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Proprietary Global Macro Research

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MVweekly brief

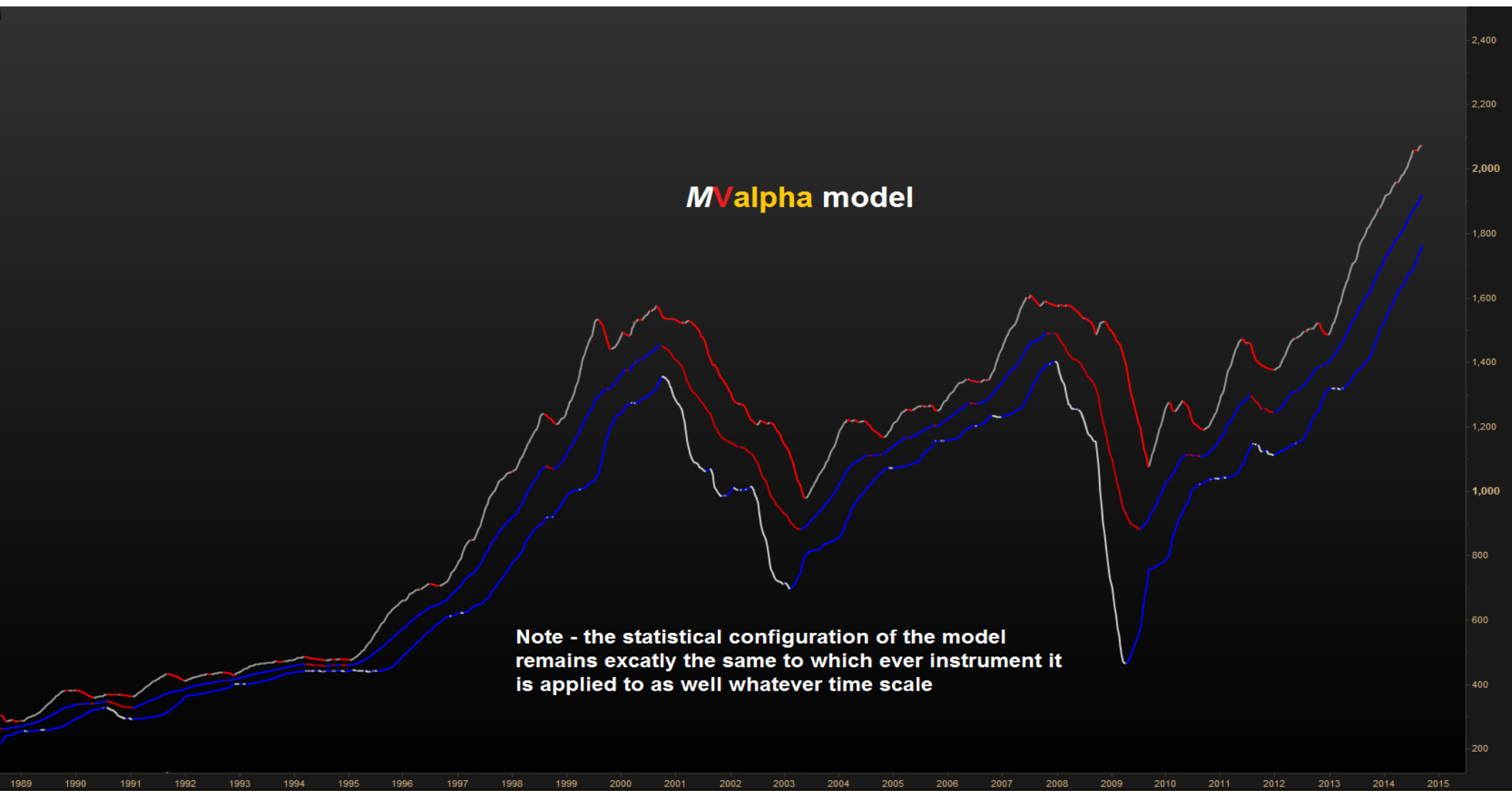
A fast-track look at Global Macro space for the past week

Week ending 26 Sep 2014

(published 28 September 2014)

**** Service bulletin ****

From this report onwards, we shall be using our newly updated **MValpha** model. Essentially it looks the same, but has refined statistical parameters that we feel better capture trends and turning points for the global macro instruments that we track.

