

Markets need guidance

It was an understandably tentative start to a trading week scheduled with over 800 earnings, a deluge of macro releases, and an FOMC rate decision.

The Euro continued to shine in passive forex markets; with the Euro briefly trading above 1.21 and 0.87 versus the US Dollar and Sterling respectively on Monday.

Commodity prices were also in focus on Monday; with copper posting 10-year highs, before repeating the feat again on Thursday. Rising commodity prices, (copper, oil, lumber) indicate rising inflation. However, the Federal Reserve is among the many seeing current inflation levels as “transitory”, given the reopening of global economies.

Monday’s spike in commodity prices also boosted sentiment for commodity dependant currencies, such as the CAD, AUD and NZD. Despite all seeing positive moves to start the week, the Canadian dollar was the only currency that could sustain the bullish tone over the week.

Monday also saw Tesla confirm their first full year of net income. However, the electric car producer hinted at increased competition as a possible headwind. The \$1.6 billion in revenue generated by selling regulatory credits was particularly noteworthy as this is more than the manufacturer generates through the sale of cars, and was essential to avoiding a net loss.

The regulatory credit business will not last forever, so Tesla will need to either start selling more cars or look to other revenue generators. This could have been a motivating factor in Elon Musk’s decision to turn his (or Tesla’s) hand to crypto investing. Tesla’s declaration of profits of over \$100 million having sold 10% of its Bitcoin holding during Q1 is sure to please shareholders. However, it will inevitably lead to increased regulatory scrutiny as the addition of such a volatile asset to balance sheets with limited reporting and regulation will be a growing concern.

Four of the big five that make up the FAANG index were among the mass of earnings this week. Accounting for over 35% of the S&P by market cap, Facebook, Apple, Amazon and Google were due to report. The trader caution was therefore understandable ahead of such huge updates.

All four reported excellent or at least better than expected numbers; with Apple continuing to outperform already lofty expectations.

Apple reported blowout numbers (AGAIN) on Wednesday; with profits smashing analysts’ expectations as companywide sales grew 54% YoY. Revenue was up 53.7% (\$89.5 billion versus \$77.3 billion expected), with Earnings Per Share (EPS) at \$1.40 versus \$0.99 expected. The tech giant also wooed stockholders by upping their dividend by 7% to \$0.22 per share. And there was confirmation of a \$90 billion share buyback: smashing last year’s \$50 billion and 2019’s \$75 billion.

Expectations for Wednesday’s FOMC rate decision were correct, as the benchmark rate remained unchanged. Instead, traders were keen to focus on the press conference; hoping to weed out any hint of a change to current monetary policy. However, change was not forthcoming, with FED chair Powell remaining unmoved by current ‘transitory’ inflation levels. The firm stance was taken as a signal for equity markets to take aim all-time highs once again; whilst the dollar drifted lower as bond yields steadied.

The dollar drift has been evident across a basket of major pairs, with the exception being JPY, which continues to show very little resistance given its low-yield status.

A tough week for the US dollar eased on Friday; with upbeat data reports including personal income, spending, and manufacturing. Such positive data will increase the pressure on tapering, even though the FED had discounted the possibility only days earlier. The FED would likely point to their stimulus measures, including \$1400 stimulus checks to almost every American, as being a key contributor to current data.

Either way, Friday’s positive dollar move led some dollar shorts to bank profits; in turn driving the dollar even higher.

So, let’s have a look at this week’s price action.

» USD/CAD

The loonie continues to dominate its US counterpart; with this week's show of strength coinciding with a spike in commodity prices such as copper, oil, and lumber. The Canadian dollar has been in full assault mode versus the US dollar since March 2020, (coinciding with the introduction of the first national lockdowns), when it was trading at 1.46 against the greenback. This week's close of 1.2278 was over 16% lower than March 2020 highs - such has been the dominance of the Canadian dollar.

