

IBKRWEBINARS.COM



January 25, 2022

# Athena Financial Solutions

## What's Driving the Markets? Fundamentals, Technicals, Trends & Risks.

---

**James Brodie**

Founder  
Athena Financial Solutions

Exchange and Industry Sponsored Webinars are presented by unaffiliated third parties. Interactive Brokers LLC is not responsible for the content of these presentations. You should review the contents of each presentation and make your own judgment as to whether the content is appropriate for you.

Interactive Brokers LLC does not provide recommendations or advice. This presentation is not an advertisement or solicitation for new customers. It is intended only as an educational presentation.



## Disclosure:

Complex or Leveraged Exchange-Traded Products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy, and risks associated with the products. Learn more about the risks here:

[https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration\\_v2.formSampleView?formdb=4155](https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=4155)

Options involve risk and are not suitable for all investors. For information on the uses and risks of options, you can obtain a copy of the Options Clearing Corporation risk disclosure document titled [Characteristics and Risks of Standardized Options](#) by calling (312) 542-6901.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading futures, please read the [CFTC Risk Disclosure](#). For a copy visit [interactivebrokers.com](http://interactivebrokers.com).

Security futures involve a high degree of risk and are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading security futures, please read the [Security Futures Risk Disclosure Statement](#). For a copy visit [Interactivebrokers.com](http://Interactivebrokers.com).

There is a substantial risk of loss in foreign exchange trading. The settlement date of foreign exchange trades can vary due to time zone differences and bank holidays. When trading across foreign exchange markets, this may necessitate borrowing funds to settle foreign exchange trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets.

The Order types available through Interactive Brokers LLC's Trader Workstation are designed to help you limit your loss and/or lock in a profit. Market conditions and other factors may affect execution. In general, orders guarantee a fill or guarantee a price, but not both. In extreme market conditions, an order may either be executed at a different price than anticipated or may not be filled in the marketplace.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

- IRS Circular 230 Notice: These statements are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favor.

- Interactive Brokers LLC is a member of [NYSE FINRA SIPC](#)



## What's driving the markets? Fundamentals, Technicals, Trends and Risks

**James Brodie C.M.T.**



### **Disclaimer**

Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

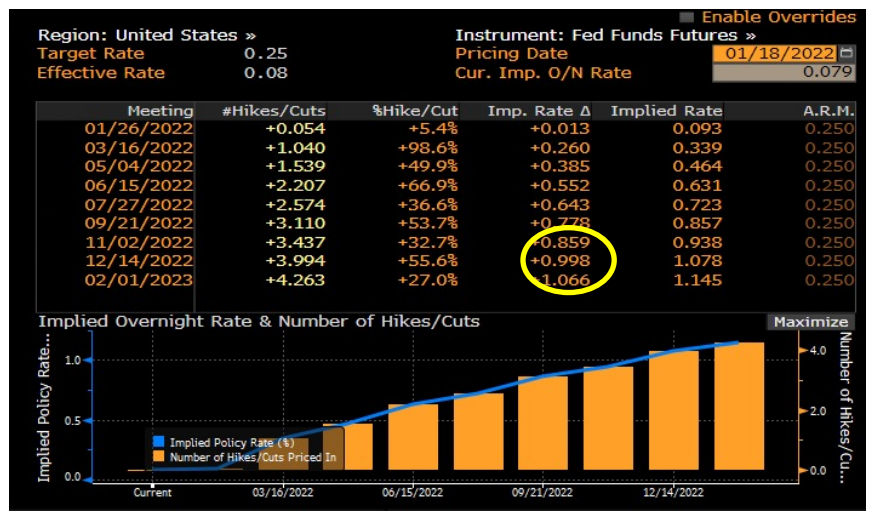
- Fed's faster taper and rate hiking path (**BUT tapering is NOT tightening**, it is NOT QT)
- Inflation – **is it slowing?** PMI, China
- Economic data slowing
- Consumer sentiment collapsing (as mortgage rates jump 30 yr to 3.45%)
- Omicron restrictions easing
- Geopolitical tensions
- China – high yield debt, house prices , **first rate cut on 17<sup>th</sup> Jan since April 2020**
- Leverage and volatility.....

