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# Athena Financial Solutions

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

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

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



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- Fed's faster taper (**BUT tapering is NOT tightening**, it is NOT QT)
- Inflation – energy, food prices, broad commodities, supply chain, wage increases .....
- EMG rate increases
- Omicron restrictions
- Geopolitical tension
- China – high yield debt, house prices , RRR cut
- Leverage and volatility.....

# Inflow to equities exceeds 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

# But broad market breadth is weak

Nasdaq.... But only 25.75% components were above 200 dma on 6<sup>th</sup> December



Weak internals

% Below All-Time Closing High (as of 11/19/21)		
Company	Ticker	% Below High
Nasdaq 100	QQQ	0.0%
PayPal	PYPL	-37.3%
Twitter	TWTR	-37.7%
Snap	SNAP	-38.3%
Chewy	CHWY	-38.6%
Lyft	LYFT	-39.3%
Palantir Technologies	PLTR	-45.1%
DraftKings	DKNG	-49.8%
Pinterest	PINS	-49.8%
Roku	ROKU	-51.2%
Wix.com	WIX	-52.0%
PagsSeguro	PAGS	-52.0%
Bumble	BMBL	-53.9%
Redfin	RDFN	-54.3%
Baidu	BIDU	-55.4%
Alibaba	BABA	-55.8%
Zoom	ZM	-55.8%
Robinhood Markets	HOOD	-58.8%
Teladoc Health	TDOC	-60.3%
CRISPR Therapeutics	CRSP	-60.8%
Penn National Gaming	PENN	-61.6%
Beyond Meat	BYND	-67.0%
Virgin Galactic	SPCE	-71.0%
Lemonade	LMND	-71.2%
Peloton Interactive	PTON	-71.8%
Zillow	Z	-71.9%
Stitch Fix	SFIX	-73.1%
Clover Health	CLOV	-74.0%
Tencent Music	TME	-76.0%
Chegg	CHGG	-76.6%
C3.ai	AI	-77.5%
StoneCo	STNE	-79.7%
SmileDirectClub	SDC	-81.4%
Nikola	NKLA	-85.1%

