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EVERYTHING YOU NEED TO KNOW BEFORE THE MARKETS OPEN

Sunday 26th June 2022

Preparing for the week ahead : Corellian 3 Step Process

Step 1: Where did markets end last week and why?

Risk appetite returned Friday and continued into the close after Fed member Bullard, considered the biggest hawk among Fed officials, said US recession fears are overblown. Sentiment improved further after the University of Michigan gauge of longer term consumer inflation expectations settled back lower from an initially reported 14 year high, potentially reducing the urgency of steeper US rate hikes.

US 10 year bond yields continue to be extremely volatile into quarter end. Recession concerns ensured falls to fresh 1 month lows at 3.03% before a late Friday recovery to finish the week at 3.13%.

Major US Stock indices all saw big squeezes with historically low liquidity, despite global equity funds seeing their biggest outflows in 9 weeks as investors piled into cash amid fears the US economy could be headed for a recession. Technology stocks led the charge higher, with the US Tech 100 up 7.2% on the week. **(See page 2 for the US Tech 100 Technical Update).**

The USD ended the week lower, but held up better than expected considering the aggressive ‘risk on’ sentiment across stock indices. This muted response can be put down to the fact that bond yields fell across most of the major economies restricting FX volatility over the week. EUR and GBP were the best performers against the USD, both up 0.6% on the week.

Commodities had a poor week as traders capitulated on speculative long positions over worries for how slowing economic growth could impact demand going forward. Copper, a bellwether for sentiment, had an awful week, falling to 16 month lows at 3.6392 before a mini bounce on Friday saw it recover to 3.7378, down 7% on the week.

Financial Market	Closing Level Friday 17th June	Closing Level Friday 24th June	Weekly Change %
Asia Stocks:			
China A50	14280	14715	+3.0%
Japan 225	25979	26842	+3.3%
ASX (Australia) 200	6348	6572	+3.5%
Hong Kong 50	20907	21784	+4.2%
Europe Stocks:			
UK (FTSE) 100	6941	7187	+3.5%
Germany 40	13128	13212	+0.6%
Europe 50	3427	3551	+3.6%
France 40	5872	6117	+4.2%
US Stocks:			
USA 500	3685	3915	+6.2%
USA 30 Wall Street	29952	31480	+5.1%
US Tech 100	11312	12132	+7.2%
USA (Russell) 2000	1672	1764	+5.5%

Financial Market	Closing Level Friday 17th June	Closing Level Friday 24th June	Weekly Change %
G10 Currencies:			
EURUSD	1.0494	1.0559	+0.6%
GBPUSD	1.2214	1.2287	+0.6%
EURGBP	0.8592	0.8592	0.0%
AUDUSD	0.6932	0.6950	+0.3%
USDJPY	134.98	135.20	+0.2%
USD Index	104.44	103.88	-0.5%
Commodities:			
GOLD	1841	1827	-0.8%
Silver	21.69	21.15	-2.5%
Copper	4.0200	3.7378	-7.0%
US Crude Oil	108.50	107.12	-1.3%
Other Markets:			
Bitcoin	20600	21150	+2.7%
US 10 Year Yield	3.23%	3.13%	-3.1%

Step 2: What is new, if anything, from the weekend?

Bloomberg:

Metals haven’t crashed this hard since the great recession

It has been a bad end to Q2 for commodities, especially metals like copper and tin. Is the worst over, or is there more selling to come next week? **(See page 6 for the Copper Technical Update)**

Industrial metals are on track for their worst quarter since the 2008 financial crisis as prices are pummelled by recession worries. Copper, the great economic bellwether, has ricocheted into a bear market from a record four months ago, while tin just tumbled 21% in its worst week since a 1980s crisis froze London trading for four years.

Bloomberg:

Stagflation threat needs central bank action, BIS warns

The BIS, known as the central bank of central banks continues to urge aggressive central bank action in the short term to rein in inflation, despite what it may do to economic growth.

The world economy risk entering a new era of high inflation which central banks need to keep in check, the Bank for International Settlements said.

“The risk of stagflation looms over the global economy as the threat of a new inflation era coincides with a weaker outlook for growth and elevated financial vulnerabilities.

