



## 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?

The Russia/ Ukraine situation dominated risk sentiment throughout the week, with claim and counter claim between the major players keeping volatility elevated right into the close as Pro Russian rebels and Ukrainian forces accused each other of fresh shelling in eastern Ukraine, an escalation Washington and other Western allies suggest could form part of a Russian pretext to invade. Risk sentiment soured further Friday, only stabilising at lower levels after a news report that Putin would make a statement on the situation Monday, suggesting nothing further would happen over the weekend.

#### Interest rate focus: Fed speakers focus traders attention

**Thursday, FOMC voter Bullard was hawkish again** as he urged 1% of interest rate rises by July to curb inflation. He even suggested the central bank may need to raise interest rates above 2% to get things back under control (**Risk negative**) **Fed's Evans seemed to support a similar view when he said** surging inflation called for a major shift in monetary policy. **Friday afternoon, Fed's Williams and Vice Chair Brainard** seemed to suggest a calmer, more considered approach to the first rate rise in March would be the right way to go (**Risk stabilising**).

**Traders are definitely** concerned about a more aggressive approach to raising interest rates from the Fed and this continues to dominate market moves, alongside the fears over an escalation in the Ukraine situation.

#### Friday Market Close

**US 10 year yields** again failed to rally convincingly above 2%, touching 2.06% (Previous weeks high) before selling off Friday to end the week at 1.93%.

Like last week, **stock indices**, sold off Friday as traders reduced long positions in case an escalation in Ukraine causes a gap open lower to markets on Monday. HK50 was the weeks worst performer (-2.5%) as rising covid infections in the city hit stocks, while in the US, the USA 30 Wall Street finished the week down 1.9% from the previous Friday.

**The USD** spent most of the week lower against other G10 FX. Only a late recovery, as traders sought some safe haven protection into the weekend, kept the USD flat on the previous Friday. AUD and NZD were the strongest performers in a relatively quiet week for FX.

**In commodities**, oil finally had its first down week in 2022. Profit taking over news that fresh Iranian oil supplies may hit the market saw it finish -3.5% on the previous Friday close (**See chart on next page for Oil Technical Update**). Gold did well again as a safe haven against escalation in Ukraine, but struggled to break above \$1900.

Financial Market	Closing Level Friday 11 <sup>th</sup> February	Closing Level Friday 18 <sup>th</sup> February	Weekly Change %	Financial Market	Closing Level Friday 11 <sup>th</sup> February	Closing Level Friday 18 <sup>th</sup> February	Weekly Change %
<b>Asia Stocks:</b>				<b>G10 Currencies:</b>			
China A50	14992	15132	+0.9%	EURUSD	1.1342	1.1325	-0.1%
Japan 225	26996	26870	-0.5%	GBPUSD	1.3552	1.3597	+0.3%
ASX (Australia) 200	7076	7095	+0.3%	EURGBP	0.8369	0.8328	-0.5%
Hong Kong 50	24768	24143	-2.5%	AUDUSD	0.7132	0.7179	+0.7%
<b>Europe Stocks:</b>				USDJPY	115.29	115.08	-0.2%
UK (FTSE) 100	7528	7452	-1.0%	USD Index	96.03	96.11	+0.1%
Germany 40	15162	15034	-0.8%	<b>Commodities:</b>			
Europe 50	4073	4066	-0.2%	GOLD	1858	1898	+2.2%
France 40	6883	6920	0.5%	Silver	23.60	23.93	+1.4%
<b>US Stocks:</b>				Copper	4.4408	4.5155	+1.7%
USA 500	4418	4344	-1.7%	US Crude Oil	93.89	90.60	-3.5%
USA 30 Wall Street	34694	34020	-1.9%	<b>Other Markets:</b>			
US Tech 100	14257	13994	-1.8%	Bitcoin	42400	40000	-5.7%
USA (Russell) 2000	2031	2007	-1.2%	US 10 Year Yield	1.94%	1.93%	-0.5%



### Earnings Update Last Week:

**Tech:** **Nvidia** beat Q4 earnings estimates and gave an upbeat outlook but the stock struggled on concerns over flat profit margins and its exposure to crypto currencies. **Airbnb** shares popped after beating forecasts, and on news lead times for bookings in US and Europe have returned to pre pandemic levels. **Roblox** shares collapsed 25% after they posted a bigger loss than expected, showing all is not easy in the metaverse.

