

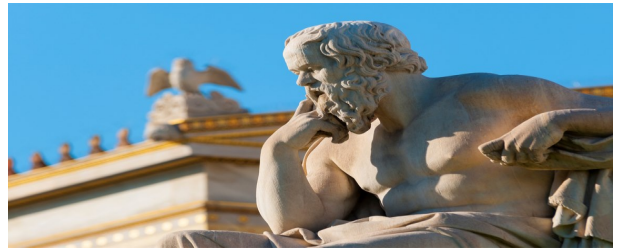


Preparing for the week ahead : Corellian 3 Step Process

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 week started on solid footing with a rate cut Monday from the PBOC (China) providing a welcome boost for the China A50 and HK50, but soured quickly once the US came back from a long weekend. **Risk off** sentiment dominated all markets.

Markets:

- **US stocks had a dreadful end to the week** with an extremely weak weekly close on Friday. In fact, heavy selling into the final hour of trading Tuesday through Friday was the central theme. The USA 500 broke and closed below its 200 day moving average (4451) for the first time in 18 months. Technology stocks continued to perform very poorly as the reality of higher interest rates hit earning expectations, especially after Netflix earnings (Thursday) disappointed.
- In the **Bond markets**, US 10 year yields were initially supported, touching a new 2 year high at 1.90% (Wednesday) on expectations that the Fed could be more aggressive in their approach to inflation, but as the **negative risk sentiment hit hard** investors sought the safety of owning US bonds, pushing the yields down to a poor close at 1.77%.
- The **USD recovered some of the ground it lost the previous week**. However it was nowhere near as big an up move as would usually accompany such aggressive risk off sentiment. Commodity currencies like AUD and CAD, held up particularly well, supported by higher oil, copper, silver and gold etc
- **Commodities had a strong week, and the Bloomberg commodity index** now sits back against 2021 highs. It seems they are in demand as an inflation hedge.

US Earnings Update:

Bank earnings continue to be mixed against high expectations. Goldman Sachs underperformed as surging expenses and pay increases hit revenue. BofA showed strong overall performance and Morgan Stanley beat expectations. None were immune from the overall market sell-off.

Proctor and Gamble earnings were strong showing consumers are still happy to pay higher prices for household goods.

Tech: Netflix stock dropped 21% after it gave an outlook for subscriber additions below expectations and Peloton fell 20% after reporting it was stopping production temporarily of its Bikes and running machines.

Financial Market	Closing Level Friday 14 th January	Closing Level Friday 21 st January	Weekly Change %	Financial Market	Closing Level Friday 14 th January	Closing Level Friday 21 st January	Weekly Change %
Asia Stocks:				G10 Currencies:			
China A50	15075	15425	+2.3%	EURUSD	1.1415	1.1341	-0.6%
Japan 225	28300	27138	-4.1%	GBPUSD	1.3678	1.3553	-0.9%
ASX (Australia) 200	7325	7000	-4.4%	EURGBP	0.8344	0.8368	+0.3%
Hong Kong 50	24368	24688	+1.3%	AUDUSD	0.7216	0.7176	-0.6%
Europe Stocks:				USDJPY	114.19	113.65	-0.5%
UK (FTSE) 100	7504	7370	-1.8%	USD Index	95.14	95.62	+0.5%
Germany 40	15931	15445	-3.1%	Commodities:			
Europe 50	4279	4170	-2.5%	GOLD	1818	1835	+0.9%
France 40	7170	6991	-2.5%	Silver	22.95	24.30	+5.9%
US Stocks:				Copper	4.4300	4.5182	+2.0%
USA 500	4664	4381	-6.1%	US Crude Oil	84.28	84.82	+0.6%
USA 30 Wall Street	35850	34103	-4.9%	Other Markets:			
US Tech 100	15618	14409	-7.7%	Bitcoin	43100	38900	-9.7%
USA (Russell) 2000	2162	1984	-8.2%	US 10 Year Yield	1.79%	1.77%	-1.1%



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

BBC News:

Covid: New Zealand PM Ardern cancels wedding amid Omicron wave

Omicron sends New Zealand into lockdown. Weakness for NZD next week?