COMPOUND @CharlieBilello

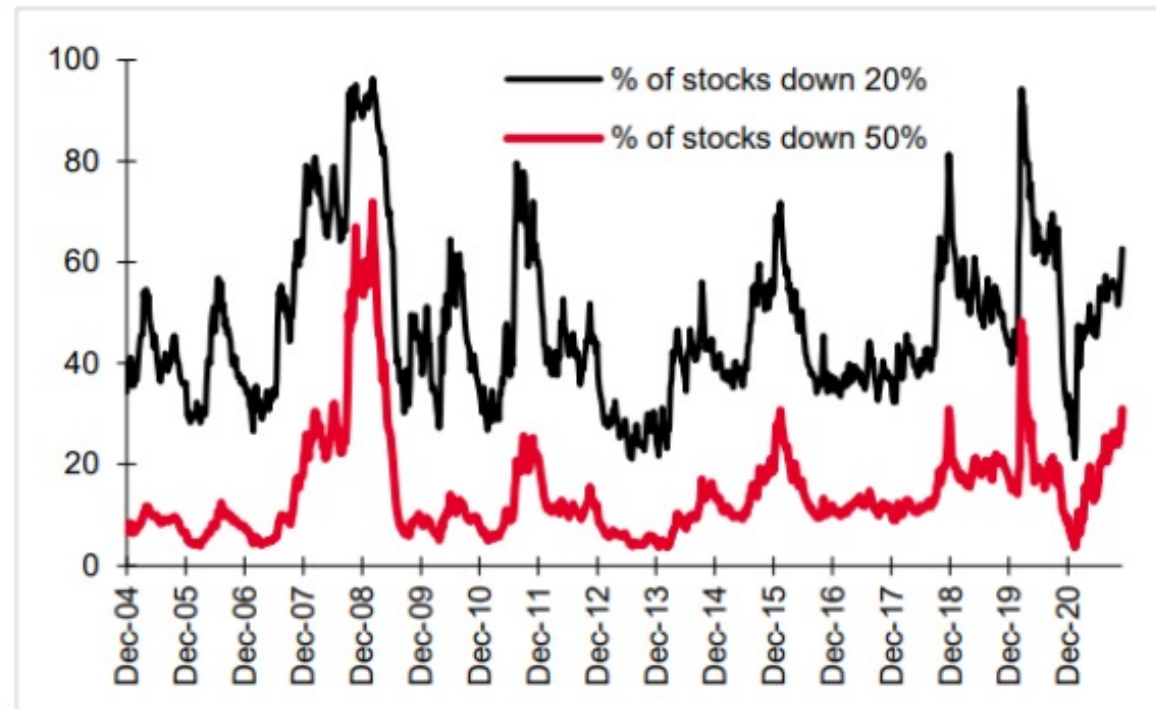
Source: Bloomberg & Charlie Bilello

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Nearly 1/3 of the stocks in the Nasdaq comp are down 50% from their 200 day highs – SocGen

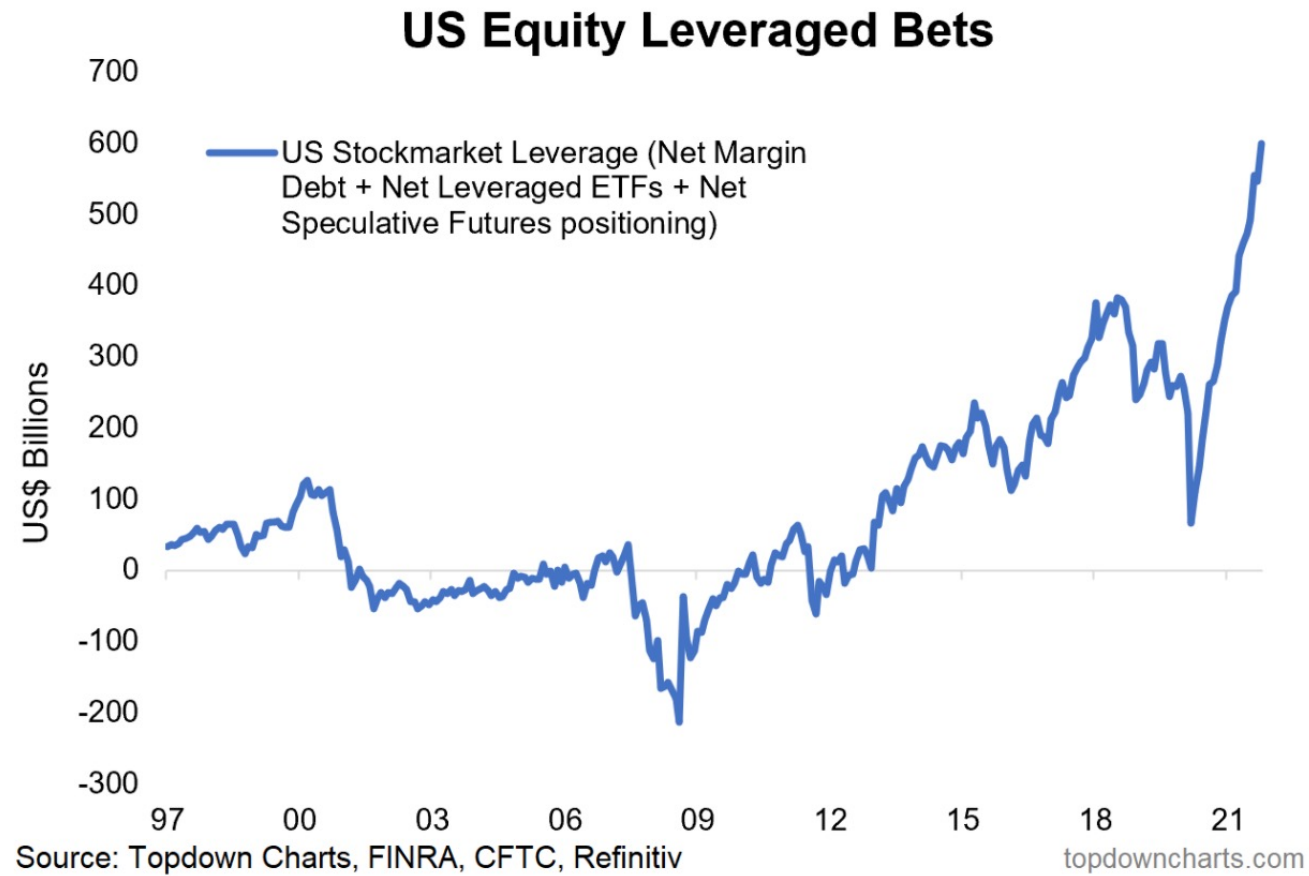
Percentage of **stocks** in the Nasdaq Composite down 50% & 20% from their 200-day high



