

Preparing for the week ahead : Corellian 3 Step Process

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

After a choppy week for financial markets, Friday was a 'risk off' session after the **US Non Farm Payrolls** data beat economists predictions at +390k jobs created, versus +318k expected. Traders have been hoping that weaker US data may mean the Fed pauses its aggressive interest rate rises in September to assess their impact. **This release put a dent in those hopes, and places more emphasis on key data next week.**

US 10 year bond yields rose directly from the weekly open at 2.74% to close at 2.94%, boosted by Fed Vice Chair Brainard saying it's 'very hard to see the case' for the Fed pausing rate hikes.

Major US and European Stock indices which had made new 4 week highs at the start of the week all reversed and finished down, as the US employment data suggested the labour market remains robust enough for the Fed to raise interest rates quickly to battle runaway inflation. Tech stocks under performed again with the US Tech 100 falling 2.67% Friday to close at 12550 (-1.3% on the week). **See the next page for the US Tech 100 Technical Update.**

The USD ended the week strongly boosted by negative risk sentiment and the strong rally in US yields. USDJPY was the standout performer, up 2.9% on the week, closing at 130.85, just 50 pips from its May 2022 highs at 131.35.

Commodities were performing strongly ahead of the US payroll data, with Gold making a new 4 week high at \$1873, silver at \$22.46 and copper at \$4.5755. This all reversed as the stronger USD hit sentiment. Only oil finished the week strongly, at its highs at \$120, as traders remain concerned over a widening supply deficit.



| Financial Market | Closing Level Friday 27 th May | Closing Level Friday 3 rd June | Weekly Change % | Financial Market | Closing Level Friday 27 th May | Closing Level Friday 3 rd June | Weekly Change % |
|-----------------------|---|---|-----------------|------------------------|---|---|-----------------|
| Asia Stocks: | | | | G10 Currencies: | | | |
| China A50 | 13323 | 13520 | +1.5% | EURUSD | 1.0734 | 1.0721 | -0.1% |
| Japan 225 | 27144 | 27571 | +1.6% | GBPUSD | 1.2630 | 1.2498 | -1.0% |
| ASX (Australia) 200 | 7274 | 7208 | -0.9% | EURGBP | 0.8498 | 0.8578 | +0.9% |
| Hong Kong 50 | 20865 | 21251 | +1.8% | AUDUSD | 0.7159 | 0.7210 | +0.7% |
| Europe Stocks: | | | | USDJPY | | | |
| UK (FTSE) 100 | 7574 | 7544 | -0.4% | USD Index | 101.68 | 102.18 | +0.5% |
| Germany 40 | 14490 | 14482 | -0.1% | Commodities: | | | |
| Europe 50 | 3812 | 3785 | -0.7% | GOLD | 1853 | 1850 | -0.2% |
| France 40 | 6509 | 6478 | -0.5% | Silver | 22.08 | 21.92 | -0.7% |
| US Stocks: | | | | Copper | | | |
| USA 500 | 4167 | 4110 | -1.4% | US Crude Oil | 115.03 | 120.31 | +4.6% |
| USA 30 Wall Street | 33226 | 32912 | -0.9% | Other Markets: | | | |
| US Tech 100 | 12714 | 12550 | -1.3% | Bitcoin | 28750 | 29600 | +3.0% |
| USA (Russell) 2000 | 1892 | 1882 | -0.5% | US 10 Year Yield | 2.74% | 2.94% | +7.3% |

