

Preparing for the week ahead : Corellian 3 Step Process

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

Negative risk sentiment dominated the end of the week with volatility elevated across all markets, making for wild swings that were tough to trade. The Fed is trying to tighten financial conditions and part of that dynamic is pushing assets lower. However other central banks also joined in with the RBA and BoE both raising interest rates.

US 10 year bond yields had a blip lower immediately after the Fed meeting but came roaring back to close at their highs at 3.13% as traders seized on Chairman Powell's reassurance on the strength of the US economy and commitment to fighting inflation.

The yield moves weren't good news for **Stock indices which all fell over the last 36 hours of trading**. Technology stocks were again hit particularly hard. First in **China/ HK** where fears over the lack of concrete measures to support the sector triggered selling, and then in the US, where the **US Tech 100** fell to fresh 2022 lows at 12519, as rising interest rates hurt sentiment in companies owned by over leveraged buyers (See page 2 for the US Tech 100 Technical Update).

The USD recovered strongly from its midweek sell off supported by US yields and negative risk sentiment. **GBPUSD** fell to fresh lows at 1.2275 as the BoE seemed fearful of raising interest rates further as UK economic growth looks extremely vulnerable.

Risk aversion and a stronger USD continued to weigh on most **commodities**, with precious metals hit particularly hard as US real yields rose. **Oil** bucked the wider downtrend rising on fears of what an EU embargo on Russian oil would do to supply.



Financial Market	Closing Level Friday 29 th April	Closing Level Friday 6 th May	Weekly Change %
Asia Stocks:			
China A50	13343	12983	-2.7%
Japan 225	26755	26809	+0.2%
ASX (Australia) 200	7315	7110	-2.8%
Hong Kong 50	20740	19680	-5.1%
Europe Stocks:			
UK (FTSE) 100	7419	7380	-0.5%
Germany 40	13915	13676	-1.7%
Europe 50	3681	3596	-2.3%
France 40	6370	6230	-2.2%
US Stocks:			
USA 500	4138	4111	-0.7%
USA 30 Wall Street	32972	32745	-0.7%
US Tech 100	12889	12665	-1.7%
USA (Russell) 2000	1865	1832	-1.8%
G10 Currencies:			
EURUSD	1.0548	1.0548	0.0%
GBPUSD	1.2576	1.2343	-1.9%
EURGBP	0.8388	0.8546	+1.9%
AUDUSD	0.7065	0.7083	+0.3%
USDJPY	129.76	130.54	+0.6%
USD Index	103.24	103.68	+0.4%
Commodities:			
GOLD	1897	1883	-0.7%
Silver	22.78	22.35	-1.9%
Copper	4.3870	4.2468	-3.2%
US Crude Oil	104.18	110.59	+6.2%
Other Markets:			
Bitcoin	38600	36100	-6.5%
US 10 Year Yield	2.94%	3.13%	+6.5%

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

Bloomberg:

Copper bulls tested as rampant inflation risk destroying demand

China lockdown and recession fears across Europe are causing concern. Is there further pain ahead in the commodity space?
(See page 6 for the Copper Technical Update)

Prices for Copper, known as an economic bellwether fell almost 9% over a rolling 10 day period last week, the steepest decline since March 2020. The drop comes as China struggles to rein in flaring Covid 19 outbreaks and some advanced economies tilt towards recession.

An unexpectedly large slump in German factory orders and industrial output last week also sparked jitters about end use metals demand.

Reuters:

Fed hawks Waller, Bullard push back on 'behind the curve' view

Stock indices are reacting to the hawkish FOMC meeting last week, but is a lot already priced in by markets or is there further to go?
(See page 5 for the USA 500 Technical Update)

Two of the Federal Reserve's most outspoken policy hawks on Friday pushed back on the view that the US central bank missed the boat on the fight against inflation, citing a tightening of financial conditions that began well before the Fed began raising interest rates in March.

