



## Preparing for the week ahead : Corellian 3 Step Process

**Step 1:** Where did markets end last week and why?

**Step 2:** What, if anything, is new from the weekend?

**Step 3:** Looking forward to the week ahead



### Step 1: Where did markets end last week and why?

**Friday: Markets wanted to see US employment data. Why?**

After the minutes of the December 2021 FOMC meeting on Wednesday last week suggested the fall in unemployment to date may have gone far enough to justify hiking interest rates. Sending a bout of risk aversion through all markets.

The data was mixed but still showed an improving employment situation in the US.

The headline disappointed at 199k jobs added (+400k expected) but this has been a volatile number through the pandemic.

However the unemployment rate dropped sharply, 3.9% (4.1% expected)

and average hourly earnings increased faster, 4.7% (4.2% expected)

**Question: Has US employment reached the central banks target level ?**

Yes, the biggest takeaway from this data is US unemployment has dropped to (and surpassed) the Federal Reserve's estimate of full employment (which the Fed pegs at 4%) and they are now free to raise interest rates as early as March 2022.

#### Markets:

**Stock indices** in the US, continued the downtrend post Wednesday's Fed Minute release into Friday's close. The US Tech 100 was the standout underperformer as the possibility of an increase in interest rates impacted sentiment. **Rotation** was a big theme of week 1, with USA 30 and UK/ European stocks the beneficiaries of the selling of technology stocks.

**US 10 Year Yields** raced higher from the start of 2022. First on expectations of Omicron keeping inflation high and then on an increased chance of a first US interest rate rise in March 2022.

**G10 FX** was surprisingly calm as the increase in US yields failed to take the USD higher, which must be a concern USD bulls.

**Commodities** were mixed, with oil posting a third week of gains on resilient demand in the face of the Omicron surge.

Financial Market	Closing Level Friday 31 <sup>st</sup> December	Closing Level Friday 7 <sup>th</sup> January	Weekly Change %	Financial Market	Closing Level Friday 31 <sup>st</sup> December	Closing Level Friday 7 <sup>th</sup> January	Weekly Change %
<b>Asia Stocks:</b>				<b>G10 Currencies:</b>			
China A50	15690	15450	-1.5%	EURUSD	1.1372	1.1361	-0.1%
Japan 225	28905	28382	-1.8%	GBPUSD	1.3522	1.3595	+0.5%
ASX (Australia) 200	7447	7350	-1.3%	EURGBP	0.8409	0.8357	-0.6%
Hong Kong 50	23375	23558	+0.8%	AUDUSD	0.7269	0.7181	-1.2%
<b>Europe Stocks:</b>				USDJPY	115.12	115.56	+0.4%
UK (FTSE) 100	7381	7432	+0.7%	USD Index	95.58	95.73	+0.2%
Germany 40	15822	15940	+0.7%	<b>Commodities:</b>			
Europe 50	4283	4293	+0.2%	GOLD	1829	1796	-1.8%
France 40	7142	7216	+1.0%	Silver	23.32	22.36	-4.1%
<b>US Stocks:</b>				Copper	4.4558	4.4005	-1.2%
USA 500	4770	4667	-2.2%	US Crude Oil	75.28	78.95	+4.9%
USA 30 Wall Street	36365	36113	-0.7%	<b>Other Markets:</b>			
US Tech 100	16336	15571	-4.7%	Bitcoin	46330	41900	-9.6%
USA (Russell) 2000	2244	2175	-3.1%	US 10 Year Yield	1.51%	1.77%	+17.2%