**Old economy:** **Walmart** saw its stock rally as it topped estimates and stood by its long term forecasts. It was rewarded for focusing on value as food prices rise. **After underperforming in the last 12 months, is this about to see solid gains going forward?** Another consumer giant **Nestle** sent out a warning that underlying profitability may decline again in 2022 as input costs will increase more than in 2021. **Kraft Heinz** stock rose as it beat earnings and revenue forecasts for Q4.

Mining giants **BHP** and **Glencore** revealed half year profits jumped 77% and 84% respectively, on the back of a bumper year for commodity prices as the world re-opened post Covid.

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

#### Bloomberg:

**China vows to contain bond default risks, deepen reforms**

As China's Zhenro Properties Group becomes the latest company to issue a warning it may default on its obligations the securities regulator vows to resolve bond default risks. Will this influence the PBOC interest rate decision tomorrow?

China's securities regulator vowed to prevent and resolve bond default risks and improve regulatory regime in the debt market.

The country will also deepen reforms of bond issuance, registration systems and open up further to foreign investors, the China Securities Regulatory Commission said in a statement.

#### BBC News:

**Ukraine: Russia plans biggest war in Europe since 1945 – Boris Johnson**

Looks like the news over the weekend concerning the Russia/ Ukraine situation continues to set a more negative tone. Possibilities for a very nervous open to all markets Monday? (See chart on next page for the USA 500 Technical Update)

Evidence suggests Russia is planning "the biggest war in Europe since 1945, Prime Minister Boris Johnson has said.

He told the BBC's Sophie Raworth in an interview: "All the signs are that the plan has already in some senses begun."

#### Bloomberg:

**Surging US share buybacks offer support to sputtering market**

US companies are stepping up share buybacks. Could this provide support to stock markets hit by a serious wave of negative risk sentiment?

The 10 biggest repurchases for S&P 500 Index companies last quarter totalled \$86 billion, up almost 30% from a year earlier, led by Apple, Meta, and Alphabet, data compiled by Bloomberg show. The list isn't complete, with nearly 20% of index members scheduled to report data in the coming weeks.



### 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):

Monday 21 <sup>st</sup> February	Tuesday 22 <sup>nd</sup> February	Wednesday 23 <sup>rd</sup> February	Thursday 24 <sup>th</sup> February	Friday 25 <sup>th</sup> February
Berkshire Hathaway Sasol Oz Minerals APA	HSBC McAfee Home Depot Krispy Kreme 0700 Hargreaves L. 0700 Inter Continental Hotels	Rio Tinto eBay Petrobras Lowe's 0630 Munich Re 0700 Barclays	Centrica St James's Place Rolls-Royce Moderna Dell Technologies 0630 Mercedes Benz	IMI Pearson IAG 0600 BASF 0600 Swiss Re 0700 Rightmove
<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>
	Macys Medtronic 1700 ASM Caesars Entertainment Virgin Galactic	Lemonade Root	Telefonica 1100 RBC Vale Occidental 2100 Coinbase	Foot Locker

**Headline:** More companies are reporting input costs are rising, which will potentially eat into future earnings. Stay at home stocks (e.g. Roblox, Netflix, Roku, Zoom) are struggling to keep up the huge growth the pandemic afforded them.

**Next week:** US Q4 earnings continue with **Berkshire Hathaway**. Traders will be focused on forecasts for 2022 performance, not just for the company, but for insight into investing in stocks, now interest rates are rising. **Macys**, **Caesars entertainment**, **Lowe's** and **Footlocker** earnings will provide a check on the spending of US consumers. **Are they cutting back?**

In the UK **HSBC** and **Barclays** report. Do they see margins improving on their domestic businesses now interest rates are rising? Are bad debt provisions reducing, and what is the impact of rising employee wages? (See chart on next page for the **Technical Update for HSBC**). Elsewhere, **Rio Tinto** report Wednesday, after **BHP** and **Glencore** outperformed last week, expectations are high the worlds biggest iron ore producer will report record annual earnings. **However what about 2022 performance?**





### Bank Meetings and Key Speakers:

Monday is a bank holiday in the US so be prepared for liquidity issues, especially if events in Ukraine have escalated.