# What do the charts say and how will the central banks reacting?

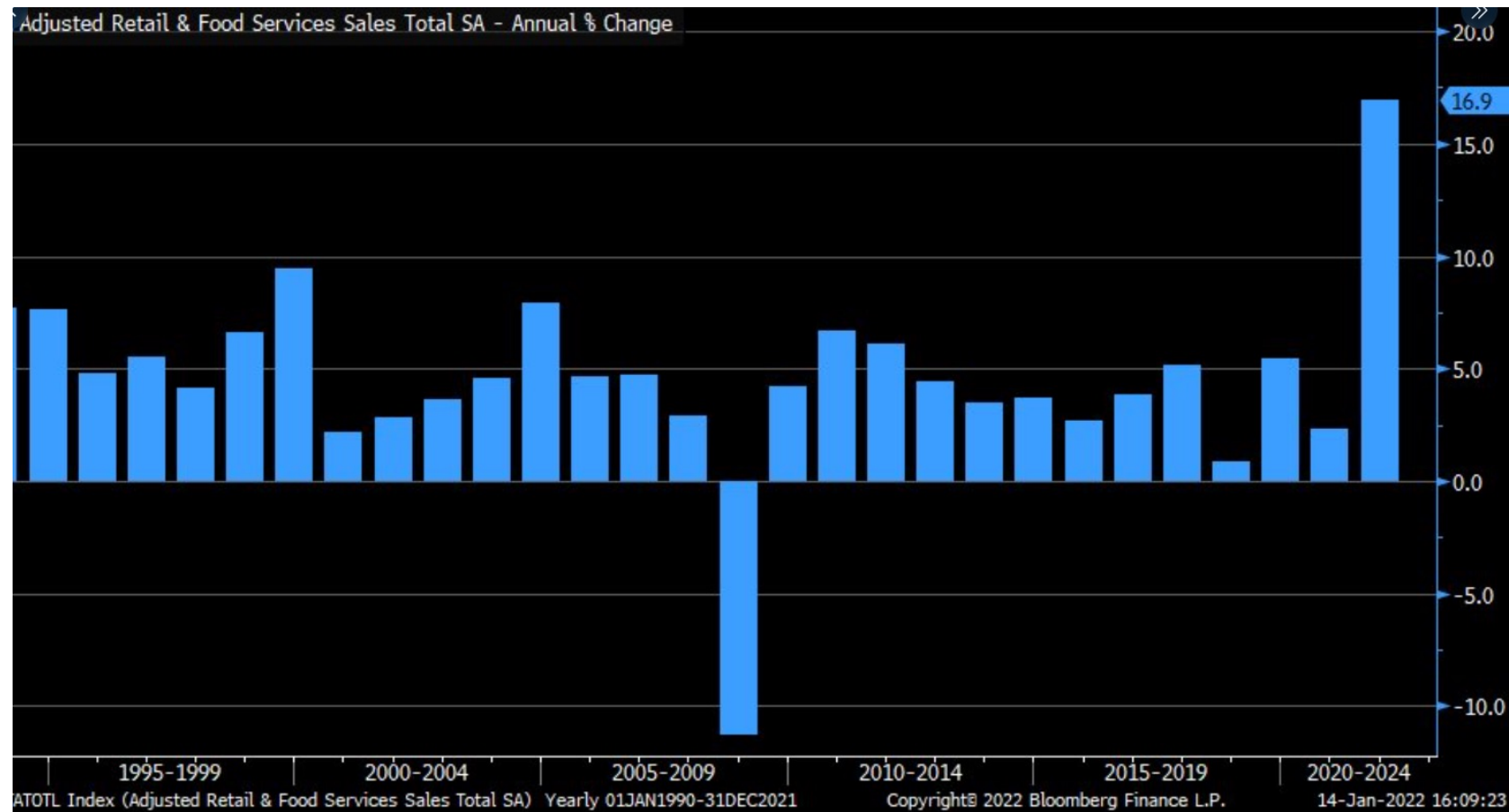
Sharp repricing of front end curves – here U.S. 2 IRS. (FF/OIS pricing EXACTLY 4 hikes in 2022)



Source: Bloomberg



## 2021 by far the strongest year on record



# Perhaps the most concerning data released in November

## U.S. December data

- Retail sales **-1.9%** (expected -0.1%)
- Industrial production MoM **-0.1%** (expected +0.2%)
- Uni of Mich. Sentiment **68.8** (expected 70.0)
- Current conditions 73.2 (ex 73.8) - 'your current financial situation'



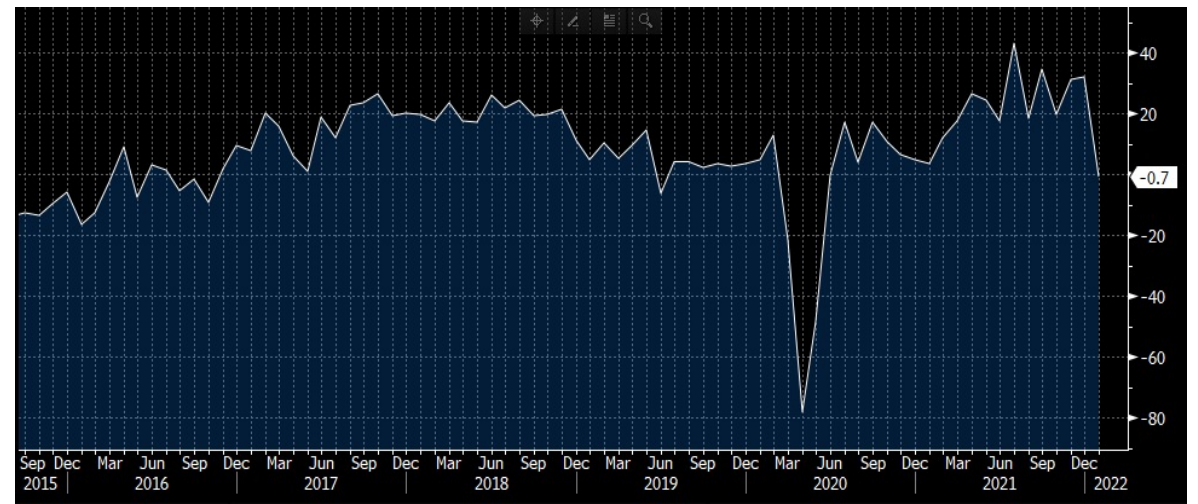
Source: Bureau of labour statistics, Bloomberg