Bloomberg:

Goldman says signs are here of belt tightening impact on profits

Consumer sentiment globally has continued to fall throughout the first half of 2022 and now signs are it is starting to hit spending which will impact corporate earnings. How big a threat is this to stock market valuations?

The first hints that consumer belt tightening is passing through to corporate earnings are coming in, posing a bigger risk to US equities than stock selling by American households, according to Goldman Sachs Group Inc.

High inflation and declining asset prices have started to strain household finances.

Step 3: Looking forward to the week ahead

Important events are coloured in bold red, all times are British Summer Time (BST)

Please use the key opposite to adjust to your appropriate time zone

Time Zone Key:	
BST -5	= NY Time
BST	= London Time
BST +1	= Frankfurt Time
BST +8	= Tokyo
BST +9	= Sydney
BST	= British Summer Time

Individual Share Update (Some of the key earnings next week in the chart below):

Stock markets are likely to be dominated by Q2 2022 portfolio rebalancing in the week ahead, which may well see them get some further respite from the recent bear market trend that has dominated June. Whatever happens in the next few days, the backdrop of rising recession risks and downward revisions to earnings remains at the forefront of traders decision making. It seems that consumers are still going out and paying for experiences like travel, leisure and household items, while elevated inflation, particularly food and energy costs are key headwinds that will weigh on further discretionary spending going forward. (See page 3 for the USA 30 Wallstreet Technical Update).

Next weeks earnings focus is light with Q2 2022 earnings not beginning until the second week of July. **Nike** shares are so far down 36% YTD, and on Monday, traders will be focusing what is the impact for the company from falling demand for athletic clothing and footwear, and impact of supply chain disruptions from China covid lockdowns on inventory. Travel services group **Trip.com** are expected to report Q1 revenue to be down around 22% as covid lockdowns in China and HK hit its travel hubs. Has their switch to other middle east travel hubs helped performance?

Monday 27th June	Tuesday 28th June	Wednesday 29th June	Thursday 30th June	Friday 1st July
	Trip.com Group	National Beverage MSC 0700 H&M 1130 McCormick	Micron 1100 Acuity Brands 1200 Walgreens	
Before Market Opens:	Before Market Opens:	Before Market Opens: General Mills Paychex	Before Market Opens: Constellation Brands	Before Market Opens:
After Market Closes: Jefferies Financial 2115 Nike	After Market Closes:	After Market Closes: NovaGold Resources	After Market Closes: 2115 FedEx	After Market Closes:

Central Bank Meetings and Key Central Bank Speakers:

There are no central bank meetings but there is an ECB central bank forum taking place Monday to Wednesday with the heads of the Fed, ECB and BoE taking part to name a few. So expect headlines!

Monday: ECB President Lagarde Speech (Also Tuesday/Wednesday). The ECB need to do more to combat inflation and they need to give traders an explanation of how their anti-fragmentation strategy for EU bond markets will work. **Will traders get the details they are expecting?** Any further delay could see traders get fed up and push up bond yields for the EU's most indebted members, which could have a negative impact on the EUR and EU indices.

Wednesday: Fed Chairman Powell Speech. It goes without saying that markets will be hanging on every word of what he says! However, he has stuck to the hawkish script so far and there seems to be little reason for him to change. Traders need constant reassurance that a recession isn't the obvious result of the aggressive rate hikes. **Will Powell give the markets what they crave! (See page 4 for the USA 500 Technical Update).**

BoE Governor Bailey. It will be very interesting to see exactly what message Bailey wants to send to markets as inflation races away from the BoE. Yes the economy is extremely vulnerable, one of the weakest in the G7 space but they have been sending more aggressive signals about interest rate moves to the markets recently, **will he back this up further? GBP volatility is likely to continue into next week.**

Monday 27th June	Tuesday 28th June	Wednesday 29th June	Thursday 30th June	Friday 1st July
1930 BST EUR ECB President Lagarde Speech **2000 BST EUR ECB Schnabel Speech**	**0900 BST EUR ECB President Lagarde Speech** **0930 BST EUR ECB Chief Economist Lane Speech** **1200 BST GBP BoE Cunliffe Speech**	**0845/ 0945 BST EUR ECB de Guindos Speech** **1115 BST EUR ECB Schnabel Speech** **1130 BST USD Fed Mester Speech** **1400 BST USD Fed Chairman Powell Speech** **1400 BST GBP BoE Governor Bailey Speech** **1400/1600 BST EUR ECB President Lagarde Speech**		

<u>Key Economic Data Next Week:</u>

A few key data points to focus on for traders this week.