## **Step 2: What, if anything, is new from the weekend?**

<p><b>Bloomberg:</b></p> <p><b>China Reports Nation's First Community Spread of Omicron</b></p> <p>Does this news mean further lockdown measures which may impact the weakening Chinese economy and also disrupt global supply chains further?</p> <p>China saw its first Omicron cases in the community, igniting a mass testing blitz in the northern city of Tianjin as the country strives to maintain its zero tolerance approach to Covid in the face of more transmissible variants.</p> <p>China's Covid Zero policy has seen it restrict movements and implement mass testing and other measures in cities across the country.</p>	<p><b>Bloomberg:</b></p> <p><b>Truss Says She'll Use Article 16 If EU Won't Bend on N. Ireland</b></p> <p>UK still talking tough over post Brexit trade talks and Northern Ireland but will it make any difference to the talks Thursday? The UK need a deal done!!</p> <p>UK Foreign Secretary Liz Truss says she's prepared to unilaterally override parts of the post Brexit agreement on Northern Ireland if talks with the EU fail.</p> <p>Truss, appointed as the UK's Brexit negotiator in December, laid out her position in the Sunday Telegraph ahead of a key meeting with her EU counterpart on Thursday.</p>	<p><b>Bloomberg:</b></p> <p><b>Energy Transition Is Upside Risk to ECB Forecasts, Schnabel Says</b></p> <p>How much longer can the ECB stick to the dovish script that inflation will subside as supply tensions unwind and energy costs cool off?</p> <p>The ECB's inflation forecasts may need to be revised upward because of the continent's attempts to cut carbon emissions and transition to green energy. ECB member Schnabel said.</p> <p>The comments come after data on Friday showed inflation unexpectedly accelerated to 5% in December setting a record for the EU.</p>
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**China:** Traders want to know if the supply chain issues keeping inflation high are over. The bond market is anticipating greater inflation implications due to the recent spread of Omicron. This news could see increased volatility next week in markets. **Keep an eye out for any updates on this.**

**Europe:** EURUSD ended the week at the top of its range, traders are watching to see if the ECB follows the other major central banks in acknowledging that inflation isn't transitory. Keep an eye on what Lagarde says next week. **Can EURUSD break out of its range and squeeze higher?**

## **Step 3: Looking forward to the week ahead**

- \* Important events are coloured in bold red
- \* All times are British Standard Time (BST)
- \* Please use the key opposite to adjust to your appropriate time zone

Time Zone Key:	
GMT -5	= NY Time
GMT	= London Time
GMT +1	= Frankfurt Time
GMT +9	= Tokyo
GMT +11	= Sydney
GMT	= Greenwich Mean Time

### **Company Earnings Reports:**

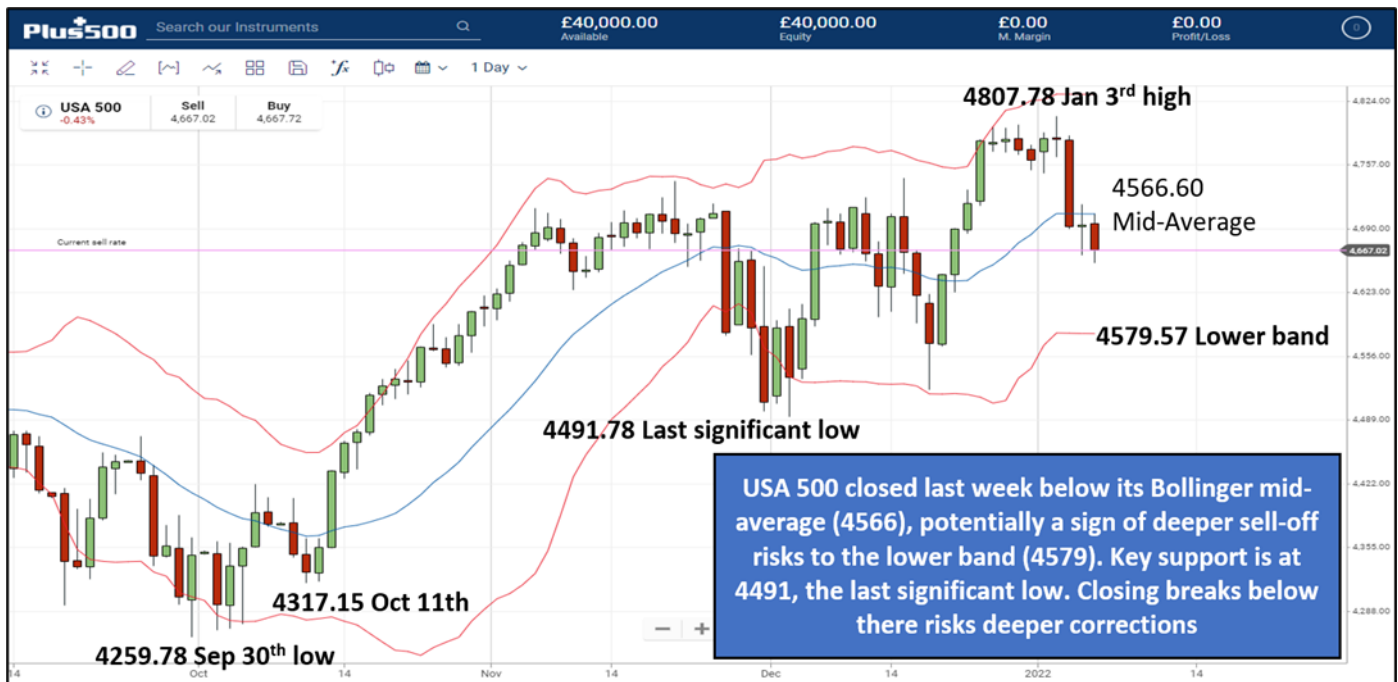
**Next week focus is on the start of the US earnings Q4 reporting season: Financials are up first**

