

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?

Thursday's US inflation data (CPI), rising 7.5%, well above the expectations of 7.3%, shook risk sentiment that had strengthened throughout the week. Then, later Thursday, when comments from Fed's Bullard hit newswires, stating he expected a full 1% interest rate rise from the US central bank by July, coupled with him not ruling out an 'inter-meeting' rise before March (Which would be a huge shock if it happened), risk sentiment soured and never recovered. Into the close, news from the White House suggesting, Russia could attack Ukraine next week pushed risk sentiment further into negative territory.

US Michigan Consumer Sentiment Data Friday was disappointing

- Headline sentiment crashed from 67.2 to 61.7 (67.5 Exp), the lowest print since 2011
- Current conditions fell from 72 to 68.5 (73 Exp), Expectations fell from 64.1 to 57.4 (65 Exp)
- Inflation expectations for the next 12 months rose again to 5%, the highest reading since 2008.

The data shows Americans are starting to become overwhelmed by higher prices.

Friday Market Close

US 10 year yields spiked to new highs at 2.06% on increased interest rate expectations after the CPI print, but couldn't sustain the move as profit taking hit into the close seeing it finish at 1.94% with modest weekly gains

The US Tech 100 was the weeks worst performer hurt by rising interest rate expectations. **However all stock indices had a nervous 3 hours into the close on the Ukraine news**, despite that the USA 2000, small caps index did outperform over the week with a 2% gain on the previous Friday.

The USD had a rollercoaster week, a brief rally on the inflation data was quickly snuffed out, leading to new lows against much of G10 FX (EURUSD made a new high at 1.14944). However Fed Bullard's comments and the turn down in risk sentiment helped the USD finish up on the week.

In commodities, while Copper, Palladium and Platinum fell on the Ukraine news as risk sentiment soured, Gold and Silver (See page 2 for the Gold Technical Update for next week) bounced as traders looked for some safe haven protection if things escalated in the region. Energy markets all spiked into the close with Oil leading the charge (Now at levels last seen in September 2014), followed by Gasoline and then Natural Gas.

Financial Market	Closing Level Friday 4 th February	Closing Level Friday 11 th February	Weekly Change %
Asia Stocks:			
China A50	14975	14992	+0.1%
Japan 225	27240	26996	-0.9%
ASX (Australia) 200	6992	7076	+1.2%
Hong Kong 50	24583	24768	+0.8%
Europe Stocks:			
UK (FTSE) 100	7474	7528	+0.7%
Germany 40	15151	15162	+0.1%
Europe 50	4096	4073	-0.6%
France 40	6979	6883	-1.4%
US Stocks:			
USA 500	4485	4418	-1.5%
USA 30 Wall Street	34930	34694	-0.7%
US Tech 100	14644	14257	-2.6%
USA (Russell) 2000	1992	2031	+2.0%

Financial Market	Closing Level Friday 4 th February	Closing Level Friday 11 th February	Weekly Change %
G10 Currencies:			
EURUSD	1.1455	1.1342	-1.0%
GBPUSD	1.3531	1.3552	+0.2%
EURGBP	0.8465	0.8369	-1.1%
AUDUSD	0.7074	0.7132	+0.8%
USDJPY	115.19	115.29	+0.1%
USD Index	95.47	96.03	+0.6%
Commodities:			
GOLD	1808	1858	2.8%
Silver	22.50	23.60	+4.9%
Copper	4.5062	4.4408	-1.5%
US Crude Oil	91.97	93.89	+2.1%
Other Markets:			
Bitcoin	40625	42400	+4.4%
US 10 Year Yield	1.91%	1.94%	+1.6%



US Earnings Update Last Week:

Focus was back on the traditional economy last week. **Disney** stock closed up on the week after its parks business roared backing helping it beat analysts expectations. **Coca cola** earnings and revenue topped estimates but the companies forecast for 2022 was weaker than expected, as inflation eats into profitability. Similar story at **Unilever**, who beat sales expectations but announced further price rises on a country by country basis, and ruled out any 'transformational acquisitions;' after their GSK bid failed.

In Europe, Soc Gen reported a near quadrupling of Q4 2021 profit on lower pandemic charges and a rebound in retail banking, while **Credit Agricole** beat its 2022 profit target a year early. **BNP** beat expectations with strong momentum in domestic markets. All three stocks closed the week up. **Credit Suisse** stock closed down after announcing a big loss as litigation costs hit the bottom line. **In the UK, BP** earnings were solid, as they announced a huge share buyback programme which pushed its shares to new highs.

