

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?

Friday: The end of the week was a very noisy affair but brought some hope that negotiations between Ukraine and Russia could be held. This boosted risk sentiment across the board and saw safe havens come under pressure into the Friday close. **However** the US joined allies in sanctioning Putin and other key aides, and the EU is still debating whether Russia should be denied access to the SWIFT global payment mechanism, so much is still unknown about how things evolve from here.

Friday: Key US PCE Inflation, Personal Income and Spending Data released

- **Core PCE Inflation (Fed's preferred measure)** rose above expectations to 5.2%, biggest annual gain since 1983
- **US consumer spending jumped above expectations, highlighting the resilience of American demand**

This data seems to validate the Fed decision to start raising interest rates in March, and could lend increased weight to the need for a more aggressive 50bps, rather than a steady 25bps opening move from the FOMC.

(Note: The more aggressive the rate rise potential the more likely pressure on stocks)

Friday Market Close (The Friday to Friday numbers don't show the extreme volatility across all markets)

For stocks, the **HK50** was the weeks worst performer, weighed down by record covid infections and further crackdowns on technology companies from the mainland. **European indices** staged big bounces from their lows but still finished down as they have more direct exposure to Ukraine. **UK 100 and US stocks**, staged amazing reversals to finish the week up. For instance, **US Tech 100** traded as low as 13025 before closing at 14186 **(See next page for Technical Update on US Tech 100)**.

The USD gained against all of G10 as Russia invaded Ukraine and traders rushed to safe havens. This sent EURUSD to new lows at 1.1106 and GBPUSD to 1.3272. However as risk sentiment improved into the Friday close the USD gave up many of its gains, with AUD, on commodity strength, and NZD as its central bank raised rates again, were notably resilient.

Commodities had an extremely volatile week as energy supply concerns and traders rushing to buy safe haven assets dominated moves. **Oil** made new 8 year highs at \$100.51 immediately on the invasion news but couldn't hold gains as the allies talked about releasing oil from strategic reserves, closing back at \$92, still up on the week. While **Gold** spiked to \$1974 and **Silver** to \$25.61, before both falling to over positioning and correcting lower quickly. **Palladium** fell 5.6% on Friday alone to \$2350 as traders dumped positions into the weekend. **(See page 3 for Gold safe haven and Technical Updates)**

Financial Market	Closing Level Friday 18 th February	Closing Level Friday 25 th February	Weekly Change %	Financial Market	Closing Level Friday 18 th February	Closing Level Friday 2 nd February	Weekly Change %
Asia Stocks:				G10 Currencies:			
China A50	15132	14820	-2.1%	EURUSD	1.1325	1.1266	-0.5%
Japan 225	26870	26960	+0.3%	GBPUSD	1.3597	1.3412	-1.4%
ASX (Australia) 200	7095	7119	+0.3%	EURGBP	0.8328	0.8400	+0.9%
Hong Kong 50	24143	22960	-4.9%	AUDUSD	0.7179	0.7231	+0.7%
Europe Stocks:				USDJPY	115.08	115.53	+0.4%
UK (FTSE) 100	7452	7525	+1.0%	USD Index	96.11	96.53	+0.4%
Germany 40	15034	14658	-2.5%	Commodities:			
Europe 50	4066	3991	-1.8%	GOLD	1898	1889	-0.5%
France 40	6920	6795	-1.8%	Silver	23.93	24.26	+1.4%
US Stocks:				Copper	4.5155	4.4742	-0.9%
USA 500	4344	4380	+0.8%	US Crude Oil	90.60	91.95	+1.5%
USA 30 Wall Street	34020	33995	-0.1%	Other Markets:			
US Tech 100	13994	14186	+1.4%	Bitcoin	40000	39100	-2.3%
USA (Russell) 2000	2007	2039	+1.6%	US 10 Year Yield	1.93%	1.97%	+2.1%



Earnings Update Last Week:

Tech: **EBay** beat Q4 estimates but forecasts for Q1 2022 were weaker than expected. **Alibaba** stock fell after it reported its slowest ever growth in quarterly revenue since going public in 2014, as competition ate into sales. **Coinbase** smashed Q4 estimates but warned trading volume for Q1 2022 would be lower as crypto currencies struggled in December and January.

Old world: **Lowe's** the home improvement retailer beat earnings and issued upbeat full year guidance citing continued demand for tools and building materials. **Caesars Entertainment** reported weaker earnings but said it will spend less on advertising going forward which boosted its stock. **Papa John's Pizza**, outperformed with better than expected profit and revenue forecasts and improved profit margins, despite higher costs.