**Atlanta Fed estimates halved since end of November.**

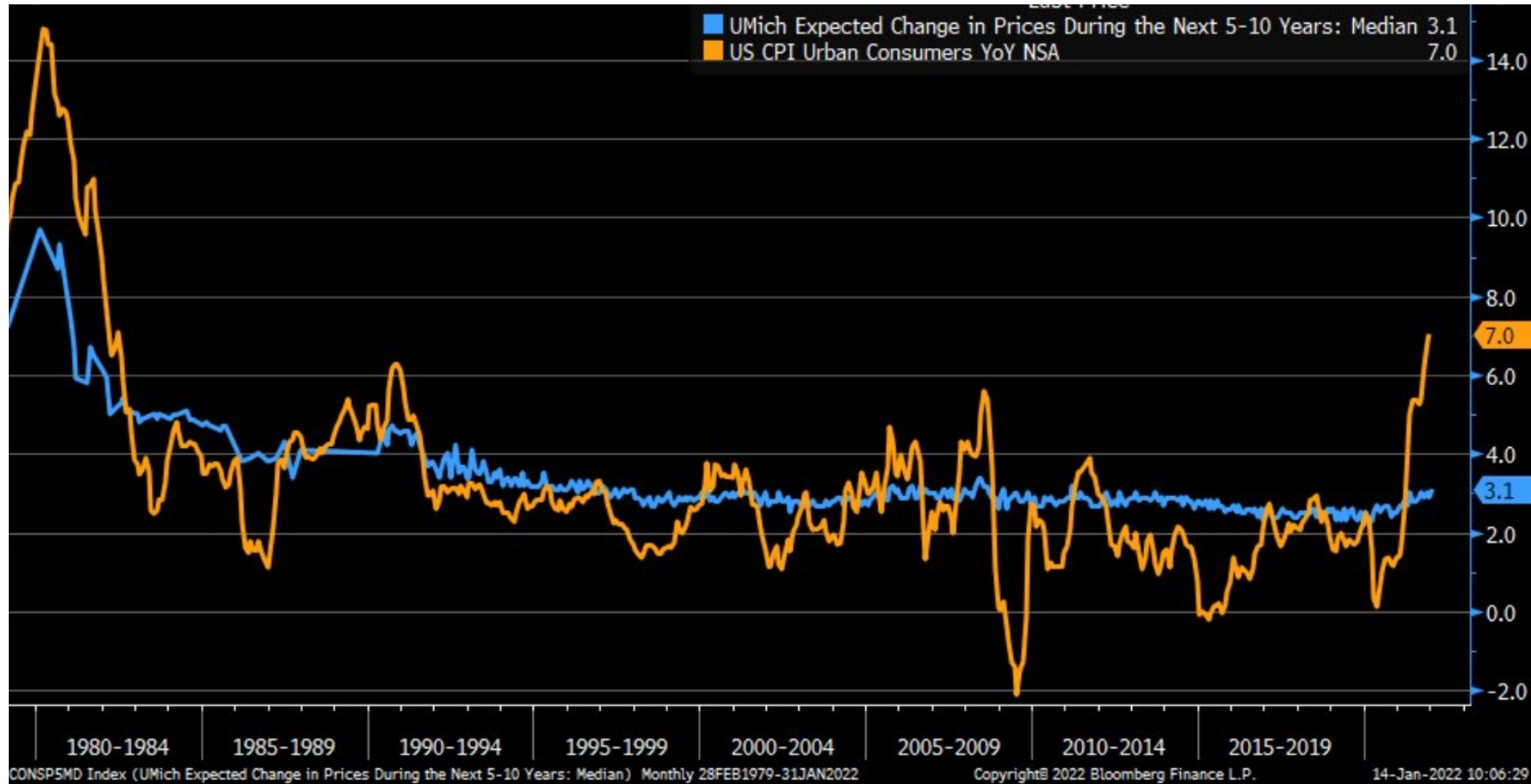


**U.S. Empire State manufacturing survey (business conditions)  
Inflation crushing margins. Biggest miss ever from estimate.**

