

BSIC Weekly Market Brief

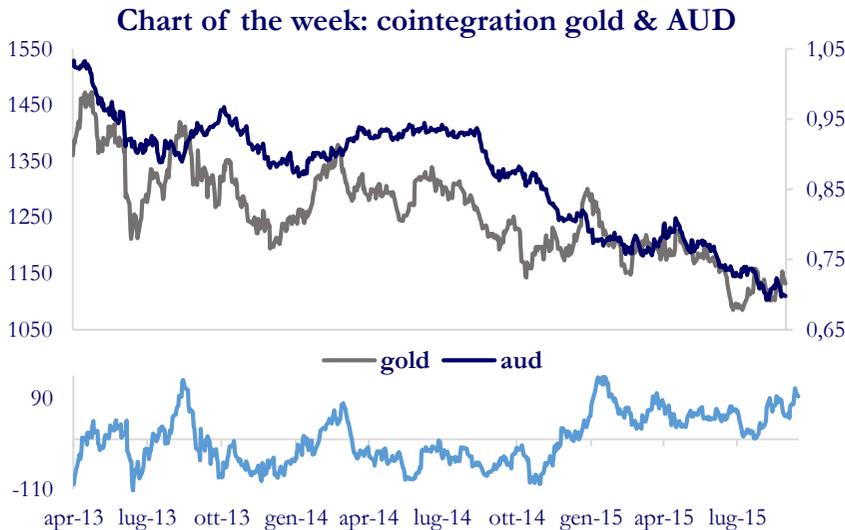
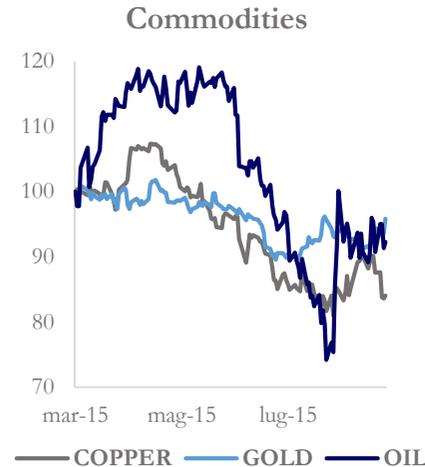
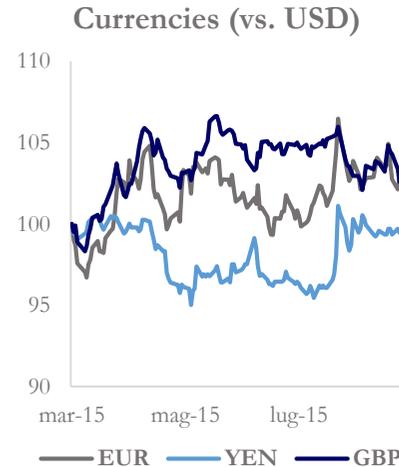
October 3rd, 2015

News of the past week

- RBI (Indian central bank) cut interest rates more than expected to 6.75%.
- Mark Carney warned of potential losses stemming from climate changes. UK Q2 (YoY) GDP came in at 2.4%.
- EU unemployment rate stood at 11% in August. Manufacturing PMI at 52.0, in line with expectations, confirms growth.
- China official September factory PMI set at 49.8, above estimates, but still below the 50 threshold.
- ISM Manufacturing PMI was published at 50.2. Non-Farm Payrolls missed expectations (142k jobs vs. 203k).

BSIC view

- Stock market volatility remains higher than in 1H15. In such a scenario, we still prefer to avoid mere directional trades: we rather favor relative views.
- EU PMI confirms good, although not exceptional, relative momentum.
- Commodities rout continues, but some long-term relationships are still there, and may provide good trading opportunities (as reported in the chart).



The chart of this week proposes a statistical relation between gold and AUD. Indeed, while the ASX200 has been affected by big basic materials stocks, experiencing negative returns and high volatility, the bond between the Australian currency and the precious metal has stayed in a range (light blue line in the bottom chart). We believe that cointegration trading on this pair may still be successful. Currently, the most likely signal would be short gold / long AUD (on a relative basis).

Source of raw data: Bloomberg