Elsewhere, **Rio Tinto** posted a record profit in 2021 and will pay out \$6.7 billion to shareholders in dividends, on strong demand for iron ore from China. **HSBC** took a \$450 million hit on Chinese property but still managed to double profits from a year earlier. Similar story at **Barclays** who announced a £1 billion share buyback.

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

<p>Bloomberg:</p> <p>Iraq shuts down two oil fields, further curtailing OPEC output</p> <p>More oil supply issues in the short term. Could this impact the oil price on the open? (See page 5 for the Oil Technical Update)</p> <p>Iraq stopped oil production from two southern fields with a combined capacity of almost half a million barrels a day.</p> <p>The shutdowns curtail the ability of OPEC's second largest member to pump crude just as Russia's invasion of Ukraine and tight supplies globally send prices soaring. The outages come as many OPEC members, including Iraq, struggle to reach their production quotas.</p>	<p>Reuters:</p> <p>US, allies target 'fortress Russia' with new sanctions, including SWIFT ban</p> <p>How will financial markets react to the allies taking a harder stance in terms of sanctions against Russia?</p> <p>The US and its allies on Saturday moved to block certain Russian banks' access to the SWIFT international payment system in further punishment of Moscow as it continues its military assault against Ukraine.</p> <p>The measures, which will include restrictions on the Russian central bank's international reserves, will be implemented in the coming days, the nations said in a joint statement.</p>	<p>Bloomberg:</p> <p>Stagflation threat rattles bond traders as fog of war descends</p> <p>Fears are real that the Ukraine crisis may damage the global economy, despite the rally in markets Friday last week.</p> <p>The world's biggest bond market is signalling concern that Russia's invasion of Ukraine could lead to an economic outcome the Federal Reserve is eager to avoid: persistent inflation and weak economic growth.</p> <p>Bond market gauges of short term inflation expectations jumped to a record during the past week as oil and natural gas surged in the unfolding crisis.</p>
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Gold Safe Haven Update:

For a while we have seen a steady bout of strength in gold as it was deemed to be a good hedge against both inflation and the negative risk environment, and was benefitting from the demise in Bitcoin and heightened tensions in Ukraine.

However Thursday's invasion of Ukraine brought about heightened volatility as, after hitting a high of \$1974 (highest since September 2020) we saw the market reverse almost \$100, a real buy the rumour sell the fact situation!!

Going forward: In the near term Gold is very sensitive to Ukrainian news and it will be an interesting Monday open to see if Gold receives a boost from the new sanctions imposed on Russia. A little further out traders will need to reassess what higher interest rates in the US and in other western economies will mean for non-interest bearing gold.



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**

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: Yes, costs are impacting margins but consumers are still spending in service, holiday and home improvement sectors. Financials continue to perform well as interest rate expectations rise improving margins.

Monday 28 th February	Tuesday 1 st March	Wednesday 2 nd March	Thursday 3 rd March	Friday 4 th March
Bunzl Lucid Group 0630 GMT Erste Group <u>Before Market Opens:</u> Acerinox Grifols <u>After Market Closes:</u> ACADIA Pharmaceuticals SBA Communications Zoom	Kohl's Hewlett Packard Abdrn Target Swiss Life <u>Before Market Opens:</u> Wendy's Company Baidu <u>After Market Closes:</u> 2100 GMT Ross Stores Nordstrom First Solar	Aviva Persimmon Hiscox Weir 0600 Just Eat Takeaway <u>Before Market Opens:</u> Paysafe Bright Health Group <u>After Market Closes:</u> Charge Point Flywire Snowflake	Mondi Schroders Admiral 0600 GMT Lufthansa 0600 GMT Merck <u>Before Market Opens:</u> Toro Weibo <u>After Market Closes:</u> Gap Cooper Costco	LSE <u>Before Market Opens:</u> <u>After Market Closes:</u>

In the US traders will be watching to see if **Kohl's, Nordstrom and Target** are benefitting from the increase in consumer spending, and whether the spending is on essential or more high value items. **Zoom** has been battered recently, losing 62% of its value in the last 6 month as traders move out of stay at home stocks, **will they report an improved forecast for 2022?** For **Hewlett Packard**, traders will be watching to see how component shortages are likely to impact future earnings in 2022.

Elsewhere in UK/ Europe it's the turn of the fund managers and insurers to announce earnings. We have **Aviva, Hiscox, Aardn, Schroders and Admiral**. What is their outlook for future growth in 2022?

Bank Meetings and Key Speakers:

2 key central bank meetings next week, an OPEC+ meeting and some key speakers to listen to.

