



CORELLIAN 2 STEP PROCESS TO PREPARE FOR NEXT WEEK

Risk sentiment remained muted into the close as traders continued to digest commentary, received on Thursday, that some Fed policymakers were of the opinion that bigger (50bps) hikes were not out of the question at future FOMC meetings. Only a wave of profit taking on 'risk off' positioning ahead of a long weekend in the US ensured a mixed, rather than more negative, close for all markets.

STEP 1:

WHERE DID MARKETS END LAST WEEK AND WHY?

Friday data: UK retail sales rise unexpectedly with January discounting

- Volume of goods sold in stores and online rose 0.5% in January versus -0.3% expected, as discounting brought people into stores.
- UK consumers maybe weathering the cost of living squeeze better than forecasters initially thought. A potential inflation concern for the Bank of England.



US Stock indices all fell initially as various Fed officials weighed in with their views on the pace of tightening required to bring inflation back to the Fed's 2% target. However a late day recovery saw only the US Tech 100 (-0.8%) and the USA 500 (-0.3%) end the day in negative territory. **(Page 4 USA 500 TA Update)**. **In Europe**, the UK 100 had its best close since May 2018 at 7981, and the France 40 was the week's best performer, gaining 3.1% to finish at 7385.

The US Dollar Index initially made a new 7 week high at 104.59 on Friday but couldn't sustain the move, drifting back lower to close at 103.79 (+0.3% on the week). The main beneficiary from the dollar strength was USDJPY which gained 2.1% on the week, trading as high as 135.10 on Friday, before closing at 134.18.

US yields ended higher on the week as traders fully priced in a 25bp hike at each of the next 2 FOMC meetings, as well as a higher eventual peak for US interest rates. The 2 year yield gained 2bps to close at 4.62%, while the 10 year yield gained 8bps to finish the week at 3.82%.



Copper TA Update:
Corrective themes have emerged from 4.3538 (Jan 18th high) as over-extended upside conditions have been unwound. Latest strength is now testing 4.1321 (Bollinger mid-average) with closing breaks a positive trigger to resume the advance to retest or even breach 4.3538 (Jan 18th high) possibly on to 4.4602 (Jun 7th extreme). To the downside, extended retracement themes will possibly develop on breaks under 3.9778 (Feb 16th low) exposing 3.9269 (38% retrace) then 3.7973 (mid-point).



Commodity performance was mixed. Gold fell 1.2% to close at 1843 on Friday over rate hike concerns, while Copper briefly made new lows at 3.9778 before bouncing aggressively to finish the week up 3% at 4.1265, boosted by China optimism and potential supply disruptions. **(Above Copper TA Update).** Oil volatility continued as traders weighed the demand boost from China versus bigger US oil inventories, resulting in a 4% fall over the week to close at 76.60.

STEP 2: LOOKING FORWARD TO THE WEEK AHEAD

All times are Greenwich Mean Time (GMT) Please use the key opposite to adjust to your appropriate time zone.

Key Q4 Earnings next week in table below (Times GMT)

Time Zone Key:

| | |
|---------|-------------|
| GMT -5 | = New York |
| GMT | = London |
| GMT +1 | = Frankfurt |
| GMT +9 | = Tokyo |
| GMT +11 | = Sydney |

| Monday 20th Feb | Tuesday 21st Feb | Wednesday 22nd Feb | Thursday 23rd Feb | Friday 24th Feb |
|---|--|--|--|--------------------------------------|
| 0600 Icade | 1100 Home Depot 1200 Walmart HSBC | 0530 Rio Tinto 1100 Targa Lloyds Banking Group | 0630 Munich Re 0700 Rolls-Royce 1130 Teleflex | 0600 BASF 0630 Elekta Carter's |
| Before Market Opens: Faurecia | Before Market Opens: Trinity Industries Lincoln Electric | Before Market Opens: Baidu Everbridge | Before Market Opens: Grab Moderna | Before Market Opens: |
| After Market Closes: 2100 Copart 2115 Williams Co. 2130 Nordson | After Market Closes: Flowserve Exact Sciences Coinbase | After Market Closes: 2105 eBay 2105 Etsy 2120 NVIDIA | After Market Closes: 2100 Intuit 2300 Alliant Energy Live Nation | After Market Closes: |



KEY EVENTS, SPEAKERS AND ECONOMIC DATA

Monday: 0115 GMT PBOC Interest Rate Decision. The Chinese central bank has recently been adding liquidity into the system to support growth so nothing is expected but anything new could impact risk sentiment.

