in response to lower demand from China in particular

Major Data Releases

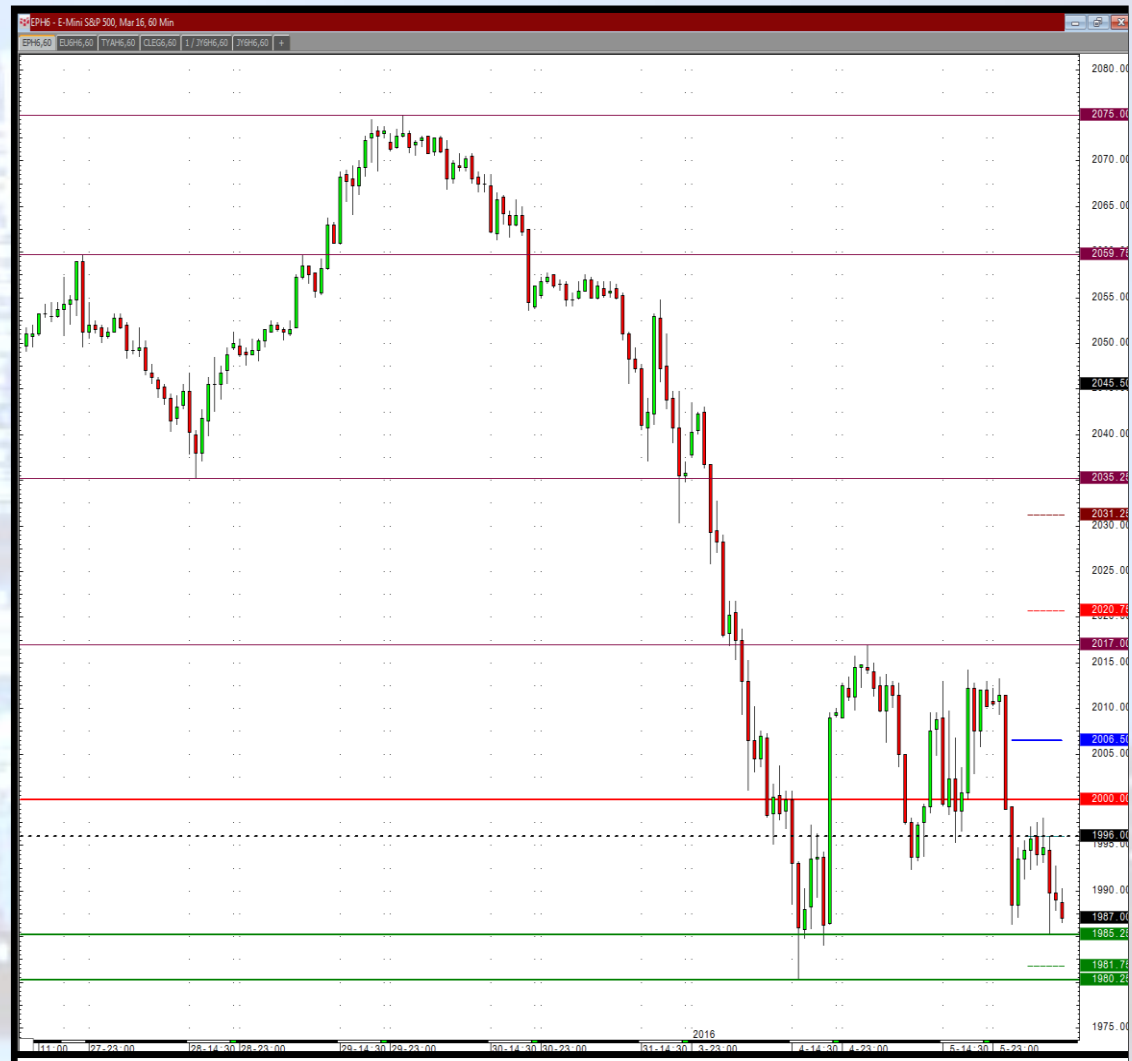
Data	Expected	Previous
ADP Employment (Dec) M/M	195k	217k
US Services PMI (Dec F) M/M	54	53.7
ISM Non-Manf. Composite (Dec) M/M	56	55.9
Factory Orders (Nov) M/M	-0.20%	1.50%
Durable Goods Orders (Nov F)		0.00%
DOE US Crude Oil Inventories	0k	2629k

Strategy	Short
Entry	1996.00
1 st Target	1985.25
2 nd Target	1980.25
Stop	2000.00

Key Levels	Comments
2006.50	Pivot
2000.00	Handle Resistance
1996.00	S1
1985.25	Today's Low
1981.75	S2
1980.25	Monday's Low

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Strategy	Short
Entry	1.0784
1 st Target	1.0728
2 nd Target	1.0712
Stop	1.0800

Key Levels	Comments
1.0841	R1
1.0800	Handle Resistance
1.0784	Pivot
1.0728	Yesterday's Low
1.0712	S1

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US 10yr T-Notes (Mar'16) Futures: 6th January 2016

Strategy	Long
Entry	126.080
1 st Target	126.140
2 nd Target	126.215
Stop	126.045

Key Levels	Comments
126.215	R2
126.160	R1
126.140	Yesterday's High
126.080	Pivot
126.045	Support on 4 th
126.025	S1

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Strategy	Short
Entry	36.33
1 st Target	35.55
2 nd Target	35.00
Stop	36.60

Key Levels	Comments
36.60	Low of 28 th
36.33	Pivot
35.74	Yesterday's Low
35.55	S1
35.00	Handle Support
34.97	S2

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