

Preparing for the week ahead : Corellian 3 Step Process

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

Positive risk sentiment returned to the market last week after the **FOMC minutes**, Wednesday, and then **US PCE inflation**, Friday, lent weight to the suggestion the Fed may not need to be as aggressive on interest rates from September onwards. **US PCE inflation** fell from 6.6% to 6.3% yoy, (Core PCE fell 5.2 to 4.9% yoy).

US 10 year bond yields continued to fall for the 3rd week in a row closing at 2.74% on economic slowdown fears and the potential for a less aggressive Fed going forward.

Stock indices were boosted by the idea of US inflation potentially peaking, which saw big gains across European and US indices. The US Tech 100 bounced 7.4% across the week, as FAANG stocks found fresh buyers. (See page 2 for the US Tech 100 Technical Update).

The USD continued to fall across the week, with traders reducing longs as confidence for a bounce in risk grew. A 'Hawkish pivot' from ECB President Lagarde on Monday, saw EURUSD outperform across G10, trading to a high of 1.0765.

For commodities, Oil rallied at the back end of the week on news of tight inventories as Americans head into summer driving season. Closing at \$115.03, its highs. Precious metals also saw small gains as the USD weakened.



Financial Market	Closing Level Friday 20 th May	Closing Level Friday 27 th May	Weekly Change %
Asia Stocks:			
China A50	13525	13323	-1.5%
Japan 225	26750	27144	+1.5%
ASX (Australia) 200	7132	7274	+2.0%
Hong Kong 50	20311	20865	+2.7%
Europe Stocks:			
UK (FTSE) 100	7386	7574	+2.5%
Germany 40	14025	14490	+3.3%
Europe 50	3653	3812	+4.4%
France 40	6256	6509	+4.0%
US Stocks:			
USA 500	3902	4167	+6.8%
USA 30 Wall Street	31238	33226	+6.4%
US Tech 100	11837	12714	+7.4%
USA (Russell) 2000	1772	1892	+6.8%
Financial Market	Closing Level Friday 20 th May	Closing Level Friday 27 th May	Weekly Change %
G10 Currencies:			
EURUSD	1.0558	1.0734	+1.7%
GBPUSD	1.2490	1.2630	+1.1%
EURGBP	0.8454	0.8498	+0.5%
AUDUSD	0.7040	0.7159	+1.7%
USDJPY	127.86	127.13	-0.6%
USD Index	103.05	101.68	-1.3%
Commodities:			
GOLD	1846	1853	+0.4%
Silver	21.78	22.08	+1.4%
Copper	4.3018	4.3220	+0.5%
US Crude Oil	110.32	115.03	+4.3%
Other Markets:			
Bitcoin	29100	28750	-1.2%
US 10 Year Yield	2.79%	2.74%	-1.8%

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

<p>Reuters:</p> <p>Shanghai edges towards Covid reopening as Beijing plans to ease curbs</p> <p>After 2 months of lockdowns what does start of reopening mean for the world economy. Potential positive implications for oil, stocks commodities and AUD next week?</p> <p>The Chinese metropolis of Shanghai inched further towards a gradual reopening from 2 months of grinding Covid lockdown, while officials in Beijing prepared to ease curbs in parts of the capital, saying on Saturday the outbreak was under control. Shanghai aims to essentially end its lockdown from Wednesday (1st June) after relaxing restrictions last week.</p>	<p>Bloomberg:</p> <p>Fed won't flinch as labor market starts tailing off</p> <p>After last week's stock relief rally, traders are looking for reasons for the Fed to pause their aggressive interest rate plans. Will the US employment data give them what they want to keep the rally going?</p> <p>The upcoming US jobs report is projected to show the labor market, while still tight, may be starting to transition to more moderate payrolls growth from outsized monthly advances. Payrolls probably increased by 325,000 in May after rising 428,000 in each of the previous 2 months.</p>	<p>Bloomberg:</p> <p>Another Tory MP calls on Johnson to quit over partygate scandal</p> <p>How much longer can PM Johnson survive, and is this an unwelcome distraction when the UK faces the potential reality of stagflation?</p> <p>Another member of Boris Johnson's Conservative party called on the PM to resign following the release of an internal probe into lawbreaking in Downing Street during the pandemic, saying the British leader had undermined the nation's trust.</p> <p>This statement serves as a reminder that however much the PM would like to move on, the debate continues to fester in Westminster and across a nation still scarred from the pandemic.</p>
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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