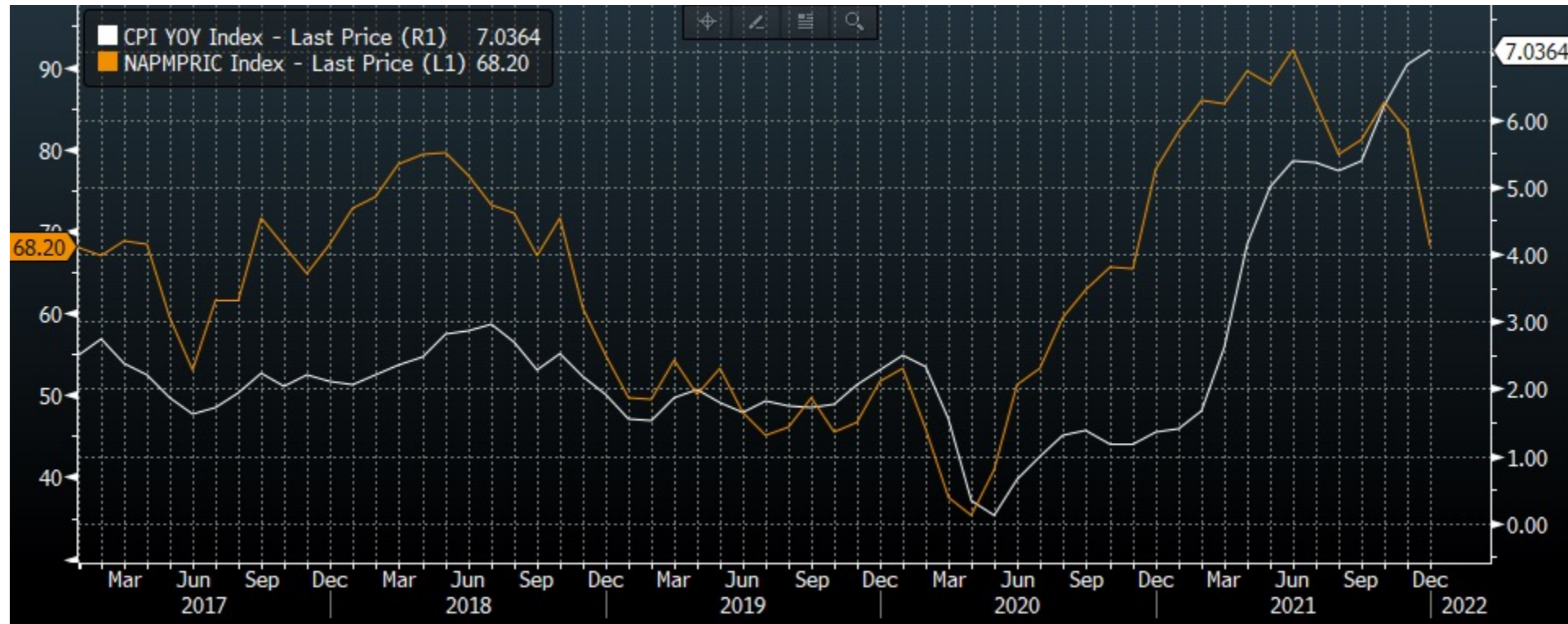


# CPI versus consumer inflation expectations

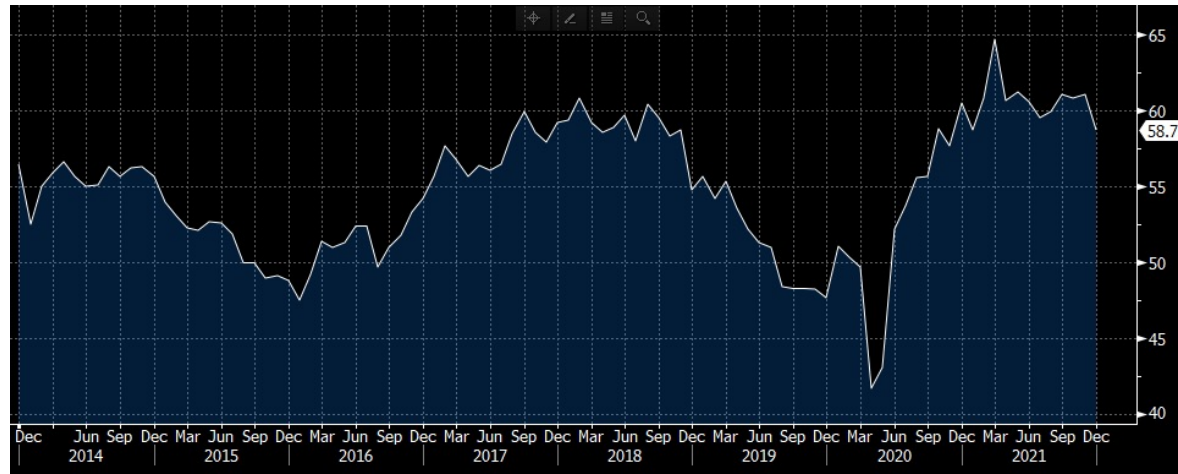
**CPI highest since 1982, core CPI highest since 1991**  
**Yet consumer inflation expectations remain subdued**



# ISM prices paid versus CPI



**Weaker headline data .....**



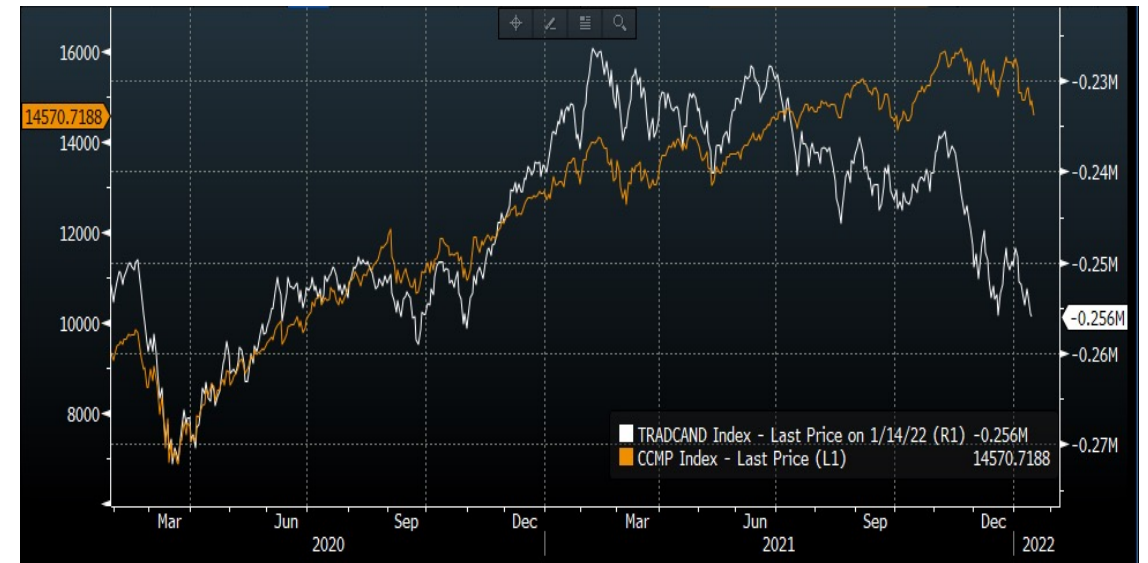
Source: Bureau of labour statistics, Bloomberg

