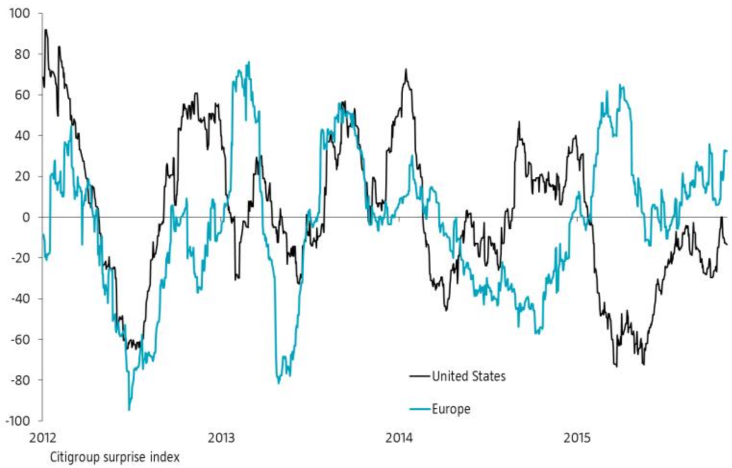
Multi-asset markets outlook

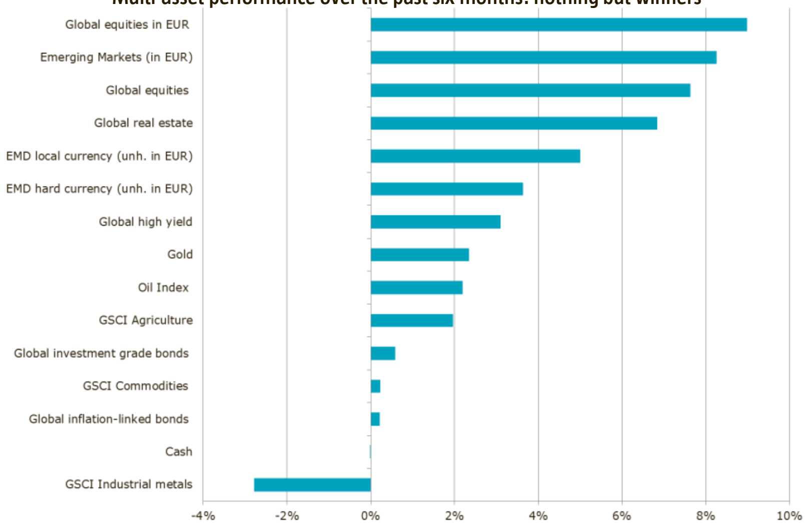
November 2015

General overview

Surprise indices were negative for the US, still positive for Europe



Multi-asset performance over the past six months: nothing but winners



- What goes down, must come back up. Only last month we reported that none of the asset classes had managed to book a positive result over a six-month timeframe and pointed out that this was quite a rare event historically. Bonds suffered from high volatility and the somewhat erratic sell-off seen in May, high yield and commodities were hit by the ongoing price pressures in the oil markets, while stocks suffered from the uncertain outlook for China. 2015 was clearly on its way to becoming a year of very poor returns.

- What a difference a month makes. October was the month of the rebound, with almost all asset classes regaining some of the ground lost in the previous six months. In a classic risk-on rally, equities, real estate and emerging market debt showed the best results, boosted by 1) diminished risk perception with respect to China, 2) a more bullish tone by the Fed and 3) surprising news from the ECB that it would announce new stimulus measures at the December meeting. More QE is still seen as a positive for these markets.

- From an economic perspective, the numbers remained mixed for the month, with the weakness in (US) manufacturing still the main theme to watch. We continue to believe that this growth slowdown is of a temporary nature and we are not heading towards a (world) recession.

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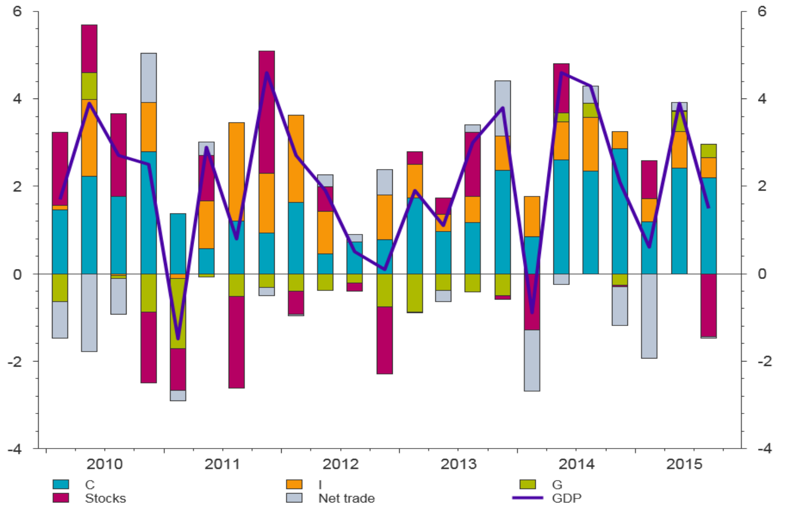
United States

Consumption drives Q3 growth



Source: Thomson Reuters Datastream

ISM manufacturing marginally above neutral (50.1 versus 50.0)

Source: Thomson Reuters Datastream

- The first estimate of Q3 GDP growth showed a significant slowdown in the US economy. Consumption growth remained relatively strong, however. The strength of the dollar prevented support from the external sector. On balance, economic growth in 2015 will amount to the same as in 2014, around 2.4%. It remains to be seen if growth will pick up in 2016.

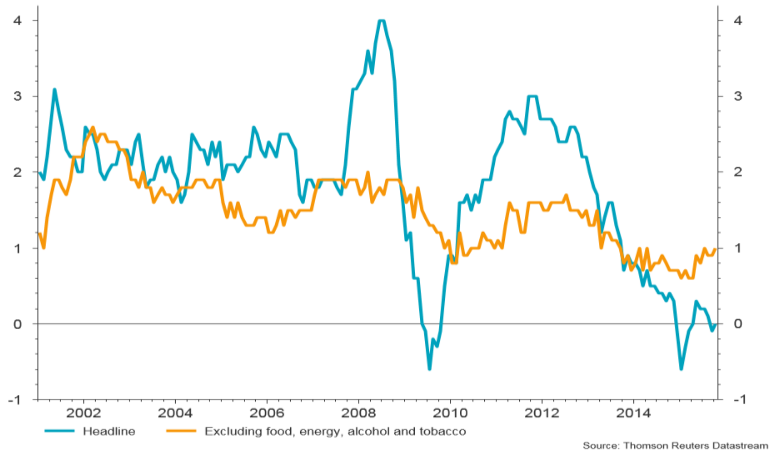
- As expected, the Fed kept things on hold in October. Somewhat surprisingly it made references in its statement to diminished risk "from global economic and financial developments" suggesting that it is no longer worried about the external headwinds facing the US economy. The FOMC seems to be more inclined to hike rates. Still, these headwinds haven't gone away. We consider a December rate hike therefore unlikely. Much depends on the labor market figures to be published in the run up to December 16. Increasing tightness could strengthen the hand of the hawks within the FOMC. But the important forward looking ISM manufacturing index has come down to almost neutral suggesting a standstill in the industrial sector.

- A positive development was the budget deal which suspends the debt ceiling until March 2017. Furthermore, the economy will get a modest boost from extra spending of 0.1% to 0.2% of GDP in the next two years.

Economy

Europe

Small uptick in October headline inflation



Draghi curbs strengthening effective real exchange rate

- In the medium term migrant flows to Europe are unlikely to be reversed in any meaningful way. This poses a logistical challenge to European governments. It will unleash additional government spending and lead to less emphasis on deficit targets, thus contributing to economic growth.

- The ECB's president Mario Draghi surprised markets by hinting that, on second thoughts, a deposit rate of -0.2% should not be considered as the ultimate zero lower bound. Moreover, he declared that the ECB was evaluating a broad range of monetary policy instruments. This has significantly raised expectations for more action on December 3. At the very least an increase in the amount of monthly QE by say EUR 20 billion and an extension of the intended duration of the program are to be expected.

- An important reason for Draghi's dovishness is probably the recent strength of the euro in trade-weighted terms, which is threatening the export-led growth model of the euro area. A second reason is the renewed drift towards headline deflation. A weaker euro helps combat deflation by causing import prices to rise.