Source: SocGen

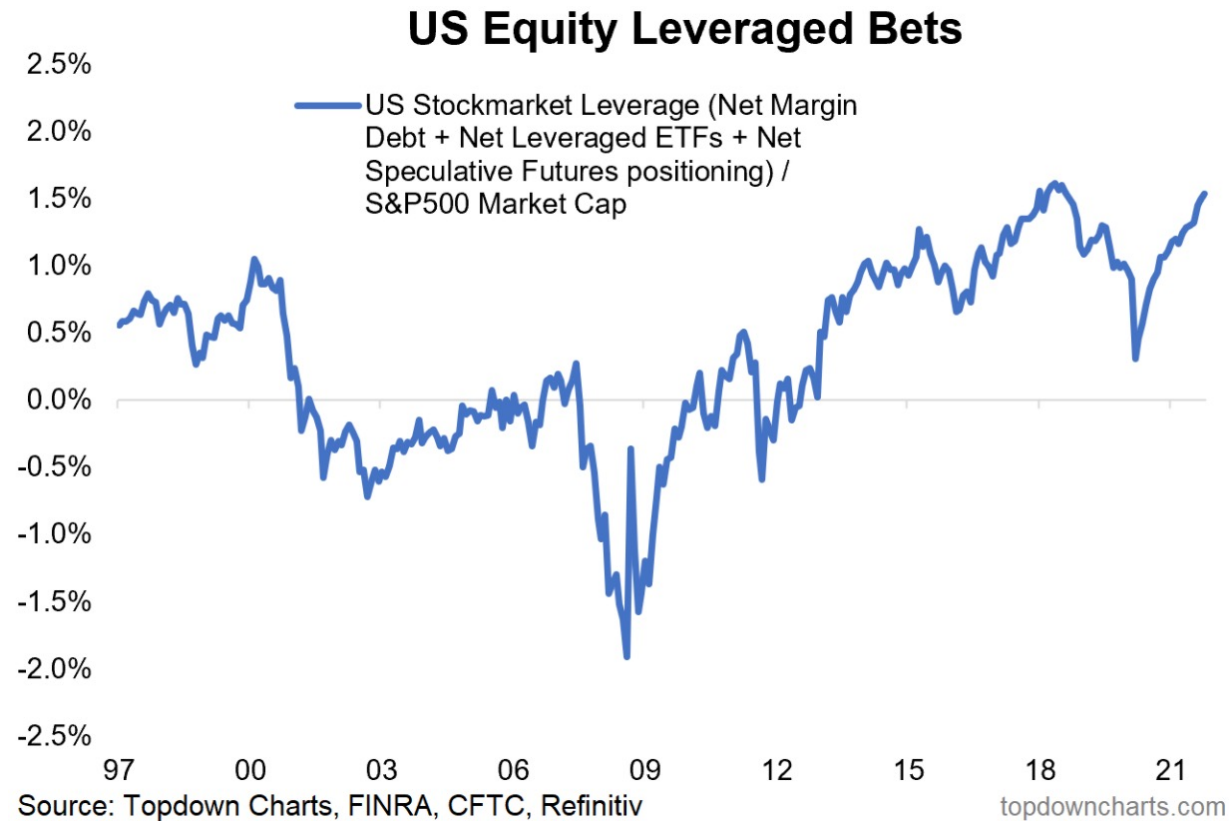


Adding up margin trading debt, leveraged ETF assets, and speculative futures positioning