**.... Significantly weaker prices paid index.**



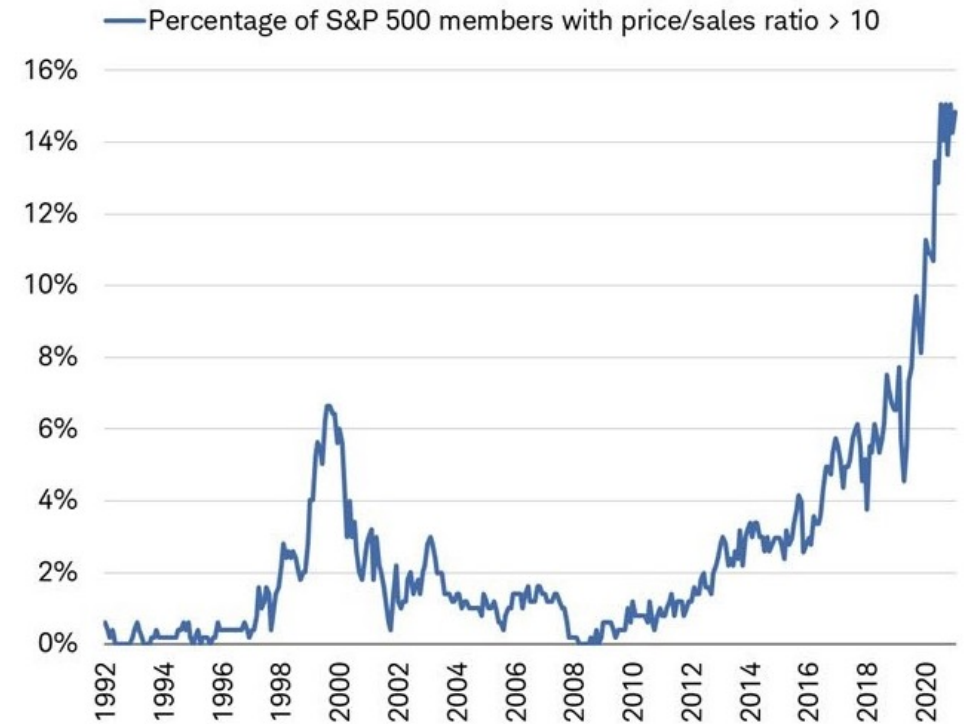
# Continued deterioration in NASDAQ

Nasdaq.... Breaking trendline and horizontal support (stops triggered) Weak advance-decline line



Source: Bloomberg

# S&P Key trend line support broken .... the KEY support level is 4500



Source: Charles Schwab, Bloomberg, as of 12/31/2021.

Source: Bloomberg, Charles Schwab

# Russell 2000 (IWM) .... THE critical support 2127

**HUGE stop loss levels below 2127**



Source: Bloomberg





# Equity inflows in 2021 exceeded combined inflow of past 19 years combined

**Chart 6: Inflow to equities exceeds combined inflow of past 19 years**

Rolling 12m flows to equities (\$bn)