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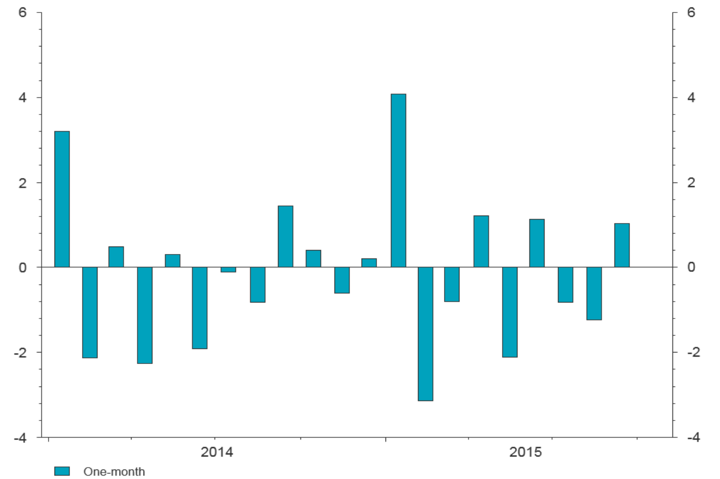
Economy

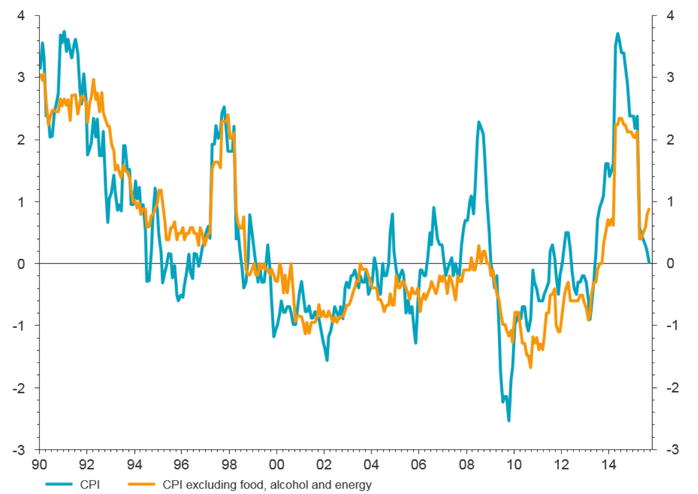
Japan

Industrial production growth in October was a positive surprise



Source: Thomson Reuters Datastream

Energy pushes headline inflation to zero



Source: Thomson Reuters Datastream

– Though the Bank of Japan (BoJ) lowered its economic forecasts and lengthened the horizon on which its 2.0% inflation target will be reached (it will now be in the second half of fiscal year 2016), it decided to hold its fire. As core inflation has risen recently, a 'wait and see' attitude can be justified, though it would be a bit far fetched to speak of a 'virtuous circle' at work in the Japanese economy as Bank of Japan's governor Kuroda stated in September.

– Another motive for the Bank of Japan to hold its fire for the time being could lie in its wish not to overly hinder the ratification process of the Trans-Pacific Partnership Agreement in the US Congress. This has been requested by the Japanese government. More QE at this stage would put pressure on the yen and invite flak from US politicians accusing Japan of 'beggar thy neighbor' policies.

– Nevertheless, we consider it likely that the Bank of Japan will increase its easing stance, probably in December, as the economy remains fragile and the inflationary effects of the earlier yen depreciation are disappearing.

– A positive surprise was the uptick in the industrial production for October after two weak months. This will probably drag the Japanese economy into a technical recession in the third quarter.

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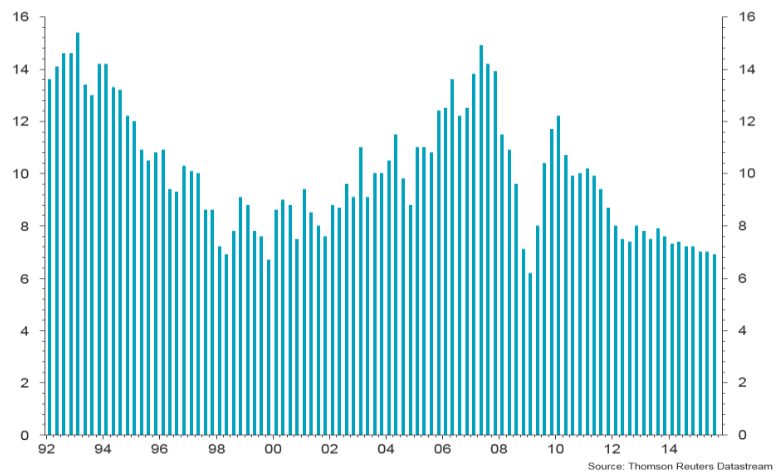
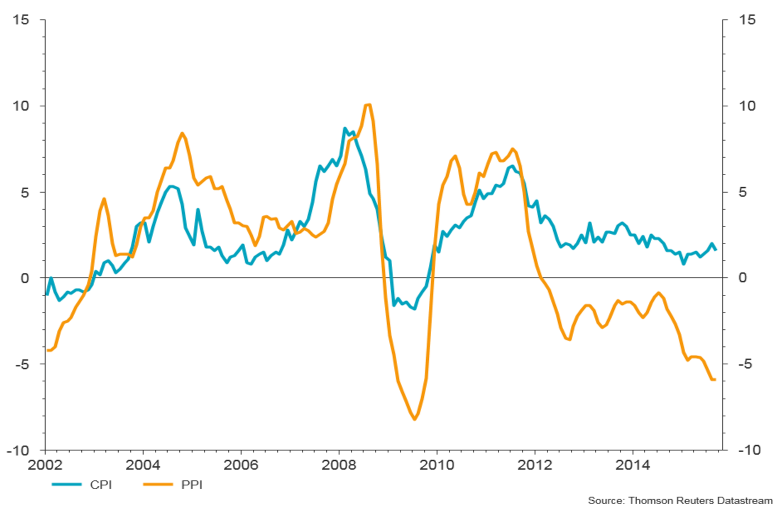
Our highlight this month: China

Chinese growth slows to 6.9%



Chinese PPI suggest deflationary pressures

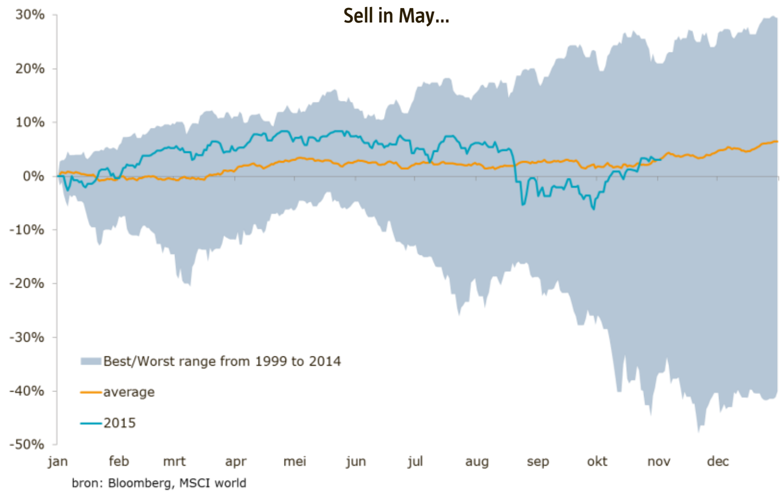


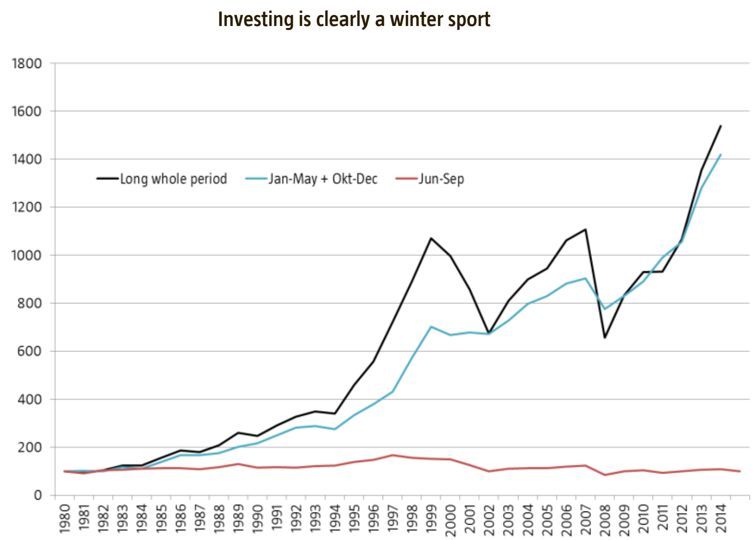
- The Chinese economy slowed in the third quarter to a GDP growth of 6.9%, though it is generally assumed that the true underlying dynamic of the Chinese economy is currently much lower. Chinese policy makers have lost their appetite for grand stimulus packages, but are trying to stimulate the economy with a host of smaller measures in a broad range of areas. Chinese policymakers also insist on keeping a relatively high growth rate target of 6.5% for the new five year plan, which strikes us as unrealistic. But it does make ongoing fiscal and monetary policy action in the future likely, as this is necessary to boost growth.

- President Xi Jinping and Prime Minister Li Keqiang have ruled out a further depreciation of the CNY vis-à-vis the USD. For the next six months this now seems highly unlikely for credibility reasons. But in the longer term this cannot be ruled out given the deflationary pressures facing the Chinese economy, the weakened competitiveness due to the trade weighted appreciation of the USD and last but not least, the newly formulated ambitious growth targets.

