

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 opened stable after Apple reported decent earnings data the night before, but the volatility remained.

US economic data: Core PCE inflation and US income and spending

- Core PCE inflation was in-line at 0.5% (mom) and 4.9% (YoY) versus 4.8% expected
- Incomes rose 0.3% (Exp 0.5%) and spending dropped 0.6% (As expected), This is the first spending drop since Feb 2021
- The Employment cost index (ECI) rose 1% for the second straight quarter, rising at the fastest pace since 2001

This data shows a worsening inflationary environment and explains why the Fed feels the need to raise interest rates in March. It also shows the US consumer is spending less as costs are rising so fast, emphasising concerns for the US economy

Other important Friday news: Fed member Kashkari said ‘a rate hike pause conceivable in the spring’. Suggesting recent market expectations of more US interest rate rises, not less in 2022, maybe overstated (**Short term positive for stocks**).

Markets:

Stocks, rallied hard into Friday’s close buoyed by the news US inflation was in line with expectations rather than higher, then boosted by Fed Kashkari’s talks of a slower pace of interest rate rises. Officially the best week of 2022 for US stocks, while China A50 and Hong Kong 50, underperformed badly over fears for the larger property developers.

In FX, the USD was the standout performer on the confirmation that the Fed will start to raise interest rates in March. It performed particularly well against EUR on interest rate expectations, and AUD which was hit by the weaker risk sentiment.

The USD rally hit many **commodity markets hard.** Only energy markets continued to hold up well, with Oil gaining for its 6 week in a row, and Natural Gas seeing a 26% rally last week (**See chart on page 2 for Natural Gas technical outlook**).

US Earnings Update Last Week:

Tech: Apple, Microsoft and Tesla all outperformed earnings expectations. **Apple** reported its largest single quarter in terms of revenue, **Tesla** handed over a record number of vehicles to customers, **however both reported that they see supply chain headwinds throughout 2022.** **Microsoft** issued a sales forecast that exceeded estimates. **Intel** shares fared badly after providing a downbeat Q1 2022 earnings forecast. **Only Apple and Microsoft stocks closed the week higher.**

Financial Market	Closing Level Friday 21 st January	Closing Level Friday 28 th January	Weekly Change %	Financial Market	Closing Level Friday 21 st January	Closing Level Friday 28 th January	Weekly Change %
Asia Stocks:				G10 Currencies:			
China A50	15425	14715	-4.6%	EURUSD	1.1341	1.1150	-1.7%
Japan 225	27138	26685	-1.7%	GBPUUSD	1.3553	1.3396	-1.2%
ASX (Australia) 200	7000	6894	-1.5%	EURGBP	0.8368	0.8323	-0.5%
Hong Kong 50	24688	23490	-4.9%	AUDUSD	0.7176	0.6996	-2.5%
Europe Stocks:				USDJPY	113.65	115.24	1.4%
UK (FTSE) 100	7370	7446	1.0%	USD Index	95.62	97.21	1.7%
Germany 40	15445	15424	-0.1%	Commodities:			
Europe 50	4170	4162	-0.2%	GOLD	1835	1792	-2.3%
France 40	6991	7014	0.3%	Silver	24.30	22.47	-7.5%
US Stocks:				Copper	4.5182	4.3292	-4.2%
USA 500	4381	4419	0.9%	US Crude Oil	84.82	87.30	2.9%
USA 30 Wall Street	34103	34577	1.4%	Other Markets:			
US Tech 100	14409	14428	0.1%	Bitcoin	38900	37800	-2.8%
USA (Russell) 2000	1984	1958	-1.3%	US 10 Year Yield	1.77%	1.77%	0%



Natural Gas: Talk last Thursday was that the spike higher in Natural Gas was down to short covering of bearish positions in poor liquidity. Whatever the reason, with the Ukraine and Russia situation showing no sign of abating anytime soon, there are supply concerns. Making this market one to watch next week.

Commodities in general are very hard to call. Copper, Silver and Gold are more exposed at present to a rising USD. Right now it's the USD that is dominating most commodity markets. An exception is oil, where the supply and demand dynamics are keeping the dips in demand. **Wednesday next week has the first OPEC+ meeting of the year.** With oil at fresh highs, how will producers deal with adding back supply removed due to Covid? Will they all be in agreement to add another 400k barrels a day to supply in March? Will actual production be able to keep up with the planned supply increase?

