

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?

Risk sentiment continued to be dominated by events in Ukraine, and it was not a good or comforting finish to the week. It seems the initial 'buy the dip' approach in risky assets at the start of the invasion, on expectations central banks wouldn't be as aggressive raising interest rates, is being replaced by real fears over its long term consequences for the global economy.

Friday: US Non Farm Payrolls and Employment Data:

- **Headline was much stronger than expected at +678k (+423k exp), previous months had upward revisions also**
- **Unemployment also improved above expectations, dipping from 4% to 3.8% (3.9% exp)**
- **Average hourly earnings disappointed rising only 5.1% v 5.8% expected, meaning wages are struggling to keep up with inflation**

This employment all but confirmed the Fed will increase interest rates at least 25bps at their 16th March meeting.

Friday Market Close

All equity indices had a bad week, but outflows from European indices dominated as traders reassessed the impact of European companies exposure to the Russia, and Russian sanctions. The Germany 40 index closed down over 4% Friday ensuring it dropped over 10% on the previous week. **(See the next page for the Germany 40 Technical Update).**

US 10 Year Yields had another volatile week, initially dropping as traders rushed into safe havens, rallying hard after Fed Chairman Powell confirmed in testimony to the US Senate that interest rates would be rising in March, before closing much lower at 1.74% as risk sentiment soured even further into the Friday close.

In FX, the USD had a strong week as traders sought out the traditional safe havens of USD, CHF and JPY. This saw EURUSD fall heavily to make new lows at 1.0887. Only AUD managed to outperform on the back of rising demand for commodities.

Commodities had a big week with Gold (+4.3%) and Silver (+5.9%) up on safe haven demand, Copper rallied 10% closing at a new all time high at 4.9175, while oil closed up a staggering 25%, as it shrugged off releases from allied strategic oil reserves, and positive news over an agreement with Iran, which could see Iranian oil supply come back into the market, to close at \$115.03.

Financial Market	Closing Level Friday 25 th February	Closing Level Friday 4 th March	Weekly Change %
Asia Stocks:			
China A50	14820	14320	-3.4%
Japan 225	26960	25780	-4.4%
ASX (Australia) 200	7119	7119	0.0%
Hong Kong 50	22960	21525	-6.3%
Europe Stocks:			
UK (FTSE) 100	7525	6948	-7.7%
Germany 40	14658	13102	-10.6%
Europe 50	3991	3568	-10.6%
France 40	6795	6091	-10.4%
US Stocks:			
USA 500	4380	4320	-1.4%
USA 30 Wall Street	33995	33522	-1.4%
US Tech 100	14186	13799	-2.7%
USA (Russell) 2000	2039	1996	-2.1%

Financial Market	Closing Level Friday 25 th February	Closing Level Friday 6 th March	Weekly Change %
G10 Currencies:			
EURUSD	1.1266	1.0935	-2.9%
GBPUSD	1.3412	1.3249	-1.2%
EURGBP	0.8400	0.8253	-1.7%
AUDUSD	0.7231	0.7374	+2.0%
USDJPY	115.53	114.81	-0.6%
USD Index	96.53	98.52	+2.1%
Commodities:			
GOLD	1889	1970	+4.3%
Silver	24.26	25.70	+5.9%
Copper	4.4742	4.9175	+9.9%
US Crude Oil	91.95	115.03	+25.1%
Other Markets:			
Bitcoin	39100	39500	+1.0%
US 10 Year Yield	1.97%	1.74%	-11.7%



Earnings Update Last Week:

Tech: **Zoom Video** disappointed traders, after issuing full year guidance below what analysts expected seeing its stock fall on the week. **Hewlett Packard** gained, after positing better earnings and sales. **Snowflake**, the data analytics software company, shares reacted badly to news that the company growth was slowing, falling 29%.

Old world: **Best Buy** earnings matched estimates but announced it was raising its quarterly dividend 26% which boosted the share price. The big US retailers continue to outperform market expectations, **Target**, **Kohl's**, **Kroger** and **Nordstrom** all saw positive responses from their Q4 earnings and forward guidance into 2022. **Gap** shares found buyers after they reported an upbeat forecast for 2022 profits, despite rising inflation and logistics challenges.