- The IMF will probably include the yuan in the SDR in the near future, despite the lack of an open Chinese capital account. Such a move mostly has political significance and won't have material economic consequences.

Equities (I)





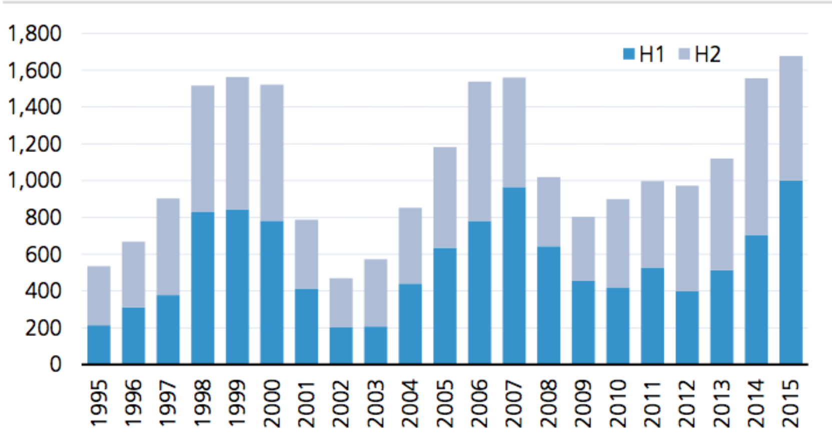
- This year, the seasonal anomaly 'Sell in May' seems to be running like a Swiss clock. Stocks staged a strong start to the year, trading with an 8% return by the end of April. From that point on, they flat-lined, trading sideways until the panicky end-of-August sell-off. Worldwide stocks then surrendered all their gains and actually traded at a loss for a couple of months, but managed to recover on the expectation that central banks would once again step up to the plate. This was enough to lift stocks back into the black. Returns for the year are exactly in line with average returns since 1999. With hindsight, selling in May and buying back right at the end of September would have spot-on in terms of timing.

- The chart on the left which looks at S&P price returns is the most powerful way to explain this ' Sell in May' phenomenon. The chart shows the returns of three different investment strategies: Buy and hold during the whole period (black line), being invested in the June-September period (red line) or being invested in the other months (turquoise line, which shows the Sell in May strategy). Although the relationship certainly does not hold for each year, the chart clearly shows that over a longer timeframe almost all of the underlying return is made in the period from October to June: despite being invested only 7 months, you still end up with a comparable result to the buy and hold strategy. Including the 2015 result, your price return in the June-October period

Equities (II)

Market turmoil weakened M&A momentum in H2

Figure 4: Historical US M&A Announced Deal Volume ($bn)



Source: Dealogic, UBS

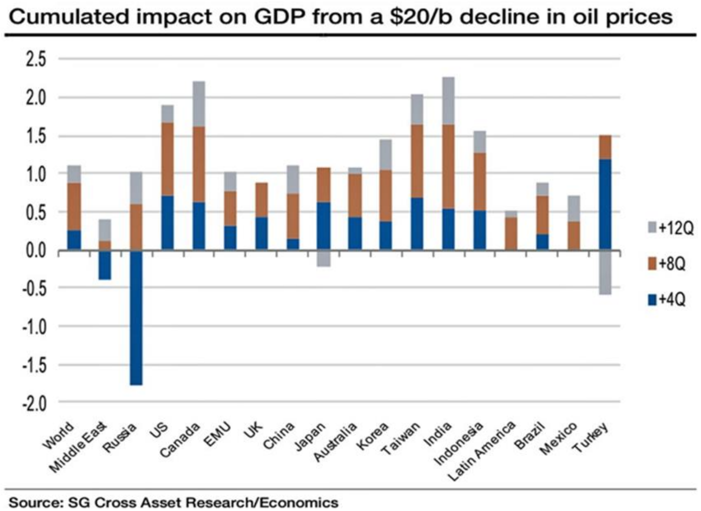
Companies continue to prefer buybacks to 'risky' investments

- has been almost flat since 1980, indicating that dividends were the only source of income during that timeframe. In other words, even though you end up with a net positive result, you are clearly insufficiently compensated for the risk that you are running by being invested in stocks during those months.

- We have a sort of love-hate relationship with the whole ' Sell in May' premise. The love part is pretty clear when you look at the chart on the previous page: it simply works. As a result, in most of the econometric models developed in-house by Robeco there is a seasonal variable. We certainly also take it into account in our tactical asset allocation process. On the other hand, given the lack of a credible explanation, it is frustrating to just assume that a pattern you have witnessed in the past will also continue in the future. Although there have been numerous explanations offered to explain the phenomenon, up to this point all these theories lack solid proof. Furthermore, they also fail to explain why the phenomenon should persist. If we all turn into ' Sell in May' lovers, ultimately the market becomes skewed and that brings increased risk. Simply assuming that we will once again be treated to a year-end rally (global stocks yielded a 5.9% net return during the last quarter in 2010-2014), increases the risk of an adverse move. Given the lack of proper liquidity, especially during the last month of the year, this could lead to big (negative) swings.

Equities (III)

The positive effects of oil price declines take time to feed through into the system



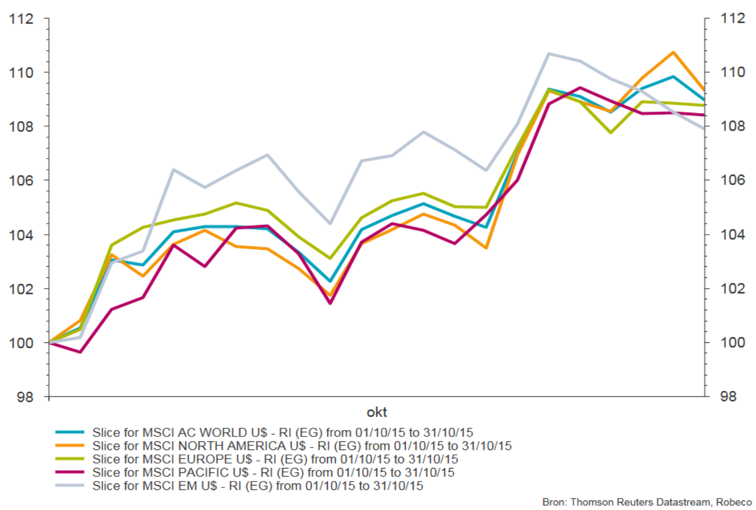
Stocks are not cheap. Then again, what is, these days?

– Following those contemplative words, one might expect us to have become more cautious on equities, but that is not the case. In fact, over the past months we have been adding risk in our portfolio, via equities, credits and high yield. Seasonality has played a role in this, but has certainly not been the main cause. In general, we feel we have once again come to the point where risky assets should offer the best returns in the investment universe. Inflation rates pose no threat to current loose monetary conditions persisting a little longer, nevertheless the Fed seems to be considering a first rate hike in December. We do not expect such a move, but even if the Fed were to pull the trigger, after the initial shock, stocks would soon focus on the underlying growth message that the Fed is preaching by hiking rates.

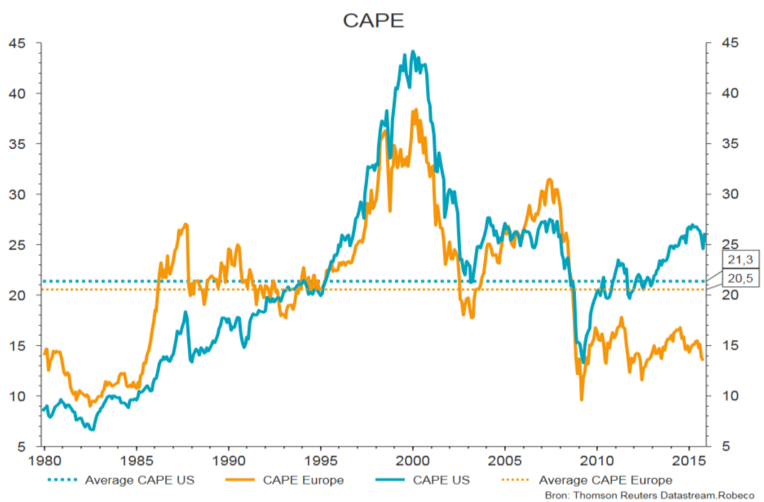
– Are there no risks out there? Sure, one risk is that the world economy does weaken further, with US economic recession fears coming back to haunt the market. With low oil prices acting as a support for disposable income, and the Chinese authorities keen to keep the economy rolling, we continue to stress that this risk should be limited. Another risk is equity valuations, which are still at high levels, especially in the US. As we have stated before, valuation is never a good timing instrument and stocks outside of the US are not that expensive. All in all, we are overweight equities.