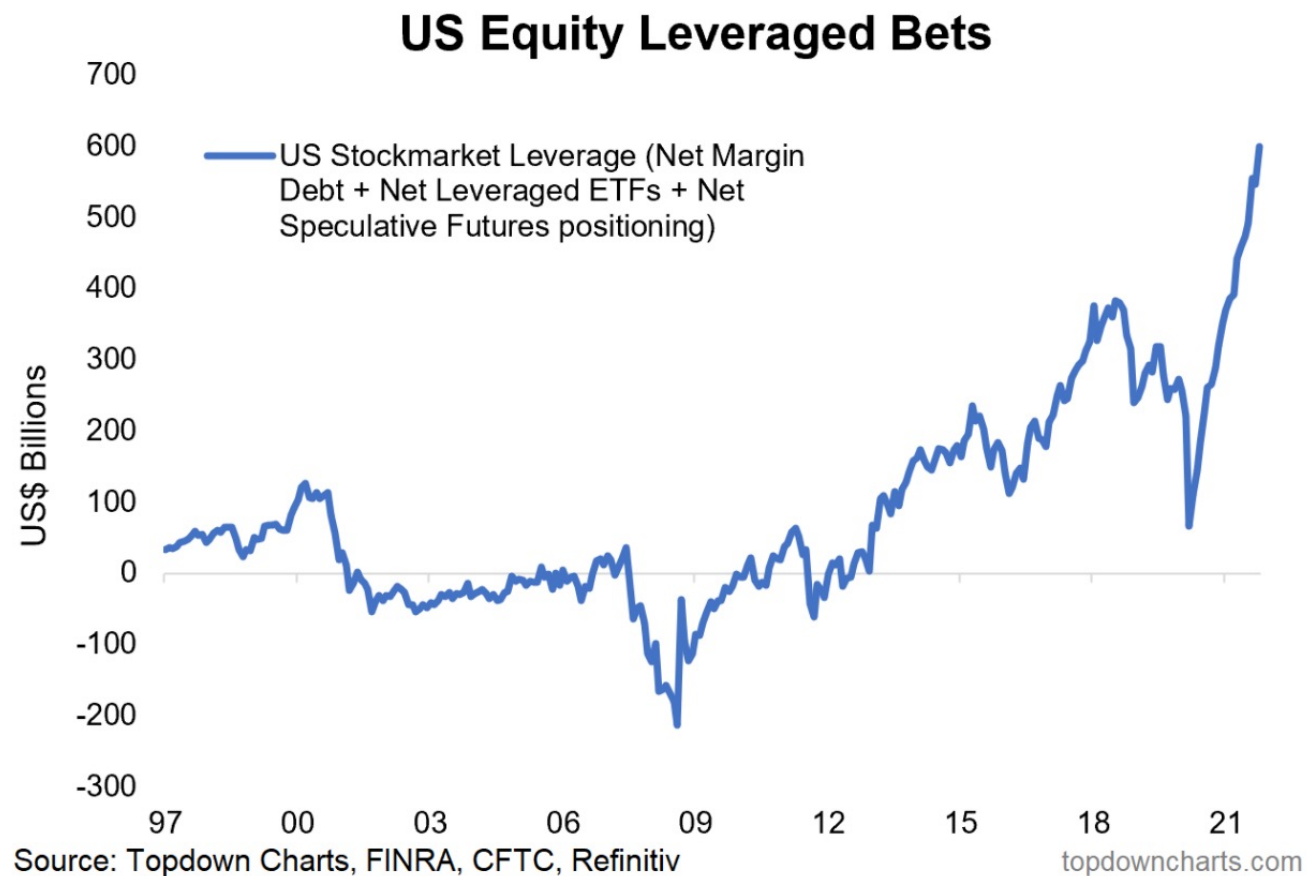


Source: BofA Global Investment Strategy, EPFR

Source: BofA Research

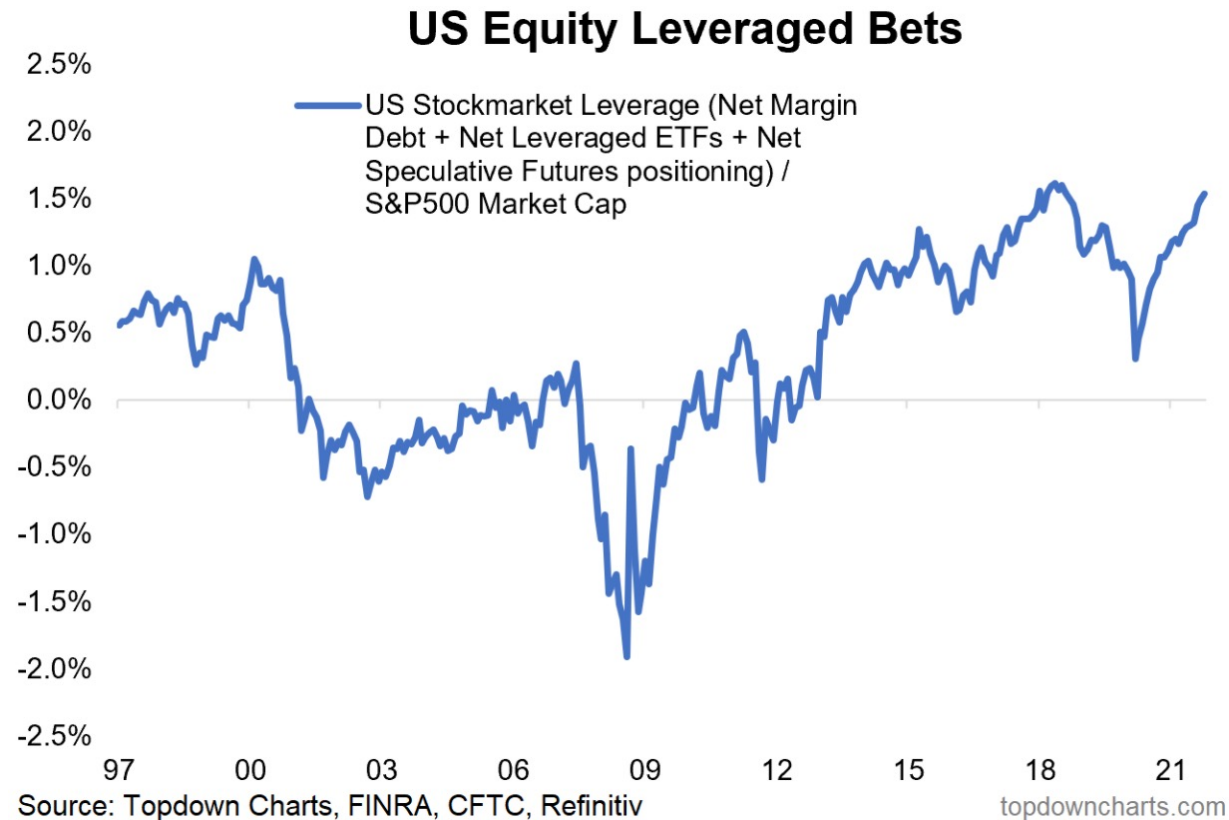
BofA GLOBAL RESEARCH

Adding up margin trading debt, leveraged ETF assets, and speculative futures positioning



# Leveraged equity bets - standardised against market cap

Adding up margin trading debt, leveraged ETF assets, and speculative futures positioning

