

## 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?

The run into the weekend was a nervous one for markets with a US bank holiday on Monday

Traders were looking for further direction from US retail sales and Michigan consumer sentiment data.

**US Retail Sales were something of a disaster, showing the biggest drop since February 2021:**

- December retail sales fell 1.9% (-0.1% expected), with November 2021 retail sales also revised weaker.

**Michigan consumer sentiment was also poor as inflation expectations rose significantly to their highest since January 2011**

- Headline print fell from 70.6 in December to 68.8 (70.0 Expected). This is the second lowest reading in 10 years.

**Question: Are concerns about inflation really starting to impact US consumers?**

With the US economy so dependent on consumer spending this data should be a concern for traders going forward. If this trend continues, it's impact on Q1 2022 corporate earnings and the overall strength of the US economy should not be underestimated.

#### Markets:

- Stocks had a rollercoaster of a week**, but interestingly US stocks managed to claw back declines to end the week relatively unchanged. US Tech 100 traded in a volatile 5.5% range (See chart on next page for the week ahead ), while HK50 and FTSE were the star performers.
- In the **Bond markets**, US 10 year yields rallied 9 bps into Fridays close and now sit right up against this important 1.80% level going into next week. **Watch out for volatility in all markets if we breakout towards 2.0%.**
- The **USD had a poor week**, with declines against all G10 currencies. EURUSD finally broke out of its 7 week range, trading to a 1.1483 high. **Interestingly the Friday rally in US yields helped reduce a some of the USD losses**, however the US Dollar Index looks to be breaking down below a 1 year uptrend (**Check out a Plus500 daily chart**).
- Commodities in general were supported by the lower USD but Gold, Silver and Copper continue to range trade. **Oil continued its stellar advance of the last 4 weeks** with another 6.8% gain on supply concerns.

Financial Market	Closing Level Friday 7 <sup>th</sup> January	Closing Level Friday 14 <sup>th</sup> January	Weekly Change %	Financial Market	Closing Level Friday 7 <sup>th</sup> January	Closing Level Friday 14 <sup>th</sup> January	Weekly Change %
<u>Asia Stocks:</u>				<u>G10 Currencies:</u>			
China A50	15450	15075	-2.4%	EURUSD	1.1361	1.1415	+0.5%
Japan 225	28382	28300	-0.3%	GBPUSD	1.3595	1.3678	+0.6%
ASX (Australia) 200	7350	7325	-0.3%	EURGBP	0.8357	0.8344	-0.2%
Hong Kong 50	23558	24368	+3.4%	AUDUSD	0.7181	0.7216	+0.5%
<u>Europe Stocks:</u>				USDJPY	115.56	114.19	-1.2%
UK (FTSE) 100	7432	7504	+1.0%	USD Index	95.73	95.14	-0.6%
Germany 40	15940	15931	-0.1%	<u>Commodities:</u>			
Europe 50	4293	4279	-0.3%	GOLD	1796	1818	+1.2%
France 40	7216	7170	-0.6%	Silver	22.36	22.95	+2.6%
<u>US Stocks:</u>				Copper	4.4005	4.4300	+0.7%
USA 500	4667	4664	-0.1%	US Crude Oil	78.95	84.28	+6.8%
USA 30 Wall Street	36113	35850	-0.7%	<u>Other Markets:</u>			
US Tech 100	15571	15618	+0.3%	Bitcoin	41900	43100	+2.9%
USA (Russell) 2000	2175	2162	-0.6%	US 10 Year Yield	1.77%	1.79%	+1.1%



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

### Bloomberg:

**China home market slump deepens as prices fall for fourth month**

Bad news for China's housing market, but the decline is slowing. Is the property sector starting to bottom out?

China's home prices fell for a fourth consecutive month in December, as the credit crunch in the property sector showed little sign of easing.

New home prices in 70 cities, excluding state-subsidised housing, slid 0.28% last month from November, when they dropped 0.33%, National Bureau of Statistics figures showed Saturday.

### Sky News:

**PM faces further calls to quit over partygate as reports suggest 'mass clearance' of Downing Street team**

It's going to be a busy week for UK PM Boris Johnson. Depending on how things play out, could it add to GBP volatility?

