

Preparing for the week ahead : Corellian 3 Step Process

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

Friday was a day of consolidation, short covering of risky assets and probably some bargain hunting into the weekend after a tumultuous week that saw some excessive volatility across all financial markets. Whether the selling of equities and risky assets has finished or not, it's not easy to tell. After all, the Fed is keen to tighten financial conditions and is yet to reduce the size of the balance sheet.

US bond yields started the week strong, with the US 10 year yield posting new highs at 3.21% (4 year highs), before selling off aggressively to close the week at 2.93% on recession fears.

A very bad week for US Stock indices was masked by a strong Friday rally with the USA 500 up 2.19% (-2.4% on week), US Tech 100 +3.49% (-2.4% on week), USA 30 Wallstreet +1.48% (-2% on week) and USA 2000 +2.89% (-2.4% on week). Overall the story of the week was again the under performance of technology stocks.

The USD had another strong week, as negative risk sentiment helped the USD Index close above its March 2020 pandemic highs at 103.90. EURUSD and AUDUSD were the standout weak performers, hitting new 2022 lows at 1.0349 and 0.6828 respectively. (See page 2 for the EURUSD Technical Update).

Commodities fell as the higher USD and weak risk sentiment weighed on all markets. Precious metals continue to do poorly with Gold, Silver and Copper all down. Only a late Friday rally in oil of 3.82% ensured it finished the week flat.



Financial Market	Closing Level Friday 6 th May	Closing Level Friday 13 th May	Weekly Change %
Asia Stocks:			
China A50	12983	13328	+2.7%
Japan 225	26809	26625	-0.7%
ASX (Australia) 200	7110	7105	-0.1%
Hong Kong 50	19680	19975	+1.5%
Europe Stocks:			
UK (FTSE) 100	7380	7417	+0.5%
Germany 40	13676	14044	+2.7%
Europe 50	3596	3693	+2.7%
France 40	6230	6358	+2.1%
US Stocks:			
USA 500	4111	4013	-2.4%
USA 30 Wall Street	32745	32085	-2.0%
US Tech 100	12665	12364	-2.4%
USA (Russell) 2000	1832	1788	-2.4%
Financial Market	Closing Level Friday 6 th May	Closing Level Friday 13 th May	Weekly Change %
G10 Currencies:			
EURUSD	1.0548	1.0402	-1.4%
GBPUSD	1.2343	1.2242	-0.8%
EURGBP	0.8546	0.8496	-0.6%
AUDUSD	0.7083	0.6929	-2.2%
USDJPY	130.54	129.33	-0.9%
USD Index	103.68	104.53	+0.8%
Commodities:			
GOLD	1883	1812	-3.8%
Silver	22.35	21.12	-5.5%
Copper	4.2468	4.1658	-1.9%
US Crude Oil	110.59	110.18	-0.4%
Other Markets:			
Bitcoin	36100	29500	-18.3%
US 10 Year Yield	3.13%	2.93%	-6.4%

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

Bloomberg:

EU cuts euro-area GDP forecast, Sees 6.1% inflation, draft shows

The EU Commission revises EU growth down and inflation up to nearly double. Bad news for EUR on Monday?
(See page 2 for EURUSD Technical Update)

In the first forecast since the outbreak of war in Ukraine, the European Commission will say **GDP will expand** 2.7% in 2022 and 2.3% in 2023. That's down from February reading of 4% and 2.7%.
On inflation, the commission predicts rates of 6.1% and 2.7% for this year and next, compared with previous forecasts of 3.5% and 1.7%, respectively. These predictions are yet finalised and could change before Monday's release.

Bloomberg:

German girds for day of reckoning in Russian gas showdown

After Russia suspends electricity supplies to Finland Saturday, are gas supplies to Germany next? Implications for Germany 40 and other EU indices.

If the worst case scenario for Germany hits, BMW, Mercedes and VW would struggle to paint their cars and the air across the country would get dirtier. Europe's largest economy is bracing for the prospect that Russian natural gas gets cut off suddenly, a shock that would trigger a form of martial law for energy and affect 80 million residents and businesses.