Developed Market Equities

Strong positive momentum in October



European valuations have improved relative to the US

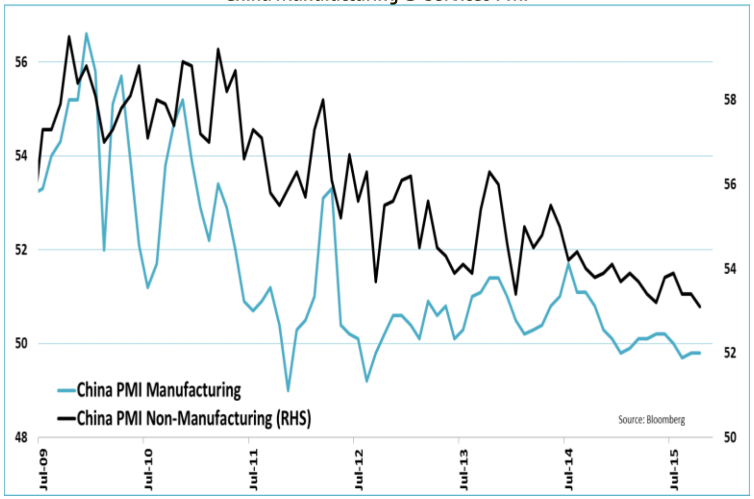


- October has seen momentum improving across regional equities as a relief rally set in after the August market rout. The US has lead relative momentum in euro terms, gaining 9.2% over the month. The fact that the US, by nature a more defensive equity region, has lead the way suggests the relief rally has left investors still wary about elevated global growth risks.

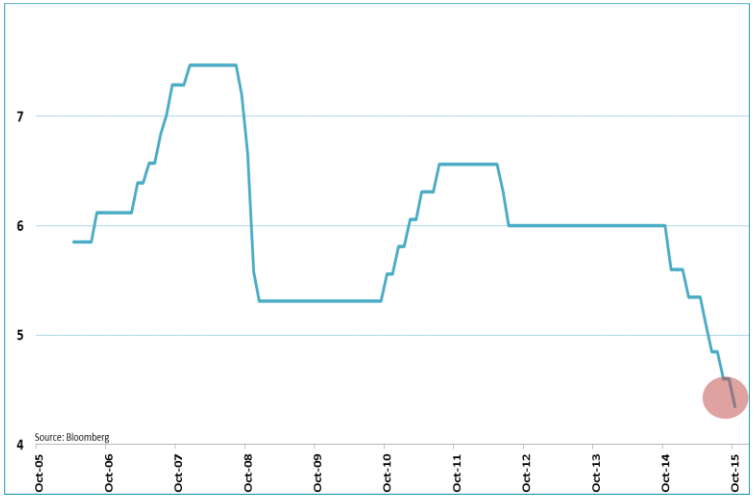
- Looking ahead for developed market equities, we continue to favor Europe and Japan compared to the US. From a valuation point of view, the gap between the US and the Eurozone on CAPE metrics has widened further in the past month in favor of European stocks. While the US is expensive in terms of CAPE, Europe is at a significant discount to the US and its own historical levels. On a 12-month forward P/E multiple, Europe is again trading just below its historical average discount versus the US. The recent IFO business expectations indicator suggests Eurozone earnings will improve further. An ISM just above contraction levels shows the US manufacturing sector is still in a soft patch as dollar strength hampers earnings growth. The ECB will likely extend QE in December and with a probable further euro depreciation ahead, Europe has more scope for equity price appreciation. In Japan, valuations are still somewhat cheap historically, but disappointing macro figures, diminishing returns from current QE and weaker momentum are worth keeping an eye on.

Equities: Emerging vs Developed (I)

China Manufacturing & Services PMI



China one-year benchmark rate



- The macro outlook for emerging markets in general remains bleak. China's official manufacturing PMI remained below 50 for the third consecutive month. The manufacturing sector is under pressure as China tries to rebalance its economy. China's services PMI is not looking great either, although it is still above 50. The government lowered interest rates again and the required reserve ratio for banks was also cut in an attempt to speed up growth. GDP growth in Q3 came in at 6.9%, which was actually above expectations. Growth continues to slow, but in some areas like property we see some improvement. The enormous debt overhang will not lead to major issues in the near future, but it is certainly holding back growth. For the longer-term China has to figure out a way to grow without accumulating massive debts.

- Other emerging markets are still struggling as well. Brazil remains the most pronounced example as its economy is totally out of balance. The October manufacturing PMI came in at a record low of 44.1. For other countries like Russia there was some relief as commodity prices stabilized somewhat. With oil and metal prices at current levels, countries like Russia remain vulnerable, though. Government intervention is needed to help these economies to recover.
- current account deficits.

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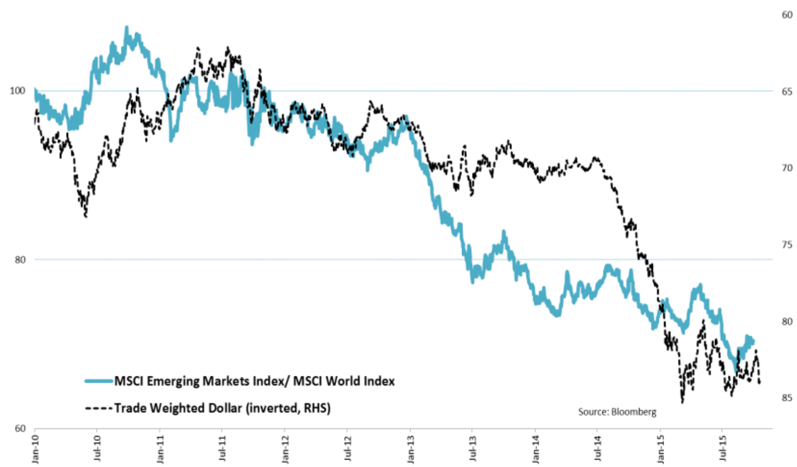
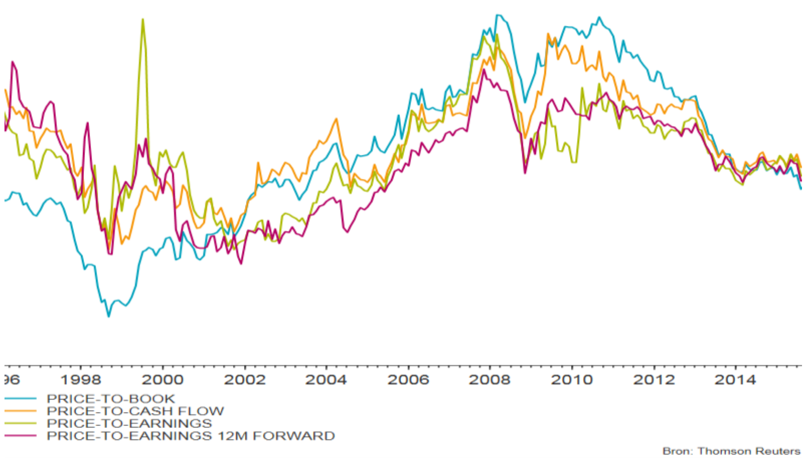
Equities: Emerging vs Developed (II)

Equities

USD strength negative for EM



Valuation discount



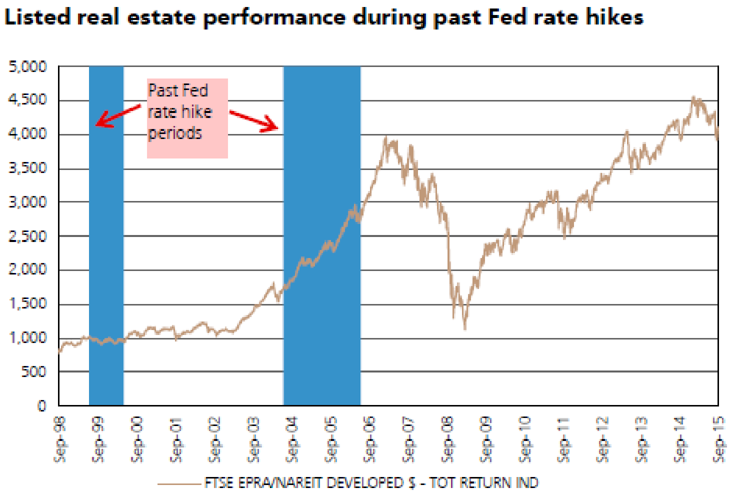
- As mentioned before, emerging market equities are relatively sensitive to monetary policy in developed countries, especially policy in the US. In the last couple of months the Fed postponed raising rates, which halted the appreciation of the US dollar. During this period emerging equities reversed some of their losses relative to developed markets.

- We expect the Fed to remain dovish, although Yellen did put a December rate hike back on the table. We think there is a reasonable chance the Fed will wait until 2016. That would be a positive move for emerging equities, albeit a temporary one.

