

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?

Another big central bank week last week. The **RBA ended** their 15 month pandemic bond buying program, but stopped short of raising interest rates in Australia. **The BoE raised** interest rates 25bps to 0.5% as expected, but in a hawkish surprise, 4 members of the 9 person committee voted for a more aggressive 50bps. **The ECB did nothing** as expected, but at the press conference President Lagarde surprised many by not ruling out interest rate rises in 2022. **A big shock!!**

Friday: Markets opened in risk positive tone supported by the strong Amazon results after market close on Thursday (**See page 2 for more detail**). This soured quickly as the realisation that the ECB were changing to a more hawkish stance dawned on traders waiting for US employment data later in the afternoon.

US Non Farm Payrolls Employment Data: Expected to be a weak print but definitely wasn't!!

- Headline was +467k jobs added (Exp. +150k), previous months were also revised higher
- The unemployment rate 4% (Exp 3.9%), Average hourly earnings +5.7% (Exp. +5.2%)

US employment showed unexpected strength in the face of Omicron issues in December. The data showed US employers are struggling to find the required staff needed for their businesses, which in turn, is aggressively pushing up wages. This will be a major headache for the US central bank and will increase pressure on them to raise interest rates.

Markets:

Stocks initially sold off on this data, as any news that supports raising interest rates is seen as a negative. However they gained support on the dip, and squeezed into the close. The USA 500 registered a 1.5% gain on the previous Friday close and the US Tech 100 was +1.7%, supported by demand for Amazon

US bond yields rallied hard post data. The benchmark 10 year yield traded from 1.81% to 1.94% (New 2 year highs) as traders bet on the increasing chance of interest rate rises. Eventually closing at 1.91%.

The USD took a pounding for most of the week as fresh news from the RBA, BoE and ECB took a toll on USD longs initiated after the FOMC meeting on 26th Jan. However this data, and the fresh rally in US yields helped the USD regain a small amount of lost ground against all G10 currencies apart from the EUR.

Commodity moves were generally muted apart from oil which registered its 7th week of gains, up 5.3% from a week before.

| Financial Market | Closing Level Friday 28 th January | Closing Level Friday 4 th February | Weekly Change % |
|------------------------|-----------------------------------------------|-----------------------------------------------|-----------------|
| Asia Stocks: | | | |
| China A50 | 14715 | 14975 | +1.8% |
| Japan 225 | 26685 | 27240 | +2.1% |
| ASX (Australia) 200 | 6894 | 6992 | +1.4% |
| Hong Kong 50 | 23490 | 24583 | +4.7% |
| Europe Stocks: | | | |
| UK (FTSE) 100 | 7446 | 7474 | +0.4% |
| Germany 40 | 15424 | 15151 | -1.8% |
| Europe 50 | 4162 | 4096 | -1.6% |
| France 40 | 7014 | 6979 | -0.5% |
| US Stocks: | | | |
| USA 500 | 4419 | 4485 | +1.5% |
| USA 30 Wall Street | 34577 | 34930 | +1.0% |
| US Tech 100 | 14428 | 14644 | +1.5% |
| USA (Russell) 2000 | 1958 | 1992 | +1.7% |
| G10 Currencies: | | | |
| EURUSD | 1.1150 | 1.1455 | +2.7% |
| GBPUSD | 1.3396 | 1.3531 | +1.0% |
| EURGBP | 0.8323 | 0.8465 | +1.7% |
| AUDUSD | 0.6996 | 0.7074 | +1.1% |
| USDJPY | 115.24 | 115.19 | 0.0% |
| USD Index | 97.21 | 95.47 | -1.8% |
| Commodities: | | | |
| GOLD | 1792 | 1808 | +0.9% |
| Silver | 22.47 | 22.50 | +0.1% |
| Copper | 4.3292 | 4.5062 | +4.1% |
| US Crude Oil | 87.30 | 91.97 | +5.3% |
| Other Markets: | | | |
| Bitcoin | 37800 | 40625 | +7.5% |
| US 10 Year Yield | 1.77% | 1.91% | +9.1% |



US Earnings Update Last Week:

Tech: A rollercoaster week for big Tech. Tuesday, **Alphabet** smashed earning expectations and announced a 20 for 1 share split, potentially paving the way for entry into the USA 30 Wallstreet index, **all stock positive**. On Wednesday, **Meta** was the opposite. An earnings miss and forecast stating it faces numerous challenges to growth ahead, sent its stock down a huge 30%. The \$251 billion loss was the biggest daily loss in history. **(See the chart below for the Meta Technical update)**. **Spotify and Paypal** both warned of weaker growth ahead, which hit their shares hard. Thursday, **Amazon** posted robust results, with strong performance from its cloud services division and news they are raising the price for their prime subscription, sent the stock racing, adding \$191 billion on Friday (Biggest 1 day gain ever). **Snap** shares rose 52% after they posted their first profit.