We see near term support at 1.2240 (dating back to Dec 2017), and then 1.2120. Should US dollar bulls attempt a fight back they will find resistance at 1.2355 and 1.2465.



» USD/JPY

By comparison, the US dollar has fared much better against the Yen, one of the lowest yielding majors. The pair resumed upward pressures following a brief period of short-term dollar weakness, as it returned to the upper-trending channel formed in January and February of this year.

With little indication the FED of BoJ are likely to change policy anytime soon. This trend is expected to play out as our friend; with dollar bulls expected to win the lacklustre fight, pushing gradually higher.

Bulls should expect resistance at 109.86 and 110.80; with support at 108.53, as well as the lower trend line of our upper trending channel.



» GBP/USD

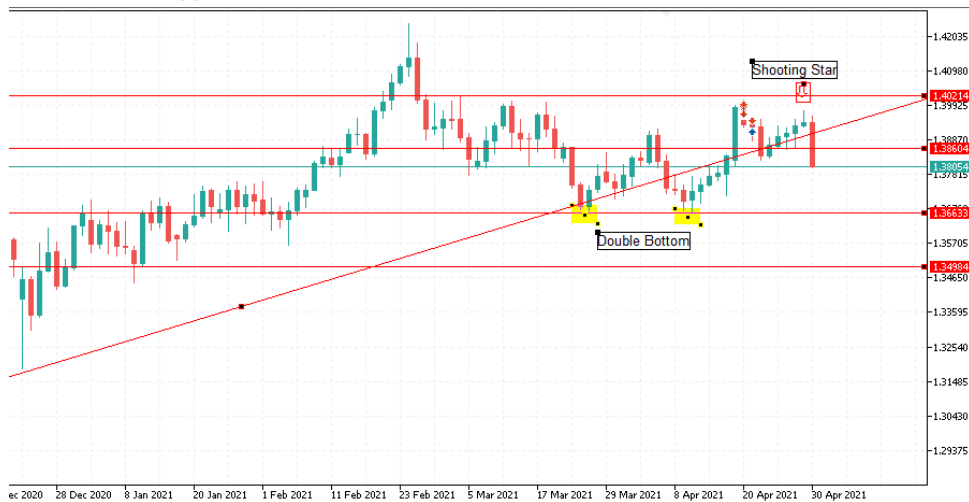
Data driven dollar strength on Friday helped to force the greenback to a positive finish on the week against the British Pound. What had been a bull-dominated week quickly turned negative for Sterling on Friday, as it gave up over 1% following positive US data.

We have a significant double bottom that should give buyers some short-term confidence; whilst the formation of a shooting star on Thursday perhaps hinted at an imminent reversal. Also coming into play

is the trend line, which once broken on Friday gave way emphatically.

With so much in play (trend channel, double bottom, shooting star) it will be interesting to see where we go from here.

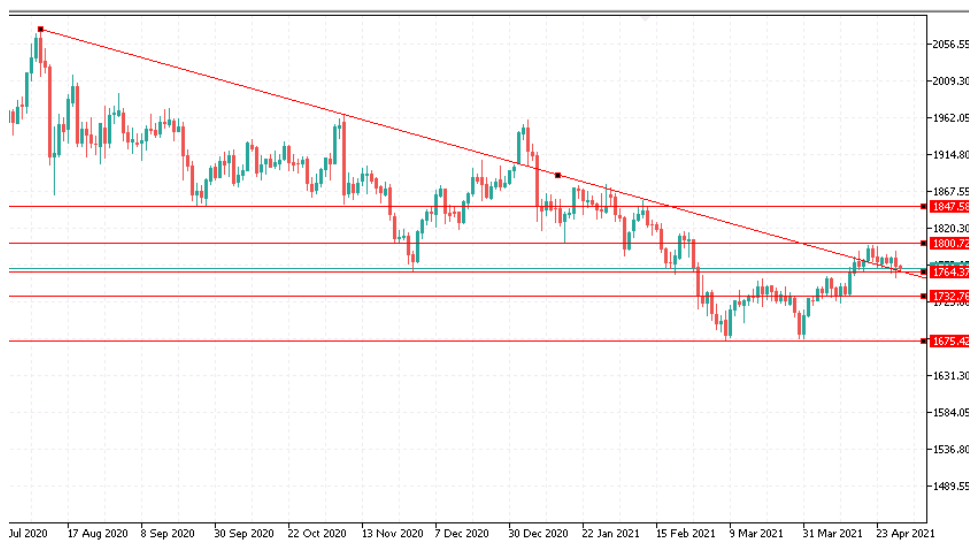
We see current support at 1.3663 (double bottom) and 1.3500; with resistance at 1.3860 and 1.4020.