Monday 28 th February	Tuesday 1 st March	Wednesday 2 nd March	Thursday 3 rd March	Friday 4 th March
1130 GMT EUR ECB Panetta Speech 1550 GMT EUR ECB President Lagarde Speech	President Biden State of the Union Speech *0330 GMT AUD* RBA Interest Rate Decision and Rate Statement 1830 GMT GBP BoE Saunders Speech	0900 GMT USD OPEC+ Meeting *1500 GMT CAD* BoC Interest Rate Decision and Rate Statement 1430 GMT USD Fed Bullard Speech *1500 GMT USD* Fed Chairman Powell Testimony to House of Representatives 1600 GMT EUR ECB Lane Speech	0825 GMT EUR ECB Enria Speech 1230 GMT EUR ECB Meeting Minutes *1500 GMT USD* Fed Chairman Powell Testimony to Senate 1630 GMT CAD BoC Governor Macklem Speech 2300 GMT USD Fed Williams Speech	

Central Banks: Tuesday is big decision time for the **RBA** as the Australian economy is recovering but wages, which the RBA has highlighted as an issue, are still not rising much. **No change in interest rates is expected but is this the meeting where they start to sound less dovish?** Traders will be watching, especially as AUD was well supported in last week's 'risk off' move. (See below for the AUDUSD Technical Update).



The **BoC** interest rate decision Wednesday is clearly a big event as many see an interest rate hike coming at this meeting (Most economists expect 25bps), and more to come later this year. Is this market expectation correct and what will the message be for future hikes? **BoC Governor Macklem** speaks on Thursday so we may need to wait until then for all the answers. **Expect movement in CAD!** (See below for the **USDCAD Technical Update**).



OPEC+ meets at a period of high volatility in oil markets. The main focus is whether they increase output by more than the agreed 400k barrels. It is important to remember that Russia is part of OPEC+ so they may get some push back from other members or they may be able to exert enough influence to ensure the status quo is maintained. Either way this is an event to focus on and traders will be watching the news headlines from this meeting for further direction (See below for the **Oil Technical Update**).





Speakers cont

ECB President Lagarde has already said the ECB will do all it can to safeguard the stability of prices and the financial system of the EU, but in these volatile times for European financial markets any commentary she provides **Monday still matters**. Also **Thursday** the **minutes of the last ECB meeting** are released. **What insight will that give to any interest rate moves in 2022?**

Biden has his, **State of the Union Address Tuesday**. It will make for interesting listening as it will likely contain points on Ukraine and inflation. **Something to keep an eye on for unscheduled headlines hitting the wires.**

Wednesday/ Thursday: Fed interest rate moves are likely to take centre stage again as **Chairman Powell testifies** before congress twice next week. What he says will be closely followed for any signal on whether recent geopolitical events are likely to impact interest rates. **After last weeks rally in stock markets is this now time to resell or is the squeeze going to continue?** (See the next page for the USA 500 Technical Update)

Key Economic Data Next Week:

Monday 28 th February	Tuesday 1 st March	Wednesday 2 nd March	Thursday 3 rd March	Friday 4 th March
Sunday: 2350 GMT JPY Industrial Production and Retail Trade	0100 GMT China NBS Manufacturing and Non Manufacturing PMI	0030 GMT AUD Gross Domestic Product	0030 GMT AUD Imports, Exports and Trade Balance	0700 GMT EUR (Ger) Imports, Exports and Trade Balance
Month End Rebalancing	0700 GMT EUR (Ger) Retail Sales	0855 GMT EUR (Ger) Unemployment Rate	0850-0930 GMT Fra, Ger, EUR and GBP Services PMI (Final)	0930 GMT GBP Construction PMI (Final)
0000 GMT NZD Business Confidence	0850-0930 GMT Fra, Ger, EUR and GBP Manufacturing PMI (Final)	*1000 GMT EUR* Inflation Data (CPI)	1000 GMT EUR Unemployment Rate and Inflation Data (PPI)	1000 GMT EUR Retail Sales
0030 GMT AUD Retail Sales	1300 GMT EUR (Ger) Inflation Data (CPI)	*1315 GMT USD* ADP Employment Change	1330 GMT USD Initial Jobless Claims	*1330 GMT USD* Non Farm Payrolls, Unemployment Rate and Average Hourly Earnings
0800 GMT CHF Gross Domestic Product	1330 GMT CAD Gross Domestic Product	1530 GMT USD EIA Crude Oil Stocks Change	1445 GMT USD Services PMI (Final)	
1330 GMT CAD Inflation Data (PPI)	1430-1445 GMT CAD and USD Manufacturing PMI (Final)	2200 GMT AUD Services PMI (Final)	1500 GMT USD Factory Orders	
1445 GMT USD Chicago PMI	*1500 GMT USD* ISM Manufacturing PMI and Employment Index		*1500 GMT USD* ISM Non Manufacturing PMI and Employment Index	
2200 GMT AUD Manufacturing PMI (Final)				

Monday, is the last day of the month and with the wild swings in bond and equity markets in February the potential for month end rebalancing is high. **AUD retail sales** are important as the RBA will be keen to see if spending is holding up as wages seem rather subdued as inflation rises which could see spending slow.