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

Bloomberg:

China stocks poised for muted reopen after Hong Kong's surge

With China's traders back from a week long lunar new year break, how their stocks open could set the risk sentiment for the markets early Monday.

Chinese shares look poised for mild early gains on their return from a week long holiday, supported by a surge in Hong Kong-listed names and easing concerns about regulatory headwinds for the nation's battered tech sector.

Bloomberg:

Boris Johnson's departure 'inevitable', Tory loyalist tells Observer newspaper

UK PM Johnson has been on the backfoot for weeks and it keep getting worse. If this was his last week what is the knock on effect for GBP?

Boris Johnson's removal from office by party members is "inevitable", a prominent members of the British PM's Conservative party told the Observer.

"It is going to end in him going, so I just want him to have some agency in that". Charles Walker is a former vice-chairman of the party's influential 1922 Committee.

BBC News:

Ukraine tensions: US sources say Russia 70% ready to invade Ukraine

The Russia/ Ukraine situation is not going away. Any further escalation between the 2 sides is a definite risk negative, so keep an eye out for headlines!

Russia has assembled about 70% of the military capability needed for a full scale invasion of Ukraine in the coming weeks, US officials say.

The ground is expected to freeze and harden from mid February, enabling Moscow to bring in more heavy equipment, the unnamed officials said.



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: Last Thursday was the mid point for US Q4 earnings. Revenues are at record highs but companies are beating estimates by smaller amounts. Estimates for 2022 are not being raised by as much as 2021, and profit margins are slightly lower as companies are hit by higher staff and raw material costs. Does this mean stock valuations may suffer?

| Monday 7 th February | Tuesday 8 th February | Wednesday 9 th February | Thursday 10 th February | Friday 11 th February |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Loews NTT Subaru <u>Before Market Opens:</u> ON Semiconductor CNA Financial <u>After Market Closes:</u> Amgen Principal Financial | Ocado Nissan 0600 GMT BNP Paribas 0700 GMT BP 1045 Pfizer <u>Before Market Opens:</u> Harley-Davidson Virtu Financial <u>After Market Closes:</u> Lyft Peloton Chipotle | CBA Handelsbanken Toyota Honda 0600 GMT ABN Amro <u>Before Market Opens:</u> Ares Capital Cameco <u>After Market Closes:</u> MGM Sun Life Financial Walt Disney Uber | Unilever Credit Agricole 0530 GMT Soc Gen 0545 GMT Credit Suisse 0700 GMT Total <u>Before Market Opens:</u> Coca Cola Moody's <u>After Market Closes:</u> Expedia First Energy Itaú Uni banco 2105 GMT Western Union | British American Tobacco Insurance Australia 1130 GMT Dominion 1155 GMT Under Armour <u>Before Market Opens:</u> Bruker Genpact <u>After Market Closes:</u> |

Next week: The focus will be on European bank and Energy company earnings. For the banks we have **BNP, ABN, Soc Gen and Credit Suisse**. EU banks could be cheap in relative terms, but this earnings data will not pick up the higher yields in the Eurozone of the last few days. That said, investors are looking for growth and US banks did very well when US yields first started to rise. **While rising yields support financial stocks, the reality of a change in ECB policy hit European Indices Friday (See chart below for Europe 50 Technical update). Will it rollover into next week?**

Energy stocks: BP and Total report. Last week **Shell** sweetened shareholder returns after higher oil prices drove up earnings so investors will be looking for similar bumper profits. **BP** will likely see scrutiny over its investment in Rosneft amid fears of the Russian invasion of Ukraine.