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

| | | |
|--|---|---|
| <p>Bloomberg: Australia inflation accelerated further from 5.1%, Chalmers says</p> <p>Could the RBA be the next central bank to go 50bps to curb soaring inflation at their meeting next week? (See page 3 for the AUDUSD Technical Update).</p> <p>Australian consumer prices have accelerated from the 5.1% recording in the first 3 months, Treasurer Jim Chalmers said, intensifying pressure on households and suggesting further interest rate increases ahead.</p> <p>Chalmers told News Corp. in an interview Sunday, he'll likely raise the forecast in next month's economic statement to parliament.</p> | <p>Bloomberg: Johnson is taking Tories to heavy loss in special election: Poll</p> <p>Speculation continues to build over UK PM Johnson's future. As the GBP rally soured last week, what does more negative news for the PM mean for GBP next week?</p> <p>Boris Johnson's Conservative Party is heading for a thumping defeat in this month's special election in Wakefield, according to a poll published in the Sunday Times, a result that would heighten speculation over the PM's long term future.</p> | <p>Bloomberg: 'No longer sure bets': Tech giants are dropping bad news daily</p> <p>Technology stocks have been benefitting from a relief rally recently but the bad news has continued to flow from all corners. Is the bounce already over? (See page 2 for the US Tech 100 Technical Update).</p> <p>A grim new reality is setting in across the tech landscape: a heady, decades long era of rapid sales gains, boundless jobs growth and ever soaring stock prices is coming to an end. The malaise is damaging employee moral, affecting the industry's ability to attract talent, and has wide ranging implications for US economic growth and innovation.</p> |
|--|---|---|



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 |

The first big news last week was Microsoft’s warning on Thursday of currency headwinds impacting its future earnings. The world’s largest software maker cut its profit forecast for Q2 2022 by \$460 million due to the surging strength of the USD. The impact was felt significant enough to announce it in a rare mid season revision, which took traders by surprise. **Will this news mean other global US companies will suffer the same fate in future earnings reports?**

The second piece of news out Thursday was from Tesla CEO Elon Musk who in a mail to executives said he had a “super bad feeling” about the economy and needs to cut about 10% of salaried jobs at the electric carmaker. This announcement on jobs follows the trend of other major technology companies like META, SNAP, LYFT and Coinbase. **Will this be a drag on future US economic growth and potential recession?**

Then finally Friday, American Airlines, shares fell over 7% as investors looked past the carrier’s upbeat revenue forecast and focused instead on its warning of a hit from higher fuel costs and staffing problems.

Next weeks earnings focus for next week is quiet with a variety of companies reporting across different sectors. (See page 5 for the USA 500 Technical Update).

| Monday 6 th June | Tuesday 7 th June | Wednesday 8 th June | Thursday 9 th June | Friday 10 th June |
|---|--|---|---|---|
| <p>Before Market Opens: Futu Holdings</p> <p>After Market Closes: 2105 Gitlab</p> | <p>J M Smucker</p> <p>Before Market Opens:</p> <p>After Market Closes:</p> | <p>1215 Campbell Soup</p> <p>Before Market Opens: Thor Industries Kingsoft Cloud Holdings Full Truck Alliance</p> <p>After Market Closes:</p> | <p>Tate & Lyle FuelCell Energy NIO Before Market Opens: Bilibili</p> <p>After Market Closes: Docusign</p> | <p>Before Market Opens:</p> <p>After Market Closes:</p> |

Central Bank Meetings and Key Central Bank Speakers:

Next weeks trading focus is all about the 2 central banks, with specific focus on the ECB Thursday.

| Monday 6 th June | Tuesday 7 th June | Wednesday 8 th June | Thursday 9 th June | Friday 10 th June |
|--------------------------------|---|-----------------------------------|--|--|
| | *0530 BST AUD* RBA Interest Rate Decision and Rate Statement | | *1245 BST EUR* ECB Interest Rate Decision and Policy Decision Statement *1330 BST EUR* ECB Press Conference 1600 BST CAD BoC Governor Macklem Speech 1600 BST CAD BoC Rogers Speech | 1445 BST EUR ECB Lagarde Speech |

Tuesday: RBA Interest Rate Decision. Short-end Australian bond yields climbed to a three-week high as traders bet the central bank will ramp up its pace of tightening (Currently 0.35%), after a similar aggressive move by the Bank of Canada last week. Three-year yields soared as much as 11.5 basis points to 3.007%, the highest since May 9. Overnight index swaps suggest the Reserve Bank of Australia will deliver a 40-basis point hike on June 7 and it is a strong argument after the weekend news that Australian inflation has moved significantly above the 5.1% reported for Jan to March 2022. This announcement and forward guidance will have a significant impact on AUD. (See below for the AUDUSD Technical Update).