In the UK, Insurer **Admiral** posted a 26% increase in profits on fewer claims and a growing customer base, while **Aviva** shares fell as traders were disappointed with a 30% drop in profits on the previous year.

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

Bloomberg:

China signals more policy support with 5.5% growth target

A positive for Chinese and Hong Kong stocks that have struggled last week? (The National People's Congress started Saturday and runs all week, so watch for more comments)

China's government signalled more stimulus is on the cards by setting an aggressive economic growth target, calling for confidence amid rising domestic strains and global instability stemming from Russia's invasion of Ukraine

Premier Li Keqiang vowed at the opening of the National People's Congress to "step up implementation" of monetary policy and stabilise house prices.

Bloomberg:

SNB ready to fix strong franc 'problem,' Maechler tells SamW

As traders rush to buy CHF as a traditional safe haven in times of stress, it seems the SNB may be ready to intervene as EURCHF reached parity on Friday. Watch out for further volatility!

The Swiss National Bank (SNB) is ready to intervene and address the rapidly strengthening franc but negative interest rates "remain necessary" for the time being, SNB Governing Board Member Andrea Maechler told the newspaper Schweiz am Wochenende.

"Such a low euro-franc exchange rate is a problem" for the export economy.

Reuters:

Global banks face costly, arduous process to exit Russia

European bank shares have fallen 25% in the last 3 weeks. More pain ahead for a sector that was a consensus buy trade at the start of 2022? (See page 4 for the Europe 50 Technical Update)

Global banks face an arduous and costly process if they decide to close businesses in Russia, banking experts say, complicating decisions over whether they should withdraw.

British energy giants BP and Shell last week said they would quit Russia. BP is abandoning its stake in Russian oil giant Rosneft, resulting in a \$25 billion charge, however its not so easy for banks to extricate themselves from loans.

Safe Haven Update:

Gold has seen a cautious grind back higher after the nasty sell off last week, but is again closing in on the spike high of \$1974 and even as the USD has risen, Gold is getting some traction and the charts suggest higher levels could be seen. **One discussion point is; if foreign reserves are no longer as safe as some think, could central banks start buying gold instead of holding the US dollar? That's an interesting one.**



Step 3: Looking forward to the week ahead

- * **Important events are coloured in red** and all times are Greenwich Mean Time (GMT)
- * Please use the key opposite to adjust to your appropriate time zone

Company Earnings Reports (Some of the key earnings next week in the chart below):

Time Zone Key:	
GMT -5	= NY Time
GMT	= London Time
GMT +1	= Frankfurt Time
GMT +9	= Tokyo
GMT +11	= Sydney
GMT	= Greenwich Mean Time

In the US, traders will want an update on performance of **XPeng** and **Rivian** electric car deliveries, capacity expansions and supply chain guidance. In the UK, can **Direct Line** and **Prudential** keep up with their peers in terms of profit and customer growth? In Europe, how much is **Adidas** benefitting from selling directly to consumers, and what is the planned amount for its share buyback?

Monday 7 th March	Tuesday 8 th March	Wednesday 9 th March	Thursday 10 th March	Friday 11 th March
XPeng <u>Before Market Opens:</u> Niu Technologies CIENA <u>After Market Closes:</u>	Informa Array Technologies H&R Block 0700 GMT Direct Line <u>Before Market Opens:</u> Dick's Sporting Goods <u>After Market Closes:</u> Bumble Dada Nexus FIGS	Vivendi 0505 GMT Nedbank Group 0600 GMT Deutsche Post 0630 GMT Adidas 0730 GMT Continental 1200 GMT Prudential <u>Before Market Opens:</u> Campbell Soup Oatly <u>After Market Closes:</u> Crowd Strike Asana Margeta	Bolloré De'Longhi GBL LEG Plug Power Fuel Cell Energy <u>Before Market Opens:</u> JCD Decaux JD.Com <u>After Market Closes:</u> DocuSign Oracle Rivian	AIA Atlantia 0600 GMT Essilor 0600 LANXESS <u>Before Market Opens:</u> RLX Technology Futu Holdings <u>After Market Closes:</u>

Bank Meetings and Key Speakers:

Monday 7 th March	Tuesday 8 th March	Wednesday 9 th March	Thursday 10 th March	Friday 11 th March
2230 GMT AUD RBA Bullock Speech	*2215 GMT AUD* RBA Governor Lowe Speech		*1245 GMT EUR* ECB Interest Rate Decision *1330 GMT EUR* ECB Press Conference *2215 GMT AUD* RBA Governor Lowe Speech	

The ECB meeting and press conference on Thursday is a big event with all that is going on in European markets.

