

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?

Overall, the week was dominated by concerning news from Ukraine, further sanctions imposed on Russia and a big discussion how the central banks balance fighting inflation whilst still protecting economic growth. Risk sentiment soured into the Friday close, signalling a lack of confidence from traders/ investors. **It is understandable that markets ended on a nervous note, after all what damage will high inflation do (Thursday: US CPI was 7.9%, a 40 year high) and what comes next from Ukraine?**

Friday Data: Michigan Consumer Sentiment

- **Headline sentiment dropped from 62.8 to 59.7 (Exp 61.0), the lowest since 2011**
- **Expectations for the future plunged 59.4 to 54.4 (Exp 58.8), Current conditions slipped 68.2 to 67.8 (Exp 66.0)**
- **Consumers expected prices to rise 5.4% in the next year, the highest since 1981**

Comment: Not a good set of data from the consumer who is 70% of the US economy, as inflation concerns eats away at confidence/ sentiment across the board. **Is US consumer spending about to take a big fall, impacting stock valuations?**

The Friday to Friday market closes mask the huge inter week volatility!!

China and HK stock indices had a very bad week as US delisting fears and concerns over the relationship between China and Russia hit sentiment hard. **European indices** bounced aggressively from extreme lows registered at the start of the week to manage weekly gains (Germany 40 touched 12424 before closing the week at 13535). **US indices** played some downside catch up to their peers after a 40 year high on US inflation Thursday, pushed US yields back higher ahead of the FOMC next week. The US Tech 100 was the worst performer down 3.6% (**For the US Tech 100 Technical Update see the next page**).

USD strength dominated into Friday's close supported by weakening risk sentiment and anticipation of interest rate rises from the FOMC next week. **GBPUSD** was under pressure throughout the week, closing down 1.6% at levels not seen since Nov 2020. Traders were surprised by the ECB's 'hawkish tilt' on Thursday, committing to remove pandemic stimulus in Q3, despite the war in Ukraine, which saw a nasty EURUSD squeeze to 1.1121 before falling dramatically to finish the week at 1.0911.

Commodities continue to see extreme moves, and Oil and Gold continue to dominate the headlines. **Oil rose** to new highs at \$130.39 as the US banned Russian oil imports, before falling hard to close the week at \$109. **Gold** retested the highs at \$2070 but failed to follow through closing back at \$1988, despite that the uptrend remains supported by the Ukraine situation.

Financial Market	Closing Level Friday 4 th March	Closing Level Friday 11 th March	Weekly Change %	Financial Market	Closing Level Friday 6 th March	Closing Level Friday 11 th March	Weekly Change %
Asia Stocks:				G10 Currencies:			
China A50	14320	13618	-4.9%	EURUSD	1.0935	1.0911	-0.2%
Japan 225	25780	24910	-3.4%	GBPUSD	1.3249	1.3036	-1.6%
ASX (Australia) 200	7119	7073	-0.6%	EURGBP	0.8253	0.8370	+1.4%
Hong Kong 50	21525	20055	-6.8%	AUDUSD	0.7374	0.7285	-1.2%
Europe Stocks:				USDJPY	114.81	117.25	+2.1%
UK (FTSE) 100	6948	7099	+2.2%	USD Index	98.52	99.10	+0.6%
Germany 40	13102	13535	+3.3%	Commodities:			
Europe 50	3568	3657	+2.5%	GOLD	1970	1988	+0.9%
France 40	6091	6200	+1.8%	Silver	25.70	25.87	+0.7%
US Stocks:				Copper	4.9175	4.6118	-6.2%
USA 500	4320	4196	-2.9%	US Crude Oil	115.03	109.08	-5.2%
USA 30 Wall Street	33522	32843	-2.0%	Other Markets:			
US Tech 100	13799	13301	-3.6%	Bitcoin	39500	38500	-2.5%
USA (Russell) 2000	1996	1979	-0.9%	US 10 Year Yield	1.74%	2.00%	+14.9%



Individual Stock Update Last Week:

US: **Amazon** updated investors it had approved a \$10 bil share buyback scheme and approved a 20 for 1 stock split. **Rivian** earnings disappointed traders with a wider than expected loss and news that supply chain issues would limit its factory output this year, sending its shares lower on the week. **Oracle** shares managed to close up despite an earnings miss, after it reported seeing progress shifting its customers to the cloud, with cloud revenue up 24% on a year previously. **DocuSign**, beat earnings but forward guidance disappointed seeing its shares drop 17% initially. **GE** shares got a boost on news of a \$3 bil share repurchase program.