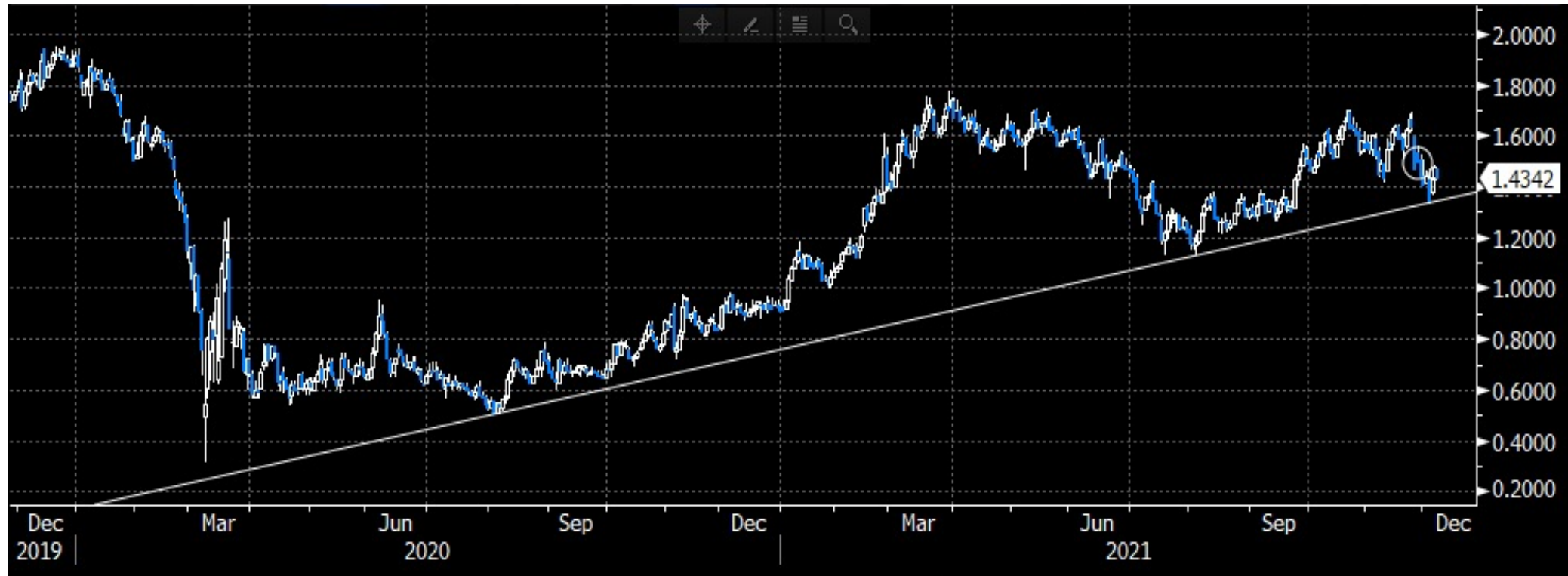


# Leveraged equity bets - standardised against market cap

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



U.S. TREASURY 10-YEAR NOTE FUTURES' NET SHORT POSITIONING HITS LARGEST SINCE FEBRUARY 2020 –CFTC (Nov 29<sup>th</sup>)

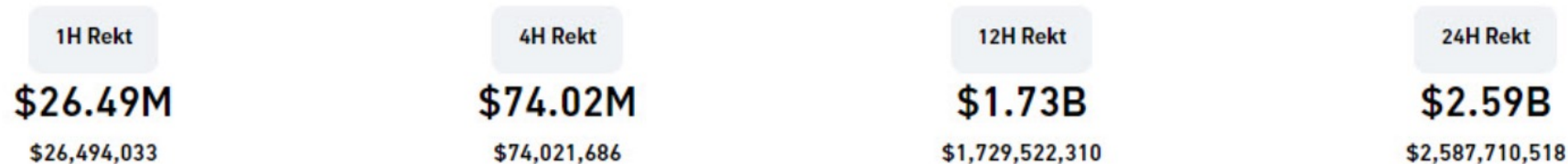


Source: CFTC, Bloomberg

Dec 4<sup>th</sup>

410,000 crypto accounts liquidated in 24 hours (total \$2.6 billion) (Source: zerohedge, Bitfinex)

