

European Market Outlook



Morning Briefing

May 6th 2016

The calendar quietsens down somewhat Friday, with a limited amount of data on offer either side of the Atlantic. However, the main release of the day will undoubtedly be the US jobs report expected early afternoon London time.

The European calendar gets underway at 0700GMT, with the publication of the Spanish March industrial production data.

There is no UK data due for release, but the results of Thursday's regional elections will flow in through the day.

Across the Atlantic, the US calendar gets underway at 1230GMT, with the release of the Labour Force Survey.

The benchmark US April employment report is also set for publication at 1230GMT.

Nonfarm payrolls are forecast to rise by 205,000 in April after a 215,000 gain in March. The large walk-out of communications workers at Verizon did not have an impact in the survey week, according to the BLS.

The unemployment rate is expected to hold steady at 5.0% in March. Hourly earnings are forecast to rise 0.3%, the same as in the previous month, while the average workweek is expected to lengthen to 34.5 hours after holding steady at 34.4 hours in the previous month.

At 1400GMT, the Canadian Ivey PMI data is set to cross the wire.

Further Canadian calendar entry at 1500GMT, when BOC Deputy Gov. Lawrence Schembri participates in panel discussion at Centre for

International Governance Innovation (CIGI), Bank of Canada,

International Monetary Fund (IMF) and the Peterson Institute for International Economics (PIIE)

At 1515GMT, the latest NY Fed GDP Nowcast will be published.

Late US data is expected at 1900GMT, when the Treasury Allotments and the April consumer credit data will cross the wires.

Consumer credit usage is forecast to post a \$15.2 billion increase in March after a \$17.2 billion gain in February. After annual revision, retail sales fell 0.4% in March, but were up 0.1% excluding motor vehicle sales and up 0.1% excluding both vehicles and gasoline.

Global Economic Trading Calendar

Time (GMT/Local)
0700/0300 ES industrial production
1230/0830 CA Labour Force Survey
1230/0830 US Employment Report
1400/1000 CA Ivey PMI
1500/1100 CA BOC Deputy Gov. Lawrence Schembri participates on panel
1515/1115 US NY Fed GDP Nowcast
1900/1500 US Treasury Allotments (final)
1900/1500 US Consumer Credit

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Markets

FOREX: Japanese markets returned today after the Golden Week holidays and dollar-yen witnessed another spike higher earlier in the session but ran into strong sell orders off its recent highs. Elsewhere, the aussie was driven lower after the release of the RBA's statement on monetary policy while the euro was stuck in narrow ranges ahead of tonight's US non-farm payrolls data. Dollar-yen rose to Y107.43 high this morning almost matching last night's Y107.50 US high but failed to make further progress and was last down near the Y107.03 low, at Y107.06. Aussie-dollar fell to \$0.7382 in the hours following the RBA statement and was last at \$0.7387. Euro-dollar marked a \$1.1393 to \$1.1410 range through the morning and was last at \$1.1409.

US INDEX FUTURES: US stock index futures are trading slightly weaker ahead of the payrolls data later today, while many Japanese investors are currently still away on their Golden Week holidays despite markets being open. Currently the Jun'16 e-mini S&P futures are down 2.25 points at 2,041.75, the Jun'16 e-mini Nasdaq futures are trading down 7.75 points at 4,292.50, while the Jun'16 e-mini Dow futures are trading down 20 points at 17,552.

US STOCKS CLOSE: US stocks gave up the modest gains seen earlier and closed mixed. The DJIA closed up 0.05% at 17,660.71, the Nasdaq Composite closed down 0.18% at 4,717.094 and the S&P 500 closed down 0.02% at 2,050.63. On

April 20, the DJIA posted a new 2016 high of 18,167.63, the S&P 500 a new 2016 high of 2,111.05 and the Nasdaq a new 2016 high of 4,969.320. This compares to the life-time highs of 18,351.36 (May 19) and 2,134.72 (May 20), seen last year and for the Nasdaq, last year's peak of 5,231.942, seen July 20. The S&P 500, which saw a low of 2,045.77 earlier, posted a low of 2,045.55 Weds, a 3-week plus low.