In Europe **Carlsberg**, the biggest brewer in Russia suspended its 2022 financial guidance and warned it may have to write down its assets in the country sending its shares down. **Adidas's** Q4 results disappointed but provided a reassuring outlook for 2022, calming traders nerves. **Direct Line** declared strong results, a £100 mil share buyback, and said it was working to offset inflationary pressures with cost savings, while **Prudential** announced strong results but said Ukraine risks to the global economy are increasing.

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

Sky news:

Russia warns Western arms shipments to Kyiv now 'legitimate' military targets

A day after President Biden said he wouldn't fight a war in Ukraine but would defend NATO to the hilt, it seems chances for escalation in Ukraine maybe stronger than ever?

Western shipments of military equipment to Ukraine could be seen as "legitimate targets" for attacks from Vladimir Putin's forces, a senior Russian official has warned.

Russia's Deputy Foreign Minister Ryabkov said Saturday, Moscow warned the US "pumping weapons from a number of countries isn't just a dangerous move, it's an action that makes those convey legitimate targets.

Bloomberg:

Europe's whiplashed bond investors say goodbye to ECB safety net

Traders in all markets are waking up to the realisation that central banks are prioritising dealing with inflation over growth. Global economies are going to have to stand on their own 2 feet while a war rages in Ukraine. More downward pressures on stocks/ risk?

"Asset purchases (QE) have been used as a blanket to smother the sparks of uncertainty in Europe for the last decade," a fund manager at Janus Henderson Investors. "With a geopolitical shock of unknown length and intensity still going on, markets have clearly been surprised by the ECB's decision to start reducing its safety net."

Bloomberg:

Companies leaving Russia don't know if and when they'll return

The Ukraine war, sanctions and pressure from governments mean companies are having to reassess the earnings impact from Russian exposure going forward!

After Putin ordered an invasion of Ukraine a mass corporate exodus set in, starting with BP Plc and quickly gathering pace as dozens of global brands followed.

The chaotic unwinding has left companies wondering whether they'll ever return, how they'll pay for workers and assets left behind, and if they can recoup the value of businesses lost almost overnight

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 -4	= NY Time
GMT	= London Time
GMT +1	= Frankfurt Time
GMT +9	= Tokyo
GMT +11	= Sydney
GMT	= Greenwich Mean Time

Individual Share Update (Some of the key earnings next week in the chart below):

Headline: Banks are rushing out details on exposure to Russia, and some US banks are deciding to scale down operations there. Other companies are weighing the costs of Russian exposure as some suspend operations or just walk away.

Monday 14 th March	Tuesday 15 th March	Wednesday 16 th March	Thursday 17 th March	Friday 18 th March
Phoenix Group Absa Group ERG Meituan	Informa Volkswagen 0600 GMT T Immobilien 0600 GMT RWE 0630 GMT Generali 0700 GMT Ferguson	Williams-Sonoma 0500 GMT E.ON 0730 GMT BMW	Swatch Cineworld Enel United Internet Canadian Solar Dollar General	HK & China Gas 0600 GMT Fuchs Petrolub 0600 GMT Vonovia
<u>Before Market Opens:</u>	<u>Before Market Opens:</u>	<u>Before Market Opens:</u>	<u>Before Market Opens:</u>	<u>Before Market Opens:</u>
<u>After Market Closes:</u>	<u>After Market Closes:</u>	<u>After Market Closes:</u>	<u>After Market Closes:</u>	<u>After Market Closes:</u>
	Orpea	Lennar Endeavor Group Holdings	Accenture Fed Ex	Wendel On Holding

After **Mercedes** on Friday flagged it has about 2 billion Eur of assets in Russia that could be at risk if Moscow decides to expropriate the property of foreign companies that leave the country over its invasion of Ukraine, the earnings of Volkswagen and **BMW** next week will be in focus for similar exposure updates as well as supply change issues and their 2022 outlooks. **E.ON** and **Enel** are at the forefront of the drive to find new energy to solve Europe's dependence on Russia energy supplies. What is the impact of this on 2022 outlooks and what hits if any are they seeing from the problems in Ukraine?

Bank Meetings and Key Speakers:

Next week is big for central bank news, and alongside news from Ukraine, will dominate market direction.