## Total Liquidations



In the past 24 hours , **410,720** traders were liquidated.  
The largest single liquidation order happened on **Bitfinex - tADAF0:USTF0** value **\$27.74M**

Source: Bureau of labour statistics

# Inflation is rising?

- US CPI at 6.2% highest since 1982
  - Spain producer prices index hit 31.9% in November
  - Broad money supply increased 40% in 18 months
  - Atlanta FED GDP showing real Q4 GDP accelerating to over 9%
- ..... **Yet FED rates are still ZERO, & balance sheet is still growing!**



Source data and chart: Bloomberg US CPI

# Or is it 'transitory'

- Inflation in energy prices, food and asset prices.
- Continued supply chain bottle necks and shortages
- **But** many commodity prices are starting to ease
  - Global growth slowing
  - Global ISM data slowing
  - G3 credit impulse slowing
  - Chinese property sector slowing
- UK retail inflation falling consistently for 2 years (UBS).....

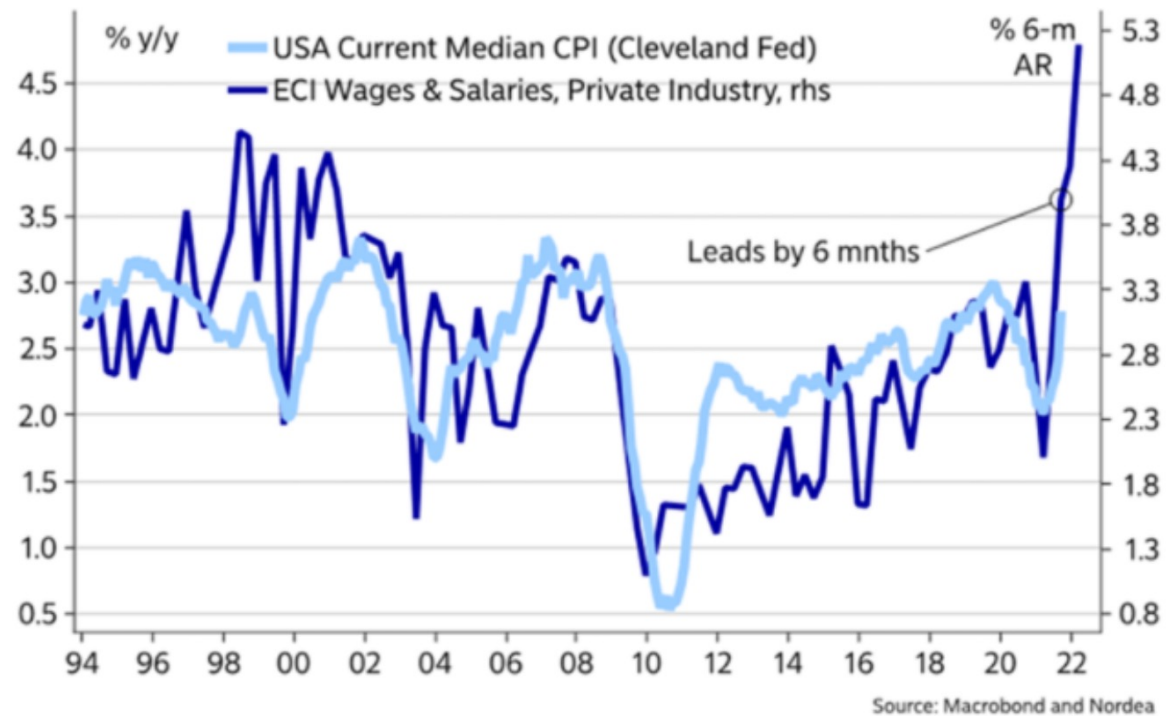


Source data and chart: Bloomberg, Zhengzhou thermal coal prices

# Will rising wages drag CPI higher?

## Finding labour is a real problem in U.S.

Unit labor costs are advancing at the fastest pace since the early 1980s...Over the last eight quarters, the quarterly annualized growth rate of non-farm unit labor costs is 5.2%, the fastest eight-quarter average annualized rate since Q1 1983. (Source: Bloomberg, MKM's Michael Darda)



Source: Macrobond and Nordea

Source: Macrobond and Nordea



# Are inflation expectations driving CPI higher?

Correlations are hard to discount.