US TSY FLOWS: With traders estimating that 75% of Tokyo participants still away on their Golden Week holidays and the double whammy payrolls (Canada as well as US) later today it has been a somewhat of a quiet start for cash treasuries in their first full session of the week. Early flows have primarily seen Asian bank buying of 10's, while there was other Asian bank profit take selling on the open, with some \$1.77 bln changing hands so far. Futures did see a 1-tick blip higher on the RBA SOMP, as the RBA lowered its inflation forecasts, with the statement seeing a complete shift of focus to international developments and taking a page out of the Fed's book. Ten-year futures are last at 130-25 up 1.5

JAPAN STOCKS: Japanese stocks have posted modest losses during their return from their Golden Week holidays. Gavin Parry MD of Parry International Trading writes "We like the 16,000 level as a support for the Nikkei at the moment and given this relative stability for the Yen holding just under its Y107 handle". He observes that "the lack of volatility in the FX cross to USD is a plus for

cash equity stability but we are in a limbo period right now (not just because most of Japan is still off line given the Golden Week holiday period) as we head towards the G7 to be hosted in Japan". The Nikkei has closed for lunch down 0.72% or 115.66 points at 16,031.72, while the Topix is down 0.64% or 8.29 points 1,291.67.

GOLD: Spot gold holds around \$1,276.30/oz, on the low side of a \$1,268.99 to \$1,286.59 range. The precious metal topped out at \$1,303.82 May 2 around the peak of US dollar selling, but has since edged lower. Today gold took out Wed's low of \$1,271.93, but saw limited downside follow through. The next support is \$1,265.15, last Friday's low. Ross Norman of Sharps Pixley notes that while 2014 and 2015 saw solid rallies that faded, the gold gains seen in 2016 have seen different drivers. "Currently spot Gold in Asia is last at 1279.00 up \$1.25 with the market seeing a 1280.70.74.50 range.

OIL: WTI crude oil futures for Jun'16 delivery last down \$0.24 at \$44.08 per barrel, after a \$44.01 to \$44.59 range in Asia today, drifting lower on solid volume and looking to test the Thursday lows. The market continues to struggle in the \$45/\$50 resistance area with inventories still at record highs but production at multi year lows. The fires in Canada have been a slight boost for prices but it's been a 60% rise from the lows in the spot crude price, and with US Payrolls ahead today the market is shedding some weak longs.

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Technical Analysis

BUND: (M16) Recent Topside Pressure Takes Its Toll



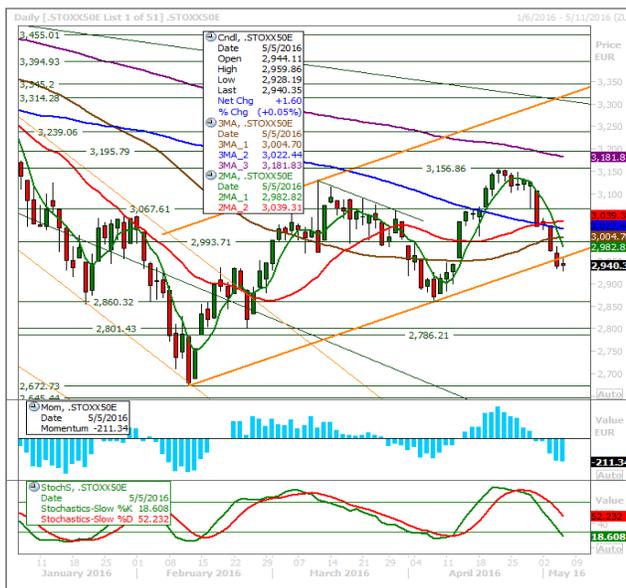
- *RES 4: 164.75 Low Feb 23 now resistance (continuation)
- *RES 3: 164.71 Bollinger band top
- *RES 2: 164.60 High Apr 11
- *RES 1: 164.17 High Apr 18

*PREVIOUS CLOSE: 163.83

- *SUP 1: 162.67 Low May 4
- *SUP 2: 161.84 Low May 2
- *SUP 3: 161.46 Low Mar 27
- *SUP 4: 161.02 Low Mar 15

*COMMENTARY: Recent pressure on the 163.07-14 region where the 21-DMA and falling daily trend line are located resulted in a break higher and bullish close that sees focus shift to the 164.17-75 resistance region. Daily studies are well placed for further topside. Bears now need a close below 162.67 to shift focus lower once more.