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

<p>Reuters:</p> <p>China Jan factory activity growth slows, demand wanes as COVID surges</p> <p>China's economic output slows again. However the data was slightly better than expected. Good or bad news for Asian stocks and potentially commodities on the open?</p> <p>Growth in China's factory activity slowed in January as a resurgence of Covid cases and tough lockdowns hit production and demand, but the slight expansion offered some signs of resilience as the world's second largest economy enters a likely bumpy new year.</p>	<p>Financial Times:</p> <p>Fed could use half-point rate rises if needed, says official</p> <p>Yesterday Fed's Bostic suggested the Fed could be more aggressive if required. Bad news for stocks on the open?</p> <p>The Fed could supersize a rate increase to half a percentage point if inflation remains stubbornly high, a leading US central bank official said.</p> <p>Raphael Bostic, president of the Fed's Atlanta branch, stuck to his call for three 0.25% interest rate rises, with the first coming in March. But he said a more aggressive approach was possible if warranted by the economic data.</p>	<p>Bloomberg:</p> <p>US and EU crafting sanctions on Russian debt, banks, individuals</p> <p>At the end of a week where events in Ukraine impacted global indices as well as energy prices, it seems this may stay at the forefront of traders minds into next week.</p> <p>The US and the European Union are zeroing in on a package of sanctions against Russia should President Putin decide to invade Ukraine, according to people familiar with the matter and documents seen by Bloomberg.</p>
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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 (Some of the key earnings next week in the chart below):

Headline: So far US Q4 reporting is still beating expectations overall but not by as much in previous quarters. European profit upgrades are rising, outpacing global revisions.

Monday 31 st January	Tuesday 1 st February	Wednesday 2 nd February	Thursday 3 rd February	Friday 4 th January
Resona Advanced Energy KPN <u>Before Market Opens:</u> <u>After Market Closes:</u> NXP Semiconductors 2100 GMT Cirrus Logic	Christian Dior Alphabet Imperial Oil UBS Group 1230 GMT Exxon Mobil <u>Before Market Opens:</u> Manpower Stanley Black & Decker <u>After Market Closes:</u> AMD General Motors Micro Strategy PayPal	Sony Alibaba 0600 GMT Julius Baer 0600 GMT Swedbank 0600 GMT Telenor <u>Before Market Opens:</u> Boston Scientific TMO <u>After Market Closes:</u> Meta Spotify Qualcomm 2115 GMT Met Life	Softbank Amazon 0600 GMT Roche 0600 GMT ING 0700 GMT Royal Dutch Shell <u>Before Market Opens:</u> Biogen Merck Conoco Phillips <u>After Market Closes:</u> Snap 2105 GMT Ford 2115 GMT Prudential 2115 GMT Reinsurance	Suzuki Sumitomo 0630 GMT Sanofi 0700 GMT Carlsberg 1100 GMT AON <u>Before Market Opens:</u> Eaton APD <u>After Market Closes:</u>

Next week: US Q4 2021 earnings season features the final 3 FAANG stocks, Alphabet, Meta and then Amazon. Expectations aren't as high as in previous quarters, especially for Amazon who have seen their cost base rise, eating up profits. After APPLE's earnings helped support stocks last week, what impact will earnings from these mega tech stocks have?

See the chart below for the technical outlook for Alphabet stock.

In Europe, earnings next week are dominated by a raft of bank reports. With the prospect of interest rates beginning to finally rise, it is a chance for the European banks to outshine their US peers for the first time in many years. **Can they do it?**



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>*0330 GMT AUD* RBA Interest Rate Decision and Rate Statement</p>	<p>*0130 GMT AUD* RBA Governor Lowe Speech</p> <p>0900 GMT OPEC+ Meeting</p> <p>1500 GMT CAD BoC Gravelle Speech</p>	<p>*1200 GMT GBP* BoE Interest Rate Decision and Monetary Policy Summary</p> <p>*1230 GMT GBP* BoE Governor Bailey Press Conference</p> <p>*1245 GMT EUR* ECB Interest Rate Decision and Monetary Policy Statement</p> <p>*1330 GMT EUR* ECB Press Conference</p>	

Big Central bank meetings and press conferences keep coming next week with Australia, UK and EU all front and centre. It is important to listen to the press conferences after all these meetings for future guidance. These meetings guarantee more volatility for markets to deal with.