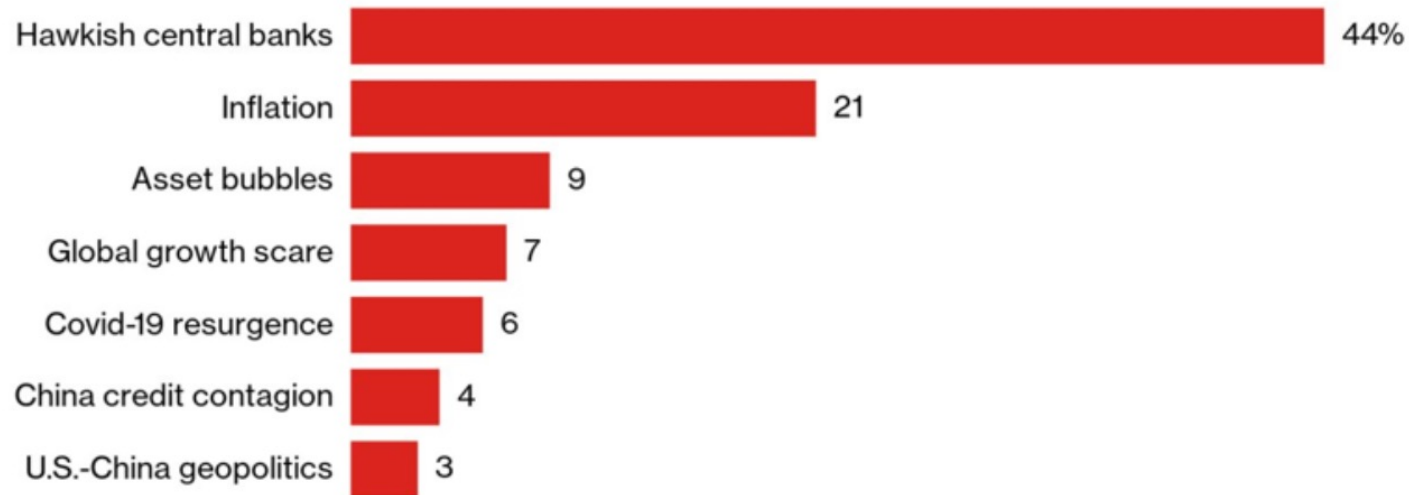


## Hawkish central banks, not inflation or growth scare.

### Fear of Hawks

Fund managers surveyed by Bank of America see hikes as the biggest risk

■ What do you consider the biggest 'tail risk'?

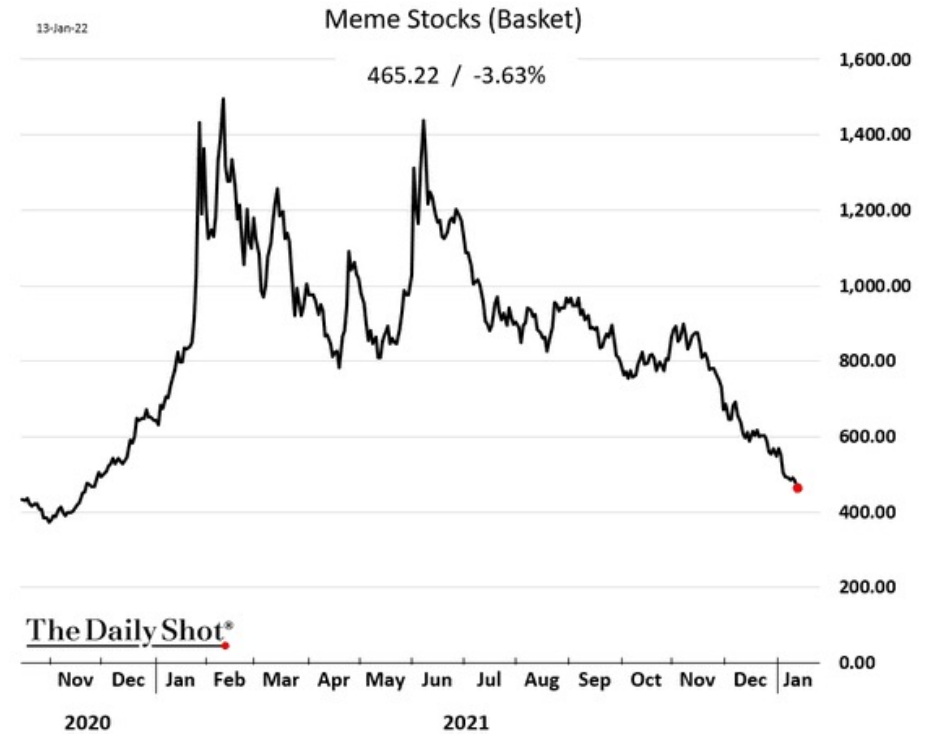


Source: Bank of America Corp. Global Research

Note: Monthly Global Fund Managers Survey carried out between Jan. 7 and Jan. 13, 2022. A total of 329 participants with \$1.1 trillion in assets responded.

**Bloomberg**

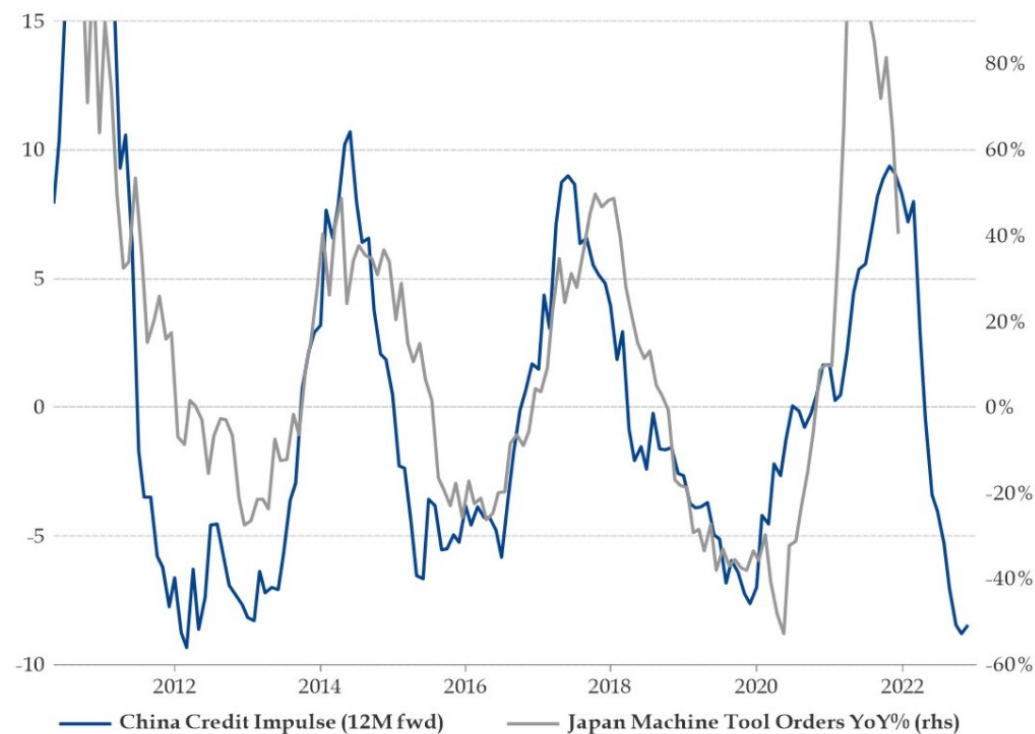
## At what point do bond yields hurt equities?