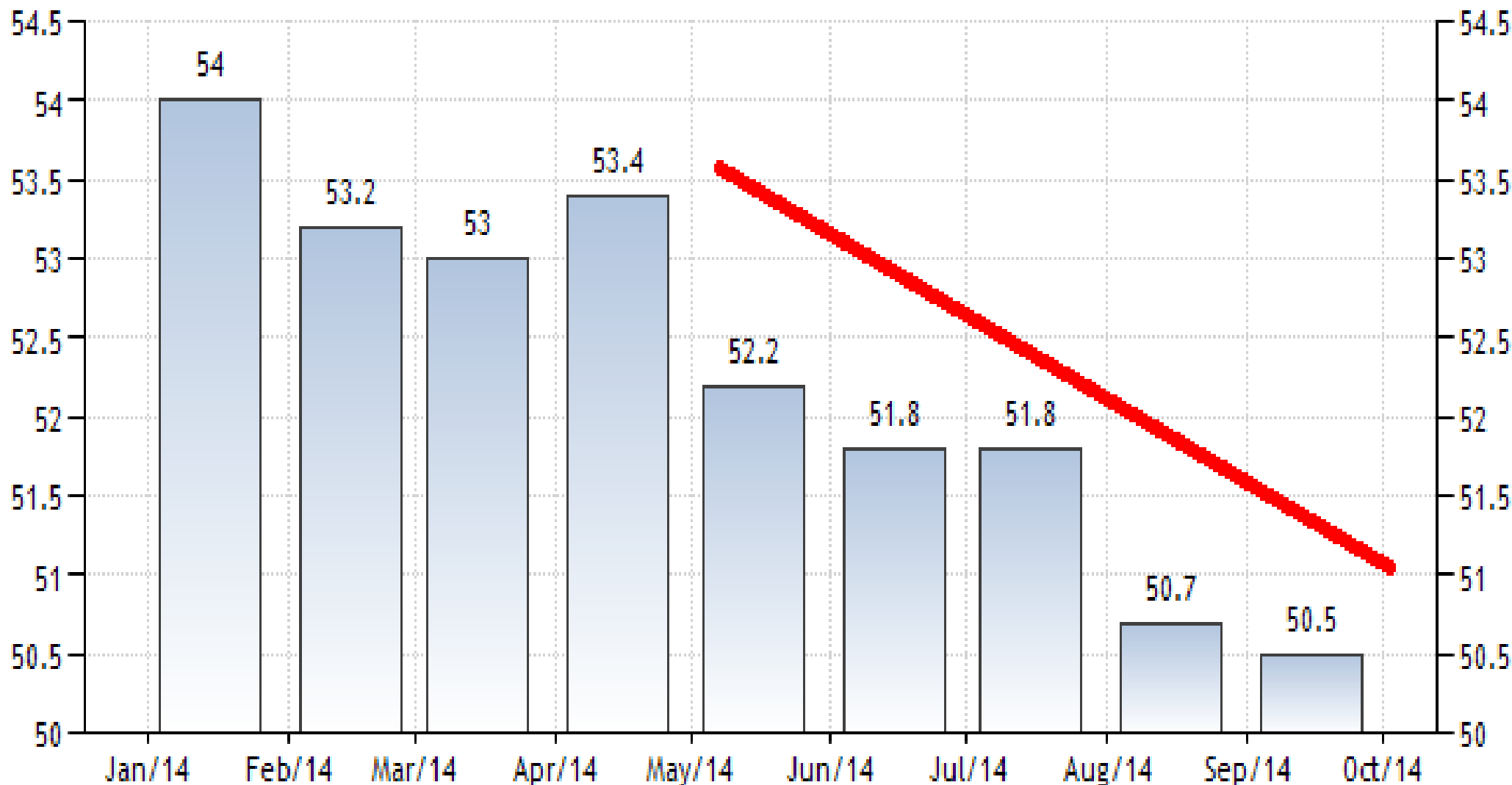


The **MV** weekly stance

Here at MV, we remain of the view that there is a slight deterioration in the Global Macro space. Our reasons for this for this are the abundance of conflicts around the world, a weakening Euro-area PMI_(see next graph) and a rising money flow into the US Dollar.

That said, US equity markets are still very near their highs, although mild selling occurred this past week, as also occurred elsewhere in the world.

EURO AREA MANUFACTURING PMI



KEY HEADLINES FOR THE WEEK

Exerts taken from interview with ECB head Draghi

(source: <http://www.ecb.europa.eu/press/inter/date/2014/html/sp140924.en.html>)

Interview of Mario Draghi, President of the ECB,
conducted by Jean-Pierre Elkabbach (Europe 1) on Tuesday 23 September and aired on Wednesday 24 September

Europe 1: You have already acted decisively in June and September. If unemployment continues to grow, can the ECB continue to stimulate the economy?