Source: Macrobond and Nordea

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# ISM prices paid as a lead indicator

Will producers be able to pass on the rising price inputs?



Source: Bloomberg

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## European natural gas prices 1 month forward



Source: Bloomberg

# United Nations World food price index – getting closer to record high

Higher food prices are positively correlated to social unrest



Source: Bloomberg

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- Supply chain bottlenecks, lockdowns & electricity shortages
- Energy prices
- Food prices (& fertilizer)
- UK inflation expectations hit highest level in 25 years (UK office for national statistics)
- UK supply delivery times, 2<sup>nd</sup> worst on record (HIS market, CIPS)
- CAPEX for commodity producers declining 34% YoY (Bloomberg)
- 4% Americans have quit their jobs thanks to crypto gains (civicscience.com) but they are generally the lowest income brackets



- Shipping and commodity price spikes are mean reverting
- Global growth ISM and credit impulse slowing
- China September house sales fell 36.3% (value, YoY, China National Bureau of Statistics)
- China junk yields at all time high
- UK retail deflation (for over 2 years) (Paul Donovan, UBS)
- US Housing ?? Zillow looks to sell 7,000 homes for \$2.8 bio following algo failure (Bloomberg)

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



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



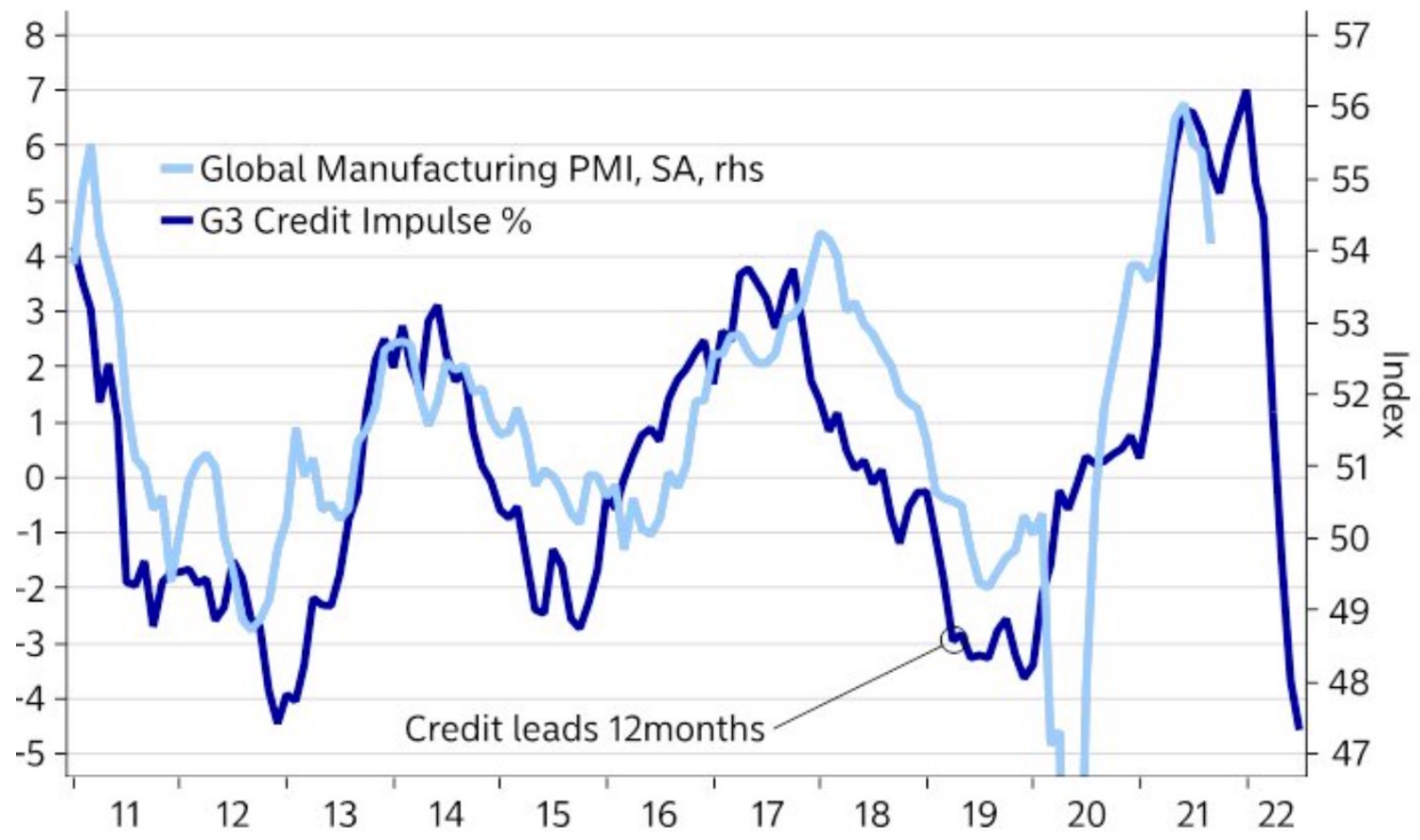
Source: Longview Economics, Macrobond

Sources: Bloomberg, Longview economics, Macrobond



# Deflationary forces – global credit impulse

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

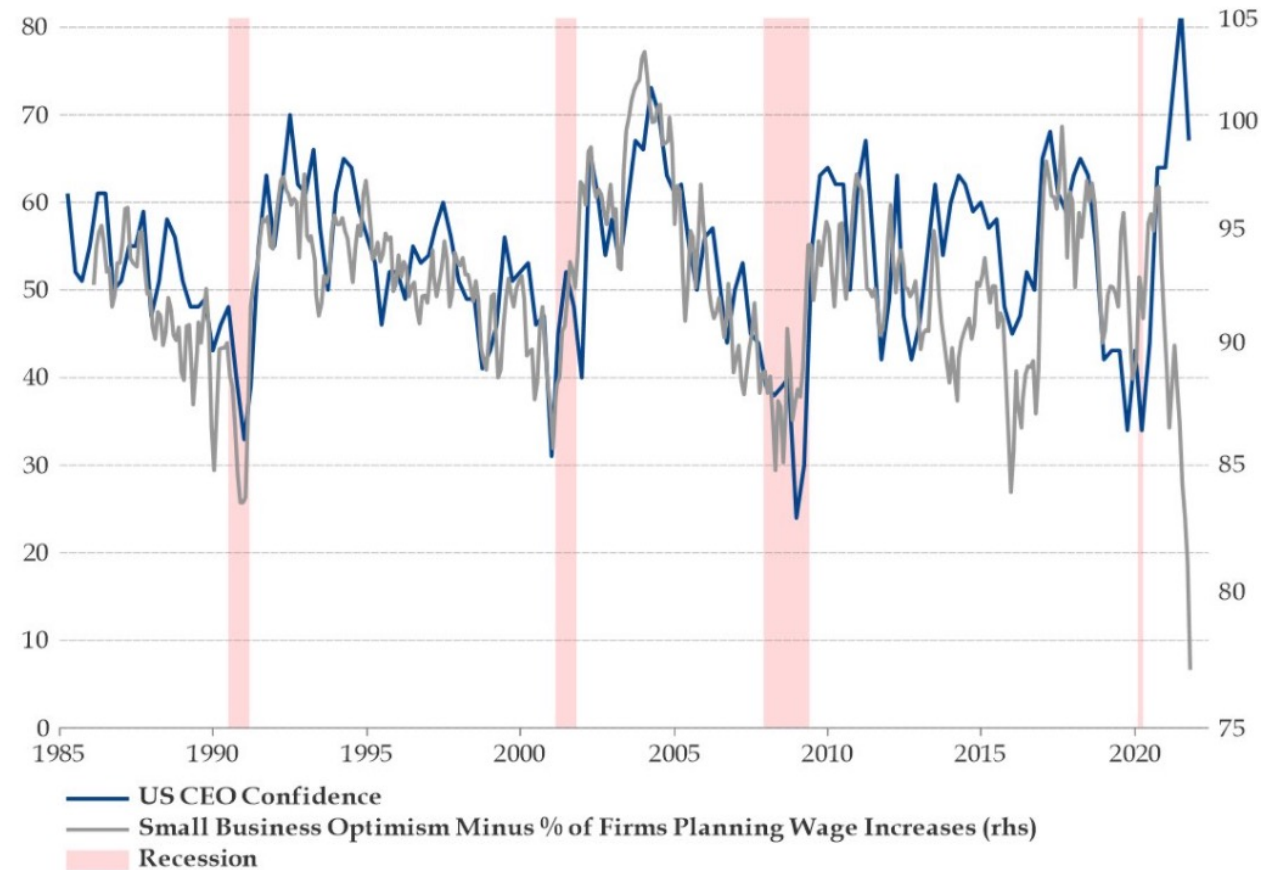