Tuesday's RBA minutes provide insight into what comes next from the Australian central bank who have surprised many by staying so dovish in the face of rising commodity prices and inflation.

Then Wednesday we get the big one!! After Fed Chairman Powell testified 10 days ago to their commitment to dealing with soaring inflation, traders want to know, how committed? **A 25 bps increase in interest rates is expected but could they do more and what is their forward guidance for the rest of 2022? Could they shock markets with 50 bps?**

Monday 14 th March	Tuesday 15 th March	Wednesday 16 th March	Thursday 17 th March	Friday 18 th March
1000 GMT EUR ECB Elderson Speech	0030 GMT AUD RBA Meeting Minutes 0700 GMT EUR Eurogroup and EcoFin Meeting	**1800 GMT USD** FOMC Interest Rate Decision and Monetary Policy Statement **1830 GMT USD** FOMC Press Conference	*0930 GMT EUR* ECB President Lagarde Speech 1015 GMT EUR ECB Lane Speech *1200 GMT GBP* BoE Interest Rate Decision and Monetary Policy Statement	0300 GMT JPY BoJ Interest Rate Decision and Monetary Policy Statement 0600 GMT JPY BoJ Press Conference 1630 GMT USD Fed Barkins Speech 1800 GMT USD Fed Evans Speech

The FOMC decision will impact all markets (See below for the USA 500 Technical Update). Don't forget the press conf.



The big meetings continue Thursday with the Bank of England (BoE) interest rate decision. All CB meetings are “live” events at present as CBs are not sure what is going on. An interest rate hike is priced by traders, along with a total 100 bps by June, but they have disappointed markets before! Coming after the FOMC, with GBPUSD pushing lows last seen in November 2020 makes this meeting a potential volatility event! (See below for the GBPUSD Technical Update for next week).



Also on Thursday we get speeches from ECB President Lagarde and Chief economist Lane. Their commentary will be closely watched after last week's ECB meeting surprise, where despite the Ukraine war, they seemed to turn more hawkish.

Friday's Bank of Japan (BoJ) meeting should be a non event, so any change in stance would be a shock. Just keep an eye out for any unexpected headlines. USJDPY made new highs last week, is 120 now on the cards? (See the next page for the Technical Update for USJDPY next week).



Key Economic Data Next Week:

These events are likely to be secondary to what is important to traders next week but there are a few interesting releases.

Tuesday's China industrial production, unemployment and retail sales data, will be of interest to traders and investors who need to see how the 2nd biggest economy is faring, especially as these releases also give a signal on global demand. Retail sales should indicate the health and confidence of the consumer domestically. With China and HK stocks under pressure, some good news is needed to stem further declines.

Monday 14 th March	Tuesday 15 th March	Wednesday 16 th March	Thursday 17 th March	Friday 18 th March
1500 GMT USD Consumer Inflation Expectations	0030 GMT AUD House Price Index 0200 GMT China Industrial Production, Unemployment Rate and Retail Sales *0700 GMT GBP* Unemployment Rate, Employment Change and Average Earnings 1000 GMT EUR Industrial Production 1000 GMT EUR and Ger ZEW Survey 1230 GMT USD Inflation Data (PPI) 2030 GMT USD API Crude Oil Stock Change	0130 GMT China House Price Index 0430 GMT JPY Industrial Production *1230 GMT CAD* Inflation Data (CPI) *1230 GMT USD* Retail Sales 1430 GMT USD EIA Crude Oil Stocks Change 2145 GMT NZD Gross Domestic Product	0030 GMT AUD Unemployment Rate and Employment Change 0700 GMT CHF Imports, Exports and Trade Balance 1000 GMT EUR Inflation Data (CPI) 1230 GMT USD Housing Starts and Initial Jobless Claims 1315 GMT USD Industrial Production 2330 GMT JPY Inflation Data (CPI)	1230 GMT CAD Retail Sales and New Housing Price Index 1400 GMT USD Existing Home Sales

Also released Tuesday is UK employment data. This has been strong recently, earnings data will be closely monitored for further inflationary insights, wages have been rising at pace recently. This data is extremely important to the BoE's interest rate plans and coming before the meeting could shock trader expectations ahead of the BoE meeting Thursday. (See the next page for the UK 100 Technical Update).