New Zealand's Prime Minister Jacinda Ardern has cancelled her wedding after announcing new Covid restrictions.

The entire country is set to be placed under the highest level of Covid restrictions after an outbreak of the Omicron variant.

The new restrictions come into force at midnight on Sunday local time (1100 GMT)

Bloomberg:

Morgan Stanley's Slimmon warns against buying growth stock dip

With US traders universal trend followers, maybe even a 10% fall potentially not enough for technology stocks to find support?

Investors should avoid the temptation to buy the dips in expensive high growth stocks because "once the fever breaks, it lasts a long time," according to Andrew Slimmon, senior portfolio manager at Morgan Stanley Investment Management.

Bloomberg:

'Lethal' US military aid begins arriving in Ukraine

After talks between US' Blinken and Russia's Lavrov fail to yield an agreement the US confirms its commitment to support Ukraine. Energy market implications?

US military aid to help Ukraine defend against a possible invasion by Russia began arriving on Friday night, said the American Embassy in Kyiv.

The embassy, in a Twitter post, said the material "includes close to 200,000 pounds of lethal aid, including ammunition for the front line defenders of Ukraine."

In other news: Weekend press dominated by \$1 trillion of value being wiped off of the crypto markets. Last weeks fall continued into Saturday morning with Bitcoin touching \$34,000 and Ether falling another 7%. Crypto markets stabilised moving into Sunday morning, but it remains to be seen if this carries into the Monday open. **If calm prevails, it may mean risk assets (Crypto, tech stocks etc) stabilise while traders await news from the US interest rate decision Wednesday.**



Step 3: Looking forward to the week ahead

- * Important events are coloured in bold red
- * All times are Greenwich Mean Time (GMT)
- * 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 more big technology stocks reporting (Microsoft, Apple, Tesla). While in Europe we get the likes of Philips and LVMH, will European stocks start to outperform the US finally?

Monday 24 th January	Tuesday 25 th January	Wednesday 26 th January	Thursday 27 th January	Friday 28 th January
0600 GMT Philips	Microsoft 3M 1145 GMT Johnson&Johnson 1200 GMT AMEX	Boeing 1200 GMT AT&T 1200 GMT NY Bancorp 1200 GMT NASDAQ	Southwest Airlines Ford Samsung Mastercard 1100 GMT McDonald's	Chevron Caixabank 0620 GMT Volvo
<u>Before Market Opens:</u>	<u>Before Market Opens:</u> General Electric Raytheon Technologies	<u>Before Market Opens:</u> Abbott	<u>Before Market Opens:</u>	<u>Before Market Opens:</u>
<u>After Market Closes:</u> IBM	<u>After Market Closes:</u> 2105 GMT Capital One 2115 RenaissanceRe	<u>After Market Closes:</u> Tesla	<u>After Market Closes:</u> LVMH Visa 2130 GMT Apple	<u>After Market Closes:</u> Caterpillar

Investors expectations for technology earnings weren't as high as in previous quarters in the first place, but after Netflix and Peloton disappointed last week, and the general weakness seen in the US Tech 100 index (Down over 10% in 2022), sentiment and expectations are testing new lows.

Microsoft: Traders will want to know how the company plan to deliver value from their proposed purchase of Activision Blizzard Inc for \$69 billion (Announced last Tuesday).

Apple: Has fallen hard after becoming the first \$3 trillion company earlier in January. **What is going on with their new VR headset?, are supply chain issues hurting sales?** Traders will want to know.