What a difference a week makes. The results from major US retailers last week offer a slightly different take to the negative outlook from Walmart and Target the week before. **Macy's**, for instance, boosted its profit outlook and stood by its sales guidance for 2022, as it seems higher income consumers are continuing to spend on items that weren't necessary during the pandemic. This contrasts with the fortunes of **SNAP**, a pandemic darling, which fell 35% last week after providing a market up date detailing it will miss its current revenue and earnings targets going forward.

Next weeks earnings focus is definitely against a more forgiving backdrop for stocks that saw broad sector recoveries into the Friday close. With earnings data light, and if the relief rally is to be sustained it maybe a week for indices rather than individual stocks. (See page 3 for the USA 30 Wallstreet Technical Update).

For individual stocks, **Hewlett Packard**, **Salesforce** and pet retailer **Chewy** earnings will be in focus for traders to see whether these companies can show a path of sustained customer growth, maintaining profit margins and post forward guidance that will keep traders from hitting the stock hard.

Monday 30 th May	Tuesday 31 st May	Wednesday 1 st June	Thursday 2 nd June	Friday 3 rd June
Before Market Opens:	Pennon Anaplan StoneCo Before Market Opens: Weibo	Hewlett Packard Donaldson 1145 Capri Holdings Before Market Opens:	Lululemon Athletica Meituan 1330 Toro Before Market Opens: Hormel Foods CIENA	Before Market Opens:
After Market Closes:	After Market Closes: Ambarella SalesForce ChargePoint	After Market Closes: UiPath NetApp 2115 PVH	After Market Closes: Okta Broadcom Asana	After Market Closes:



Central Bank Meetings and Key Central Bank Speakers:

It's likely to be a disjointed trading week with a US memorial day holiday Monday and the double UK Jubilee bank holidays on Thursday and Friday. It could mean that liquidity is reduced and higher volatility is possible.

Monday: ECB Lane. He has already endorsed the roadmap for ECB monetary policy offered by Lagarde early last week and again on Friday. Lane has long been seen as one of the more dovish members of the Governing Council, along with Lagarde, but it does seem they are prepared to back the hikes. **Potentially worth a watch for more bullish EUR sentiment.**

Monday 30 th May	Tuesday 31 st May	Wednesday 1 st June	Thursday 2 nd June	Friday 3 rd June
1235 BST EUR ECB Chief Economist Lane Speech 1600 BST USD Fed Waller Speech		1300 BST EUR ECB President Lagarde Speech *1500 BST CAD* BoC Interest Rate Decision and Rate Statement 1630 BST USD Fed Williams Speech 1730 BST EUR ECB Chief Economist Lane Speech 1800 BST USD Fed Bullard Speech	0900 BST USD OPEC+ Meeting 1600 BST CAD BoC Beaudry Speech 1800 BST USD Fed Mester Speech	*1530 BST USD* Fed Vice Chair Brainard Speech

Wednesday: ECB Lagarde. ECB President Lagarde moved EUR higher last week with a more hawkish stance on EU interest rates and now traders are all focused on receiving more detail for what's next. **What she says matters!**

BoC Interest rate decision. Another interest rate hike on the cards here. Markets are pricing in a 50bps hike by the Bank of Canada next week, bringing its policy rate to 1.5%. That figure is expected to reach 2.75% by the end of this year, so the forward guidance is now key. Will they be as aggressive as the market has priced? (See page 4 for the USDCAD Technical Update)

Friday: Fed Brainard. Brainard is now the vice chair of the Fed and whilst known as a more dovish member, she has supported Chairman Powell's fight against inflation. Traders will be looking to see if she uses this speech to discuss any potential pause in interest rate moves later in 2022. **If she does it could see stock indices rally again into the Friday close.** (See page 6 for the USA 500 Technical Update)



Key Economic Data Next Week:

Monday: German Preliminary CPI. Inflation data anywhere is big news and this early look at German CPI is important, especially for the ECB. German inflation has been high for some time while growth is looking rather weak. This will all feed into ECB and investor thinking, especially now the ECB seem on target to start hiking (finally) in July. **If CPI continues to climb it could be an early EUR mover on Monday.**

Monday 30 th May	Tuesday 31 st May	Wednesday 1 st June	Thursday 2 nd June	Friday 3 rd June
1000 BST EUR Economic Sentiment Survey *1300 BST EUR (Ger)* Inflation Data (Prel CPI)	Month End Rebalancing 0050 BST JPY Industrial Production and Retail Trade *0200 BST China* Manufacturing and Non Manufacturing PMI 0855 BST EUR (Ger) Unemployment Rate *1000 BST EUR* Inflation Data (Prel HICP) 1330 BST CAD Gross Domestic Product 1400 BST USD House Price Index *1500 BST USD* Consumer Confidence	0000 BST AUD Manufacturing PMI (Final) 0230 BST AUD Gross Domestic Product 0245 BST China Caixin Manufacturing PMI 0850-0930 BST Fra, Ger, EUR, GBP Manufacturing PMI (Final) 1000 BST EUR Unemployment Rate 1430 BST CAD Manufacturing PMI (Final) 1445 BST USD Manufacturing PMI (Final) *1500 BST USD* ISM Manufacturing PMI and Employment Index	0230 BST AUD Imports, Exports and Trade Balance 0730 BST CHF Inflation Data (CPI) 1000 BST EUR Inflation Data (PPI) 1315 BST USD ADP Employment Data 1330 BST USD Initial Jobless Claims 1500 BST USD Factory Orders	0000 BST AUD Services PMI (Final) 0700 BST EUR (Ger) Imports, Exports and Trade Balance 0850-0900 BST Fra, Ger, EU Services PMI (Final) *1330 BST USD* Non Farm Payrolls, Unemployment Rate and Average Hourly Earnings 1445 BST USD Services PMI (Final) *1500 BST USD* ISM Services PMI and Employment Index

Tuesday: China PMIs. Investors are sensitive to the weakness in the Chinese economy and with the lockdowns, these data are likely to be rather weak. This could weigh on commodities and the AUD which had a decent rally Friday. China is starting to try to stimulate the economy via PBOC policies but China needs to unlock.

EU Preliminary CPI. This first look at EU inflation is big data for the ECB and markets. Just how far ahead is inflation for an ECB yet to move from negative rates? We could see moves in EU bonds and the EUR on this release and it could set the tone for the EUR in coming days/weeks. **(See page 5 for the EURUSD technical Update).**

US Consumer Confidence: Not always a market mover but coming after the weak Michigan sentiment data Friday, it is worth assessing the health of the US consumer psyche, as this could spill into spending decisions.



Wednesday: US ISM Manufacturing PMI. ISM data is like last weeks PMI data in that it is a survey and forward looking and makes interesting reading with components for employment, new orders and prices paid. It's a health check on the performance of the US economy moving forward. Expectations are for a lower print as higher input costs reduce profit margins. **Any deviation could shock traders hoping for a further extension of last weeks relief rally.**

Thursday. ADP Employment. ADP is private sector employment data and is something of a feeder into the non-farm payrolls data Friday. It can move markets in the short term but then many traders will wait for the NFP below.

Initial Jobless claims. Jobless claims have risen steadily in recent weeks which could be a major concern. It is starting to grab traders attention again. This time for moving up, not down. The danger is that if businesses cannot pass on higher prices then profit margins fall and some may reduce staffing levels to make up the gap.

Friday. Non Farm Payrolls (NFP). Big data for markets to digest. Expectations are for further gains (+350k v 428k for April) in the headline jobs number but at a slower pace. Recession worries are rising and a softening of the jobs market, would likely concern, but not deter the Fed from their current plans. That doesn't mean it wont move all markets who are looking for any signs for the Fed to be not as aggressive as is currently expected for interest rates.

(See below for the USA 500 Technical Update).



Commodity Focus: Chart of the week 1, Oil

Thursday. OPEC+ meeting. No surprises expected here as of yet as OPEC+ members have said they will just stick to current commitments. However any change in outcome or dissenters from the current stance would move oil, possibly significantly.



