



Negative interest rates the new scapegoat

Warning we don't understand how they work

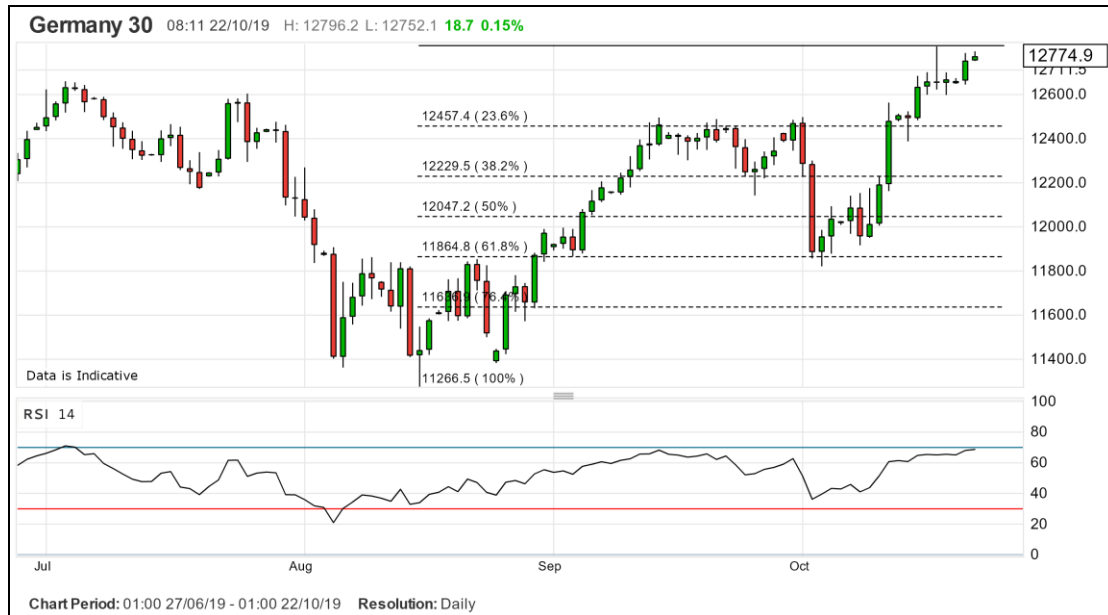
First, they blamed Brexit and its uncertainty, then they pointed a finger at the Sino-US trade spat and the slowdown in international trade for lousy earnings at their firms. The new go-to excuse for disappointing quarterly earnings are negative yields. Today UBS announced a 16 per cent drop in Q3 profits, including a 59 per cent slump in its investment banking division. "Low and persistent negative interest rates and expectations of further monetary easing will adversely affect net interest income" – not forgetting they had earlier announced interest will be charged on cash savings over 500,000. Over at JP Morgan Jamie Dimon admitted that negative rates have "adverse consequences which we do not fully understand"

Also on banking, City AM reports on a study carried out by McKinsey on 1,000 banks globally. They found that 35 per cent of them earned an average 1.6 per cent return on tangible equity and should therefore be classified as 'challenged banks'. "Given where many in the banking industry are today, a serious downturn would be catastrophic for many"; they must restructure, slash costs and merge.

**Nicole Elliott**



## DAX 30



IG Index chart

Overbought as we inch up towards last week's spike high.

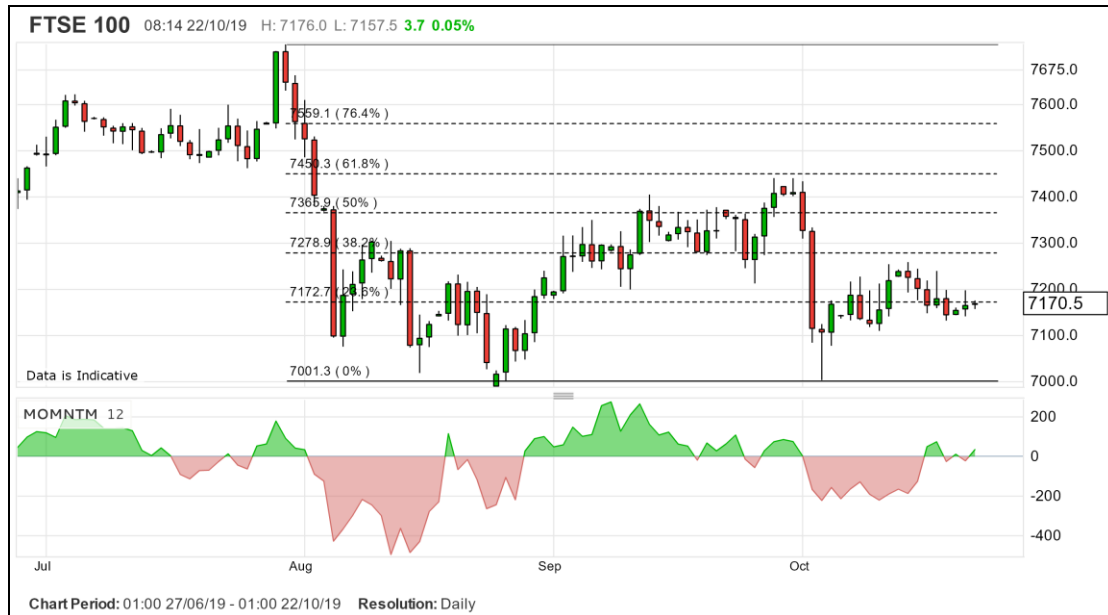
**SHORT TERM TRADER: Small short at 12625; stop well above 12825. Target 11880.**

**POSITION TAKER: Square.**

SUPPORT	RESISTANCE
12600	12795
12450	12820
12300	12890
12230	12925



## FTSE 100



IG Index chart

Marginally top-heavy despite zero momentum as EUR/GBP dips below 86 pence this morning.