Tuesday: US Consumer Confidence. Vitally important and comes after weaker Michigan consumer sentiment data on Friday, where the headline number fell to a new all-time low. With traders focused on the link between weaker sentiment leading to lower spending and corporate earnings , **a lower print here could impact any further rally in stock indices.**

Wednesday: AUD Retail Sales. The RBA has turned hawkish on interest rates, so all economic data is extremely important and none more so than consumer data. AUD has had a rocky week or so, as commodities fall, and it will be interesting to see how the Australian consumer is faring with higher prices. **(See page 5 for the AUDUSD Technical Update).**

Preliminary German CPI. CPI data from anywhere is noteworthy, and Germany is no exception as they face rising, if not soaring inflation. There is little the German central bank can do though as rates are now the remit of the ECB who have been slow to adjust. **There is a real danger that inflation within Germany and the EU is still elevated.**

Monday 27th June	Tuesday 28th June	Wednesday 29th June	Thursday 30th June	Friday 1st July
1330 BST USD Durable Goods Orders 1500 BST USD Pending Home Sales	0700 BST EUR (Ger) Gfk Consumer Confidence 1330 BST USD Wholesale Inventories 1400 BST USD Housing Price Index *1500 BST USD* Consumer Confidence	0050 BST JPY Retail Sales 0230 BST AUD Retail Sales 1000 BST EUR Business and Consumer Confidence *1300 BST EUR (Ger)* Inflation Data (CPI) 1330 BST USD Gross Domestic Product	*Month and Quarter* End Rebalancing *0200 BST China* Manufacturing and Non Manufacturing PMI 0700 BST GBP Gross Domestic Product 0700 BST EUR (Ger) Retail Sales 0855 BST EUR (Ger) Unemployment Rate 1330 BST USD Initial Jobless Claims *1330 BST USD* PCE Inflation, Personal Income and Spending 1330 BST CAD Gross Domestic Product	0000 BST AUD Manufacturing PMI (Final) 0130 BST JPY Manufacturing PMI (Final) *0245 BST China* Caixin Manufacturing PMI 0850-0930 BST Fra, Ger, EU, GBP Manufacturing PMI (Final) *1000 BST EUR* Inflation Data (HICP) 1445 BST USD Manufacturing PMI (Final) *1500 BST USD* ISM Manufacturing PMI and Employment Index

Wednesday continued: USD Gross Domestic Product (GDP). While GDP is rather backward looking, markets are much more sensitive to this type of data now and so this could impact sentiment. However, US growth fears have only just surfaced and this release may not pick this up yet.

Thursday: Month/ Quarter End Rebalancing. A lot of the market moves may have already happened by month end in the equity space but it is likely traders could see increased volatility in the FX space throughout the day into the 4pm London fix.

China Manufacturing and Non Manufacturing PMI. The global economy needs a recovering China, but much of this massive economy is still locked down. Traders have seen weak data due to lockdowns which should be expected but these releases could show that the economy in China is on the turn higher. **Any push back to, or above 50 could support risk sentiment.**

GBP Gross Domestic Product (GDP). Traders reacted negatively to a surprise fall after the last release, so definitely worth a watch this time around with GBPUSD delicately poised for its next move. **(See below for the GBPUSD Technical Update).**

USD PCE Inflation, Personal Income and Spending. Huge data for the Fed ,and Core PCE is the Fed's preferred gauge of inflation and so vitally important. Markets will move on this release, and the personal spending and income should show the balances of consumer savings rates. **Important data all round.**

Friday: EUR Inflation Data (HICP). Big data for the ECB as they face the decision between quelling inflation and cushioning growth. The ECB have so far committed to a 25bps hike in interest rates at their next July meeting but could a higher reading force their hand towards having to raise 50bps instead. Traders will be watching closely and this will move EU bonds and the EUR. **(See below for the EURUSD Technical Update).**