A sixth Conservative MP is calling for the prime minister to quit over the ever growing list of alleged lockdown breaking parties in Downing Street, as Boris Johnson is reportedly preparing to strike back by ousting members of his inner circle.

### Reuters:

**US talks to energy firms on EU gas supply in case of Russia-Ukraine conflict**

Ukraine say they see more troops and weapons being moved to the border with Russia. The US is desperate to cool off energy price rise concerns

The US government has held talks with several international energy companies on contingency plans for supplying natural gas to Europe if conflict between Russia and Ukraine disrupts Russian supplies.

The US is concerned Russia is preparing for a new military assault on the country it invaded in 2014. Russia denies it plans to attack Ukraine.

**China:** Keep an eye on commodity markets on the open after this housing data. Do they take it as a positive the decline is slowing and the promotions offered to entice sales are working or do they take the 4th month of declines as indications that demand for building materials won't be as expected.

**For gas and oil** that have seen strong price gains at the start of 2022, driven by supply concerns, the Russia Ukraine situation continues to bubble along just below the surface. Ukraine reported over the weekend on increased troop build up on the border from separatists supported by Russia, while the US is desperately searching for solutions to surging energy prices which are impacting US consumers.

### 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 US Q4 2021 earnings season continues with the remaining US banks, big airlines, major consumer staples, and the first of the FAANG stocks, Netflix.

Monday 17 <sup>th</sup> January	Tuesday 18 <sup>th</sup> January	Wednesday 19 <sup>th</sup> January	Thursday 20 <sup>th</sup> January	Friday 21 <sup>st</sup> January
	1130 GMT BNY Melon 1145 GMT Bank of America 1145 GMT PNC Financial 1230 GMT Goldman Sachs  <u>Before market opens:</u> Charles Schwab	0000 GMT P&G 0600 GMT ASML 1230 GMT Morgan Stanley 1230 GMT State Street  <u>Before Market Opens:</u> US Bancorp  <u>After Market Closes:</u> Alcoa United Airlines	0000 GMT American Airlines  <u>Before Market Opens:</u> Northern Trust 2100 GMT Netflix	

**Last week**, US Q4 earnings focused on the banks and JP Morgan and Citigroup both disappointed, although some big numbers were expected. Initially, JPM shares opened down 5% and Citi down 3.5% on the news emphasising the volatility against expectations. If more business leaders see falling margins, this could increase volatility in stock indices next week.

**Tech earnings will be closely monitored in coming days.** Netflix shares rose as much as 3.7% Friday on the news they are raising prices in US and Canada to boost revenue and programming spending. **Their Q4 earnings are out Thursday** with a net increase of 8.4 mil subscribers and a worldwide total of 221.9 mil.





### Central Bank Meetings and Key Speakers:

Monday 17 <sup>th</sup> January	Tuesday 18 <sup>th</sup> January	Wednesday 19 <sup>th</sup> January	Thursday 20 <sup>th</sup> January	Friday 21 <sup>st</sup> January
All Day Eurogroup Meeting	0300 GMT JPY BoJ Interest Rate Decision and Monetary Policy Statement  0600 GMT JPY BoJ Press Conference  0700 GMT EUR EU Economic Finance Ministers Meeting  1230 GMT EUR ECB McCaul Speech	*1415 GMT GBP* BoE Governor Bailey Speech to Treasury Select Committee	0130 GMT China PBOC Interest Rate Decision  1230 GMT EUR ECB Meeting Minutes  2350 GMT JPY BoJ Meeting Minutes	1030 GMT EUR ECB Fernandez-Bollo Speech  1230 GMT EUR ECB President Lagarde Speech

**For central banks**, BoJ and PBOC decisions next week. **BoJ meeting** is interesting after reports last week suggested policy makers are debating how soon they can start talking of an eventual interest rate rise, which pushed up Japanese yields and supported demand for JPY. The comment was eventually walked back by officials, but the tone of the Tuesday's statement may be interesting. Are they turning slightly hawkish after 20 years of dovishness? **This would be big news in FX markets.**

**PBOC rate decision** is actually a close call, some economists think they need to cut to stimulate the economy and reduce recent Yuan strength. A cut should be seen as supportive of global stocks, in a world adapting to rate increases elsewhere.