Source: Macrobond and Nordea

Source: Macrobond and Nordea

# Margin pressures are building

US CEO Confidence vs. Small Business Optimism Minus % of Firms Planning Wage Increases



Source: Refinitiv Datastream, The Conference Board, NFIB, Stouff Capital

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# Perhaps the most concerning data released in November

## U.S. Q3 productivity plunged

- Productivity down -5.0%
- Unit labour costs up +8.3%     both heading in the wrong direction

Source: Bureau of labour statistics

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

Sharp repricing of front end curves – here U.S. 2 IRS. (Fed chair Powell discussing possibility of 3 hikes in 2022)



Source: Bloomberg

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

So what do the central banks do?



Source: Bloomberg

# Russell 2000 (IWM) false breakout..... where next?

At what point do bond yields hurt equities?



Source: Bloomberg



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  - Commodities trading
  - Options
  - Quantitative trading



**40% discount (OX40)**

CHAPTER 1	CHAPTER 1	CHAPTER 1
<b>Introduction to fundamental analysis, technical analysis and behavioural finance</b> <small>The first chapter introduces fundamental analysis, technical analysis, behavioral finance and risk management. These are discussed with reference to current market structure, trends, themes and risks, immediately highlighting trading strategies and risk management techniques. Duration 90 Minutes</small>	<b>Dow theory, intermediate trends and chart construction</b> <small>This tutorial looks at some key technical analysis concepts such as Dow Theory, trend lines and different chart types. Python back testing is used to support key concepts and Bloomberg charts are used to