Traders of rate futures are currently pricing in a Fed funds rate of 3% to 3.25% by year end.

Bloomberg:

ECB's Lagarde says stagflation isn't the base case

Are fears of an EU recession overstated, or is the ECB's slow response to dealing with inflation making things much worse?
(See page 3 for the Europe 50 Technical Update)

Stagflation isn't the most likely economic outcome for the euro area, even as the war in Ukraine slows growth and speeds inflation, according to ECB President Christine Lagarde.

"Stagflation isn't our baseline scenario presently", Lagarde told the Slovenian newspaper *Delo* in an interview Saturday. **Officials will keep "all options open" and progress gradually, she said.**



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

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

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

Q1 2022 earnings season so far has shown uneven results across sectors and traders willing and ready to punish those under performing stocks. The environment has shifted from a general index to sector/ individual stock pickers market. Last week Oil/ Gas sectors were boosted by strong results from BP and Shell, while European banks generally produced improved results. In the US travel groups Marriott and Hilton produced strong results.

Next weeks earnings focus is a mixture of the old and new world, with Weibo, Roblox, Peloton and Rivian reporting alongside travel and hospitality firm Hyatt and Wynn Resorts. While in Europe some German powerhouses like Merck, Bayer and Siemens report, alongside a host of other big European names. What is the forward guidance of these European companies for the rest of 2022 against the backdrop of an EU embargo of Russian oil?

(See page 3 for the Europe 50 Technical Update and page 5 for the USA 500 Technical Update)

Monday 9 th May	Tuesday 10 th May	Wednesday 11 th May	Thursday 12 th May	Friday 13 th May
Microchip Exelon Infineon 1230 Jones Lang Lasalle <u>Before Market Opens:</u> Energizer Itau Unibanco <u>After Market Closes:</u> Lemonade Everbridge XPO Logistics Univar	Arrowhead Pharma. Liberty Global Bayer Weibo <u>Before Market Opens:</u> Peloton Hyatt <u>After Market Closes:</u> Roblox Wynn Resorts Occidental Coinbase	Toyota Ubisoft Continental Paysafe <u>Before Market Opens:</u> Wendy's Company Fiverr International <u>After Market Closes:</u> Walt Disney Sonos Bumble Rivian	WeWork 3i Siemens BT <u>Before Market Opens:</u> OTE <u>After Market Closes:</u> Motorola Poshmark FIGS Endeavor Group	Sage ERG 0600 Deutsche Telecom 0900 Honda <u>Before Market Opens:</u> <u>After Market Closes:</u>



Central Bank Meetings and Key Central Bank Speakers:

A relatively quiet week ahead for events after a such huge week last week.

On Monday the **BOJ Meeting Minutes** could support increased JPY weakness. The BoJ have been clear that they want to be the most dovish central bank out there, so early traders in early Asian markets will be looking for further reassurance that is clearly the case. Remember: This is currently a market where traders don't seem to need too many reasons to continue to push USDJPY higher with 10 year US yields at 4 year highs at 3.13%. (See page 4 for the USDJPY Technical Update).

Monday 9 th May	Tuesday 10 th May	Wednesday 11 th May	Thursday 12 th May	Friday 13 th May
0050 BST JPY BoJ Meeting Minutes	1330 BST USD Fed Bostic Speech	0000 BST USD Fed Bostic Speech	1635 BST CAD BoC Gravelle Speech	0300 BST AUD RBA Bullock Speech
1345 BST USD Fed Bostic Speech	1820 BST EUR ECB de Guindos Speech	0900 BST EUR ECB President Lagarde Speech		1700 BST EUR ECB Schnabel Speech
1400 BST GBP BoE Saunders Speech	2000 BST USD Fed Mester Speech	1320 BST EUR ECB Schnabel Speech		

In terms of speeches, Fed Bostic and Mester may be worth noting. Traders are expecting all fed speakers to be in tune with Chairman Powell, so any deviation may get a headline that could move markets.