Monetary policy will stay accommodative for a long time and I can say that the Governing Council is unanimous in its commitment to use the available instruments within its mandate to bring inflation back to close but below 2%. Interest rates will stay at the present level for an extended period of time because they can't go much lower than that.

In Europe, is there a risk today of deflation or even of recession?

For the euro area as a whole we don't see risk of deflation. We see risk of too low inflation for too long a time and for the euro area as a whole, as I've said many times our recovery is modest, weak, uneven, and fragile, but it's not recession.

Do you have a lot of liquidity at the ECB?

Yes, we've shown that we have a lot of liquidity in the ECB.

And could you show it again?

And we're certainly, as I said before, we're certainly ready to use all the instruments within our mandate to make sure that...

To obtain more of growth by 2017, 2018: what needs to be done? One talks about developing infrastructure and about investing. How? Where to invest?

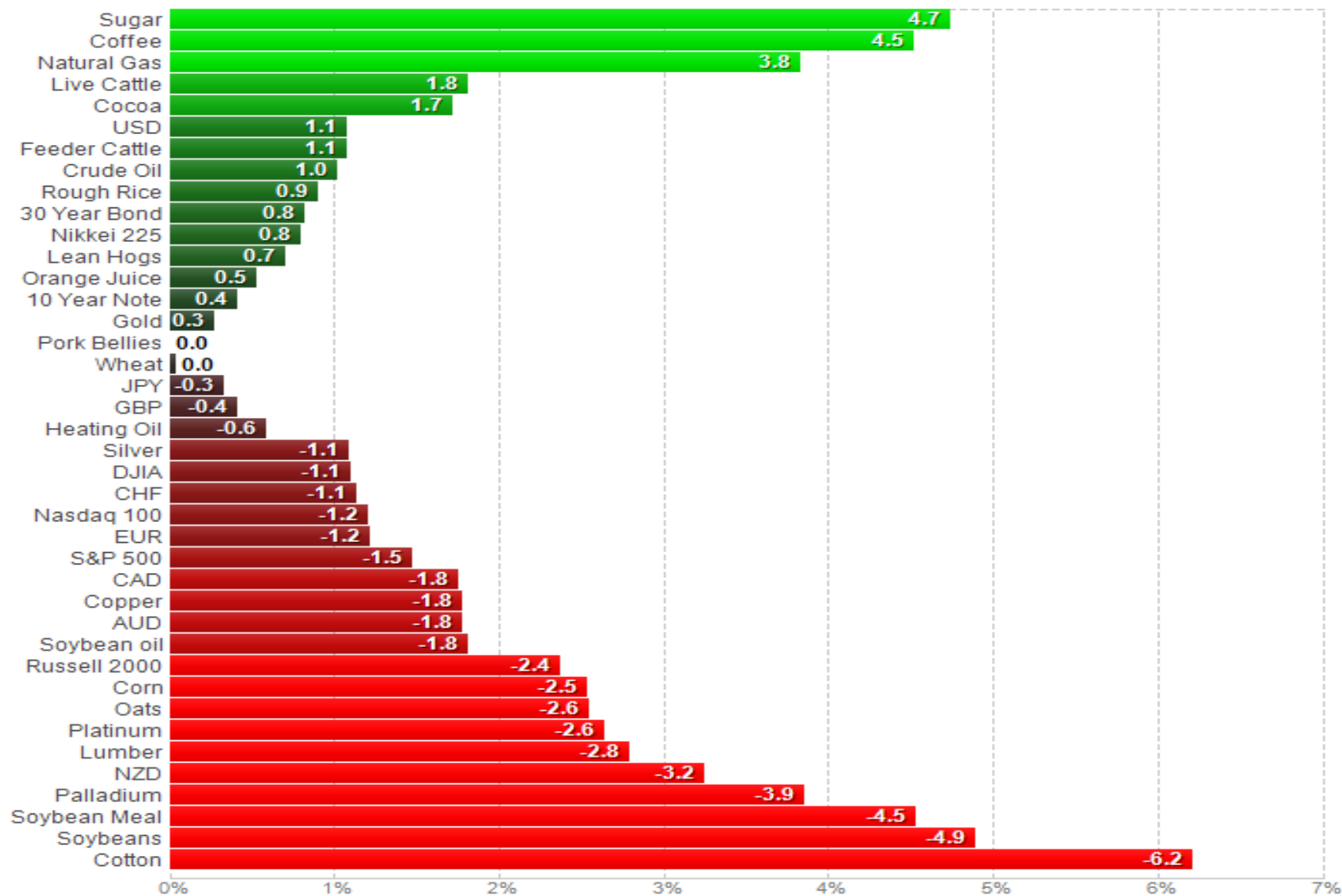
I said before that monetary policy can't be the only thing producing growth. There must be two other components. One is structural reforms. We can provide as much credit as we can to the private sector. But, if for a young entrepreneur it takes months in some countries before he can have the permits, the authorisations, to open a new shop he will not ask for this credit.