Australia's RBA is up first. This could be a market moving meeting as the RBA has been stoically dovish recently. We may get a shift in tone, as data suggests the economy is recovering and inflation is on the rise. Maybe even an announcement that their bond buying programme is ending, However, as happened with the BoC last week, they could disappoint. (See the chart below for AUDUSD Technical outlook). **Also important is RBA Governor Lowe's speech the following day.**



On Thursday we have the BoE and ECB. **The BoE** is expected to hike by 25bps and this is fully priced into markets, while **the ECB** is expected to do nothing. The press conferences will be important, with the **BoE expected** to maintain a hawkish approach to dealing with inflation in the UK, with more interest rate rises planned for 2022. Any slowing of this approach will see GBP move (See GBPUSD chart on page 5 for technical outlook). **While for the ECB**, it will be interesting to see if President Lagarde acknowledges the need for changing their outlook to deal with record EU inflation rates.

Will EUR continue to underperform in the G10 space as it did last week?



Key Economic Data Next Week:

Monday 31 st January	Tuesday 1 st February	Wednesday 2 nd February	Thursday 3 rd February	Friday 4 th February
<p>Sunday: 2350 GMT JPY Retail Trade and Industrial Production</p> <p>1000 GMT EUR Gross Domestic Product</p> <p>*1300 GMT EUR (Ger)* Inflation Data (CPI)</p> <p>1330 GMT CAD Inflation Data (PPI)</p> <p>2200 GMT AUD Manufacturing PMI (Final)</p> <p>2330 GMT JPY Unemployment</p> <p>*Month End Rebalancing*</p>	<p>0030 GMT AUD Retail Sales</p> <p>0700 GMT EUR (Ger) Retail Sales</p> <p>0850-0930 GMT Fra, Ger, EUR and GBP Manufacturing PMI (Final)</p> <p>1000 GMT EUR Unemployment Rate</p> <p>1330 GMT CAD Gross Domestic Product</p> <p>1445 GMT USD Manufacturing PMI (Final)</p> <p>*1500 GMT USD* ISM Manufacturing PMI and Employment Index</p> <p>2145 GMT NZD Unemployment Rate</p>	<p>*1000 GMT EUR* Inflation Data (CPI and PPI)</p> <p>*1315 GMT USD* ADP Employment Change</p> <p>1530 GMT USD EIA Crude Oil Stocks Change</p> <p>2200 GMT AUD Services PMI (Final)</p>	<p>0030 GMT AUD Imports, Exports and Trade Balance</p> <p>0850-0930 GMT Fra, Ger, EUR and GBP Services PMI (Final)</p> <p>1330 GMT USD Initial Jobless Claims</p> <p>1445 GMT USD Services PMI (Final)</p> <p>1500 GMT USD Factory Orders</p> <p>*1500 GMT USD* ISM Services PMI and Employment Index</p>	<p>0700 GMT EUR (Ger) Factory Orders</p> <p>0930 GMT GBP Construction PMI (Final)</p> <p>1000 GMT EUR Retail Sales</p> <p>*1330 GMT USD* Non Farm Payrolls, Unemployment Rate and Average Hourly Earnings</p> <p>1330 GMT CAD Net Change in Employment, Unemployment Rate and Average Hourly Wages</p>

Monday: All inflation data is important and Germany is seeing high inflation but can do little about it with the ECB setting policy. Watch out for **month end rebalancing** which could see FX market volatility throughout the day. Its been a wild month in stock and bond markets so rebalancing of global portfolios could be large and distort currencies.

Tuesday: AUD retail sales are important but will be diluted by the RBA meeting, US ISM is an important focus for determining the impact of inflation, Omicron and interest rate policy on business sentiment.