Bloomberg:

From sneakers to Teslas, China lockdowns upend global supply chains

It's why traders fear inflation isn't going away soon and why global recession fears are racing to the front of traders mind. Can equity indices sustain the Friday rally next week?
(See page 3 for the USA 500 Technical Update)

The economic consequences from China's Covid lockdowns are starting to be felt by companies and consumers across the globe, and expectations are that the reverberations will only get stronger. Supplies of Adidas sneakers have been hit. Automakers from Toyota to Tesla are facing unprecedented costs. Sony is struggling to make enough PlayStations.



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

US and European earnings season continues next week against a backdrop of extremely nervous stock traders/ investors. The US Tech 100 is already in a bear market (20% from highs), while the USA 500 briefly fell 19.55% from all time highs last week before recovering. Technology shares continue to take a pounding on any bad news, with Twitter plunging 26% after Elon Musk tweeted his deal for the social media company was temporarily on hold.

Next weeks earnings focus is very much back on the consumer focused companies, as traders try to decide how much of an impact higher inflation and rising interest rates is having on consumer spending. In the US, **Walmart, Home Depot, Macy's and Target** will be front an centre. The earnings news will be important, but so will be the forward guidance for insight into consumer spending and attitudes for the rest of 2022.

(See page 3 for the USA 30 Wallstreet Technical Update)

Monday 16 th May	Tuesday 17 th May	Wednesday 18 th May	Thursday 19 th May	Friday 20 th May
MUFG Asahi Group Holdings 1130 Clear Secure <u>Before Market Opens:</u> <u>After Market Closes:</u> Dada Nexus Tencent Music	Imperial Brands 0700 Vodafone 1100 Home depot 1200 Walmart <u>Before Market Opens:</u> Sea JD.Com <u>After Market Closes:</u> Keysight Technologies Doximity	ABN Amro Macy's 0700 Burberry 1100 Lowe's <u>Before Market Opens:</u> Target DouYu International <u>After Market Closes:</u> 2105 Cisco 2300 Sociedad Quimica	National Grid Royal Mail EasyJet 1200 Kohl's <u>Before Market Opens:</u> Eagle Materials Grab <u>After Market Closes:</u> Palo Alto Networks Grab	Booz Allen Hamilton 0630 Richemont <u>Before Market Opens:</u> Deere Footlocker <u>After Market Closes:</u>



Central Bank Meetings and Key Central Bank Speakers:

Some key events to focus on next week.

Tuesday: RBA meeting minutes. With an interest rate hike at the last RBA meeting, this release will be scrutinised to get the tone for what next!. Could be an AUD mover after such aggressive declines last week. **Lagarde speech.** After hearing calls from the ECB hawks for a hike in July and maybe 2 more before year end. Will Lagarde's commentary reflect market pricing? They do need to get on with hiking but she is still very concerned over the impact on EU growth. **Powell speech.** He has been clear so far that 75bps hikes at future FOMC meetings aren't necessary, so while not much is expected, any deviations from current expectations, are likely to spark further volatility across all markets. (See page 4 for USA 500 Technical Update).

Monday 16 th May	Tuesday 17 th May	Wednesday 18 th May	Thursday 19 th May	Friday 20 th May
0920 BST EUR Panetta Speech	0230 BST AUD RBA Meeting Minutes 0730 BST EUR ECB Enria Speech 1800 BST EUR ECB President Lagarde Speech 1900 BST USD Fed Chairman Powell Speech	0900 BST EUR ECB Enria Speech	1230 BST EUR ECB Meeting Minutes 1330 BST EUR ECB de Guindos Speech	*0215 BST China* PBOC Interest Rate Decision 0830 BST GBP BoE Chief Economist Pill Speech 1300 BST EUR ECB Chief Economist Lane Speech

Thursday: ECB meeting minutes. It will be interesting if ECB members want to add a more hawkish commentary in these minutes, and it may be something that moves markets. It has in the past, even though Lagarde spends an a long time at ECB press conferences explaining their actions/ thinking.