**Thursday: JPMorgan (JPM) 1200 GMT Wells Fargo (WFC) 1200 GMT Citigroup (C) 1300 GMT**

Huge profit increases helped the USA 500 rise 27% in 2021, traders will be looking to see how tough it was for US companies to post similar gains in Q4. Overall Q4 expectations are for USA 500 companies to post profits up an average of 22%.

It is going to be crucial to see whether the bank earnings can put some positive sentiment into stock markets that are starting to show strain as central banks of the developed world start to take back pandemic liquidity in attempts to rein in inflation.

**The USA 500 suffered last week as its technology component weighed on the index as US 10 year yields raced higher from 1.51% to 1.77% on the close. Can financials next week help stem declines from its weaker 4667 close and help it bounce back above 4700 or will weaker risk sentiment see it sell off further towards its key support levels around 4500?**



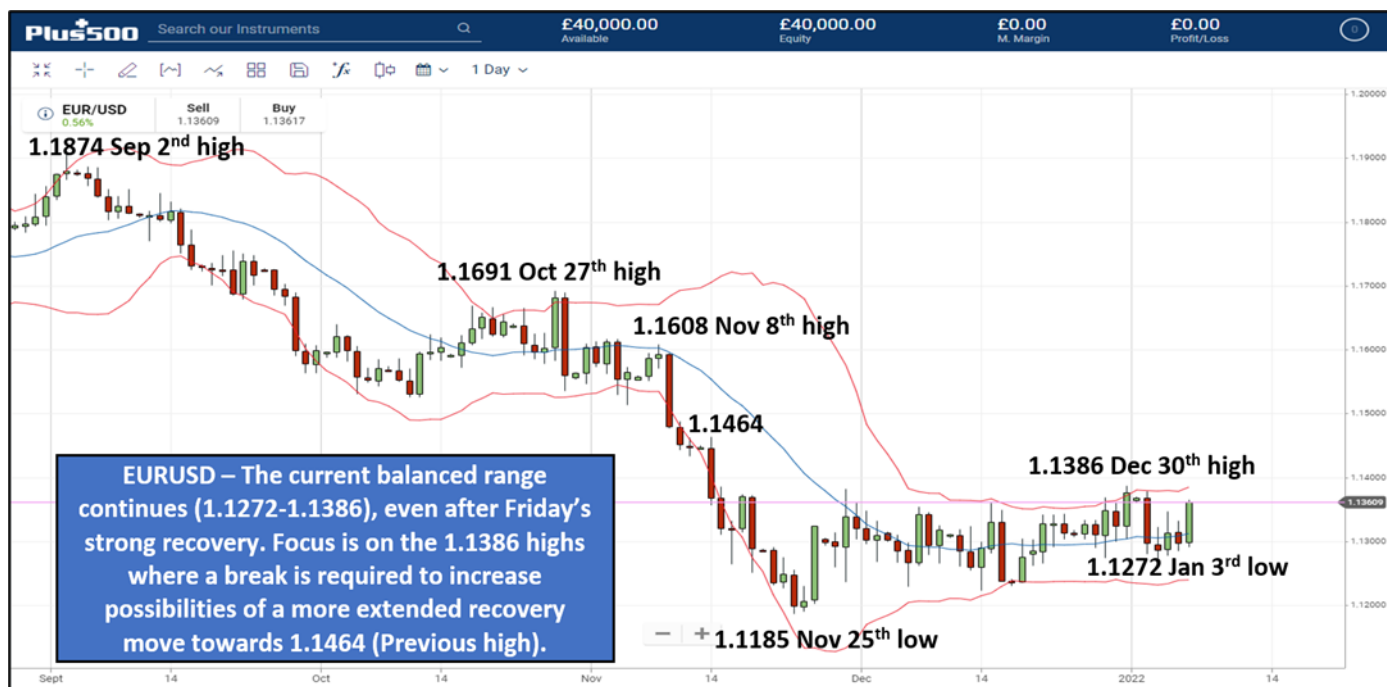
### Central Bank Meetings and Key Speakers:

Monday 10 <sup>th</sup> January	Tuesday 11 <sup>th</sup> January	Wednesday 12 <sup>th</sup> January	Thursday 13 <sup>th</sup> January	Friday 14 <sup>th</sup> January
	<p>1000 GMT EUR German <b>Buba</b> President Weidmann Speech</p> <p>1020 GMT EUR ECB President <b>Lagarde</b> Remarks</p> <p>*1500 GMT USD* Fed Chairman <b>Powell</b> Testifies (Nomination Hearing)</p>		<p>1030 GMT EUR ECB de Guindos Q&amp;A</p> <p>*1500 GMT USD* Fed Brainard Speech (Nomination Hearing)</p>	<p>1315 GMT EUR ECB President <b>Lagarde</b> Speech</p>

Quiet week with no major central bank meetings.

The focus falls to the key central bank speakers from the Fed and ECB. Fed Chairman Powell will be speaking publicly for the first time since the FOMC meeting last month when the Fed decided to bring its bond buying program to an end. Markets were rocked by the Fed minutes from that meeting last week. **Will Powell confirm or try and push back the chances of a first interest rate rise in March 2022? How will Brainard to the same topic in her new role as Vice Chair? Expect volatility!**

The ECB continue to be one of the most dovish of central banks despite EU inflation printing record highs at 5% in December. Will Lagarde stick to the same script or adjust her commentary. **EURUSD closed Friday right on its range highs.**



### Key Economic Data Next Week:

Monday 10 <sup>th</sup> January	Tuesday 11 <sup>th</sup> January	Wednesday 12 <sup>th</sup> January	Thursday 13 <sup>th</sup> January	Friday 14 <sup>th</sup> January
0030 GMT AUD Building Permits	0030 GMT AUD Retail Sales	0130 GMT China Inflation Data (PPI and CPI)	1330 GMT USD Initial Jobless Claims	0200 GMT China Imports, Exports and Trade Balance
0930 GMT EUR Sentix Investor Confidence	0030 GMT AUD Imports, Exports and Trade Balance	1000 GMT EUR Industrial Production	*1330 GMT USD* Inflation Data (PPI)	0700 GMT GBP GDP, Industrial Production and Trade Balance
1000 GMT EUR Unemployment Rate	2130 GMT USD API Weekly Crude Oil Stock	*1330 GMT USD* Inflation Data (CPI)	2350 GMT JPY Inflation Data (PPI)	*1330 GMT USD* Retail Sales
		1530 GMT USD EIA Crude Oil Stocks Change		1415 GMT USD Industrial Production
		2145 GMT NZD Inflation Data (CPI)		1500 GMT USD Michigan Consumer Sentiment Index

Monday and Tuesday are quiet in terms of economic data that matters with only Australian retail sales on Tuesday something to note. It will be interesting to see if the Australian consumer is still out spending or whether the negative impacts of Omicron have dulled the appetite going into the end of the year. AUDUSD has started to suffer with general weaker risk sentiment and lower stock markets at the back end of last week. Can the bounce off the Friday low at 0.7129 be supported or is further weakness towards 0.7000 on the cards next week?





**Wednesday:** Big inflation day and **Inflation matters!!** It's now firmly at the centre of central bank concerns and is dominating their policy approaches. **China data: Remember** China is the world's manufacturer, if inflation is increasing there it's likely to be exported around the world, any easing off in the data may be short lived given that Omicron outbreaks have shut key ports and have millions in lockdown. **Could this trigger fresh supply chain disruption around the globe?**

**US CPI has been red hot of late and prompted the Fed to start its tapering program in December.** With US 10 year yields back at March 2021 highs (1.78%) a strong print could see bond traders push this aggressively higher towards 2.00%, a move that would likely have negative implications for all stock markets, but especially US Tech 100, which is sitting on key support.



**Thursday:** Keep an eye on the US factory gate inflation print (PPI) at 1330 GMT, for similar reasons outlined above.

**Friday:** We get the China trade data first thing. It will be interesting to see if trade with the rest of the globe is remaining robust in the face of Omicron lockdowns, and to see if China is starting to turn the corner of slowing economic growth.