Tuesday: China PMI data matters for commodities and future global growth. **What is the health of the Chinese economy that has been slowing and is right on the edge of falling into contraction territory?** If at all weak then the PBOC may be more likely to cut rates which would support Chinese and HK stocks that have been struggling in the past week.

US ISM manufacturing and non manufacturing data are important prints (Tues/Thurs). The components give a good insight on the strength of businesses close to the ground. **This forward looking data is key to assessing the strength of the US economy.**

Wednesday: EU CPI data will be a big print for traders that have seen EURUSD trade 1.1495 and 1.1106 in the last 2 weeks. While the Ukraine impact on EU markets is unknown as of yet, market expectations for ECB interest rate rises are still high. **Another big move coming in the EU next week?**

Friday we have US employment data to ensure we finish the week off with a high chance of volatility. The headline non farm payroll print is usually a bit of a lottery but the unemployment rate and average hourly earnings are central to deciding what the Fed decide on any interest rate rise at the March meeting.



Key levels to watch for the week ahead:

Equity Indices	Support	Resistance
USA 500	1 st – 4243.15, Mid-point latest rally 2 nd – 4101.52, Last weeks low trades 3 rd – 4055.40, May 18 th low trade	1 st – 4429.46, Bollinger mid-average 2 nd – 4584.02, February 8 th failure high 3 rd – 4631.16, Bollinger upper band
US Tech 100	1 st – 13619.18, Mid-point latest upside 2 nd – 13025.80, February 23 rd hold level 3 rd – 12953.42, May 18 th rally point	1 st – 14422.55, Bollinger mid-average 2 nd – 14667.42, February 15 th high trade 3 rd – 15311.93, Bollinger upper band
USA 30 Wallstreet	1 st – 33106.00, Mid-point of latest rally 2 nd – 32166.00, Bollinger lower band 3 rd – 31950.00, March 24 th low	1 st – 34574.00, Bollinger mid-average 2 nd – 35056.00, February 15 th high trade 3 rd – 35748.00, February 9 th extreme
Germany 40	1 st – 14226.25, Mid-point latest upside 2 nd – 14014.31, February 25 th extreme 3 rd – 13655.02, February 22 nd rally point	1 st – 15125.68, Bollinger mid-average 2 nd – 15532.52, February 16 th high trade 3 rd – 15917.14, Bollinger upper band
UK 100	1 st – 7334.93, Mid-point latest upside 2 nd – 7140.00, Last weeks low trade 3 rd – 7036.25, December 20 th extreme	1 st – 7572.25, February 16 th higher trade 2 nd – 7629.35, January 2020 extreme 3 rd – 7663.85, July 2019 failure high

FX	Support	Resistance
EURUSD	1 st – 1.1192, Mid-point latest upside 2 nd – 1.1106, Last weeks low trade 3 rd – 1.1094, Trend since December lows	1 st – 1.1302, Mid-point Feb downside 2 nd – 1.1347, Higher 62% retracement 3 rd – 1.1395, February 15 th high trade
GBPUSD	1 st – 1.3362, Friday's session low 2 nd – 1.3272, Last weeks extreme 3 rd – 1.3172, December 19 th low trade	1 st – 1.3543, Bollinger mid-average 2 nd – 1.3660, January 19 th hold level 3 rd – 1.3748, January monthly high
USDJPY	1 st – 114.68, Bollinger lower band 2 nd – 114.15, February 1 st low trade 3 rd – 113.47, January 23 rd extreme	1 st – 115.87, 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 – 0.7159, Bollinger mid-average 2 nd – 0.7051, February 3 rd session low trade 3 rd – 0.6968, January 28 th low trade	1 st – 0.7283, Last weeks hold level 2 nd – 0.7314, January 12 th failure high 3 rd – 0.7370, November 14 th extreme
USDCAD	1 st – 1.2653, Bollinger lower band 2 nd – 1.2558, January 25 th low trade 3 rd – 1.2449, January 18 th extreme	1 st – 1.2876, Last weeks failure high 2 nd – 1.2963, December 12 th extreme 3 rd – 1.3024, Long term 38% retracement

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