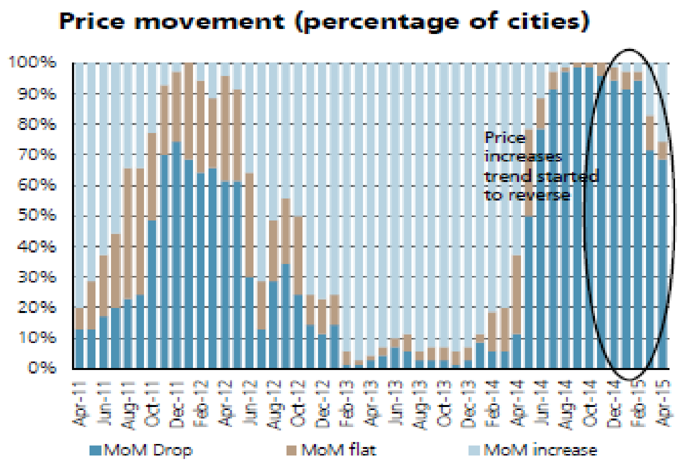
- From the bottom up, things look far from great. Profitability is under pressure as commodities have depleted oil and mining earnings and financials face a rising percentage of non-performing loans, as corporate debt has increased sharply. More consumer-related companies have better earnings outlooks, but their valuation is much less attractive. So although we see room for further gains in equities market, we maintain our underweight. We have added some weight in emerging debt, which should perform well , provided investor sentiment remains upbeat. The main risk is that the US dollar will start appreciating again.

Real estate

Fed rate hikes haven't troubled real estate perfomance in the past



Price movements in the Chinese housing market



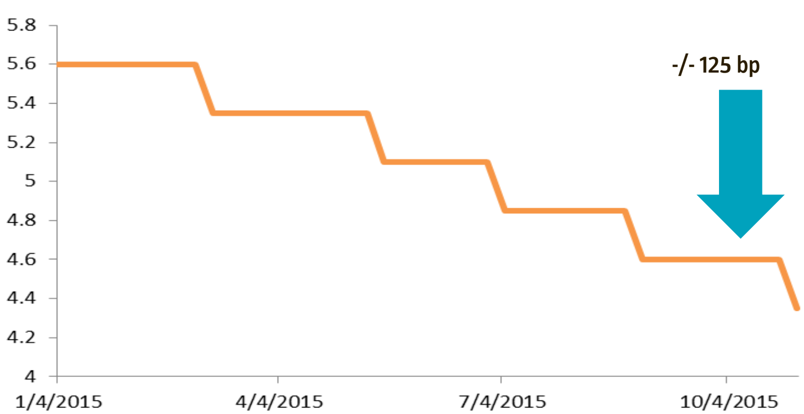
- Equity markets rallied in October, while the S&P Developed Real Estate Index underperformed the global equity market (+7.9%, in USD) by 2.2%. The Fed played an important role in these developments, by first stating that a rate hike was off the table for this year, but afterwards suggesting that a December hike was still possible. These statements had a clear effect on interest rates, which moved higher in the last days of the month. We have previously demonstrated that there is a strong correlation between US interest rates and global real estate performance, although this relationship has weakened a bit lately. Rate hikes aren't bad for real estate performance, history reveals that the period before a rate hike is more volatile. And that's the environment we are now in.

- Real estate valuation is still stretched in most areas of the developed markets, especially in the US and the UK. In China, the largest emerging economy, the real estate market remains weak, but after policy easing measures, it is improving. For instance, housing prices are increasing slightly.

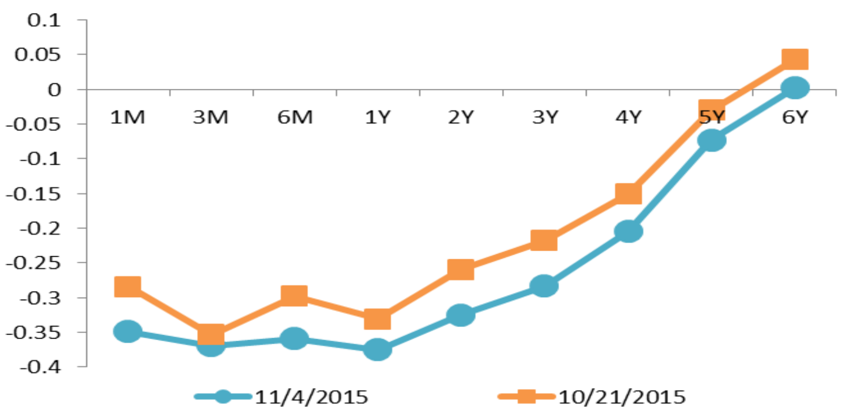
- Although the developed economies are growing slowly, which is a positive factor for real estate, the upcoming US rate hike is causing interest-rate volatility. We remain neutral on real estate.

AAA Bonds (I)

PBoC have cut rates massively this year



ECB stance causes German yields to move further into negative territory



Source: Bloomberg

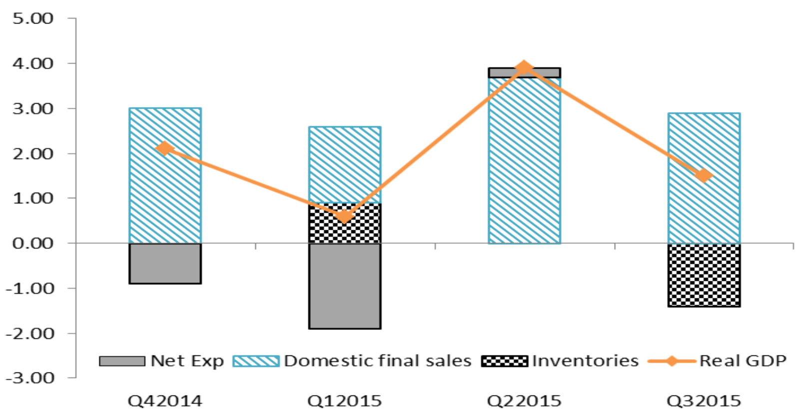
- Central banks dominated the price action in October with spillover effects in all asset classes. Risky assets put in a good performance, as concerns regarding the slowdown in China eased, after the government there regained some sense of control. The fact that the PBoC once again cut rates, making a total rate cut of 125 bp so far in 2015, was also very supportive. The general takeaway from the central bank meetings can only be that in the near term policy will remain easy. The only bank that tried to break away from the pack was the Fed, but we doubt if they will dare to pull the trigger this year.

- The ECB once again managed to surprise everyone by being extremely dovish. The message was clear – new stimulus is forthcoming and a rate cut is likely. The lower bound of -/- 20bp is no longer sacred. The market reacted by swiftly taking short term bond yields further into negative territory. It feels as if the ECB has ready committed itself to taking action in December and that incoming data will be irrelevant for this decision. There seems to be an almost religious belief within the ECB that QE will sustainably boost inflation expectations. We think that the jury is still out on this. But we can't deny that inflation can be boosted temporarily via the foreign exchange channel. Unfortunately it takes at least two to devalue so the policy's success will also depend on actions by other central banks, particularly the Fed.

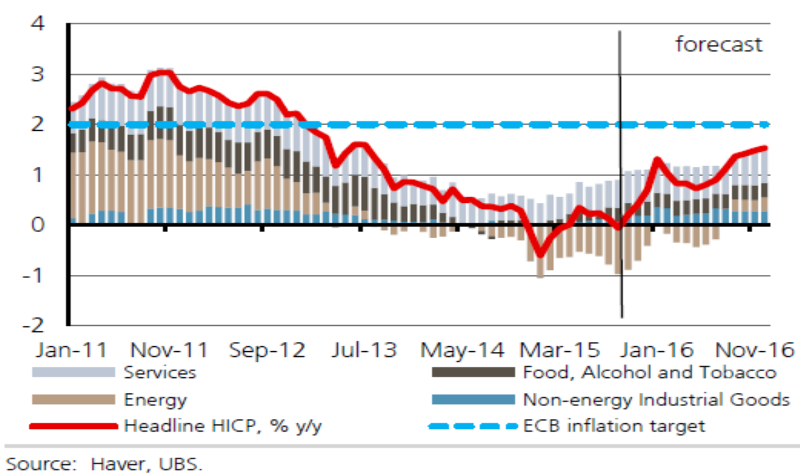
Fixed Income

AAA Bonds(II)

Headline GDP worse than its components



Energy a drag but less so other CPI components



Source Bloomberg

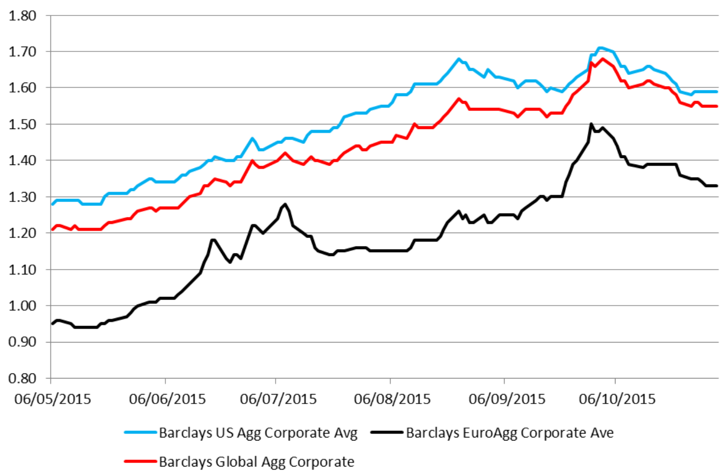
- Our base case is that growth will hold up in Europe and the US. The latest US GDP numbers were disappointing, but digging a bit deeper it quickly becomes apparent that a massive drag from inventories was the main cause. We also expect the Eurozone to receive some fiscal support, something that would be most welcome after the past years of fiscal consolidation.