**ECB minutes Thursday**, will be monitored for any shift in tone from the wider ECB governing council to see if they may be closer than anticipated to having to deal with record EU inflation. **With EURUSD breaking out of its range last week, does it push on further or is the correction over?**

In terms of central bank speakers, **BoE Governor Bailey testifies** before the treasury select committee Wednesday. After December's small 0.15% interest rate rise, GBP has been steadily increasing along with expectations of further increases to interest rates at February's meeting. Will his commentary support this narrative or will he try and walk back recent expectations? **GBP turned down Friday after a high at 1.3748, is it on its way back to 1.35, or is it a buy on dips for 1.3890?**



**Key Economic Data Next Week:**

Monday 17 <sup>th</sup> January	Tuesday 18 <sup>th</sup> January	Wednesday 19 <sup>th</sup> January	Thursday 20 <sup>th</sup> January	Friday 21 <sup>st</sup> January
<b>0200 GMT China</b> GDP, Industrial Production Unemployment Rate and Retail Sales  <b>1330 GMT CAD</b> Manufacturing Sales  <b>2000 GMT NZD</b> House Price Index  <b>2100 GMT NZD</b> Business Confidence	<b>0430 GMT JPY</b> Industrial Production  <b>0700 GMT GBP</b> Claimant Count, Unemployment Rate and Average Earnings  <b>1000 GMT EUR</b> and Ger ZEW Survey  <b>2130 GMT USD</b> API Weekly Crude Oil Stock  <b>2145 GMT NZD</b> Retail Sales  <b>2330 GMT AUD</b> Consumer Confidence	<b>*0700 GMT GBP*</b> Inflation Data (PPI and CPI)  <b>*0700 GMT EUR (Ger)*</b> Inflation Data (CPI)  <b>1330 GMT USD</b> Housing Starts  <b>*1330 GMT CAD*</b> Inflation Data (CPI)  <b>2350 GMT JPY</b> Imports, Exports and Trade Balance	<b>0030 GMT AUD</b> Employment Change and Unemployment Rate  <b>*0700 GMT EUR (Ger)*</b> Inflation Data (PPI)  <b>*1000 GMT EUR*</b> Inflation Data (CPI)  <b>1330 GMT USD</b> Initial Jobless Claims  <b>1500 GMT USD</b> Existing Home Sales  <b>1530 GMT USD</b> EIA Crude Oil Stocks Change  <b>2330 GMT JPY</b> Inflation Data (CPI)	<b>0700 GMT GBP</b> Retail Sales  <b>1330 GMT CAD</b> New Housing Price Index  <b>1330 GMT CAD</b> Retail Sales  <b>1500 GMT EUR</b> Consumer Confidence

**Monday's** focus is on the China data which will provide an important health check on the Chinese economy. The outcome of this data could set the risk sentiment tone for the early part of the week. The global economy desperately needs a recovering China, **but how much damage is the 'zero case approach' to Omicron doing?**

**Tuesday:** UK unemployment data is very important, especially earnings which, will be the focus. The labour shortage is driving wages and inflation higher, but economic growth is looking solid in the UK so the BoE likely to hike again next month.

**Wednesday:** UK CPI is always important to the BoE and could set the tone for GBP for the rest of the week and GBP has had a very steep climb recently. **German CPI** also important as the ECB remains doggedly dovish. Further rises will pressure the ECB to shift its view on inflation maybe. **CAD CPI** is also important with more hikes priced in Canada than the US!! **I would expect more volatility in USDCAD after a steep move higher in CAD recently, especially with Oil making fresh highs Friday.**



**Thursday:** Australian employment data will be important for traders. It has been a while since we heard from the RBA. They are busy collating data to shape their interest rate outlook in 2022 and beyond. **The most important data Thursday though will be EU CPI**, with the ECB still one of the most dovish central banks in G10. A higher number may force them to shift their tone which could have huge implications for EUR and EU stock indices going forward.