Source: Bloomberg

## Japanese machine tool orders plunged in December

China Credit Impulse 12-Month Net Change vs. Japan Machine Tool Orders YoY% Change



Source: Refinitiv Datastream, Bloomberg, Stouff Capital

Source: Refinitiv datastream, Bloomberg, Stouff capital

## Has the recovery trade peaked? Delta resurgence, supply chain constraints



Chinese house price growth (M-o-M %, NBS 70-city indices)

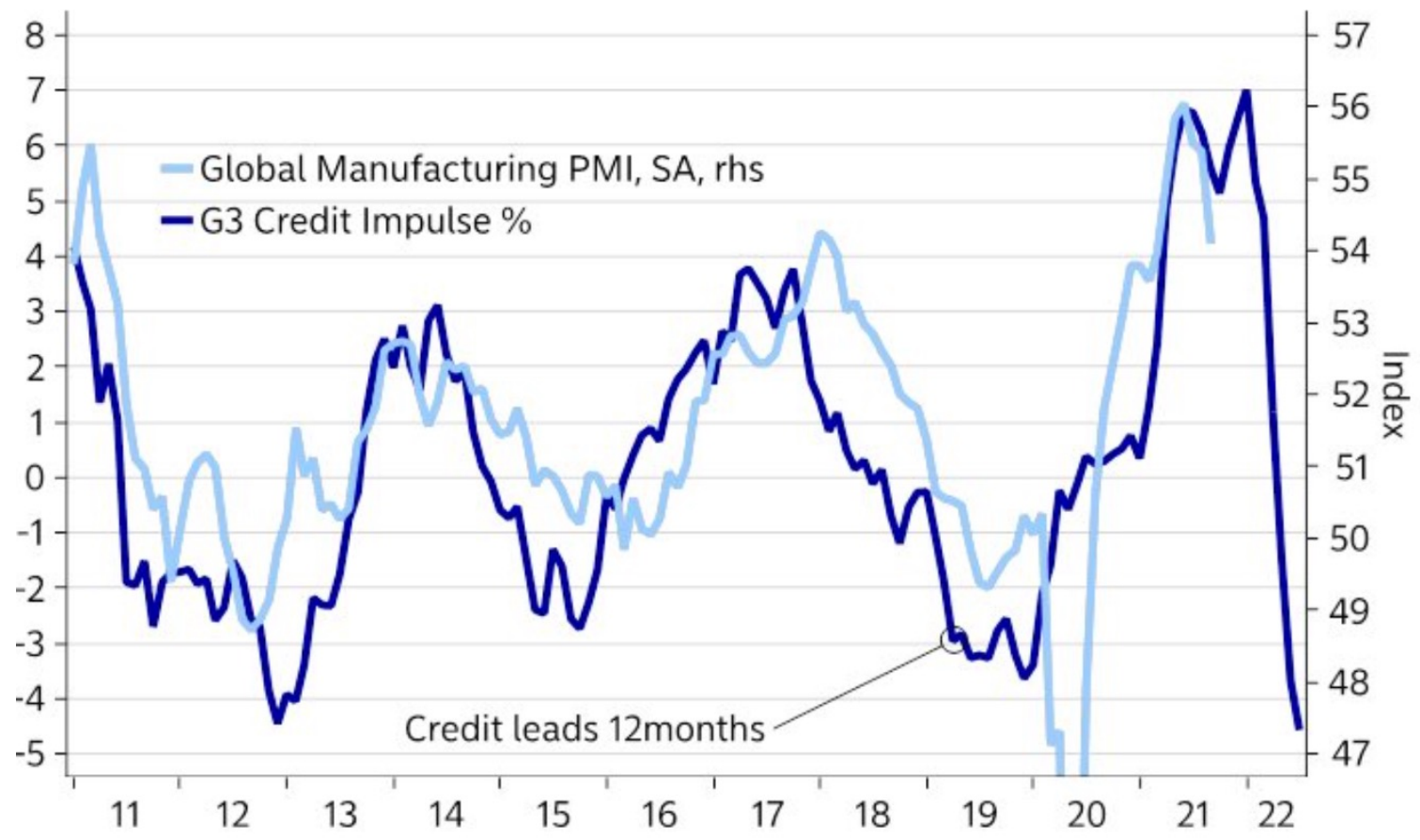


Source: Longview Economics, Macrobond

Sources: Bloomberg, Longview economics, Macrobond

# Deflationary forces – global credit impulse

Measures the impacts of new lending increments or acceleration of credits, to GDP growth.



Source: Macrobond and Nordea

Source: Macrobond and Nordea



**.No HODL! Support 41,000, below there targets 30,000**



Source: Refinitiv datastream, The conference board, NFIB, Stouff Capital

# BUT ..... U.S. 2yr 10yr yield spread hinting inflation IS transitory

So what do the central banks do?



Source: Bloomberg

## ESG fund flows



## China coal production



Sources: Morningstar direct, Bloomberg



**THANK YOU!**

James Brodie



[Jamesbrodie@athenafinancialsolutions.com](mailto:Jamesbrodie@athenafinancialsolutions.com)



[/AthenaCharts](https://www.facebook.com/AthenaCharts)



[@jamesRbrodie](https://twitter.com/jamesRbrodie)