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

Bloomberg:

Biden-Putin call is inconclusive even as Ukraine tensions jump

It was a nervous close for markets Friday on concerns the Ukraine situation may escalate and it could be a nervy open Monday. What will this mean for the energy markets?
(See the Oil Technical Update on next page).

The leaders of the US and Russia held an hour long call on Saturday that made little apparent headway, with President Joe Biden warning again of "severe costs" for any invasion of Ukraine and Russian President Putin accusing America of failing to provide him with the security assurances he needs to back down.

Bloomberg:

ECB overreaction on prices could stymie growth, Rehn warns

Just over 10 days since Lagarde shocked traders by not ruling out interest rate rises in 2022. Other ECB members warn on being too aggressive. Pressure back on EUR next week?

The ECB needs to look beyond the current spike in inflation as it sets monetary policy, to avoid choking off economic growth, Governing Council member Olli Rehn said.

"If we reacted strongly to inflation in the short term, we would probably cause economic growth to stop," Rehn said in an interview on Finland's TV.

Bloomberg:

Goldman cuts S&P year end target to 4,900 on rate outlook

The expectations of a more aggressive approach on interest rates from the Fed sees stock market forecasts reduced.

Goldman Sachs Group Inc. strategists lowered their forecast for US stock returns this year as the prospect of more aggressive monetary tightening weighs on valuations.

The strategists cut their year end target for the S&P 500 benchmark index to 4900 points, down from 5100 previously. It compares with Friday's close of 4418.



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: Investors are rewarding those companies that are able to increase their prices, energy companies continue to show outperformance and European banks benefit from an EU wide economic rebound.

Monday 14 th February	Tuesday 15 th February	Wednesday 16 th February	Thursday 17 th February	Friday 18 th February
Aurizon Federal Realty Japan Post Japan Tobacco <u>Before Market Opens:</u> DBS Group <u>After Market Closes:</u> 1645 GMT Michelin 2130 GMT BHP	Viacom CBS Bridgestone 0700 GMT Glencore 1200 GMT Marriott <u>Before Market Opens:</u> Fidelity Solar Edge <u>After Market Closes:</u> Airbnb Wynn Resorts Roblox	Sun Power Equinix Toshiba NVIDIA United Overseas Bank 0600 GMT Heineken <u>Before Market Opens:</u> Hilton Kraft Heinz <u>After Market Closes:</u> 1700 GMT Carrefour Marathon Oil Hyatt AIG	Orange Airbus Commerzbank Alibaba 0415 GMT Stan Chart 0615 GMT Nestle 1200 GMT Walmart <u>Before Market Opens:</u> Trinity Industries Palantir Technologies <u>After Market Closes:</u> Digital Realty Roku Dropbox	EDF ENI Renault Deere 0600 GMT Allianz 0700 GMT Hermes 0700 GMT Nat West <u>Before Market Opens:</u> Brucker Genpact <u>After Market Closes:</u>

Next week: US Q4 2021 earnings season features **NVIDIA** whose value just surpassed **Meta (Facebook)**, for the first time ever. Investors will want to know the impact of the failed takeover of **Arm holdings**, how strong gaming performance has been and what are their forecasts for 2022. (See next page for the **US Tech 100 Technical Update** for next week). US hotel groups **Marriott**, **Hyatt** and **Hilton** report, what is the impact of Omicron and higher prices on consumer spending. What are their forecasts for 2022 as the economies recover? We also get consumer giant **Walmart** reporting on Thursday.

In **UK/ Europe**, we get more banks and financial institutions (e.g. **Stan Chart**, **Commerzbank**, **Allianz** and **Nat West**) as well as **BHP** and **Glencore**, 2 commodity powerhouses. Will they show the same solid growth as their peers or are costs rising?