- We continue to think that the market is too obsessed with the negative impact energy prices have on inflation. This obsession is firmly reflected in the market based inflation indicators (like the 5y5y forward inflation). Unless you expect another 50% drop in oil prices, the negative drag on inflation will start to dissipate. Ultimately lower energy prices are a tailwind and not a headwind. It is encouraging to see that service inflation is stabilizing and is slowly starting to creep higher. This won't prevent us from seeing low to negative headline inflation numbers in the short term in Europe, but we think it is appropriate to look beyond this.

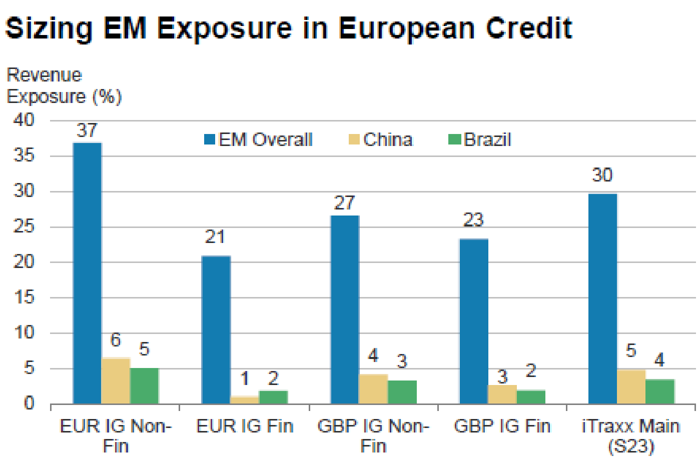
- In line with last month we stick to our view that bonds are expensive. However more QE will keep a cap on European yields for now. We remain neutral on bonds but are maintaining our bias for rates to move higher.

Investment Grade Credits

Credit spreads tighten in the wake of Volkswagen



Exposure to emerging markets is limited



Source: Morgan Stanley Research, Markit iBoxx, Bloomberg, company data

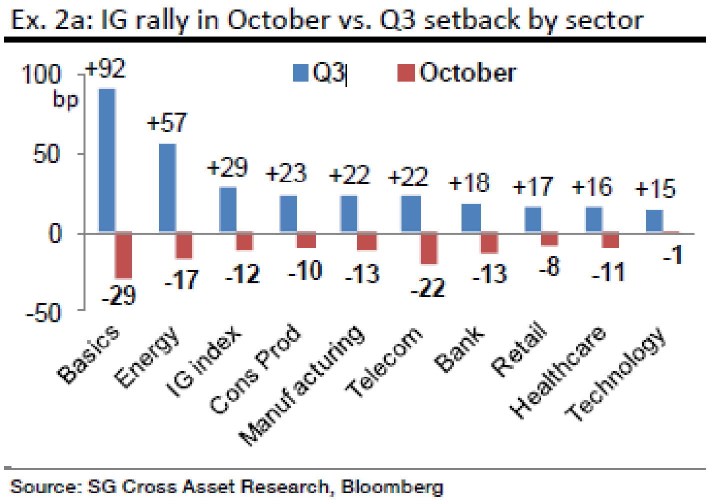
- The worries in the credit markets due to uncertainty over China and the Volkswagen scandal vanished during October. As a result, spreads tightened, especially in Europe. European spreads came in from 1.48 to 1.33, levels comparable to those prior to the Volkswagen scandal.

- The focus on the credit markets is now on the ECB. Although Mario Draghi didn't make a concrete move at the latest ECB meeting, it is clear that the QE program will be expanded. One possibility is that the current EUR 60 billion monthly bond buying figure is raised to EUR 70-80 billion. But we cannot rule out credits being included in the program either. Liquidity in the secondary market is already deteriorating, and the ECB program will put extra pressure on that market. This will only be partly offset by increased issuance in the primary market.

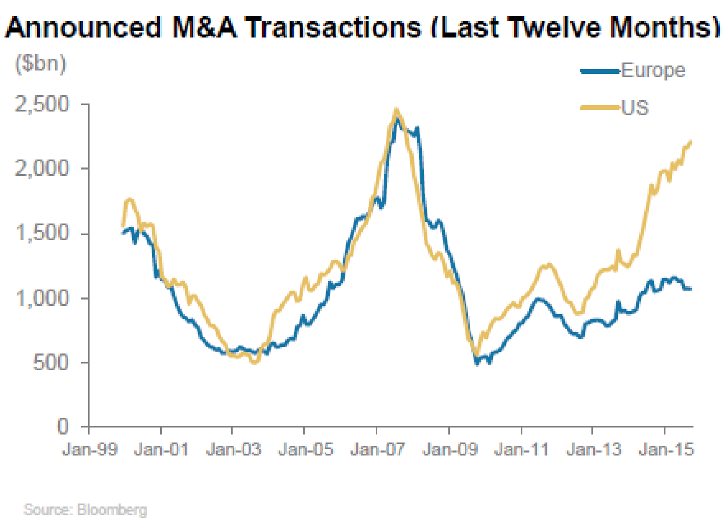
- Besides the tailwind resulting from possible ECB credit buying, there are also some technical reasons for having a relatively positive stance on European credits. Valuations have become more appealing since last month and supply isn't very abundant. A further slowdown in the important emerging markets should not harm the European credits market that much.

Investment Grade Credits

Strong rebound in US credit returns



M&A activities in the US still increasing



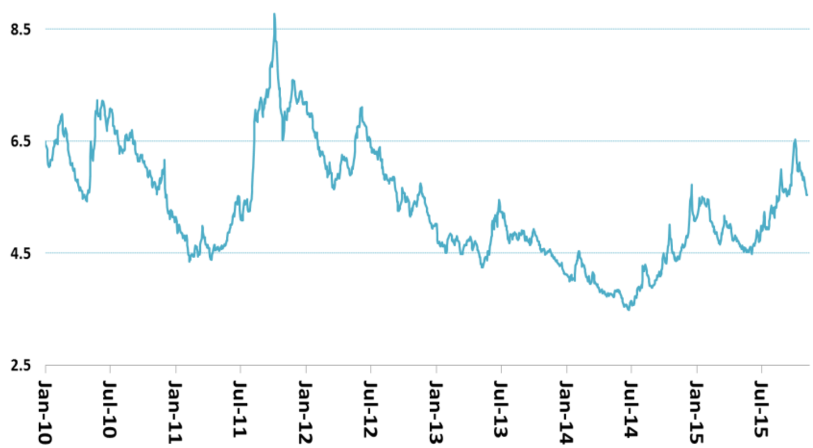
– US credit spreads also tightened last month, but not as much as their European counterparts. Spreads declined by 12 bps, the yields on US corporates are now around 3.5% (around 3.0% in euro terms) which means the yield differential with European credits is still at high levels. After a poor third quarter, US credits made a solid recovery on a total return basis in October, led by the energy and materials sectors.

– Economic data from the US are still pointing to weakness in the industrial sector, which makes a rate hike this year more unlikely. In the coming weeks, the focus will shift more to the quarterly earnings season, which should be supportive. In what is a more negative structural trend, US companies are increasing the leverage on their balance sheets rapidly, to finance M&A activities and share buybacks.

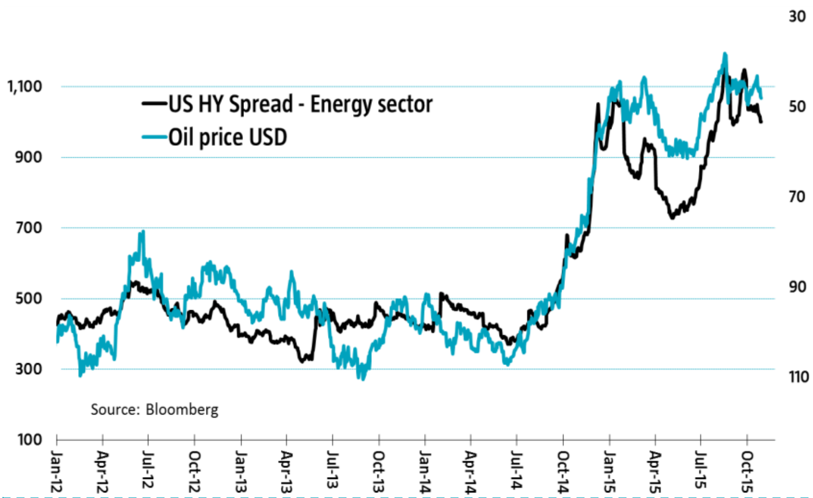
– Overall, we prefer European credits to US credits. We think that especially in Europe spreads will come in, due to ECB QE expansion activities. That's why in our portfolios we have increased the weight of credits to neutral relative to government bonds. That said, when we compare credits with high yield, we prefer the latter.