EUROSTOXX: Bears Focused On April Low



- *RES 4: 3181.83 200-DMA
- *RES 3: 3156.86 High Apr 21
- *RES 2: 3067.61 Alternating daily support/resistance
- *RES 1: 3004.70 55-DMA

*PREVIOUS CLOSE: 2940.35

- *SUP 1: 2860.32 Monthly Low Apr 7, Bollinger band base
- *SUP 2: 2801.43 Low Feb 24
- *SUP 3: 2786.21 Low Feb 15
- *SUP 4: 2672.73 2016 Low Feb 11

*COMMENTARY: The correction lower continues with closes below the channel base (2963.99) adding weight to the bearish case and confirming immediate focus on April monthly lows. Daily studies have room to move before becoming O/S. The 3004.70-3067.61 resistance region remains key with bulls needing a close above to regain control and shift focus back to 3156.86-3195.79 where the 200-DMA is noted.

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Eurex Futures Market Close

Contract	Last	Change	Open	High	Low	Volume	Open Interest
Fixed Income Futures							
Euro-Bund (FGBL)	163.83	0.78	162.99	163.86	162.73	556,083	1,459,292
Euro-Bobl (FGBM)	131.40	0.23	131.14	131.40	131.13	435,546	1,027,564
Euro-Schatz (FGBS)	111.84	0.04	111.80	111.84	111.80	150,106	901,323
Euro-Buxl® (FGBX)	168.76	2.20	166.50	168.82	165.64	20,903	131,906
Long-Term Euro-BTP (FBTP)	137.95	0.00	137.97	138.03	137.54	90,933	245,617
Short-Term Euro-BTP (FBTS)	112.78	0.00	112.77	112.78	112.75	18,647	89,631
Euro-OAT (FOAT)	157.84	0.48	157.36	157.87	157.06	57,172	224,235
Mid-Term Euro-OAT (FOAM)	131.46	-0.01	131.39	131.51	131.39	6	790
CONF (CONF)	160.93	0.00	--	--	--	0	3,964
Daily Volume and Open Interest						1,329,396	4,084,322
Money Market Futures							
Three-Month EURIBOR (FEU3)	--	--	--	--	--	219	74,484
Daily Volume and Open Interest						219	74,484
Blue Chip Index Futures							
EURO STOXX 50® (FESX)	2,895.00	3.00	2,907.00	2,920.00	2,886.00	1,030,719	4,028,485
DAX® (FDAX)	9,840.50	-0.50	9,890.00	9,929.00	9,805.50	85,971	126,792
STOXX® Europe 50 (FSTX)	2,750.00	16.00	2,747.00	2,762.00	2,741.00	532	33,888
SMI® (FSMI)	7,706.00	0.00	--	--	--	0	184,998
Daily Volume and Open Interest						1,117,222	4,374,163
Sector Index Futures							
STOXX® Europe 600 Banks (FSTB)	140.60	-0.40	141.80	142.10	139.30	5,357	65,128
STOXX® Europe 600 Industrial G&S (FSTG)	413.90	1.10	413.40	416.20	413.30	219	23,564
STOXX® Europe 600 Insurance (FSTI)	238.20	-0.50	239.50	240.70	237.30	1,040	19,783
STOXX® Europe 600 Media (FSTM)	277.10	0.00	--	--	--	0	8,541
STOXX® Europe 600 Utilities (FSTU)	284.00	0.30	284.70	286.20	284.00	180	24,410
STOXX® Europe 600 Travel & Leisure (FSTV)	229.90	1.00	230.70	230.70	229.90	3	8,951
Daily Volume and Open Interest						6,799	150,377
Other Country Index Futures							
MDAX® (F2MX)	20,026.00	117.00	20,005.00	20,109.00	19,930.00	411	8,427
TecDAX® (FTDX)	1,597.00	1.00	1,610.00	1,610.00	1,596.00	123	5,355
SMIM® (FSMM)	1,866.00	0.00	--	--	--	0	7,224
SLI Swiss Leader Index® (FSLI)	1,188.20	0.00	--	--	--	0	5,623
Euro STOXX® Selected Dividend 30 (FEDV)	1,731.50	8.00	1,734.00	1,746.00	1,731.50	415	26,177
Daily Volume and Open Interest						949	52,806
Volatility Index Futures							
VSTOXX® Mini-Futures (FVS)	26.40	-0.10	26.60	26.60	25.80	23,048	210,846
Daily Volume and Open Interest						23,048	210,846
Commodity Futures							
Gold (FGFX)	--	--	--	--	--	0	0
Silver (FSFX)	--	--	--	--	--	0	0
Daily Volume and Open Interest							

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