USD ISM Manufacturing PMI. This is forward looking survey data and will be watched closely for any indication that US manufacturing activity is starting to slow greater than expected. **Could move markets into the Friday close.**

Commodity Focus: Chart of the week, Oil

Commodities are at a potential tipping point in the short term as traders weigh up the likely impact any slowing in global economic growth for the rest of 2022 may have on demand for oil, industrials metals etc. Recessions do not always usher in lower commodity markets especially if driven by supply side or inflationary issues, however month/quarter end distortions may continue to dominate through next week, especially if there is another bout of risk aversion. Further out, commodities will face intense scrutiny through the second half of the year dominated by the supply turmoil and inflationary shocks unleashed by Russia's continued war in Ukraine. **(See below for the Copper Technical Update).**

Below are key levels in Stocks and G10 FX the Corellian mentors are focused on.

Support	Resistance	Support	Resistance
USA 500: 1st – **3780**, Half latest upside 2nd – **3639**, June correction low 3rd – **3595**, December 2020 extreme	1st – **3930**, Bollinger mid-average 2nd – **4020**, 38% Mar/Jun sell-off 3rd – **4138**, Mid-point same move	**EURUSD:** 1st – **1.0487**, Half latest upside 2nd – **1.0349**, May 13th low trade 3rd – **1.0340**, Jan 2017 Low	1st – **1.0570**, Bollinger mid-average 2nd – **1.0786**, May 29th session high trade 3rd – **1.0935**, April 21st session high
US Tech 100: 1st – **11610**, Half latest recovery move 2nd – **11319**, June 21st low trade 3rd – **11068**, June monthly extreme	1st – **12367**, June 10th failure level 2nd – **12687**, 38% retrace Mar/Jun sell-off 3rd – **12943**, 3rd June failure High	**GBPUSD:** 1st – **1.2175**, Half latest recovery 2nd – **1.1933**, June monthly low trade 3rd – **1.1408**, March 2020 spike low	1st – **1.2337**, Bollinger mid-average 2nd – **1.2406**, June 15th session high 3rd – **1.2599**, June 6th bounce failure
USA 30 Wallstreet: 1st – **30585**, Half latest strength 2nd – **30005**, June 21st low trade 3rd – **29640**, June monthly low trade	1st – **31626**, Level of Bollinger mid-average 2nd – **31865**, 38% retrace Apr/Jun sell-off 3rd – **32539**, Mid-point same move	**USDJPY:** 1st – **133.85**, Bollinger mid-average 2nd – **131.49**, June 15th session low 3rd – **130.39**, 62% retrace May/June upside	1st – **136.71**, Last weeks high trade 2nd – **137.49**, Bollinger upper band 3rd – **137.73**, 138% Fibo extension level
Germany 40: 1st – **12811**, Last weeks correction low 2nd – **12424**, March 8th extreme 3rd – **12177**, Mid-point Mar'20/Jan'22	1st – **13419**, Last weeks upside extreme 2nd – **13644**, June 17th failure high 3rd – **13794**, Bollinger mid-average	**AUDUSD:** 1st – **0.6850**, June 13th low trade 2nd – **0.6828**, May 12th session low 3rd – **0.6776**, June 2020 monthly extreme	1st – **0.7043**, Bollinger mid-average 2nd – **0.7120**, 62% retrace June weakness 3rd – **0.7282**, June monthly high trade
UK 100: 1st – **7054**, Half latest upside 2nd – **6908**, Last weeks low trade 3rd – **6723**, March 8th extreme	1st – **7189**, 38% retrace June downside 2nd – **7277**, Mid-point same move 3rd – **7312**, Bollinger mid-average	**USDCAD:** 1st – **1.2865**, 38% retrace June strength 2nd – **1.2806**, Bollinger mid-average 3rd – **1.2734**, Deeper 62% retracement	1st – **1.3016**, Thursday's bounce failure 2nd – **1.3075**, 11th May session high 3rd – **1.3217**, Mid-point 2020/2022 range