» GOLD

The precious metal continues to battle with the psychological level of \$1800, following a sustained move above \$1760; the neckline of the double bottom mentioned in several of our updates. A relatively quiet week saw Gold close just above the cross-hair of the neckline and trendline of \$1768.

We see near term support at \$1764, \$1732 and further out the double bottom of \$1765. On the upside a close above \$1800 should pave the way for a move toward \$1847.



» S&P 500

Thursday saw new all-time highs for the S&P 500, following a slew of tech giant updates. However, the rally quickly reversed on Friday, following positive US data release, which traders fear may force the FED to adjust their monetary policy sooner.

From a technical analysis perspective, it was also interesting to see Friday's session form a bearish engulfing pattern at the top of the market. A break of Friday's low (4174) could see a small period of profit taking or consolidation for US indices; with a move back to 4130 likely before traders consider another shot at all-time highs.

Finally, the weekend's regulatory filing from Berkshire Hathaway confirmed they were net sellers of stocks during Q1. Does the Sage of Omaha feel valuations have finally reached excessive levels and we

are nearing a top in global equity markets?

Although we can't be sure, it is interesting to note that the investment guru may be having doubts as global indices trade at or very close to all-time highs.

» Next week

Looking ahead to next week, we have several key macro releases due with US manufacturing data on Monday; followed by employment data from New Zealand and a rate decision from Australia on Tuesday. There will then be a rate decision from the Bank of England on Thursday and release of Mexican inflation data on Friday. We are expecting the week to close with the release employment data from Canada; before the most eagerly anticipated release of the macro-month, US non-farm payrolls.

Earnings season continues next week, with key updates from Transocean on Monday; followed by Pfizer, Activision Blizzard and Under Armour on Tuesday. Wednesday will see Uber, Paypal and General Motors providing their updates; with those of AMC Entertainment, Moderna and Beyond Meat coming on Thursday. Nikola and DraftKings are expected to give their updates before the close of play on Friday.

We foresee another busy week in financial markets and anticipate ample trading opportunities as the week progresses.

» Economic calendar watch

The Capital Markets Elite Group feel the following data releases should be on your radar this week:

3 May 2021 (AST)	Country	Release	Importance
00:00	Indonesia	Inflation Rate YoY (APR)	MEDIUM
01:00	India	Markit Manufacturing PMI (APR)	MEDIUM
02:00	Germany	Retail Sales YoY (MAR)	MEDIUM
03:15	Spain	Markit Manufacturing PMI (APR)	MEDIUM
03:30	Switzerland	procure.ch Manufacturing PMI (APR)	MEDIUM
03:45	Italy	IHS Markit Manufacturing PMI (APR)	MEDIUM
03:55	Germany	Markit Manufacturing PMI Final (APR)	MEDIUM
04:00	Euro Area	Markit Manufacturing PMI Final (APR)	MEDIUM
04:30	H.K.	GDP Growth Rate QoQ Adv (Q1)	MEDIUM
04:30	H.K.	GDP Growth Rate YoY Adv (Q1)	MEDIUM
07:00	Mexico	Business Confidence (APR)	MEDIUM
07:30	Brazil	BCB Focus Market Readout	MEDIUM
08:20	India	Balance of Trade Prel (APR)	MEDIUM
09:30	Canada	Markit Manufacturing PMI (APR)	MEDIUM
09:45	US	Markit Manufacturing PMI Final (APR)	HIGH
10:00	US	ISM Manufacturing PMI (APR)	HIGH
10:00	US	Construction Spending MoM (MAR)	MEDIUM
10:30	Mexico	Markit Manufacturing PMI (APR)	MEDIUM