Central Bank Meetings and Key Speakers:

No big central bank meetings next week so the focus is on the speakers and we have some important ones.

| Monday 7 th February | Tuesday 8 th February | Wednesday 9 th February | Thursday 10 th February | Friday 11 th February |
|------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| *1545 GMT EUR* ECB President Lagarde Speech | 1200 GMT EUR ECB Fernandez-Bollo Speech | 0130 GMT JPY BoJ Nakamura Speech 1310 GMT GBP BoE Pill Speech 1700 GMT CAD BoC Governor Macklem Speech 1700 GMT USD Fed Mester Speech | 1200 GMT EUR ECB de Guindos Speech 1315 GMT EUR ECB Lane Speech *2015 GMT GBP* BoE Governor Bailey Speech 1030 GMT AUD RBA Governor Lowe Speech | 0805 GMT EUR ECB Elderson Speech |

Up first we have **ECB President Lagarde** talking to the Committee for Economic and Monetary Affairs of the European Parliament. EU yields and the EUR rallied hard during and after the ECB press conference last Thursday as traders took her omission from saying the ECB will not raise rates in 2022, as a change in approach to interest rate policy in the face of record EU inflation numbers. **Will she want to correct any misunderstandings or confirm the change?** (See the chart below for the EURUSD Technical update).



BoC Governor Macklem's speech will be watched closely. At their meeting in January, the BoC seemed close to raising interest rates. However, last Friday's employment data wasn't great so what he says could have a big impact on performance of CAD next week.

On Thursday we get **BoE Governor Bailey** speaking at The City UK Annual dinner. After the first back to back interest rate rises since 2004 traders will be watching for him to explain why he blocked an even bigger 50bps increase, as well as to clarify comments he made urging UK workers not to ask for big pay increases. **Can GBPUSD retake the highs above 1.3600?** (See the next page for GBPUSD Technical update for next week).

RBA Governor Lowe has probably said most of what he wants to get across in the previous week but could be AUD relevant.



Key Economic Data Next Week:

Next week is a light data week as it always is after non farm payrolls.

| Monday 7 th February | Tuesday 8 th February | Wednesday 9 th February | Thursday 10 th February | Friday 11 th February |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>0030 GMT AUD Retail Sales</p> <p>0145 GMT China Caixin Services</p> <p>0645 GMT CHF Unemployment Rate</p> <p>0700 GMT EUR (Ger) Industrial Production</p> <p>0930 GMT EUR Sentix Investor Confidence</p> | <p>0030 GMT AUD Business Confidence</p> <p>1330 GMT USD Imports, Exports and Trade Balance</p> <p>1330 GMT CAD Imports, Exports and Trade Balance</p> <p>2130 GMT USD API Weekly Crude Oil Stock</p> <p>2330 GMT AUD Consumer Confidence</p> | <p>0700 GMT EUR (Ger) Imports, Exports and Trade Balance</p> <p>1500 GMT USD Wholesale Inventories</p> <p>1530 GMT USD EIA Crude Oil Stock Change</p> <p>2350 GMT JPY Inflation Data (PPI)</p> | <p>*1330 GMT USD* Inflation Data (CPI)</p> <p>1330 GMT USD Initial Jobless Claims</p> <p>2130 GMT NZD Business PMI</p> <p>2145 GMT NZD Retail Sales</p> | <p>0700 GMT GBP Gross Domestic Product and Industrial Production</p> <p>0700 GMT EUR (Ger) Inflation Data (CPI)</p> <p>0730 GMT CHF Inflation Data (CPI)</p> <p>*1500 GMT USD* Michigan Consumer Sentiment Index</p> |

Monday: The RBA remain doggedly dovish in the face of improving economic conditions, and comments last Friday in their quarterly statement underlined this, keeping AUD under pressure against its G10 peers. They still do not see an interest rate hike soon disappointing traders. **So AUD Retail sales may influence that thought process or underline it and so these data are important.** Watch German industrial production for a strength check of the German economy.

Tuesday: **AUD Consumer confidence** is something the RBA monitor and it will be interesting to see if consumer confidence and retail sales are aligned.

Wednesday: A quiet data day, German trade data will be interesting to see how Europe's biggest exporter is fairing while Japanese PPI inflation data will be interesting on a global scale but shouldn't impact the JPY.

Thursday: **US Inflation data (CPI)** will have a big influence on all markets. Remember at their last meeting and in subsequent speeches the Fed have said they are data dependant in their approach to interest rates. If inflation is stubbornly high it could signal a more aggressive interest rate move in March. This could cause violent gyrations in bonds, stocks and FX. The US Tech 100 index is the most sensitive to yield/ interest rate moves and has seen large volatility in the last 2 weeks. **Could this be the third volatile week in a row? (See next page for the US Tech 100 Technical update for next week).**



Friday: Rounding off what will be another volatile week is **US Michigan Consumer Sentiment data**. It has been falling as Omicron and price rises have been hitting sentiment hard, which has seen knock on effects in terms of weaker retail sales and potentially weaker US economic growth down the road in 2022..