While traders do not expect anything new from the OPEC + meeting, oil has been rising through last week, registering its 5th straight gain. WTI was back at \$115, even with China still keeping major cities locked down. This is on news that with lower US inventories, US motorists face soaring costs as the nation heads into its peak holiday driving period with gasoline stockpiles at the lowest seasonal level since 2014.

In other significant news, on Friday, the Group of Seven (G7) urged OPEC+ to pump more oil as the cartel and its allies, which have rebuffed calls to open the taps. While unlikely to impact OPEC+'s decision making, it does mean that there could be extra pressure, behind the scenes, on the larger oil producing nations. Bank of America Corp. have warned that a loss of Russian exports following the invasion of Ukraine "could trigger a full-blown '80s-style oil crisis" and a move to \$150.

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

Support	Resistance	Support	Resistance
USA 500: 1 st – 4036.30, 38% retrace latest upside 2 nd – 3950.94, Deeper 62% retracement 3 rd – 3807.40, May 20 th low trade	1 st – 4221.32, Mid-point Mar/May sell-off 2 nd – 4317.10, Higher 62% retracement 3 rd – 4508.18, April 20 th failure high	EURUSD: 1 st – 1.0555, Bollinger mid-average 2 nd – 1.0349, May 13 th low trade 3 rd – 1.0344, January 2017 extreme	1 st – 1.0787, 38% retrace Feb/May sell-off 2 nd – 1.0922, Mid-point same move 3 rd – 1.0935, April 21 st session high
US Tech 100: 1 st – 12100.59, Half latest upside move 2 nd – 11490.92, May 20 th low trade 3 rd – 10944.58 Oct'20 monthly low	1 st – 13553.55, May monthly high trade 2 nd – 14296.30, April 20 th bounce failure 3 rd – 15267.30, March 29 th rejection point	GBPUSD: 1 st – 1.2411, Half latest upside 2 nd – 1.2329, May 17 th hold level 3 rd – 1.2155, May 13 th session low	1 st – 1.2590, 38% retrace Mar/May sell-off 2 nd – 1.2637, May bounce failure 3 rd – 1.2726, Mid-point same move
USA 30 Wallstreet: 1 st – 32328.00, 38% retrace latest rally 2 nd – 31630.00, Deeper 62% retrace 3 rd – 30588.00, May 19 th low trade	1 st – 33580.00, 62% retrace latest downside 2 nd – 34018.00, May 4 th session high 3 rd – 35410.00, April 20 th rejection point	USDJPY: 1 st – 126.35, Last weeks low trade 2 nd – 124.51, 38% retrace YTD range 3 rd – 122.42, Mid-point same move	1 st – 128.05, Last weeks bounce failure 2 nd – 128.75, Bollinger mid-average 3 rd – 131.34, May upside extreme
Germany 40: 1 st – 13955.73, Bollinger mid-average 2 nd – 13669.52, May 19 th low trade 3 rd – 13269.71, May 10 th extreme	1 st – 14615.52, April 21 st high trade 2 nd – 14805.50, 62% retrace Jan/Mar sell-off 3 rd – 14942.95, March 29 th session high	AUDUSD: 1 st – 0.7035, Wednesday's session low 2 nd – 0.7020, Bollinger mid-average 3 rd – 0.6828, May 12 th low trade	1 st – 0.7182, Bollinger upper band 2 nd – 0.7248, Mid-point Apr/May decline 3 rd – 0.7266, May 5 th session high
UK 100: 1 st – 7412.51, Bollinger mid-average 2 nd – 7215.75, May 19 th extreme 3 rd – 7129.75, May monthly low	1 st – 7598.00, May monthly high trade 2 nd – 7634.00, April 8 th upside extreme 3 rd – 7658.01, Bollinger upper band	USDCAD: 1 st – 1.2712, May 4 th session low 2 nd – 1.2660, 62% Apr/May upside 3 rd – 1.2457, April 20 th session extreme	1 st – 1.2872, Bollinger mid-average 2 nd – 1.3075, May high trade 3 rd – 1.3171, November 9 th rejection point



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