Central Bank Meetings and Key Speakers:

Monday 24 th January	Tuesday 25 th January	Wednesday 26 th January	Thursday 27 th January	Friday 28 th January
		<p>*1500 GMT CAD* BoC Interest Rate Decision and Rate Statement</p> <p>*1615 GMT CAD* BoC Press Conference</p> <p>**1900 GMT USD** FOMC Interest Rate Decision and Monetary Policy Statement</p> <p>**1930 GMT USD** FOMC Press Conference</p>		

Wednesday is a huge day for markets (as if they were not already extremely nervous and volatile) with two big central bank meetings to get through. **The BoC (CAD)** is expected to hike interest rates at this meeting and more hikes are priced going forward in 2022, so the statement and press conference from the BoC will be of huge interest. The CAD has rallied strongly recently on interest rate hike expectations and higher oil. **Can this CAD up trend continue next week?**

Then we have the BIG ONE. The FOMC meeting (USD) which was originally thought to be a non-event with tapering expected to end in March and the first interest rate hike seen in the same month, but 7% inflation may see a surprise/different outcome, **and clearly markets are worried!**

However, the Fed does not like surprising markets so we need to be flexible into this meeting. They do need to act faster than planned but that has not been communicated. Stopping tapering at this meeting would be a shock and so would an early interest rate hike. **It maybe unlikely but it is a risk, which would see stocks continue lower, while maintaining the original timeline could see stocks recover some lost ground.**

No key speakers this week, but keep an eye on the above press conferences for extra volatility in markets.



Key Economic Data Next Week:

Monday 24 th January	Tuesday 25 th January	Wednesday 26 th January	Thursday 27 th January	Friday 28 th January
<p>Sunday: 2200 GMT AUD Manufacturing and Services PMI (Prel)</p> <p>0030 GMT JPY Manufacturing PMI (Prel)</p> <p>0815-0930 Fra, Ger, EUR, GBP Manufacturing and Services PMI (Prel)</p> <p>1445 GMT USD Manufacturing and Services PMI (Prel)</p>	<p>*0030 GMT AUD* Inflation Data (CPI)</p> <p>0700 GMT EUR Ger GDP</p> <p>0900 GMT EUR Ger IFO Survey</p> <p>1400 GMT USD Housing Price Index</p> <p>*1500 GMT USD* Consumer Confidence</p> <p>2130 GMT USD API Weekly Crude Oil Stock</p> <p>2145 GMT NZD Imports, Exports, Trade Balance</p>	<p>1500 GMT USD New Home Sales</p> <p>1530 GMT USD EIA Oil Stocks Change</p> <p>2145 GMT NZD Inflation Data (CPI)</p>	<p>0700 GMT EUR Ger Gfk Consumer Confidence</p> <p>1330 GMT USD Initial Jobless Claims</p> <p>1330 GMT USD GDP and Durable Goods</p> <p>1500 GMT USD Pending Home Sales</p> <p>2100 GMT NZD Consumer Confidence</p> <p>2330 GMT JPY Inflation Data (CPI)</p>	<p>0030 GMT AUD Inflation Data (PPI)</p> <p>0900 GMT EUR (Ger) GDP</p> <p>1000 GMT EUR Business and Consumer Confidence</p> <p>*1330 GMT USD* PCE Inflation Data</p> <p>*1330 GMT USD* Personal Income and Spending</p> <p>1500 GMT USD Michigan Consumer Sentiment</p>

Monday's focus is on the preliminary Global PMI survey data. These are extremely important for providing an insight into the thoughts and concerns of business leaders regarding their view of the **near term future**. Traders will look for news surrounding supply chain problems, wage rises and inflationary concerns. Central bankers will be taking note as it is a forward looking indicator for economic growth. **(Remember prints above 50 = expansion, below 50 = contraction).**

Tuesday: Any inflation data is important, and especially the **AUD data** this week with the RBA meeting on the 1st Feb. This could push the RBA to shift policy regarding bond purchases if strong. **Watch for AUD volatility (See chart below).**

US consumer confidence is very important after the weak retail sales print. **Is the US consumer finding higher prices a concern that is weighing on sentiment and therefore future spending?** If so its bad news for the US economy.





Friday: AUD PPI will demand attention, especially for a major exporter like Australia and traders will certainly be monitoring this within the global context of prices. **The US PCE data** is the Fed's preferred inflation metric and therefore demands attention and these data are likely to move bond markets and that may spread to the USD and other assets.