- Are they concerned about the pace of the fall in the EUR?
- Will they tackle the inflation issue or delay and err on the side of protecting growth?

The Ukrainian situation may have seen a shift in sentiment within the ECB to a more wait and see mode. This is the standout event next week for traders. **EUR, European Indices and Bunds will move!! (See below for the Europe 50 Technical Update).**



Tuesday and Thursday sees speeches from RBA Governor Lowe. Traders will be very interested to hear if the RBA are starting to shift sentiment to a more hawkish stance in the face of rising commodities, strong exports and an economy that is benefitting from putting covid restrictions behind it. **Not expecting a change in tone, but what he says will impact the AUD which is riding high in the face of negative risk sentiment. (See next page for the EURAUD Technical Update).**



Key Economic Data Next Week:

Relatively quiet week for economic data as it always is after non farm payrolls, but there are a couple of key releases to note.

On Monday trade data from China will be an early focus. Exports are the important part of this data set and should show how solid global demand for Chinese goods still is. Any print below expectations will unsettle traders that global economic demand is starting to stall, while a better print should confirm that the global economy is, for now at least, holding up.

Tuesday's Australian Consumer Confidence will be watched by the RBA to highlight if the Australian consumer will continue to spend. The economy has been looking healthier since unlocking and hopefully, confidence is rising!

Monday 7 th March	Tuesday 8 th March	Wednesday 9 th March	Thursday 10 th March	Friday 11 th March
<p>*0300 GMT China* Imports, Exports and Trade Balance</p> <p>0645 GMT CHF Unemployment Rate</p> <p>0700 GMT EUR (Ger) Factory Orders</p> <p>0700 GMT GBP Halifax House Price Index</p> <p>0930 GMT EUR Sentix Investor Confidence</p> <p>2000 GMT USD Consumer Credit Change</p>	<p>0700 GMT EUR (Ger) Industrial Production</p> <p>1000 GMT EUR Gross Domestic Product and Employment Change</p> <p>1330 GMT CAD Imports, Exports and Trade Balance</p> <p>1330 GMT USD Imports, Exports and Trade Balance</p> <p>2130 GMT USD API Crude Oil Stock Change</p> <p>2330 GMT AUD Consumer Confidence</p> <p>2350 GMT JPY Gross Domestic Product</p>	<p>*0130 GMT China* Inflation Data (PPI and CPI)</p> <p>1530 GMT USD EIA Crude Oil Stocks Change</p> <p>2145 GMT NZD Retail Sales</p> <p>2350 GMT JPY Inflation Data (PPI)</p>	<p>0000 GMT AUD Consumer Inflation Expectations</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>0700 GMT EUR (Ger) Inflation Data (CPI)</p> <p>0700 GMT GBP Gross Domestic Product and Industrial Production</p> <p>0930 GMT GBP Consumer Inflation Expectations</p> <p>1330 GMT CAD Unemployment Rate, Employment Change and Average Hourly Wages</p> <p>1500 GMT USD Michigan Consumer Sentiment</p>

On Wednesday the data to watch is the **inflation prints from China**. Is the PPI data showing factory gate inflation is cooling off or heating up again? Remember China exports this inflation around the world. Can the manufacturers pass these price rises on? If not their margins and earnings fall. If consumer inflation (CPI) continues to remain stable it opens up the opportunity for more easing from the PBOC in future meetings.