Bank Meetings and Key Speakers:

Monday 14 th February	Tuesday 15 th February	Wednesday 16 th February	Thursday 17 th February	Friday 18 th February
1615 GMT EUR ECB President Lagarde Speech	0030 GMT AUD RBA Meeting Minutes	0845 GMT AUD RBA DeBelle Speech 0845 GMT AUD RBA Bullock Speech 1830 GMT CAD BoC Lane Speech *1900 GMT USD* FOMC Minutes	G20 Finance Ministers and Central Bank Governors Meeting Starts 0700 GMT EUR ECB Schnabel Speech 1400 GMT EUR ECB Lane Speech *1600 GMT USD* Fed Bullard Speech 1000 GMT USD Fed Mester Speech	G20 Finance Ministers and Central Bank Governors Meeting 1300 GMT EUR ECB Elderson Speech 1545 GMT USD Fed Waller Speech 1600 GMT USD Fed Williams Speech 1830 GMT EUR ECB Panetta Speech *1830 GMT USD* Fed Vice Chair Brainard Speech

No central bank meetings next week but we do have lots of speakers and releases to keep volatility in all financial markets. Monday's speech from **ECB President Lagarde** will be important after she appeared to reiterate a dovish approach to inflation in commentary last week. **Will EUR come under further pressure after a failed break at 1.15?** (See EURUSD chart on next page for the Technical Update). **Tuesday's RBA meeting minutes** will shed some light on the thinking of the Australian central bank committee. Are they all in agreement with Governor Lowe who, last week, was less hawkish than many expected and seemed in no hurry to raise rates, while tolerating inflation above their target for a while. **It could move AUD!**

Wednesday's FOMC meeting minutes will be essential reading given there is so much uncertainty amongst traders on Fed interest rate policy going forward which is creating huge volatility across stock, bond markets and FX markets. **How hawkish are they, given that stocks feel last week on fears they will do more?** On **Thursday**, we have Fed Bullard speaking, he is a hawk at the Fed and panicked stocks last week with his comments, **more of the same?**

Friday, we have Fed Vice Chair Brainard speaking and it's possible she may decide to try to calm market jitters and reiterate it will only be a 25bps and not 50 bps from the Fed in March. **That would possibly be a positive for risk sentiment!!**



Key Economic Data Next Week:

Monday: Quiet start on the data front. Inflation data anywhere is important so PPI (Input prices) and CPI (Consumer prices) data from major economies are something to watch throughout the week. **CHF PPI data is the first focus.**

Monday 14 th February	Tuesday 15 th February	Wednesday 16 th February	Thursday 17 th February	Friday 18 th February
0730 GMT CHF Inflation Data (PPI) 2350 GMT JPY Gross Domestic Product	0430 GMT JPY Industrial Production *0700 GMT GBP* Employment Change, Unemployment Rate and Average Earnings 1000 GMT EUR Employment Rate and Gross Domestic Product 1000 GMT EUR and Ger ZEW Economic Sentiment 1330 GMT USD Inflation Data (PPI) 2130 GMT USD API Crude Oil Stock Change 2300 GMT JPY Tankan Survey	*0130 GMT China* Inflation (PPI and CPI) *0700 GMT GBP* Inflation Data (PPI and CPI) 1000 GMT EUR Industrial Production *1330 GMT CAD* Inflation Data (CPI) *1330 GMT USD* Retail Sales 1415 GMT USD Industrial Production 1530 GMT USD EIA Crude Oil Stocks Change 2350 GMT JPY Imports, Exports and Trade Balance	0030 GMT AUD Employment Change and Unemployment Rate 0700 GMT CHF Imports, Exports and Trade Balance 1330 GMT USD Housing Starts and Initial Jobless Claims 1330 GMT USD Philadelphia Fed Manufacturing Survey 2145 GMT NZD Inflation Data (PPI) 2330 GMT JOY Inflation Data (CPI)	*0700 GMT GBP* Retail Sales 1330 GMT CAD Retail Sales 1500 GMT EUR Consumer Confidence 1500 GT USD Existing Home Sales

Tuesday: Employment data kicks off a big data week for GBP. With another interest rate hike already expected from the BoE, the focus here will be on earnings as it is these that have seen the BoE push ahead and start hiking and they were just one vote from hiking 50bps at the last meeting. **GBPUSD is holding above 1.35 and EURGBP below 0.84, can it continue?** (See the chart on next page for the GBPUSD Technical Update). Later in the day traders will watch **US PPI** data to see if prices paid to producers increased at a more moderate pace, which could mean an eventual easing in consumer prices is on its way later in 2022.



Wednesday: China inflation data is important for 2 reasons. 1) If factory gate prices (PPI) remain high in China then this inflation is exported around the globe. 2) The PBOC (China's central bank) are a counter weight to the central banks of the major developed economies. They are cutting interest rates. **If this print is subdued it may provide them with room for further easing, which may support stocks in China/ HK and benefit general risk sentiment.**

UK inflation data is expected to remain high and could cement traders views that the BoE will continue to act, which should support GBP. Either way expect volatility.