Monday 21 <sup>st</sup> February	Tuesday 22 <sup>nd</sup> February	Wednesday 23 <sup>rd</sup> February	Thursday 24 <sup>th</sup> February	Friday 25 <sup>th</sup> February
<p><b>*0130 GMT China*</b> <b>PBOC Interest Rate Decision</b></p> <p>US Bank Holiday for Presidents Day</p> <p>1400 GMT EUR ECB McCaul Speech</p> <p>1615 GMT USD Fed Bowman Speech</p>	<p>1045 GMT GBP BoE Ramsden Speech</p>	<p><b>*0100 GMT NZD*</b> <b>RBNZ Interest Rate Decision</b></p> <p>0200 GMT NZD <b>RBNZ Press Conference</b></p> <p>0915 GMT EUR ECB Elderson Speech</p> <p>1130 GMT EUR ECB de Guindos Speech</p>	<p><b>Germany Host G7 Leaders Talks</b></p> <p>1245 GMT EUR ECB McCaul Speech</p> <p>1300 GMT USD Fed Waller Speech</p> <p>1440 GMT EUR ECB Fernandez-Bollo Speech</p> <p>1600 GMT EUR ECB Schnabel Speech</p>	<p>Euro Group Meeting</p>

**2 key central bank meetings next week.** On Monday we have the **PBOC** interest rate decision. So far in 2022, China's central bank has cut interest rates for the first time in two years, reported record lending for January, prodded banks several times to increase credit, and used state-owned funds to support the stock market. **Another cut is possible as China's CPI is not rising, which could possibly provide support for Chinese and HK stocks (See chart on next page for the HK50 Technical Update).**

Next up Wednesday is the **RBNZ interest rate decision**. This could be a very important meeting. New Zealand's unemployment rate fell to a record low in the fourth quarter amid a labour shortage, adding to signs the economy is overheating. The Reserve Bank began raising its official cash rate in the fourth quarter, and economists are forecasting the benchmark may need to be aggressively increased to take stimulus out of the economy. **Whatever the decision NZD will be impacted. (See chart on next page for the NZDUSD Technical Update).**

In terms of speakers, **BoE's Ramsden** could be interesting. The BoE is fully expected to raise interest rates again in March, and any comments that give a hint at how many more may be in the pipeline could impact GBP. ECB's **Schnabel** is one of the real hawks at the central bank, coming the day after the EUR consumer inflation print, her speech could be one urging action to contain rising prices. **Could this move EUR?**



**Key Economic Data Next Week:**

Monday 21 <sup>st</sup> February	Tuesday 22 <sup>nd</sup> February	Wednesday 23 <sup>rd</sup> February	Thursday 24 <sup>th</sup> February	Friday 25 <sup>th</sup> February
<p>Sunday: 2145 GMT NZD Imports, Exports and Trade Balance</p> <p>Sunday: 2200 GMT AUD Manufacturing and Services PMI (Prel)</p> <p>0030 GMT JPY Manufacturing and Services PMI (Prel)</p> <p>0130 GMT China House Price Index</p> <p>0700 GMT EUR (Ger) Inflation Data (PPI)</p> <p>0815-0930 GMT Fra, Ger, EUR and GBP Manufacturing and Services PMI (Prel)</p>	<p>0900 GMT EUR (Ger) IFO Business Survey</p> <p>1400 GMT USD House Price Index</p> <p>1445 GMT USD Manufacturing and Services PMI (Prel)</p> <p>*1500 GMT USD* Consumer Confidence</p>	<p>0030 GMT AUD Wage Price Index</p> <p>0700 GMT EUR (Ger) Gfk Consumer Confidence</p> <p>*1000 GMT EUR* Inflation Data (CPI)</p> <p>2130 GMT USD API Crude Oil Stock Change</p>	<p>1330 GMT USD Gross Domestic Product</p> <p>1330 GMT USD Initial Jobless Claims</p> <p>1500 GMT USD New Home Sales</p> <p>1600 GMT USD EIA Crude Oil Stocks Change</p> <p>2100 GMT NZD Consumer Confidence</p> <p>2145 GMT NZD Retail Sales</p> <p>2330 GMT JPY Inflation Data (CPI)</p>	<p>0001 GMT GBP Gfk Consumer Confidence</p> <p>0700 GMT EUR (Ger) Gross Domestic Product</p> <p>1000 GMT EUR Consumer and Business Sentiment</p> <p>1330 GMT USD Durable Goods, Personal Income and Spending</p> <p>*1330 GMT USD* PCE Inflation</p> <p>1500 GMT USD Pending Home Sales</p> <p>1500 GMT USD Michigan Consumer Sentiment</p>