Wednesday: Canadian inflation data (CPI) will be watched closely to see what the BoC are dealing with. The central bank are expected to raise interest rates at their next meeting. Another strong number will convince traders its on the cards and possibly even more in 2022! **Watch for moves in CAD around this release!**

US retail sales are important to confirm if US consumers are still spending or if inflation and the war in Ukraine is keeping them on the side-lines until things settle down. **With stagflation a market concern a weaker number will worry traders.**

Thursday: AUD employment data could move the AUD, why? It is vitally important data for the RBA who have stayed dovish as wage inflation is yet to materialise. If this changes so will traders expectations for interest rate rises. **With AUD strength a theme in G10, can this continue?**

Safe Haven Update:

Gold is so susceptible to news from Ukraine that it is difficult to gauge, so while it has broken higher, it has struggled to hold above \$2,000 for long. Many think it is a good hedge for a portfolio on a longer term basis, but it seems the key is to buy dips rather than strength. Below \$1910 would be concerning on a fundamental basis.



Chart of the week: Oil

Oil is going to remain extremely volatile with the sanctions issues (**more announced by Biden and G7 on Friday**) and on top of this traders have the Iran Nuclear deal to factor in, although there seems to be a pause in talks for now. Oil is one of the hardest trades to hold at present and you need to understand just how volatile this can be.



Key levels to watch for the week ahead:

Equity Indices	Support	Resistance
USA 500	1 st – 4139.40, Tuesday's session low 2 nd – 4101.52, February 23 rd extreme 3 rd – 4055.40, May 18 th low trade	1 st – 4315.33, 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 – 13131.87, Bollinger lower band 2 nd – 13025.80, February 23 rd hold level 3 rd – 12953.42, May 18 th rally point	1 st – 13911.23, Bollinger mid-average 2 nd – 14667.42, February 15 th high trade 3 rd – 14690.58, Bollinger upper band
USA 30 Wallstreet	1 st – 32356.00, Bollinger lower band 2 nd – 32166.00, February 23 rd extreme 3 rd – 31950.00, March 24 th 2021 low	1 st – 33632.00, Bollinger mid-average 2 nd – 35056.00, February 15 th high trade 3 rd – 35748.00, February 9 th extreme
Germany 40	1 st – 13265.82, Mid-point last week rally 2 nd – 12424.91, March 7 th low trade 3 rd – 12136.22, Half Mar'20/Nov'21	1 st – 14091.10, Last weeks high trade 2 nd – 14203.13, Bollinger mid-average 3 rd – 14658.45, February 25 th session high
UK 100	1 st – 6890.76, Bollinger lower band 2 nd – 6734.75, July 19 th low trade 3 rd – 6542.13, Deeper 62% retracement	1 st – 7254.75, Last weeks high 2 nd – 7286.61, 62% retrace Feb/Mar range 3 rd – 7293.61, Bollinger mid-average



FX	Support	Resistance
EURUSD	1 st – 1.0901, Friday's session low 2 nd – 1.0805, Last weeks low trade 3 rd – 1.0776, Mid-May'20 low	1 st – 1.1042, Friday's high trade 2 nd – 1.1130, Bollinger mid-average 3 rd – 1.1245, February 27 th high
GBPUSD	1 st – 1.3027, Last weeks low trade 2 nd – 1.2831, Mid-point Mar'20/May'21 3 rd – 1.2678, September 2020 extreme	1 st – 1.3193, Thursday's failure high 2 nd – 1.3261, 38% retrace Feb/Mar range 3 rd – 1.3353, Bollinger mid-average
USDJPY	1 st – 116.22, 38% retrace Feb/Mar range 2 nd – 115.87, Mid-point same move 3 rd – 115.33, Bollinger mid-average	1 st – 117.33, Last weeks high trade 2 nd – 118.64, Dec 2016 rejection point 3 rd – 121.67, Jan 2016 failure level
AUDUSD	1 st – 0.7259, 38% retrace Jan/Mar upside 2 nd – 0.7203, Mid-point same move 3 rd – 0.7147, Deeper 62% retracement	1 st – 0.7441, Last weeks high trade 2 nd – 0.7470, November 3 rd failure high 3 rd – 0.7555, October 27 th extreme
USDCAD	1 st – 1.2693, Friday's low trade 2 nd – 1.2634, Bollinger lower band 3 rd – 1.2558, January 25 th low trade	1 st – 1.2900, Last weeks failure high 2 nd – 1.2963, December 12 th extreme 3 rd – 1.3024, 38% retrace Mar'20/May'21

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