Similar story for **CAD inflation data**, the BoC were close at the last meeting to raising interest rates. Will this print push them over the edge? **It has definite implications for CAD next week.**

US retail sales will be watched closely to see if falling consumer sentiment in the US is impacting spending. The December data was weak but many felt it was a one off event and not a problem for US growth . **Another bad print will change that thinking and could hurt risk sentiment further (See below for USA 500 Technical Update).**





Thursday: Keep an eye on **AUD employment data**. The RBA have been suggesting wages are not yet an issue impacting their thinking. Strong earnings and a solid report could set the stage for them to consider a shift in tone, an AUD positive. While disappointing numbers could re-enforce their dovish approach and see fresh selling emerge to pressure AUD further.

Friday: **UK retail sales** will provide a signal on the strength of the economy. Similar to the US, UK sales for December were poor and it will be interesting to see what the threat of higher energy and food prices has had on the UK consumer. **After such a big data week for the UK, this could provide the final piece to confirm any move.**

Key levels to watch for the week ahead:

Equity Indices	Support	Resistance
USA 500	1 st – 4387.78, 62% retrace latest upside 2 nd – 4297.83, Bollinger lower band 3 rd – 4213.15, January 23 rd low trade	1 st – 4579.66, 62% retrace January sell-off 2 nd – 4651.80, Bollinger upper band 3 rd – 4739.15, January 11 th high trade
US Tech 100	1 st – 14181.18, Friday's low trade 2 nd – 13706.40, January 23 rd hold level 3 rd – 13461.68, June 2 nd rally point	1 st – 15258.92, February 1 st failure point 2 nd – 15480.59, Bollinger upper band 3 rd – 16007.80, January 11 th session high
USA 30 Wallstreet	1 st – 34510.00, Friday's low trade 2 nd – 33802.00, Bollinger lower band 3 rd – 33030.00, January 23 rd low	1 st – 35748.00, Last weeks failure high 2 nd – 35966.00, Bollinger upper band 3 rd – 36386.00, January 12 th high
Germany 40	1 st – 15050.52, February 4 th hold level 2 nd – 14829.02, January 24 th low 3 rd – 14429.52, March 24 th extreme	1 st – 15454.54, Bollinger mid-average 2 nd – 15729.52, February 2 nd high trade 3 rd – 16076.52, January 13 th failure high
UK 100	1 st – 7478.89, Bollinger mid-average 2 nd – 7333.48, Bollinger lower band 3 rd – 7167.25, January 24 th extreme	1 st – 7628.75, Last weeks high trade 2 nd – 7629.35, January 2020 extreme 3 rd – 7663.85, July 2019 failure high

FX	Support	Resistance
EURUSD	1 st – 1.1324, Bollinger mid-average 2 nd – 1.1263, Deeper 62% retracement 3 rd – 1.1121, January 27 th low trade	1 st – 1.1482/94, Jan 14 th /Feb 9 th highs 2 nd – 1.1559, 38% retrace May/Jan range 3 rd – 1.1616, November 3 rd high trade
GBPUSD	1 st – 1.3489, Monday's session low 2 nd – 1.3382, Bollinger lower band 3 rd – 1.3357, January 26 th low trade	1 st – 1.3638, Bollinger upper band 2 nd – 1.3660, January 19 th hold level 3 rd – 1.3748, January monthly high
USDJPY	1 st – 114.83, Bollinger mid-average 2 nd – 114.15, February 1 st low trade 3 rd – 113.49, Bollinger lower band	1 st – 116.33, Jan 3 rd /Feb 9 th highs 2 nd – 118.64, Dec 2016 rejection point 3 rd – 121.41, Late January 2016 extreme
AUDUSD	1 st – 0.7051, February 3 rd session low trade 2 nd – 0.6968, January 28 th low trade 3 rd – 0.6779, June 2020 extreme	1 st – 0.7237, Bollinger upper band 2 nd – 0.7275, January 20 th high trade 3 rd – 0.7314, January 12 th failure high
USDCAD	1 st – 1.2635, Thursday's low trade 2 nd – 1.2542, Bollinger lower band 3 rd – 1.2449, January 18 th extreme	1 st – 1.2812, January 5 th session high 2 nd – 1.2846, December 27 th extreme 3 rd – 1.2963, December 19 th rejection point



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