highlighting trend lines and candlestick price action. Duration 50 Minutes</small>	<b>Building a trading process</b> <small>This tutorial introduces the importance of building a disciplined process using the tools and concepts covered on the course. Correlations between markets are also discussed and the first of many trading rules focusing on disciplined risk management. Duration 80 Minutes</small>
<b>CHAPTER 2</b> <b>Technical analysis concepts and trading strategies</b> <small>Chapter 2 continues to build on technical analysis concepts, trading strategies and risk management with a focus on Elliot wave theory, volume &amp; open interest, Fibonacci analysis, volatility (Average True Range) and market psychology. Duration 60 Minutes</small>	<b>CHAPTER 2</b> <b>Reversal patterns and trading strategies</b> <small>This tutorial looks at trend reversals from the perspectives of price action, market psychology and also trading strategies. Duration 32 Minutes</small>	<b>CHAPTER 2</b> <b>Continuation patterns and trading strategies</b> <small>This tutorial looks at trend continuation patterns. Again, the focus is not so much on pattern recognition but the market psychology behind the price action, and above all identifying powerful risk/reward trading strategies. Duration 56 Minutes</small>
<b>CHAPTER 3</b> <b>Identifying trends, moving averages and trend following strategies</b>	<b>CHAPTER 3</b> <b>Trend following strategies</b> <small>In this tutorial we build and back test a trend following trading strategy in Python to highlight both its</small>	<b>CHAPTER 4</b> <b>Oscillators, Bollinger bands and mean reverting strategies</b> <small>In this tutorial look we discuss oscillators, Bollinger</small>





**THANK YOU!**

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