**Sunday/ Monday** sees the release of the preliminary Global PMI data (AUD, JPY, UK and EU, US PMI is delayed till Tuesday, due to the US bank holiday). These data points are very important to all the associated central banks, and give a good insight into the health of the economy. These could set the tone for risk sentiment across all markets, at the start of the week.

**Tuesday:** With strong retail sales recorded in January, it will be interesting to see how confidence is holding up now that we are seeing higher petrol and food prices across the US. Falling consumer sentiment could be a concern for stocks in an economy driven by consumer spending.

**Wednesday's focus is EUR inflation data.** The ECB have been trying to talk down market expectations for interest rate pricing. They are just starting to realise they may need to do something to counteract rising prices, and a strong CPI print may force them to finally act on it. **Should be big data for the EUR. (See chart below for the EURUSD Technical Update).**



**Thursday:** We get **US GDP**, which is rather backward looking but will feed into the health of the US economy. Slowing growth will be a concern for stock traders and central bankers alike. **(See chart below for the USA 30 Wall Street Technical Update).** Later in the day we get **Japanese CPI**, Japanese bonds have finally started to see some moves but unless inflation starts to rise further, the BoJ are unlikely to shift policy. **Probably only interesting if its above expectations.**

**Friday,** is the big US data day. **US PCE Inflation, is the Fed's preferred inflation measure and they will be monitoring it closely** as it will have a influence over whether they raise 25bps or 50bps in March. **This will have a direct impact on stock indices and bond markets.** At expectations or higher watchout for negative impact on risk sentiment, while anything showing any slowing possibly could bring a more positive impact. **Income and spending data** will be an important gauge of how the US person on the street is fairing in the face of rising inflation. For instance, are they dipping into savings?, seeing income rise through wage increases? **Everything will be looked at closely, impacting the weekly closes for all markets.**



**Key levels to watch for the week ahead:**

Equity Indices	Support	Resistance
<b>USA 500</b>	1 <sup>st</sup> – 4320.78, Friday's low trade 2 <sup>nd</sup> – 4291.21, Bollinger lower band 3 <sup>rd</sup> – 4213.15, January 23 <sup>rd</sup> low trade	1 <sup>st</sup> – 4483.90, Wednesday's session high 2 <sup>nd</sup> – 4579.66, 62% retrace January sell-off 3 <sup>rd</sup> – 4602.59, Bollinger upper band
<b>US Tech 100</b>	1 <sup>st</sup> – 13905.68, Friday's low trade 2 <sup>nd</sup> – 13706.40, January 23 <sup>rd</sup> hold level 3 <sup>rd</sup> – 13461.68, June 2 <sup>nd</sup> rally point	1 <sup>st</sup> – 14667.42, Wednesday's failure point 2 <sup>nd</sup> – 15192.21, Bollinger upper band 3 <sup>rd</sup> – 15258.92, February 1 <sup>st</sup> high trade
<b>USA 30 Wallstreet</b>	1 <sup>st</sup> – 33899.00, Friday's low trade 2 <sup>nd</sup> – 33741.00, Bollinger lower band 3 <sup>rd</sup> – 33030.00, January 23 <sup>rd</sup> low	1 <sup>st</sup> – 35056.00, Last weeks failure high 2 <sup>nd</sup> – 35781.00, Bollinger upper band 3 <sup>rd</sup> – 36386.00, January 12 <sup>th</sup> high
<b>Germany 40</b>	1 <sup>st</sup> – 14829.02, January 24 <sup>th</sup> low 2 <sup>nd</sup> – 14429.52, March 24 <sup>th</sup> extreme 3 <sup>rd</sup> – 14406.02, March 14 <sup>th</sup> rally point	1 <sup>st</sup> – 15326.86, Bollinger mid-average 2 <sup>nd</sup> – 15729.52, February 2 <sup>nd</sup> high trade 3 <sup>rd</sup> – 16076.52, January 13 <sup>th</sup> failure high
<b>UK 100</b>	1 <sup>st</sup> – 7421.00, Last weeks low trade 2 <sup>nd</sup> – 7342.11, Bollinger lower band 3 <sup>rd</sup> – 7167.25, January 24 <sup>th</sup> extreme	1 <sup>st</sup> – 7572.25, Last weeks high trade 2 <sup>nd</sup> – 7629.35, January 2020 extreme 3 <sup>rd</sup> – 7663.85, July 2019 failure high