Futures - winners and losers for the week (source: finviz.com)

1 WEEK RELATIVE PERFORMANCE

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finviz.com



Key equity index returns for the past week – very much a down week across the board.

(source: Marketwatch.com)

| | PRICE | | 5 DAY CHG |
|------------|--------|------|-----------|
| Dow | 17,113 | -167 | 0.96% |
| Nasdaq | 4,512 | -68 | 1.48% |
| S&P 500 | 1,983 | -27 | 1.36% |
| GlobalDow | 2,552 | -53 | 2.02% |
| FTSE 100 | 6,649 | -189 | 2.76% |
| DAX | 9,491 | -308 | 3.15% |
| CAC 40 | 4,395 | -66 | 1.48% |
| FTSE MIB | 20,795 | -177 | 0.85% |
| IBEX 35 | 10,851 | -151 | 1.37% |
| Stoxx 600 | 342 | -7 | 1.87% |
| Asia Dow | 3,114 | -94 | 2.94% |
| Nikkei 225 | 16,230 | -91 | 0.56% |
| Hang Seng | 23,678 | -628 | 2.58% |
| Shanghai | 2,348 | +19 | 0.80% |
| Sensex | 26,626 | -464 | 1.71% |
| Singapore | 3,292 | -13 | 0.39% |

S&P1200 Global Index – price has now retraced back to the 2007 high support line. Nothing drastic at this point, but please note the lower intermediate high in August 2014 compared to the June 2014 high, plus the down red candle for the past week.



The four headline equity indices in the US all closed lower for the week. Whilst the DowJones30, the S&P500 and the Nasdaq100 remain near their 2009>present rally highs, there is a danger of them rolling over in the short term – and always beware of Octobers. The smaller caps index - the Russell2000 looks to be heading towards vital support (the negative divergence compared to the large caps is still in play). (source: finviz.com - weekly data)



US stock market volatility as measured by the VIX, jumped to close the week at 14.85.

weekly data (source: Stockcharts.com)

\$VIX Volatility Index - New Methodology INDX

© StockCharts.com

26-Sep-2014

Open 13.14 High 16.69 Low 13.13 Close 14.85 Chg +2.74 (+22.63%) ▲

\$VIX (Weekly) 14.85

Volume undef



















Our stance remains on the German DAX's ability to push up out of it's sideways consolidation pattern and make new highs and how this likely holds the key to how the rest of European equities will go. This week closed with a down red candlestick. (**MValpha** weekly data)



Key Government Bond market data for the past week. (source: finviz.com)

| Major | | Actual | Weekly % |
|----------------|------------------|--------|----------|
| Australia | GACGB10 | 3.48 | -7.45 % |
| Brazil | GEBU10Y | 11.88 | 2.50 % |
| Canada | GCAN10YR | 2.16 | -4.00 % |
| China | GCMY10YR | 4.03 | -3.59 % |
| Euro Area | EUROAREAGOVBO10Y | 0.25 | -7.41 % |
| France | GFRN10 | 1.30 | -6.47 % |
| Germany | GDBR10 | 0.91 | -8.08 % |
| India | GIND10YR | 8.44 | -0.12 % |
| Italy | GBTPGR10 | 2.38 | 0.42 % |
| Japan | GJGB10 | 0.52 | -7.14 % |
| Russia | RUGE10Y | 9.31 | -2.72 % |
| United Kingdom | GUKG10 | 2.46 | -3.53 % |
| United States | USGG10YR | 2.53 | -1.94 % |