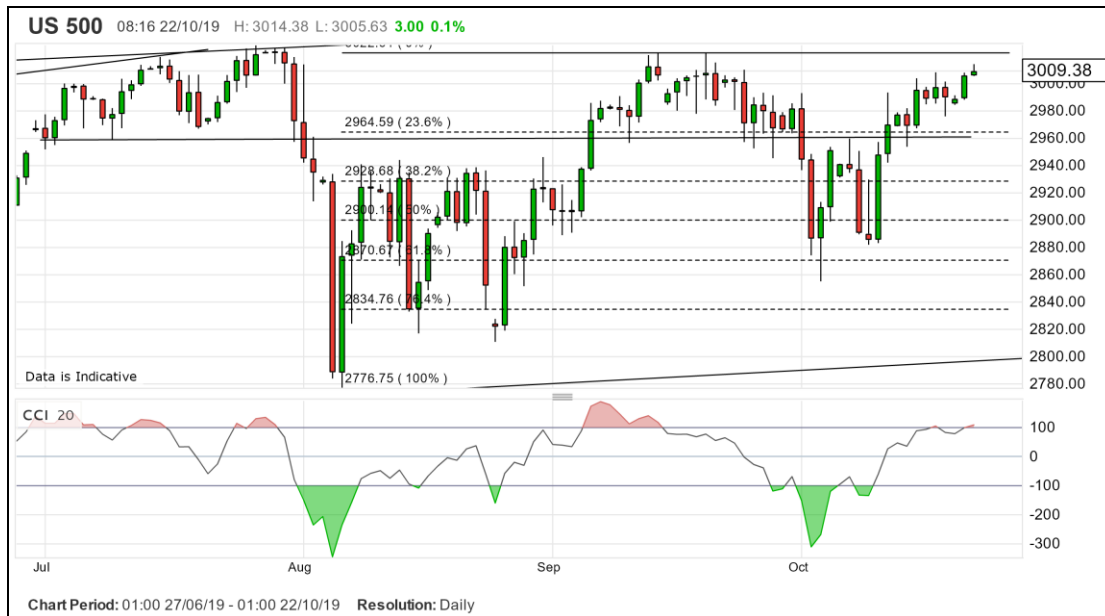
**SHORT TERM TRADER:** Small short at 7140; stop above 7280. Target 7025.

**POSITION TAKER:** Square.

SUPPORT	RESISTANCE
7130	7240
7075	7280
7000	7300
6965	7365



## S&P 500



IG Index chart

The commodity channel index is still flashing a warning as the market moves towards the record high – amid cheers in some sectors that yesterday it managed a close above the psychological 3000 level.

**SHORT TERM TRADER: Square.**

**POSITION TAKER: Square.**

SUPPORT	RESISTANCE
2965	3014
2930	3025
2900	3030
2880	3050



## BRITISH POUND/US DOLLAR



IG Index chart

Holding up better than one might have thought as bullish momentum increases and Boris attempts to blast his Brexit bill through parliament this week.

**SHORT TERM TRADER:** Long at 1.2950; stop below 1.2600. Target 1.3150.

**POSITION TAKER:** Long at 1.2950; stop below 1.2535. Target 1.3350.

SUPPORT	RESISTANCE
1.2885	1.2985
1.2840	1.3015
1.2745	1.3040
1.2655	1.3165



## EURO/US DOLLAR



IG Index chart

Bullish momentum has been maintained as we trade close to August's higher levels. Note that Thursday is Mario Draghi's last ECB rate-setting meeting.

**SHORT TERM TRADER: Small long at 1.1150; stop below 1.0990. First target 1.1250.**

**POSITION TAKER: Square.**

SUPPORT	RESISTANCE
1.1110	1.1180
1.0990	1.1200
1.0940	1.1265
1.0880	1.1300



## GOLD



IG Index chart

Momentum is marginally bearish and still this market clings to horizontal support.

**SHORT TERM TRADER:** Short at 1520; stop above 1535. Target 1440.

**POSITION TAKER:** Short at 1507; stop above 1560. Target 1440.

SUPPORT	RESISTANCE
1480	1516
1474	1535
1460	1540
1456	1557



Nicole Elliott is a long-standing member and Fellow of the Society of Technical Analysts and has taken over the IC's trading coverage. She is regularly interviewed and quoted by the financial media, is a conference speaker, and author of several books on charting.

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