**Friday:** UK Retail sales are always an important indicator for the BoE and so we must also take note. How much spending was brought forward due to Xmas supply fears? Will the data be similar to the US figures released last Friday? **I do not think a weak number will derail the next hike in February, but a strong number may cement it in the eyes of traders.**



#### Stock Index Chart of the Week: One to watch







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

Equity Indices	Support	Resistance
<b>USA 500</b>	1 <sup>st</sup> – 4583.30, Bollinger lower band 2 <sup>nd</sup> – 4491.78, December last low 3 <sup>rd</sup> – 4317.15, October 11 <sup>th</sup> low trade	1 <sup>st</sup> – 4706.76, Bollinger mid-average 2 <sup>nd</sup> – 4807.78, All-time high trade 3 <sup>rd</sup> – 4830.22, Bollinger upper band
<b>US Tech 100</b>	1 <sup>st</sup> – 15151.92, January 9 <sup>th</sup> low 2 <sup>nd</sup> – 15273.55, October 21 <sup>st</sup> hold level 3 <sup>rd</sup> – 14367.05, October 3 <sup>rd</sup> extreme	1 <sup>st</sup> – 16029.82, Bollinger mid-average 2 <sup>nd</sup> – 1656.92, January 3 <sup>rd</sup> failure level 3 <sup>rd</sup> – 16765.55, November 23 <sup>rd</sup> all-time high
<b>USA 30 Wallstreet</b>	1 <sup>st</sup> – 35190.00, Bollinger lower band 2 <sup>nd</sup> – 34545.00, December 19 <sup>th</sup> low 3 <sup>rd</sup> – 33930.00, November 30 <sup>th</sup> low	1 <sup>st</sup> – 36386.00, Last weeks failure high 2 <sup>nd</sup> – 36832.00, All-time high 3 <sup>rd</sup> – 36834.00, Upper daily Bollinger
<b>Germany 40</b>	1 <sup>st</sup> – 15827.83, 20 day moving average 2 <sup>nd</sup> – 14906.86, Dec 19 <sup>th</sup> low 3 <sup>rd</sup> – 14795.52, Oct 3 <sup>rd</sup> hold level	1 <sup>st</sup> – 16076.52, Last weeks failure high 2 <sup>nd</sup> – 16293.52, Nov 19 <sup>th</sup> high 3 <sup>rd</sup> – 17000.00, Psychological round number
<b>FTSE 100</b>	1 <sup>st</sup> – 7345.59, 20 day moving average 2 <sup>nd</sup> – 7296.25, January 6 <sup>th</sup> low 3 <sup>rd</sup> – 7131.53, Bollinger lower band	1 <sup>st</sup> – 7512.25, Last weeks high trade 2 <sup>nd</sup> – 7626.35, January 2020 extreme 3 <sup>rd</sup> – 7885.97, May 2018 failure point

FX	Support	Resistance
<b>EURUSD</b>	1 <sup>st</sup> – 1.1345, 20 day moving average 2 <sup>nd</sup> – 1.1272, January 3 <sup>rd</sup> low trade 3 <sup>rd</sup> – 1.1253, Bollinger lower band	1 <sup>st</sup> – 1.1482, Last weeks failure high 2 <sup>nd</sup> – 1.1608, November 8 <sup>th</sup> failure 3 <sup>rd</sup> – 1.1633, 62% retrace Aug/Nov'21
<b>GBPUSD</b>	1 <sup>st</sup> – 1.3530, 20 day moving average 2 <sup>nd</sup> – 1.3341, Bollinger lower band 3 <sup>rd</sup> – 1.3172, December 19 <sup>th</sup> low	1 <sup>st</sup> – 1.3748, Last weeks 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> – 113.48, Last weeks low trade 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> – 115.04, 20 day moving average 2 <sup>nd</sup> – 116.33, Last weeks recovery high 3 <sup>rd</sup> – 118.64, Dec 2016 rejection point
<b>AUDUSD</b>	1 <sup>st</sup> – 0.7153, Bollinger lower band 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> – 0.7314, Last weeks 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> – 1.2452, Last weeks low trade 2 <sup>nd</sup> – 1.2289, October monthly low 3 <sup>rd</sup> – 1.2030, May 2021 rally point	1 <sup>st</sup> – 1.2591, 38% retrace January downside 2 <sup>nd</sup> – 1.2633, Mid-point same move 3 <sup>rd</sup> – 1.2676, Higher 62% retracement

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