Thursday's US inflation print (CPI) is the big data print for the week and be prepared for further volatility, especially as it comes so close to the FOMC meeting on 16th March. The early forecast is a huge 7.9%, anything more could shock markets that the Fed could start with more than the 25 bps interest rate rise. **Remember, if yields spike it could add to downside pressure on technology stocks! (See below for the US Tech 100 Technical Update)**



Also coming just before the ECB press conference it could further highlight the difference between the 2 central banks. **Watch out for EURUSD volatility! (See chart below for the EURUSD Technical Update)**

Friday sees the release of Canada's unemployment data. The BoC is in a rate hiking cycle and the unemployment data is a key component. A lot is priced for hikes this year and so any disappointment in unemployment could suggest some caution from the central bank. **CAD struggled to hold gains last week, so watch this data for further moves.**



Chart of the week: Where next for oil

Oil, like stocks is to some extent driven by the Ukraine issue and supply. One thing is clear and that is oil will remain volatile. There is also talk of an agreement with Iran on the nuclear talks and if positive, it could release some oil as sanctions could be lifted which could see oil sell-off. We will hear more on this in coming days.



Key levels to watch for the week ahead:

Equity Indices	Support	Resistance
USA 500	1 st – 4259.51, Mid-point latest rally 2 nd – 4101.52, February 23 rd extreme 3 rd – 4055.40, May 18 th low trade	1 st – 4385.55, Bollinger mid-average 2 nd – 4483.90, February 15 th rejection point 3 rd – 4584.02, February 8 th failure high
US Tech 100	1 st – 13707.38, Mid-point latest upside 2 nd – 13025.80, February 23 rd hold level 3 rd – 12953.42, May 18 th rally point	1 st – 14222.88, Bollinger mid-average 2 nd – 14667.42, February 15 th high trade 3 rd – 15311.93, Bollinger upper band
USA 30 Wallstreet	1 st – 33162.00, Mid-point of latest rally 2 nd – 32687.00, Bollinger lower band 3 rd – 31950.00, March 24 th low	1 st – 34198.00, Bollinger mid-average 2 nd – 35056.00, February 15 th high trade 3 rd – 35748.00, February 9 th extreme
Germany 40	1 st – 13002.02, December 10 th low trade 2 nd – 12136.22, Half Mar'20/Nov'21 3 rd – 11312.97, October 29 th rally point	1 st – 13647.69, Gap from Thursday's close 2 nd – 14704.53, Bollinger mid-average 3 rd – 14891.52, February 23 rd session high
UK 100	1 st – 6797.95, Mid-point Oct'20/Feb'22 2 nd – 6734.75, July 19 th low trade 3 rd – 6542.13, Deeper 62% retracement	1 st – 7214.25, Gap left from Thursday's close 2 nd – 7342.92, 62% retrace Feb/Mar range 3 rd – 7420.15, Bollinger mid-average

FX	Support	Resistance
EURUSD	1 st – 1.0887 , Last weeks low trade 2 nd – 1.0776 , Mid-May'20 low 3 rd – 1.0729 , April'20 hold level	1 st – 1.0978 , Half Friday's range 2 nd – 1.1067 , Friday's high trade 3 rd – 1.1123 , 38% retrace Feb/Mar range
GBPUSD	1 st – 1.3202 , Friday's session low 2 nd – 1.3165 , December 7 th low 3 rd – 1.3107 , Early Nov'20 hold level	1 st – 1.3310 , Mid-point last weeks range 2 nd – 1.3371 , 38% retrace Feb/Mar sell-off 3 rd – 1.3422 , Mid-point same move
USDJPY	1 st – 114.61 , Bollinger lower band 2 nd – 114.15 , February 1 st low trade 3 rd – 113.47 , January 23 rd extreme	1 st – 115.88 , Bollinger upper band 2 nd – 116.33 , Jan 3 rd /Feb 9 th highs 3 rd – 118.64 , Dec 2016 rejection point
AUDUSD	1 st – 0.7300 , Friday's session low trade 2 nd – 0.7222 , 38% retrace Jan/Mar upside 3 rd – 0.7173 , Mid-point same move	1 st – 0.7431 , November 7 th high trade 2 nd – 0.7470 , November 3 rd failure high 3 rd – 0.7555 , October 27 th extreme
USDCAD	1 st – 1.2646 , Bollinger lower band 2 nd – 1.2558 , January 25 th low trade 3 rd – 1.2449 , January 18 th extreme	1 st – 1.2804 , Bollinger upper band 2 nd – 1.2876 , February 23 rd failure point 3 rd – 1.2963 , December 12 th extreme

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