Friday: PBOC interest rate decision. With lockdowns in China dragging on and on, and data and confidence draining away, it could be a close call on whether an interest rate cut happens or not. The economy is on the brink of a serious slowdown, and China/ HK stocks rallied hard last week. **Can these moves be sustained?**

BoE Chief Economist Pill, has been concerned by the inflation impact on the UK economy, what does all this mean for interest rates in the future. **GBP is struggling to gain any upside momentum currently, is this going to continue next week?** **ECB Chief Economist Lane,** sides with Lagarde in his outlook for interest rates and worries over economic growth. **Could move the EUR?**



Key Economic Data Next Week:

Consumer data is a big focus this week. Is a soft landing possible for US, UK and EU economies?

Monday 16 th May	Tuesday 17 th May	Wednesday 18 th May	Thursday 19 th May	Friday 20 th May
0050 BST JPY Inflation Data (PPI) *0300 BST China* Industrial Production, Unemployment Rate and Retail Sales 1000 BST EUR Trade Balance	*0700 BST GBP* Unemployment Rate, Employment Change and Average earnings 1000 BST EUR Employment Change and Gross Domestic Product *1330 BST USD* Retail Sales 1415 BST USD Industrial Production 2130 BST USD API Crude Oil Stock Change	0050 BST JPY Gross Domestic Product 0230 BST China House Price Index 0530 BST JPY Industrial Production **0700 BST GBP** Inflation Data (PPI/CPI) 1000 BST EUR Inflation Data (CPI) Final 1330 BST CAD Inflation Data (CPI) 1330 BST USD Housing Starts 2345 BST NZD Inflation Data (PPI)	0050 BST JPY Imports, Exports and Trade Balance 0230 BST AUD Unemployment Rate and Employment Change 1330 BST CAD Inflation Data (PPI) 1330 BST USD Initial Jobless Claims 1330 BST USD Philadelphia Fed Manufacturing Index 1500 BST USD Existing Home Sales 0050 BST JPY Imports, Exports and Trade Balance	0001 BST GBP Gfk Consumer Confidence *0030 BST JPY* Inflation Data (CPI) 0700 BST EUR (Ger) Inflation Data (PPI) *0700 BST GBP* Retail Sales 1500 BST EUR Consumer Confidence

Monday: China data. This data is likely to be weak due to the current lockdowns, but that is factored into expectations. If, however, it is worse than expected it could spark further fears of a demand shock from China, which may impact oil and other commodities negatively at the start of next week. (See page 6 for the Gold Technical Update).

Tuesday: GBP Employment data kicks off a data heavy week for the UK. UK data is extremely important to a BoE that seems rather concerned about hiking aggressively if growth is stalling. Unemployment, and more importantly wage data are a key input into that dynamic.

US Retail sales. US consumers are very important for sustainable US growth. This is a volatile piece of data that is expected to show another rise for April, but could it show the start of a shift from US consumers towards reducing spending to deal with inflation, that only just seems to be moderating? (See page 5 for the US Tech 100 Technical Update).



Wednesday: GBP Inflation data (PPI/CPI). The main event for GBP direction and volatility next week and a piece of data that the BoE will definitely be monitoring, with big expectations that CPI could hit 10% very soon. With traders very bearish for GBP and the UK, this data could have a big say on whether the downtrend continues, or whether a squeeze is due!
(See below for the GBPUSD Technical Update).



Thursday: AUD Unemployment data. This is very important data as the RBA have told traders, it is, and the wages component especially so. Wages are only just starting to edge up but if this is accelerating, it could see a much more hawkish RBA, with big implications for AUD direction. (See page 6 for the AUDUSD Technical Update).

Friday: JPY Inflation data (CPI). At some stage soon, inflation data is going to become more important for Japan, as the weak JPY sees import prices rise and thus, further impacts inflation. This is interesting as the BoJ may, at some point, need to adjust or abandon its YCC (yield Curve Control) policy. If so, then the JPY would likely strengthen significantly.

GBP Retail sales. The Consumer in the UK is feeling the pain and this has resulted in months of weak sales and confidence and this is a concern to the BoE. UK consumers are having to make tough lifestyle choices now, will this show how hard things are getting in the UK?