FX	Support	Resistance
<b>EURUSD</b>	1 <sup>st</sup> – <b>1.1280</b> , Last weeks low trade 2 <sup>nd</sup> – <b>1.1263</b> , 62% retracement Jan/Feb 3 <sup>rd</sup> – <b>1.1121</b> , January 27 <sup>th</sup> low trade	1 <sup>st</sup> – <b>1.1482/94</b> , Jan 14 <sup>th</sup> /Feb 9 <sup>th</sup> highs 2 <sup>nd</sup> – <b>1.1559</b> , 38% retrace May/Jan range 3 <sup>rd</sup> – <b>1.1616</b> , November 3 <sup>rd</sup> high trade
<b>GBPUSD</b>	1 <sup>st</sup> – <b>1.3524</b> , Bollinger mid-average 2 <sup>nd</sup> – <b>1.3390</b> , Bollinger lower band 3 <sup>rd</sup> – <b>1.3357</b> , January 26 <sup>th</sup> low trade	1 <sup>st</sup> – <b>1.3657</b> , Bollinger upper band 2 <sup>nd</sup> – <b>1.3660</b> , January 19 <sup>th</sup> hold level 3 <sup>rd</sup> – <b>1.3748</b> , January monthly high
<b>USDJPY</b>	1 <sup>st</sup> – <b>114.57</b> , Bollinger lower band 2 <sup>nd</sup> – <b>114.15</b> , February 1 <sup>st</sup> low trade 3 <sup>rd</sup> – <b>113.47</b> , January 23 <sup>rd</sup> extreme	1 <sup>st</sup> – <b>115.90</b> , Bollinger upper band 2 <sup>nd</sup> – <b>116.33</b> , Jan 3 <sup>rd</sup> /Feb 9 <sup>th</sup> highs 3 <sup>rd</sup> – <b>118.64</b> , Dec 2016 rejection point
<b>AUDUSD</b>	1 <sup>st</sup> – <b>0.7116</b> , Bollinger mid-average 2 <sup>nd</sup> – <b>0.7051</b> , February 3 <sup>rd</sup> session low trade 3 <sup>rd</sup> – <b>0.6968</b> , January 28 <sup>th</sup> low trade	1 <sup>st</sup> – <b>0.7232</b> , Bollinger upper band 2 <sup>nd</sup> – <b>0.7275</b> , January 20 <sup>th</sup> high trade 3 <sup>rd</sup> – <b>0.7314</b> , January 12 <sup>th</sup> failure high
<b>USDCAD</b>	1 <sup>st</sup> – <b>1.2662</b> , Wednesday's low trade 2 <sup>nd</sup> – <b>1.2649</b> , Bollinger lower band 3 <sup>rd</sup> – <b>1.2449</b> , January 18 <sup>th</sup> extreme	1 <sup>st</sup> – <b>1.2783</b> , February 13 <sup>th</sup> failure point 2 <sup>nd</sup> – <b>1.2812</b> , January 5 <sup>th</sup> session high 3 <sup>rd</sup> – <b>1.2846</b> , December 27 <sup>th</sup> extreme

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