14:00	Brazil	Balance of Trade (APR)	MEDIUM
19:00	S. Korea	Inflation Rate YoY (APR)	MEDIUM
21:30	Australia	Balance of Trade (MAR)	MEDIUM
21:30	Australia	Home Loans MoM (MAR)	MEDIUM
21:30	Australia	Investment Lending for Homes (MAR)	MEDIUM
4 May 2021 (AST)	Country	Release	Importance
00:30	Australia	RBA Interest Rate Decision	HIGH
02:00	Russia	Markit Manufacturing PMI (APR)	MEDIUM
03:00	Switzerland	Consumer Confidence (Q2)	MEDIUM
04:30	UK	Markit/CIPS Manufacturing PMI Final (APR)	MEDIUM
04:30	UK	Mortgage Approvals (MAR)	MEDIUM
04:30	UK	Mortgage Lending (MAR)	MEDIUM
05:00	S. Africa	ABSA Manufacturing PMI (APR)	MEDIUM
08:00	Russia	Monetary Policy Report	MEDIUM
08:30	Canada	Balance of Trade (MAR)	HIGH
08:30	Canada	Building Permits MoM (MAR)	MEDIUM
08:30	US	Balance of Trade (MAR)	MEDIUM
10:00	US	Factory Orders MoM (MAR)	MEDIUM
18:45	NZW	Employment Change QoQ (Q1)	HIGH
18:45	NZW	Unemployment Rate (Q1)	HIGH
19:00	Australia	Markit Services PMI Final (APR)	MEDIUM
21:00	Philippines	Inflation Rate YoY (APR)	MEDIUM
21:30	Australia	Building Permits MoM Prel (MAR)	MEDIUM
5 May 2021 (AST)	Country	Release	Importance
00:00	Indonesia	GDP Growth Rate QoQ (Q1)	MEDIUM
00:00	Indonesia	GDP Growth Rate YoY (Q1)	MEDIUM
02:30	Switzerland	Inflation Rate YoY (APR)	MEDIUM
03:00	Spain	Unemployment Change (APR)	MEDIUM
03:15	Spain	Markit Services PMI (APR)	MEDIUM

03:45	Italy	IHS Markit Services PMI (APR)	MEDIUM
03:55	Germany	Markit Composite PMI Final (APR)	MEDIUM
03:55	Germany	Markit Services PMI Final (APR)	MEDIUM
04:00	Euro Area	Markit Composite PMI Final (APR)	MEDIUM
06:45	Spain	Consumer Confidence (APR)	MEDIUM
07:00	Poland	Interest Rate Decision (MAY)	MEDIUM
07:00	US	MBA Mortgage Applications (30/APR)	MEDIUM
08:00	Brazil	Industrial Production MoM (MAR)	MEDIUM
08:00	Brazil	Industrial Production YoY (MAR)	MEDIUM
08:15	US	ADP Employment Change (APR)	MEDIUM
09:00	Brazil	Markit Services PMI (APR)	MEDIUM
10:00	US	ISM Non-Manufacturing PMI (APR)	MEDIUM
10:30	US	EIA Cushing Crude Oil Stocks Change (30/APR)	MEDIUM
17:00	Brazil	Interest Rate Decision	MEDIUM
18:45	NZW	Building Permits MoM (MAR)	MEDIUM
19:50	Japan	BoJ Monetary Policy Meeting Minutes	MEDIUM
19:50	Japan	Foreign Bond Investment (01/MAY)	MEDIUM
20:00	UK	Local Elections	MEDIUM
21:45	China	Caixin Composite PMI (APR)	MEDIUM
21:45	China	Caixin Services PMI (APR)	MEDIUM
6 May 2021 (AST)	Country	Release	Importance
03:30	Sweden	Monetary Policy Meeting Minutes	MEDIUM
04:00	Norway	Norges Bank Interest Rate Decision	MEDIUM
04:30	UK	Markit/CIPS Composite PMI Final (APR)	MEDIUM
04:30	UK	Markit/CIPS UK Services PMI Final (APR)	MEDIUM
05:00	Euro Area	Retail Sales YoY (MAR)	MEDIUM
07:00	UK	BoE Interest Rate Decision	HIGH
07:00	UK	BoE MPC Vote Cut	MEDIUM
07:00	UK	BoE MPC Vote Hike	MEDIUM