On Wednesday, **ECB President Lagarde speaks**. It is time for Lagarde to either side with those calling for a hike in July or those who are more conservative, and there is no doubt this committee is split. It is time traders had clear guidance as to what to expect from July onwards. Last week, some ECB hawks suggested interest rate hikes should be seen sooner rather than later. ECB member Villeroy said EU interest rates may be raised back above zero this year if the euro-zone economy doesn't suffer another setback. Is this Lagarde's view too, unlikely after her weekend comments urging 'gradual' responses. **Could EUR see fresh selling again next week?**



Key Economic Data Next Week:

Monday: China Trade Data. Market professionals will be monitoring this data to see just how hard China's Covid lockdowns are snarling up trade and slowing its economy. There could be a knock on effect for commodities, like copper and potentially for AUD, depending on how disappointing the data is.

Monday 9 th May	Tuesday 10 th May	Wednesday 11 th May	Thursday 12 th May	Friday 13 th May
0130 BST JPY Services PMI (Final) 0300 BST China Imports, Exports and Trade Balance 0930 BST EUR Sentix Investor Confidence 1500 BST USD Wholesale Inventories 2345 BST NZD Retail Sales	0001 BST GBP BRC Retail Sales 1000 BST EUR and Ger ZEW Economic Sentiment Survey 2130 BST USD API Weekly Crude Oil Stock	0130 BST AUD Consumer Confidence *0230 BST China* Inflation Data (PPI and CPI) *0700 BST EUR (Ger)* Inflation Data (CPI) **1330 BST USD** Inflation Data (CPI) 1530 BST USD EIA Crude Oil Stocks Change	0700 BST GBP Gross Domestic Product, Industrial Production and Trade Balance 0730 BST CHF Inflation Data (PPI) 1330 BST USD Initial Jobless Claims 1330 BST USD Inflation Data (PPI) 2330 BST NZD Business PMI	1000 BST EUR Industrial Production 1330 BST USD Export/ Import Price Index 1500 BST USD Michigan Consumer Sentiment

Wednesday: AUD Consumer Confidence: With the RBA starting what looks like a rate hiking cycle with 25bps last week, data will be important to traders and the RBA. The consumer is a large part of GDP in Oz and therefore these data are important.

China Inflation Data (PPI/CPI): PPI data is important as it is inflation that gets exported to the likes of the EU, Japan, US and UK. CPI is important for a country fighting a slowdown, if it remains strong with stalling growth then the PBOC has a big problem. A weaker Yuan may help ease the inflation picture but it will have to fall a lot further and stay there.

German Inflation Data (CPI): German inflation is rampant and there is nothing Germany can do about it unless the ECB is prepared to move. Remember the ECB still have interest rates at -0.5%, which could be seen as insane in this environment.



US Inflation Data (CPI): The big data point for the entire week! This plays into the ongoing discussion on how many, and how big rate rises will be seen. **Is US inflation peaking after the fastest surge in over 40 years?** This will have implications for all assets from the USD through commodities to equities. Expectations are for another rise so it wouldn't need much to produce a relief rally for risk sentiment, or to tip it further over the end. **Watch this print!**

GBP had a very big underperformance against the USD last week, could this be one a currency pair very sensitive to this data? (See below for the GBPUSD Technical Update).

Friday: US Michigan Consumer Confidence. With things as they are now, consumer survey data like this can be a heads up for the future of the US economy, as the consumer needs to keep spending or the economy will suffer. US Treasury secretary Janet Yellen, was upbeat on the US economy last week, as was Fed Chairman Powell. This data will potentially give insight into how much the Fed can stretch the good will of consumers with aggressive interest rate rises going forward.