Wednesday: US ADP Employment sees the focus shift back to the US. This is private sector employment and is seen as a feeder for Friday's payroll data. Traders are focused on how aggressive the Fed will be in raising rates in 2022 and employment is an important part of their decision process. **US stock indices sit just below pivotal levels after Fridays squeeze (See USA 500 chart below for technical outlook) so this data could sway risk sentiment.**



Thursday: US initial jobless claims will be a focal point for insight into Friday's US employment report. Then the US Services ISM data will again throw focus back onto the US services part of the economy dealing with the lingering impacts of Omicron keeping consumers at home, and higher prices which has started to erode spending. **Is the data rolling over?**

Friday: A big end to a busy week. US employment, especially the unemployment rate and average hourly earnings, is something the Fed watches closely. Expect volatility into the close for all markets, either confirming further consolidation or renewed negative risk sentiment. **With Canadian employment released at the same time the risk of increased USDCAD volatility should not be underestimated.**

Chart for next week, US Tech 100: With 3 FAANG stocks, 3 central bank meetings and US employment data on the horizon, further volatility in this index is all but guaranteed.





Key levels to watch for the week ahead:

Equity Indices	Support	Resistance
USA 500	1 st – 4263.15, Last Thursday's low trade 2 nd – 4215.15, January 23 rd extreme 3 rd – 4126.52, June 20 th hold level	1 st – 4554.40, January 25 th bounce failure 2 nd – 4571.33, Bollinger mid-average 3 rd – 4739.15, January 11 th high trade
US Tech 100	1 st – 13706.40, January 23 rd extreme 2 nd – 13461.68, June 2 nd rally point 3 rd – 12194.55, May 12 th hold level	1 st – 14637.91, Last weeks high trade 2 nd – 1483.19, 38% retrace latest downside 3 rd – 15219.98, Bollinger mid-average
USA 30 Wallstreet	1 st – 33423.00, January 24 th low 2 nd – 33030.00, January 23 rd rally point 3 rd – 32900.00, June 2021 monthly low	1 st – 34954.00, Mid-point latest downside 2 nd – 35337.00, Bollinger mid-average 3 rd – 36386.00, January 12 th high
Germany 40	1 st – 15035.50, January 27 th hold level 2 nd – 14829.02, January 24 th low 3 rd – 14429.52, March 24 th extreme	1 st – 15576.52, Last weeks high trade 2 nd – 15757.15, Bollinger mid-average 3 rd – 16076.52, January 13 th failure high
UK 100	1 st – 7311.15, Bollinger lower band 2 nd – 7167.25, January 24 th session low 3 rd – 7036.25, December 20 th extreme	1 st – 7561.72, Bollinger upper band 2 nd – 7576.75, January 20 th high trade 3 rd – 7626.35, January 2020 extreme

FX	Support	Resistance
EURUSD	1 st – 1.1123, Last weeks low trade 2 nd – 1.1102, June 2020 monthly low 3 rd – 1.0871, Late May 2020 extreme	1 st – 1.1260, 38% retrace Jan sell-off 2 nd – 1.1332, Bollinger mid-average 3 rd – 1.1345, Higher 62% retracement
GBPUSD	1 st – 1.3357, January 26 th session low 2 nd – 1.3172, December 19 th low 3 rd – 1.3134, December 10 th rally point	1 st – 1.3570, Bollinger mid-average 2 nd – 1.3748, January 12 th high 3 rd – 1.3832, October 19 th extreme
USDJPY	1 st – 114.62, Bollinger mid-average 2 nd – 113.47, Last weeks low trade 3 rd – 113.29, Bollinger lower band	1 st – 115.67, Last weeks high trade 2 nd – 116.33, January 3 rd recovery high 3 rd – 118.64, Dec 2016 rejection point
AUDUSD	1 st – 0.6967, Friday's session low trade 2 nd – 0.6779, June 2020 extreme 3 rd – 0.6763, Mid-point Mar'20/Feb'21	1 st – 0.7102, 38% retrace latest downside 2 nd – 0.7174, Bollinger mid-average 3 rd – 0.7314, January 12 th failure high
USDCAD	1 st – 1.2664, 38% retrace latest rally 2 nd – 1.2599, Bollinger mid-average 3 rd – 1.2449, January 18 th low trade	1 st – 1.2812, January 5 th session high 2 nd – 1.2846, December 26 th extreme 3 rd – 1.2963, December 19 th rejection point

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