07:00	UK	BoE MPC Vote Unchanged	MEDIUM
07:00	UK	BoE Quantitative Easing	MEDIUM
07:00	UK	MPC Meeting Minutes	MEDIUM
07:00	UK	Monetary Policy Report	MEDIUM
08:30	Czech Rep	CNB Interest Rate Decision	MEDIUM
08:30	US	Continuing Jobless Claims (24/APR)	MEDIUM
08:30	US	Initial Jobless Claims (01/MAY)	MEDIUM
08:30	US	Jobless Claims 4-week Average (MAY/01)	MEDIUM
09:00	Russia	Foreign Exchange Reserves (APR)	MEDIUM
18:30	Australia	Ai Group Services Index (APR)	MEDIUM
21:30	Australia	RBA Statement on Monetary Policy	HIGH
23:00	China	Balance of Trade (APR)	MEDIUM
7 May 2021 (AST)	Country	Release	Importance
01:45	Switzerland	Unemployment Rate (APR)	MEDIUM
02:00	Germany	Balance of Trade (MAR)	MEDIUM
02:00	Germany	Balance of Trade s.a (MAR)	MEDIUM
02:45	France	Balance of Trade (MAR)	MEDIUM
02:45	France	Industrial Production MoM (MAR)	MEDIUM
04:00	Italy	Retail Sales MoM (MAR)	MEDIUM
04:30	UK	Construction PMI (APR)	MEDIUM
07:00	Mexico	Inflation Rate YoY (APR)	HIGH
07:00	Mexico	Consumer Confidence (APR)	MEDIUM
07:00	Mexico	Core Inflation Rate MoM (APR)	MEDIUM
08:00	Brazil	Retail Sales MoM (MAR)	MEDIUM
08:30	Canada	Employment Change (APR)	HIGH
08:30	Canada	Unemployment Rate (APR)	HIGH
08:30	Canada	Average Hourly Wages YoY (APR)	MEDIUM
08:30	Canada	Full Time Employment Chg (APR)	MEDIUM
08:30	US	Non Farm Payrolls (APR)	HIGH

08:30	US	Unemployment Rate (APR)	HIGH
08:30	US	Average Hourly Earnings MoM (APR)	MEDIUM
08:30	US	Average Hourly Earnings YoY (APR)	MEDIUM
08:30	US	Average Weekly Hours (APR)	MEDIUM
08:30	US	Nonfarm Payrolls Private (APR)	MEDIUM
08:30	US	Participation Rate (APR)	MEDIUM
10:00	Canada	Ivey PMI s.a (APR)	MEDIUM
10:00	US	Wholesale Inventories MoM (MAR)	MEDIUM
12:00	Russia	Inflation Rate YoY (APR)	MEDIUM
15:00	US	Consumer Credit Change (MAR)	MEDIUM
19:30	Japan	Household Spending YoY (MAR)	MEDIUM