Commodities focus for the week ahead:

Oil registered its 7th straight week of gains as the price rocketed to a fresh seven-year high near \$93 a barrel (**See chart below for the Oil Technical update**) The market’s structure is still indicating scarce supply. Diesel, the fuel that helps power the global economy, is also surging as a cold snap hits the U.S and demand soars. Inventories at key storage hubs are waning, and vital price gauges indicate an expectation the tightness will persist. **Can prices continue higher or is some profit taking to be expected ahead of \$100?**





Other commodities in focus:

Keep an eye on **Gold** next week, its been stuck in this \$1780-1850 range since 22nd December. **Can next weeks US inflation data or increased Russia/Ukraine tensions cause a break-out?**

Similar story for **Silver**, which closed at \$22.50 Friday, unchanged on the previous week. It's not far from its Jan lows at \$21.93. **Can it bounce again towards \$24 as it has on previous occasions in 2022?**

Key levels to watch for the week ahead:

| Equity Indices | Support | Resistance |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| USA 500 | 1 st – 4438.52, Friday's low trade 2 nd – 4269.91, Bollinger lower band 3 rd – 4213.15, January 23 rd low trade | 1 st – 4579.66, 62% retrace January sell-off 2 nd – 4739.15, January 11 th high trade 3 rd – 4767.19, Bollinger upper band |
| US Tech 100 | 1 st – 14363.30, Friday's session low 2 nd – 13706.40, January 23 rd hold level 3 rd – 13461.68, June 2 nd rally point | 1 st – 15258.92, Last weeks high trade 2 nd – 16007.80, January 11 th session high 3 rd – 16097.01, Bollinger upper band |
| USA 30 Wallstreet | 1 st – 34671.00, Friday's session low 2 nd – 33626.00, Bollinger lower band 3 rd – 33030.00, January 23 rd low | 1 st – 35587.00, Last weeks failure high 2 nd – 36386.00, January 12 th high 3 rd – 36541.00, Bollinger upper band |
| Germany 40 | 1 st – 14829.02, January 24 th low 2 nd – 14429.52, March 24 th extreme 3 rd – 14406.02, March 14 th low trade | 1 st – 15611.54, Bollinger mid-average 2 nd – 15729.52, Last weeks high trade 3 rd – 16076.52, January 13 th failure high |
| UK 100 | 1 st – 7338.69, Bollinger lower band 2 nd – 7167.25, January 24 th session low 3 rd – 7036.25, December 20 th extreme | 1 st – 7576.75, January 20 th high trade 2 nd – 7579.76, Bollinger upper band 3 rd – 7626.35, January 2020 extreme |

| FX | Support | Resistance |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EURUSD | 1 st – 1.1378, Half of Thurs/Fri strength 2 nd – 1.1345, 38% retrace Jan/Feb upside 3 rd – 1.1248, Deeper 62% retracement | 1 st – 1.1482, January 14 th failure high 2 nd – 1.1559, 38% retrace May/Jan range 3 rd – 1.1616, November 3 rd high trade |
| GBPUSD | 1 st – 1.3508, Friday's session low 2 nd – 1.3463, 62% retrace Jan/Feb strength 3 rd – 1.3362, January 27 th rally point | 1 st – 1.3567, Mid-point last weeks sell-off 2 nd – 1.3627, February 3 rd high 3 rd – 1.3660, January 20 th hold level |
| USDJPY | 1 st – 114.63, Bollinger mid-average 2 nd – 114.19, Last weeks low trade 3 rd – 113.62, Bollinger lower band | 1 st – 115.68, January 28 th failure high 2 nd – 116.33, January 3 rd recovery high 3 rd – 118.64, Dec 2016 rejection point |
| AUDUSD | 1 st – 0.7053, Friday's session low trade 2 nd – 0.6968, January 28 th low trade 3 rd – 0.6779, June 2020 extreme | 1 st – 0.7160, Bollinger mid-average 2 nd – 0.7275, January 20 th high trade 3 rd – 0.7314, January 12 th failure high |
| USDCAD | 1 st – 1.2664, 38% retrace latest rally 2 nd – 1.2617, Bollinger mid-average 3 rd – 1.2585, 62% retrace Jan/Feb upside | 1 st – 1.2812, January 6 th session high 2 nd – 1.2846, December 27 th extreme 3 rd – 1.2963, December 19 th rejection point |



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