Commodity Focus: Charts of the week, Oil and Copper

It is clear that oil market bears are not going to get much help from OPEC+ going forwards, and now Biden is talking of replenishing the strategic oil reserves after just a short period. However, China lockdowns are seeing mobility in China collapse and so demand for oil is fading very quickly from this massive importer. This is counter-weighted by ongoing embargoes on Russian oil from the EU and maybe others in time. It seems energy prices are likely to stay dangerously elevated adding to the inflation outlook and **watch out for oil price rises as and when China starts easing their lockdowns (See below for the Oil Technical Update).**



It seems positioning in many commodities is still long and this could have further downside implications in the short term. Those traders bullish for Copper, for instance, are facing a nervous period as China lockdowns combine with wider inflationary pressures to slow global growth. After a record high in March, keep an eye on whether key supports can hold, after a big fall in Copper prices last week (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: 1 st – 4055.78, Last weeks low trade 2 nd – 4029.25, May 2021 hold level 3 rd – 3802.87, 38% Mar'20/Jun'22	1 st – 4302.28, Last weeks high trade 2 nd – 4346.48, Mid-point Mar/May sell-off 3 rd – 4414.40, Higher 62% retracement	EURUSD: 1 st – 1.0471, April 28 th low trade 2 nd – 1.0344, January 2017 high 3 rd – 1.0000, Level of parity	1 st – 1.0641, Thursday's session high 2 nd – 1.0650, 38% retrace latest downside 3 rd – 1.0760, Higher 62% retracement
US Tech 100: 1 st – 12704.68, Last weeks low trade 2 nd – 12207.55, Feb'21 monthly low 3 rd – 11714.42, Half Mar'20/Nov'21	1 st – 13044.34, Half last weeks sell-off 2 nd – 13553.55, Wednesday's failure high 3 rd – 13688.23, 38% Mar/May sell-off	GBPUSD: 1 st – 1.2275, Last weeks low trade 2 nd – 1.2253, June 2020 monthly extreme 3 rd – 1.2077, May 2020 hold level	1 st – 1.2637, Wednesday's session high 2 nd – 1.2789, Mid-point of Mar/May range 3 rd – 1.2909, 62% retrace same move
USA 30 Wallstreet: 1 st – 32576.00, Mar 14 th session low 2 nd – 32166.00, Feb 23 rd extreme 3 rd – 31950.00, March 24 th 2021 low	1 st – 33324.00, Half last week's range 2 nd – 34024.00, Last weeks high trade 3 rd – 34267.00, 62% retrace latest sell-off	USDJPY: 1 st – 128.63, Last weeks low trade 2 nd – 127.44, 38% retrace April upside 3 rd – 126.29, Mid-point same move	1 st – 131.24, April monthly high 2 nd – 133.78, April 2002 high trade 3 rd – 135.14, January 2002 extreme
Germany 40: 1 st – 13576.02, April 27 th low trade 2 nd – 13401.27, 62% March recovery 3 rd – 13226.71, March 14 th extreme	1 st – 14317.76, Last weeks high trade 2 nd – 14453.22, Bollinger upper band 3 rd – 14942.95, March 29 th session high	AUDUSD: 1 st – 0.7029, Last weeks low trade 2 nd – 0.6968, January 28 th extreme 3 rd – 0.6948, Trendline back to Nov'20	1 st – 0.7271, 38% retrace Apr/May 2 nd – 0.7346, Mid-point same move 3 rd – 0.7421, Higher 62% retracement
UK 100: 1 st – 7353.12, Bollinger lower band 2 nd – 7289.98, 38% retrace Mar/Apr 3 rd – 7182.15, Mid-point same move	1 st – 7634.00, April 8 th high trade 2 nd – 7715.70, Weekly Bollinger upper band 3 rd – 7758.19, August 2018 extreme	USDCAD: 1 st – 1.2712, Last week's low and rally point 2 nd – 1.2659, Mid-point Apr/May range 3 rd – 1.2599, Deeper 62% retracement	1 st – 1.2913, Last weeks high trade 2 nd – 1.2962, December 20 th rejection point 3 rd – 1.3024, 38% retrace Mar'20/May'21

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