

The Primes

Research Department

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Meet - Volatility



Introduction

After the last week's experience of bad performance since October, this week has started with a highly volatile behavior for equities. The impact that the retail investors revolt has made on the market before regulators and trading platforms stepped in is still there. This impact has reached the global economy and not only the United States.

The FX

The USD dollars have increased with respect to the JPY as the pair tosses to 105. Even though the ISM manufacturing report is slightly weaker, the greenback was traded at a price greater than all major currencies. As the ISM index experienced a decrease from 60.5 to 58.7, the growth of manufacturing activity has decelerated in January. However, it is expected that inflation edges to higher levels across the globe with the increase in the prices paid component. US states didn't give back March restrictions with the second virus waves which limited the impact of the virus on the economy. After falling for the first time in the last 8 months, the number of nonfarm employees is expected to increase in January. Although the Fed Chair Powell was restricted from taper talk, his colleagues may not be so calm.

The monetary policy of the Reserve Bank of Australia is expected to be stable this year since it's only choice is to stay careful and watchful after the Australian dollar climbed to multi-year highs in the last month and the lockdown for two million people in Perth after one case. Hence, data improvement was published with the manufacturing PMI index reaching higher. Since this is expected, there should be restrictions on the impact of RBA on AUD. However, investors are waiting Governor Lowe's speech this week that is scheduled for release by the retail sales and the service sector PMI index. Hence, the effect that RBA will have on AUD should be restricted. The Governor Lowe speech has been awaited by investors, retail sales and the service sector PMI index planned for release. The three commodity currencies that are traded at a lower price and the Canadian dollar leading to a decrease.

Moreover, the euro declined at the beginning of the week despite the upward changes to Eurozone PMIs. Consumer demand weakens versus the healthier manufacturing activity resulting in a dilemma. Although it was forecasted the German retail sales to drop only by 2.6%, unfortunately the German retail sales have decreased by 9.6% in the month of December since Chancellor Merkel closed all retail stores in December after the failure of the partial lockdown that was made in November. Moreover, the country continued with such restrictions in January which did not help in recovering consumer demand last month. The Eurozone's fourth quarter GDP report should be released during this week and even if

the German GDP turned out to outperform expectations, the overall report should be moderated.

Moreover, sterling traded lower despite the upwardly changes in PMIS. The GBP/USD pair have been strengthening in the past week and is leading for a correction. During the week, the Bank of England will meet, however, it isn't expected to change in the monetary policy but to talk about negative interest rates that could tip the currency.

Precious Metals

A positive gap was seen on Monday in the XAG/USD that continued to increase beating the high of August 2 at 29.78 and testing areas last seen in February 2013. This happened in the late last week when small-time investors followed Reddit posts and Youtube videos which encouraged them to buy the white metal. The metal is still above the upside support line drawn from the low on March 14 which shows a positive outlook after combining it with the latest rally. If this continues, another break of the 29.78 zone is expected to be seen and if the buyers hold the metal and succeed, the price may increase to the high of January 23, 2013 which is 32.45 and then, the bulls might need a break leaving a space for lower correction to take place.

As a drawback, a strong decline back to under 24.15 would be seen before the examination of a bearish reversal case. This might take the price under the before mentioned upside line and may reach the lows of September 24 and November 30 around 21.75. Moreover, if the mentioned barrier doesn't hold, the price may reach the 19.55 area which is marked as a support by the inside swing high of July 15.

Crude Oil

On Tuesday morning, oil in Asia has increased to its highest level in the past two weeks due to the strong market and positive expectation of the global economic recovery from the virus, hence the demand for the fuel has increased. Saudi Aramco has expected the demands to increase back to pre-virus levels within a year. The main concern now is the quantity supplied after OPEC decision to keep the quantity supplied stable in February and March. Even though there was an increase in the crude production based on agreements made in January, the monthly change was only two-thirds of the planned amount due to distractions in Nigeria and Libya offsetting exports from the cartel's Persian Gulf exporters.

The Cryptos

In the last two days, the cryptocurrency market was led by XRP which reached the high of 0.822 dollars for the first time this year. This increase occurred after Bitcoin's cooling from Friday's increase which is known as the "Elon Musk pumping effect".

However, Ethereum decreased from the highs of \$1,450 after cutting the expectations of the increase to \$1,500. However, Peter Brandt expects price to increase on ETH, saying that he expects major price change.

Moreover, Dogecoin wasn't able to keep up with the impulse resulting in a huge correction. Moreover, the market capitalization moved the coin from the top ten leading cryptocurrencies to the 13th spot and it is now trading at \$0.04.