Global Preliminary PMI Data. AUD (Mon), JPY, EUR, GBP, USD (Tues). Traders are focused on the performance of the major economies that have seen aggressive rate hikes to deal with inflation. Currently the weakness is being felt in manufacturing, while services have fared better. Either way all countries are walking a fine line between expansion and contraction. These releases could have a big impact on all markets.

Tuesday: 1330 GMT CAD Inflation Data (CPI). Markets are very sensitive to the direction of inflation. A stronger than expected release could mean the BoC may need to add more hikes rather than pause, going forward. **This should increase volatility in USDCAD and other CAD crosses.**



NZDUSD TA Update:

Having failed to see successful closing breaks above 0.6513 (Dec 13th high) in early February, corrective themes have emerged to unwind upside extremes. While below 0.6366 (Bollinger mid-average) pressure can continue to build on 0.6190 (Jan 6th low) which held Friday, even on to 0.6148 (38% retrace Oct/Feb upside).

To the upside closes above 0.6366 are needed to suggest a more extended recovery to retest 0.6537 (Feb 2nd high).

Wednesday: 0030 GMT AUD Wage Price Index. This is a really important release for the RBA who have stated clearly that wage inflation is central to their interest rate decision process. This data could move AUD aggressively.

0100/0200 GMT RBNZ Interest Rate Decision and Press Conference. Market expectations of a 75bps hike from the New Zealand central bank have fallen in recent weeks as inflation pressures have eased. However the RBNZ are a very aggressive central bank so there is room for uncertainty. **(Above NZDUSD TA Update).**

1900 GMT FOMC Meeting Minutes. This release always receives some attention although the impact may be less this time given that Fed speakers have been so vocal in the last week on their thinking that US rates will need to be higher for longer.



USA 500 TA Update:
Friday saw consolidation activity extended producing the first close below mid-average support since mid-December. However, weakness approached 4048 (38% retrace Dec/Feb upside) a support that will be a focus next week, as breaks can trigger a deeper decline to 3999 (mid-point) even 3950 (62% retrace). To the upside, closing breaks above 4104 (Bollinger mid-average) are needed to suggest fresh upside themes to retest 4208 (Feb 2nd high) possibly further if this gives way.

Thursday: 1330 GMT USD Gross Domestic Product (GDP). Markets are very sensitive to growth data right now so this release will receive some headlines. **As US interest rates move higher, what impact is this having on the economy?**

2330 GMT JPY Inflation Data (CPI). With the newly announced BoJ Governor about to take his seat in the next month his first priority will be what to do with rising inflation. This release could see traders pre-empt any potential policy change at the start of his term by moving FX and bond markets.

Friday: USD PCE Inflation. After the stronger CPI release last week, and other data suggesting the US economy is holding up, traders are nervous about what this print on Friday could mean for stock indices and the dollar if it also shows the pace of inflation isn't falling as fast as expected. **(Above USA 500 TA Update).**

Key levels the Corellian mentors are focused on

Germany 40

Support

- 1st - 15361, 38% YTD upside
- 2nd - 15277, February 14th low
- 3rd - 14969, 38% retrace Dec/Feb

Resistance

- 1st - 15698, February high trade
- 2nd - 16192, Weekly upper band
- 3rd - 16294, Nov'21 all time high

US Tech 100

Support

- 1st - 12366, Bollinger mid-average
- 2nd - 12112, 38% YTD upside
- 3rd - 11853, Mid-point same move

Resistance

- 1st - 12946, February high trade
- 2nd - 13218, August 26th high
- 3rd - 13739, August 16th extreme

EURUSD

Support

- 1st - 1.0612, Last week's low trade
- 2nd - 1.0482, January 6th extreme
- 3rd - 1.0462, 38% retrace Sep/Feb

Resistance

- 1st - 1.0779, Bollinger mid-average
- 2nd - 1.0845, Half latest downside
- 3rd - 1.1032, February high trade



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