It's a big finish to a big week, the data may exaggerate any moves post the US interest rate decision.

Chart of the week: Is GBPUSD's recent rally over, or is this an opportunity to buy the dip?



Commodities:

With inflation an overriding focus for fund managers it seems commodities have started to gain as a hedge. Silver had a stand out performance last week, rising 5.9%. **What next for Silver? (See chart). Keep an eye on the USD post FOMC:** A weaker USD next week will further support commodities. While a stronger USD may stem gains. Oil gains look set to hold as the stand off over Ukraine intensifies. **Does oil have potential of reaching \$100?**





Key levels to watch for the week ahead:

Equity Indices	Support	Resistance
USA 500	1 st – 4317.15, October 11 th low trade 2 nd – 4259.78, September 30 th extreme 3 rd – 4224.02, July 18 th recovery level	1 st – 4544.71, 38% Fibonacci retracement 2 nd – 4595.30, Higher mid-point level 3 rd – 4674.58, Bollinger mid-average
US Tech 100	1 st – 14367.05, October 3 rd extreme 2 nd – 13958.55, June 20 th hold level 3 rd – 13467.05, June 3 rd rally point	1 st – 15266.87, 38% Fibonacci retracement 2 nd – 15528.62, Higher mid-point level 3 rd – 15780.28, Bollinger mid-average
USA 30 Wallstreet	1 st – 33930.00, November 30 th low 2 nd – 33382.00, September 30 th extreme 3 rd – 33290.00, June 20 th recovery level	1 st – 35147.00, 38% Fibonacci retracement 2 nd – 35467.00, Higher mid-point level 3 rd – 35890.00, Bollinger mid-average
Germany 40	1 st – 15437.02, Last weeks rally point 2 nd – 14906.86, Nov 30 th low 3 rd – 14795.52, Oct 3 rd hold level	1 st – 15887.81, Bollinger mid-average 2 nd – 16076.52, January 13 th high 3 rd – 16272.52, January 5 th failure high
FTSE 100	1 st – 7266.83, Bollinger lower band 2 nd – 7036.25, Dec 20 th session low 3 rd – 6967.00, Nov 30 th extreme	1 st – 7418.62, Bollinger mid-average 2 nd – 7576.75, Last weeks high trade 3 rd – 7626.35, January 2020 extreme

FX	Support	Resistance
EURUSD	1 st – 1.1300, Last weeks low trade 2 nd – 1.1259, Bollinger lower band 3 rd – 1.1229, December 18 th session low	1 st – 1.1395, Mid-point latest sell-off 2 nd – 1.1482, January 13 th failure high 3 rd – 1.1608, November 8 th extreme
GBPUSD	1 st – 1.3531, 38% retrace latest upside 2 nd – 1.3455, Bollinger lower band 3 rd – 1.3172, December 19 th low	1 st – 1.3661, Thursday's bounce failure 2 nd – 1.3748, January 12 th high 3 rd – 1.3834, October 19 th extreme
USDJPY	1 st – 113.48, January 13 th low trade 2 nd – 112.74, Mid-point Aug/Jan strength 3 rd – 111.87, Deeper 62% retracement	1 st – 114.92, 20 day moving average 2 nd – 116.33, January 3 rd recovery high 3 rd – 118.64, Dec 2016 rejection point
AUDUSD	1 st – 0.7141, Bollinger lower band 2 nd – 0.7082, December 19 th low 3 rd – 0.6991, December monthly extreme	1 st – 0.7314, January 12 th failure high 2 nd – 0.7341, 62% retrace Oct/Nov range 3 rd – 0.7555, October 2021 failure high
USDCAD	1 st – 1.2449, Last weeks low trade 2 nd – 1.2289, October monthly low 3 rd – 1.2030, May 2021 rally point	1 st – 1.2648, 38% retrace January downside 2 nd – 1.2708, Mid-point same move 3 rd – 1.2769, Higher 62% retracement

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