High Yield (I)

High yield spread (basis points)



Spread on high yield energy companies



- High yield spreads tightened by roughly 70 basis points during October, pushing the average spread level back to 570 basis points. A healthy increase in investor sentiment also benefited high yield bonds. Given the phase of the economic cycle spreads do still look a bit elevated, however.

- As mentioned before, falling energy prices have negatively impacted high yield bond returns. Energy companies, and shale companies in particular, make up a significant portion of the US high yield universe. The graph at the bottom left shows that energy company related high yield spreads have widened significantly as oil prices have come down. In recent weeks, prices have stabilized somewhat, stopping spreads from widening further.

- Lower oil prices in the longer term are sure to cause the number of energy-related defaults to rise. However, the current spread level on energy sector high yield bonds offers an attractive compensation for this risk. We think spreads have widened too far. In addition, shale sector worries have also spilled over to other sectors. Again, we think investors are too bearish about the US high yield bond universe in general.

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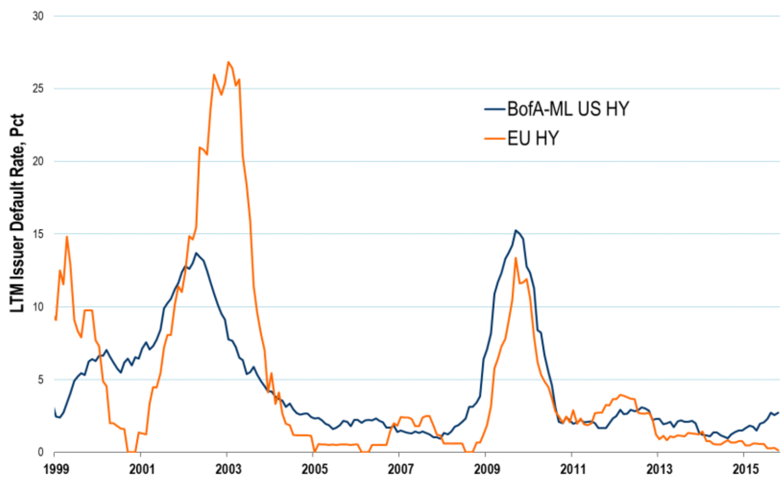
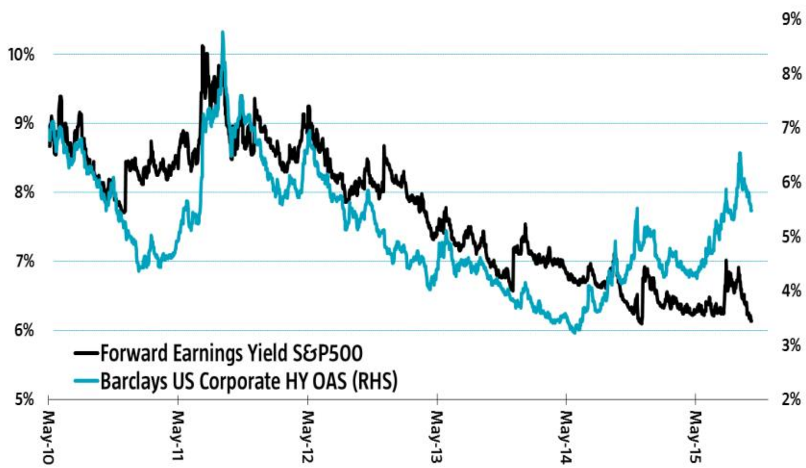
High Yield (II)

HY default rates



Valuation versus equities



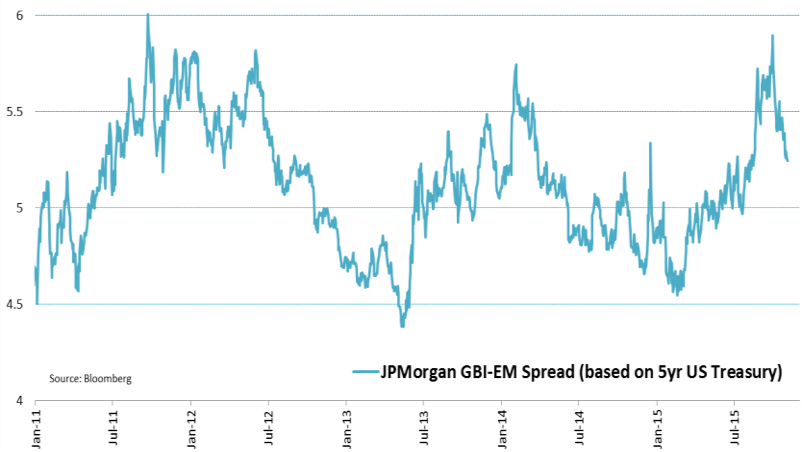
- In Europe, where average high yield ratings are higher than in the US, default rates have actually declined. The current default rate is just 0.15%. As we expect the European economy to continue its recovery, aided by a very dovish central bank, European defaults are expected to remain very low. We have seen periods of zero defaults before.

- Our overweight in high yield bonds is, for a large part driven by valuation. High yield is attractively valued compared to credits, equities and emerging debt. Some of that attractive valuation has to do with a decrease in liquidity as a result of tighter bank regulations. However, current valuations cannot be solely explained by a liquidity premium and suggest further economic weakness going forward. However, we do not expect this scenario to unfold at this point in time.

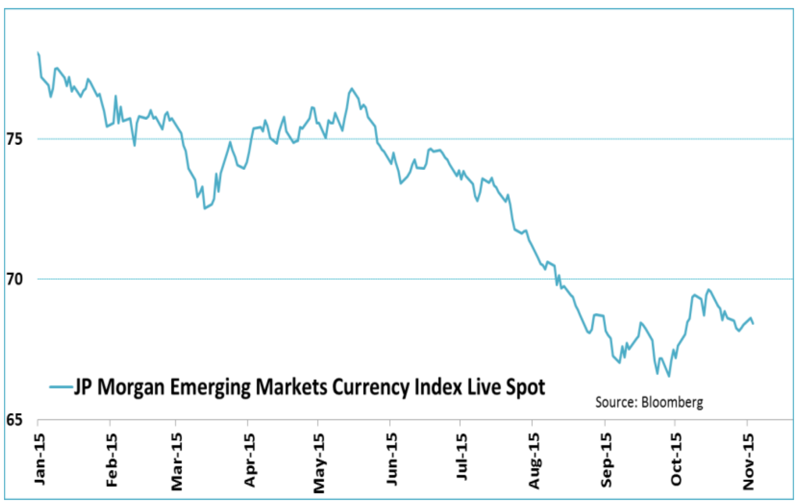
- We expect economic growth to hold up, and the Fed to slowly start raising rates in 2016. Higher interest payments are unlikely to result in any severe balance sheet stress, even though the leverage ratio of high yield companies has steadily increased over the last couple of years. But interest costs have actually come down as bond yields have fallen sharply. We remain overweight high yield debt.

Emerging Market Debt (I)