**US Retail sales and Michigan consumer sentiment**, will be key to see how confident the US consumer is to keep spending in the face of surging prices and Omicron restrictions. Retail sales unexpectedly dropped last month, which surprised markets, while consumer sentiment stabilised. Any downturn in this data could be the first signs that US economic growth is started to be impacted, which while it won't stop the Fed's recent moves, will concern them going forward. **Any negative USD news could be to GBP's benefit (Check out the commentary and chart below)**



### Key levels to watch for the week ahead:

Equity Indices	Support	Resistance
<b>USA 500</b>	1st – 4579.57, Bollinger lower band 2nd – 4491.78, December last low 3rd – 4317.15, October 11 <sup>th</sup> low trade	1 <sup>st</sup> – 4705.28, Bollinger mid-average 2 <sup>nd</sup> – 4807.78, All-time high trade 3 <sup>rd</sup> – 4830.96, Bollinger upper band
<b>US Tech 100</b>	1st – 15491.80, December 19 <sup>th</sup> low 2nd – 15273.55, October 21 <sup>st</sup> hold level 3rd – 14367.05, October 3 <sup>rd</sup> extreme	1st – 16132.38, Bollinger mid-average 2nd – 1656.92, January 3 <sup>rd</sup> failure level 3rd – 16765.55, November 23 <sup>rd</sup> all-time high
<b>USA 30 Wallstreet</b>	1st – 36120.00, 20 Day moving average 2nd – 35688.00, 38% retrace Dec/Jan 3rd – 35334.00, Deeper Mid-point	1st – 36410.00, Half last weeks sell-off 2nd – 36832.00, All-time high 3rd – 36921.50, Upper daily Bollinger
<b>Germany 40</b>	1st – 15628.52, 20 day moving average 2nd – 14906.86, Dec 19 <sup>th</sup> low 3rd – 14795.52, Oct 3 <sup>rd</sup> hold level	1st – 16272.52, Last weeks failure high 2nd – 16293.52, Nov 19 <sup>th</sup> high 3rd – 17000.00, Psychological round number
<b>FTSE 100</b>	1st – 7176.05, 20 day moving average 2nd – 7663.85, July 28 <sup>th</sup> high trade 3rd – 7885.97, May 20 <sup>th</sup> high trade	1st – 7490.60, Feb 2020 high 2nd – 7626.35, January 2020 extreme 3rd – 7885.97, May 2018 failure point



FX	Support	Resistance
<b>EURUSD</b>	1 <sup>st</sup> – 1.1272, Last weeks low trade 2 <sup>nd</sup> – 1.1212, December 14 <sup>th</sup> low trade 3 <sup>rd</sup> – 1.1185, November 25 <sup>th</sup> extreme	1 <sup>st</sup> – 1.1386, December 30 <sup>th</sup> high trade 2 <sup>nd</sup> – 1.1463, 38% retrace Aug/Oct range 3 <sup>rd</sup> – 1.1608, November 8 <sup>th</sup> failure
<b>GBPUSD</b>	1 <sup>st</sup> – 1.3430, Last weeks low trade 2 <sup>nd</sup> – 1.3117, Bollinger mid-average 3 <sup>rd</sup> – 1.3172, December 19 <sup>th</sup> low	1 <sup>st</sup> – 1.3697, November 3 <sup>rd</sup> high trade 2 <sup>nd</sup> – 1.3832, October 29 <sup>th</sup> high 3 <sup>rd</sup> – 1.3912, September 13 <sup>th</sup> extreme
<b>USDJPY</b>	1 <sup>st</sup> – 114.44, Half of latest upside 2 <sup>nd</sup> – 113.43, 38% retrace Aug/Jan strength 3 <sup>rd</sup> – 112.53, Mid-point same move	1 <sup>st</sup> – 116.33, Last weeks recovery high 2 <sup>nd</sup> – 118.64, Dec 2016 rejection point 3 <sup>rd</sup> – 121.66, January 2015 failure level
<b>AUDUSD</b>	1 <sup>st</sup> – 0.7129, Friday's rally point 2 <sup>nd</sup> – 0.7082, December 19 <sup>th</sup> low 3 <sup>rd</sup> – 0.6991, December monthly extreme	1 <sup>st</sup> – 0.7277, December failure high trade 2 <sup>nd</sup> – 0.7341, 62% retrace Oct/Nov range 3 <sup>rd</sup> – 0.7555, October 2021 failure high
<b>USDCAD</b>	1 <sup>st</sup> – 1.2546, Deeper 62% retracement 2 <sup>nd</sup> – 1.2289, October monthly low 3 <sup>rd</sup> – 1.2030, May 2021 rally point	1 <sup>st</sup> – 1.2794, Mid-point latest downside 2 <sup>nd</sup> – 1.2947, August 2021 failure high 3 <sup>rd</sup> – 1.3024, 38% retrace Mar'20/May'21

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