FX majors (source: Bloomberg.com)

| |  USD |  EUR |  JPY |  GBP |  CHF |  CAD |  AUD |  HKD |
|---|---|---|---|--|---|---|---|---|
|  USD | – | 1.2684 | 0.0092 | 1.6250 | 1.0511 | 0.8964 | 0.8765 | 0.1289 |
|  EUR | 0.7884 | – | 0.0072 | 1.2808 | 0.8287 | 0.7067 | 0.6911 | 0.1016 |
|  JPY | 109.2900 | 138.6300 | – | 177.5880 | 114.8630 | 97.9770 | 95.7970 | 14.0891 |
|  GBP | 0.6155 | 0.7808 | 0.0056 | – | 0.6469 | 0.5517 | 0.5394 | 0.0793 |
|  CHF | 0.9514 | 1.2069 | 0.0087 | 1.5456 | – | 0.8529 | 0.8339 | 0.1226 |
|  CAD | 1.1154 | 1.4148 | 0.0102 | 1.8125 | 1.1726 | – | 0.9777 | 0.1438 |
|  AUD | 1.1409 | 1.4471 | 0.0104 | 1.8538 | 1.1989 | 1.0227 | – | 0.1470 |
|  HKD | 7.7576 | 9.8392 | 0.0710 | 12.6050 | 8.1541 | 6.9538 | 6.7995 | – |

Weekly FX charts - the appreciating Dollar story continues yet again this week with all the other featured majors declining (source: finviz.com - weekly data)



ENERGY: Crude Oil prices finished the week up at \$93.36, the \$90 level acting as a support zone for the time being. Natural Gas remains at an important juncture, closing up for the week. (source: finviz weekly data)

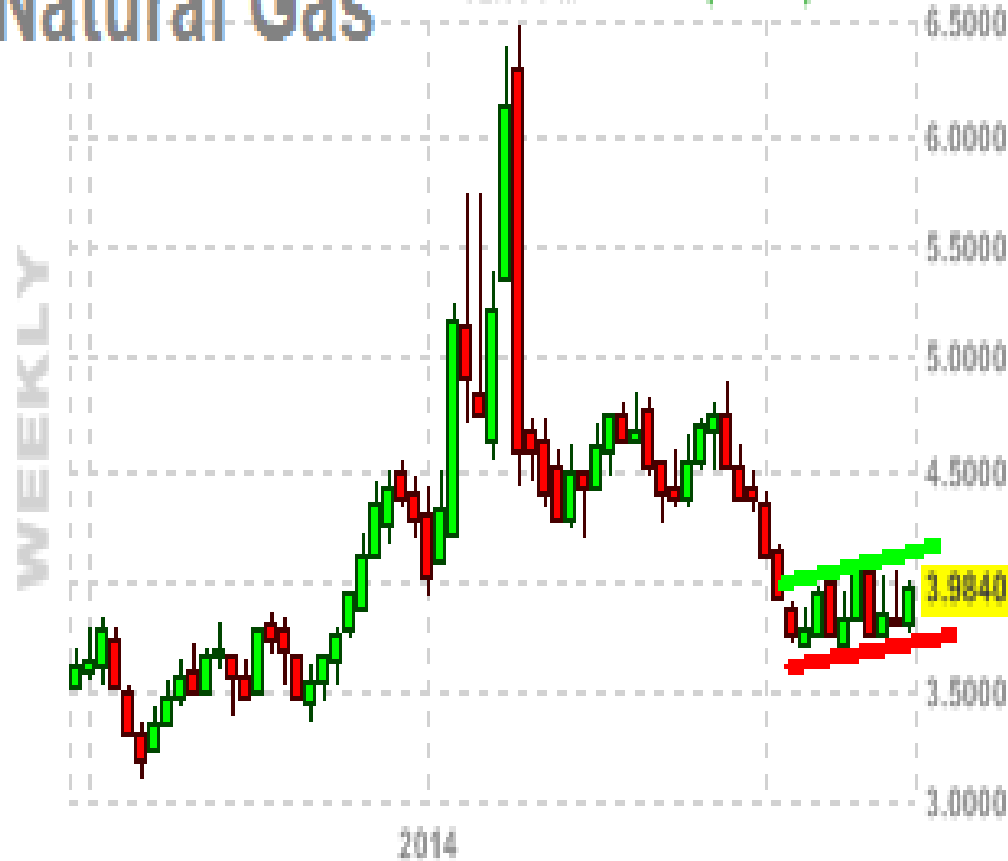
Crude Oil

05:10 PM +0.95 (1.03%) @ finviz.com



Natural Gas

02:30 PM +0.1470 (3.83%) @ finviz.com



METALS – all lower for the week, except Gold that closed positive, but only just. Lower prices could still be on the cards for Gold - **\$1180 level** remains critical. (source: finviz weekly data)



Thank you for reading

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