Commodity Focus: Chart of the week, Gold

Commodities are at the mercy to some degree from the rising US dollar, but the falls we have seen, on a macro basis, could be a potential buying opportunity soon, due to the demand that comes with a shift towards a greener planet, and onshoring in the EU of energy requirements to offset the losses from Russia. Both will see a huge demand for commodities over time. Timing this will not be easy though: **it is more of a buy and hold strategy?**

Energy: There is no doubt that the Russian invasion of Ukraine is still a huge part of the energy crisis, especially for the EU. This is not going to change as sanctions may be in place for years. Can the EU really afford to embargo all Russian imports of oil and gas? The fear is that both remain elevated and if and when China does start unlocking, demand for oil may exceed current supply, with OPEC suggesting that delivering to meet demand is already stressed. It is very possible energy prices continue to add to the inflation dynamic.



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

Support	Resistance	Support	Resistance
USA 500: 1 st – 3854.78, Last weeks low trade 2 nd – 3802.87, 38% Mar'20/Jan'22 3 rd – 33720.15, Late Feb'21 extreme	1 st – 4081.25, Half May weakness 2 nd – 4184.98, Bollinger mid-average 3 rd – 4302.28, May 3 rd bounce failure	EURUSD: 1 st – 1.0349, Last weeks low trade 2 nd – 1.0344, January 2017 extreme 3 rd – 1.0000, Level of parity	1 st – 1.0579, Bollinger mid-average 2 nd – 1.0643, Half latest downside 3 rd – 1.0713, Higher 62% retracement
US Tech 100: 1 st – 11689.05, Last weeks low trade 2 nd – 10944.58 Oct'20 monthly low 3 rd – 10523.74, 62% Mar'20/Nov'21	1 st – 12627.84, Half May weakness 2 nd – 13041.49, Bollinger mid-average 3 rd – 13553.55, May monthly high trade	GBPUSD: 1 st – 1.2155, Last weeks low trade 2 nd – 1.2077, May 2020 hold level 3 rd – 1.1822, March 26 th 2020 extreme	1 st – 1.2405, Last weeks high trade 2 nd – 1.2508, Bollinger mid-average 3 rd – 1.2637, May bounce failure
USA 30 Wallstreet: 1 st – 31147.00, Last weeks low trade 2 nd – 30512.00, Feb'21 extreme 3 rd – 29684.00, 38% Mar'20/Jan'22	1 st – 32605.00, Half May weakness 2 nd – 33251.00, Bollinger mid-average 3 rd – 34024.00, May 3 rd upside extreme	USDJPY: 1 st – 127.54, 38% retrace Apr/May upside 2 nd – 126.34, Mid-point same move 3 rd – 125.15, Deeper 62% retracement	1 st – 129.40, Bollinger mid-average 2 nd – 131.34, Last weeks upside extreme 3 rd – 133.78, April 2002 high trade
Germany 40: 1 st – 13269.71, Last weeks low trade 2 nd – 13226.71, March 11 th extreme 3 rd – 12958.93, March 9 th hold level	1 st – 14317.76, May high trade 2 nd – 14472.29, Bollinger upper band 3 rd – 14942.95, March 29 th session high	AUDUSD: 1 st – 0.6828, Last weeks low trade 2 nd – 0.6779, June 2020 low trade 3 rd – 0.6763, Mid-point Mar'20/Feb'21	1 st – 0.7053, Wednesday's bounce high 2 nd – 0.7150, 38% retrace Apr/May 3 rd – 0.7248, Mid-point same move
UK 100: 1 st – 7129.75, Last weeks low trade 2 nd – 7082.15, 62% retrace Mar/Apr 3 rd – 6995.21, March 9 th session low	1 st – 7427.06, Bollinger mid-average 2 nd – 7598.00, May monthly high trade 3 rd – 7634.00, April 8 th upside extreme	USDCAD: 1 st – 1.2900, Last week's low and rally point 2 nd – 1.2847, Bollinger mid-average 3 rd – 1.2712, May low trade	1 st – 1.3075, Last weeks high trade 2 nd – 1.3171, November 9 th rejection point 3 rd – 1.3337, Mid-point Mar'20/May'21

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