Emerging market debt spread based on the five-year US Treasury yield



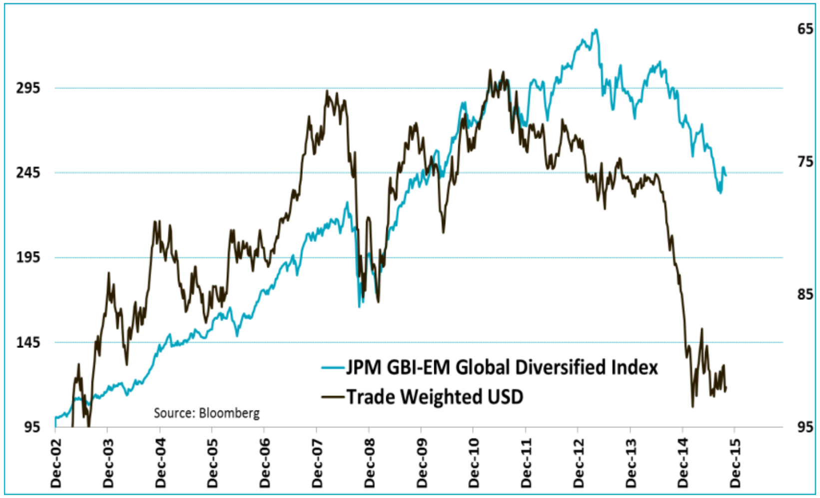
EM currencies against the USD



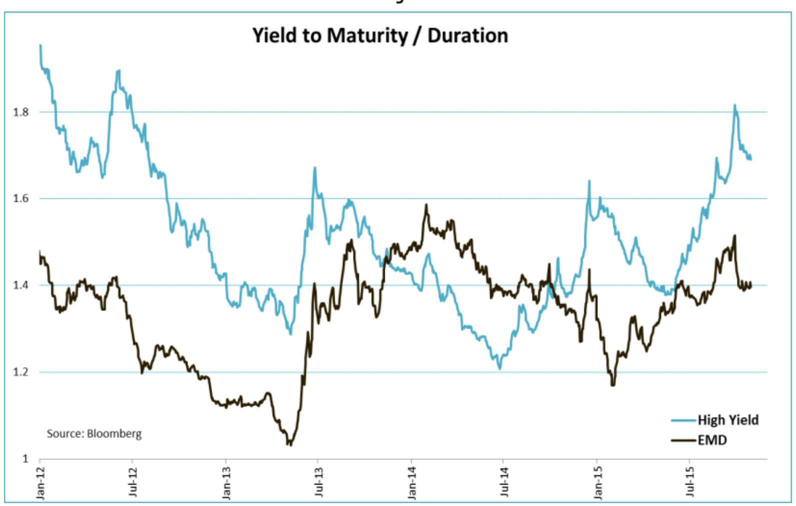
- The graph to the left reveals that the average spread on emerging market debt decreased significantly during October. The spread level compressed roughly 50 basis points to 526 basis points. At the end of October, the yield to maturity on the JP Morgan GBI-EM Diversified Index was 738 basis points.
- Two factors, that are only indirectly related to the economic and financial health of emerging countries, contributed to the 5% return on EMD (in euro terms) in October. First, central banks in developed countries reaffirmed their dovish monetary stance. This was especially the case for the ECB and Sweden's Riksbank. Hence, global liquidity remains abundant, which is a positive for EM assets.
- Second, overall risk appetite increased, partly due to the actions of central banks. The People's Bank of China lowered interest rates and the reserve requirement ratio for banks, a confirmation that the government will add more stimulus. China has serious debt problems, but for the short-term, things may actually look a bit more positive. In addition, investors seem to feel that a global recession is less likely than they previously thought in September. Emerging currencies appreciated and spreads tightened.

Emerging Market Debt (II)

EMD vs the trade-weighted US dollar



Yield EMD vs High Yield

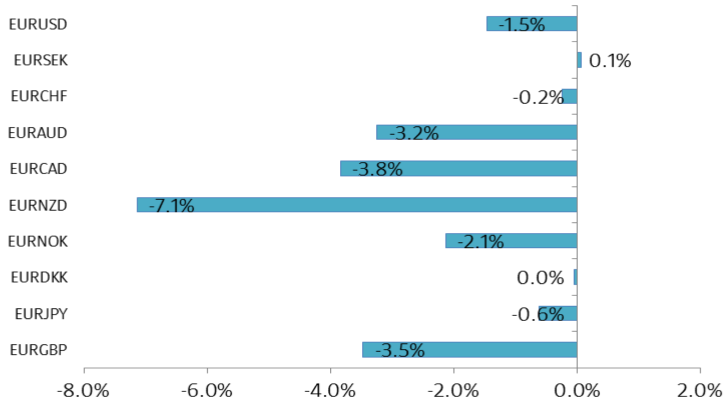


- The most important central bank for emerging market debt is geographically rather a long way from the markets themselves. The Fed delivered a more hawkish statement on monetary policy, keeping the door to a first rate hike in December open. This divergence with other central banks will almost surely lead to a stronger US dollar, which is bad news for emerging currencies. That said, at this point we think it will take a lot of courage to start raising rates, given the fact that almost every other central bank is in easing mode. We think there is a real possibility that the Fed will postpone any monetary tightening until 2016. This would probably lead to a (brief) spike in the value of emerging currencies.

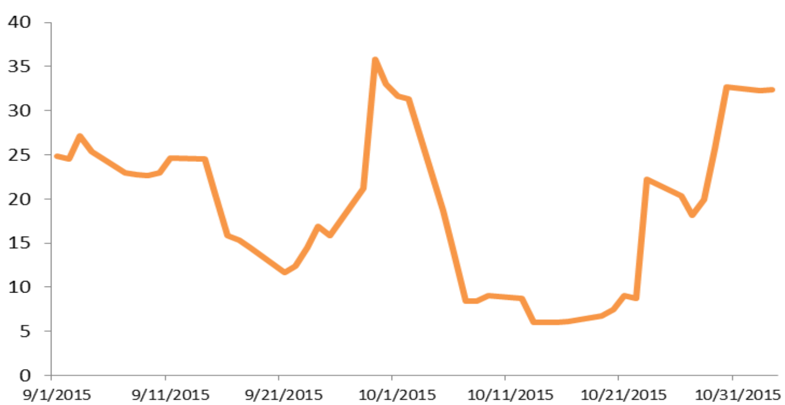
- Our expectations concerning the policy of central banks and the improvement in overall investor sentiment has caused us to implement a small overweight in emerging market debt. The fundamentals of emerging countries, which remain moderate at best, are less important in the current environment. But if the Fed decides to postpone its first rate hike, or announces a very dovish path to normalization, we expect emerging currencies to rise against the US dollar. In addition, we remain underweight emerging market equities relative to developed equities. This means that our overall position in EM assets is now neutral.

FX (I)

The euro weakened against all major currencies this month



Positive economic surprises will not impact the ECB decision



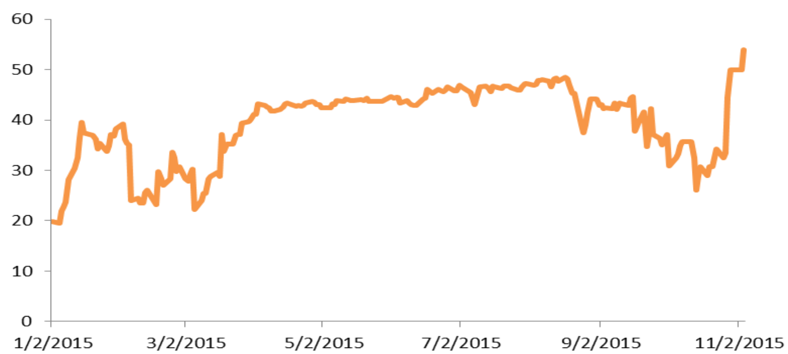
Source: Bloomberg

- In their search for direction, the currency markets eagerly awaited a message from the three big central banks that convened in October. The clearest message was given by the a ECB and the consequence was immediately evident. Within G-10 currencies the euro was the weakest in October. The ECB was pretty straightforward: expect more easing as early as our next meeting. Surprisingly the ECB also distanced itself from earlier communication, putting further deposit-rate cuts back on the table. The takeaway we get from the ECB meeting is that there is a sense of urgency to increase the monetary stimulus and that data between now and the next meeting is completely irrelevant for that decision.

- So why this change? A fair question as Draghi himself indicated that things have changed. We are still scratching our heads to figure out what actually he is referring to. When we look at economic developments we fail to see any new risks that would warrant such a change of tone. Yes, inflation remains extremely low but this was widely expected and is mainly the result of the massive drop in the oil prices. The impact on inflation should therefore be transitory, unless the oil price drops another 50%. When looking at broader economic developments, the conclusion can only be that the Eurozone economy is more resilient then expected.

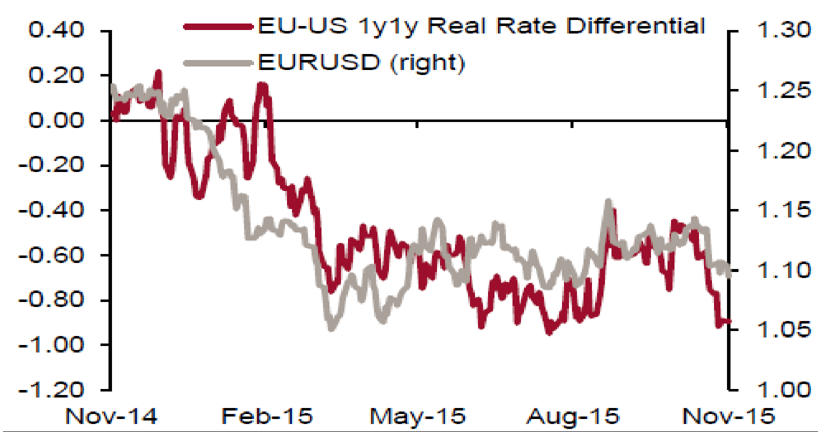
FX (II)

Fed's message caused markets to think December rate hike more likely



Source: Bloomberg

Policy divergence is weighing on the EUR/USD



Source: Credit Suisse, the BLOOMBERG PROFESSIONAL™ service

- From the ECB we received a green light to sell the single currency. The message from the Fed was less clear and quite different in tone. They went a long way to convince the market that a rate hike in December is still on the table. Normally central banks prefer not to tighten in December, due to the risk of year-end illiquidity. So tightening in December could be interpreted as a Fed that is in a hurry (feel its massively behind the curve). Given the Fed's recent poor communication, we doubt whether they will be able to convince the market that this is just a one-off symbolic move. This increases the risk that the market will regard any change as an extremely hawkish move. This would be very bullish for the greenback. Our base case remains that they will not tighten in December.

- The BoJ reverted from adjusting its current monetary policy and increased the time period during which it expects to reach the 2% inflation target. It looks as if the BoJ is moving from being proactive to being more reactive.

- Momentum turned against the euro, so we look to enter into a short EUR-USD position, but for this to work the ECB can't afford to disappoint the markets.

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