Thursday: ECB Interest Rate Decision and Press Conference. This is a big meeting for the ECB and for traders. There is huge pressure on the ECB to start the fight against inflation, with some economists even calling for a shock interest hike at this meeting. So far July is the expected lift-off month but even there traders are starting to price a 50bp hike, **something Lagarde nor Lane have communicated (They have said smaller 25bps moves)**. Will this meeting be the one where they open up the possibility of 50bp incremental hikes? If so, it has big implications for the EUR, stocks and bonds.

They certainly should talk about it. The ECB seems to be helplessly behind everyone else and need to regain some credibility. Signalling 25bps in July may have a negative impact on the EUR and it is unlikely they want that now. But recent economic data like retail sales and PMIs have been weak. EU Apr Retail Sales missed: -1.3% m/m vs 0.3% cons, 3.9% y/y vs 5.4% cons last week. (See page 4 for the EURUSD Technical Update).



Also Wednesday: BoC Macklem Speech. Last week markets had a 50bps hike from the BoC and received hawkish forward guidance for the rest of the year. This speech is likely to underline this stance. CAD **could rally further, consolidating last weeks gains, especially after oil rose.** It will be interesting to see if he goes further on the aggressive stance against inflation as BoC's Beaudry even suggested BoC actions could involve bigger moves than 50bps! **Will he support this view?**

Key Economic Data Next Week:

The Central bank events are the most important events next week but there is still some key economic data.

| Monday 6 th June | Tuesday 7 th June | Wednesday 8 th June | Thursday 9 th June | Friday 10 th June |
|---------------------------------------|---|---|---|--|
| 0245 BST China Caixin Services PMI | 0001 BST GBP BRC Retail Sales | 0050 BST JPY Gross Domestic Product | 0300 BST China Imports, Exports and Trade Balance | 0050 BST JPY Inflation Data (PPI) |
| | 0700 BST EUR (Ger) Factory Orders | 0645 BST CHF Unemployment Rate | 1330 BST USD Initial Jobless Claims | *0230 BST China* Inflation Data (PPI/CPI) |
| | 0930 BST GBP Services PMI (Final) | 0700 BST EUR (Ger) Industrial Production | 2345 BST NZD Retail Sales | *1330 BST USD* Inflation Data (CPI) |
| | 1330 BST USD Imports, Exports and Trade Balance | 1000 BST EUR Employment Change and Gross Domestic Product | | 1330 BST CAD Net Change in Employment, Unemployment Rate and Average Hourly Wages |
| | 1330 BST CAD Imports, Exports and Trade Balance | 1500 BST USD Wholesale Inventories | | 1500 BST USD Michigan Consumer Sentiment Index |
| | 2000 BST USD Consumer Credit Change | 1530 BST USD EIA Crude Oil Stocks Change | | |
| | 2130 BST USD API Weekly Crude Oil Change | | | |

Monday: Caixin Services PMI. Markets are very sensitive to China data as they take baby steps to reopening and to be honest, the data so far has been better than expected and this non-official version of PMI is an interesting release. We could see a bounce in risk sentiment and the likes of AUD if it beats expectations or vice versa.



Tuesday: BRC UK Retail sales: Not often noticed as it comes out so late at night but this is crucial data for the UK. The BoE will be monitoring data closely as the UK economy seems extremely vulnerable, and hiking rates may make things even harder for the consumer. Facing massive rises in essential costs, can the consumer keep spending? **There is a danger that the BoE decide a change to current policy of hiking if growth is seriously stalling and that has huge implications for Gilts and GBP.**

Wednesday: German Industrial Production. Will be an indicator of how weak the German economy is becoming even as inflation continues to soar. The ECB will be very concerned if the largest economy in the zone is faltering. **The Germany 40 has continued to outperform its US peers recently, can this continue? (See below for the Germany 40 Technical Update).**

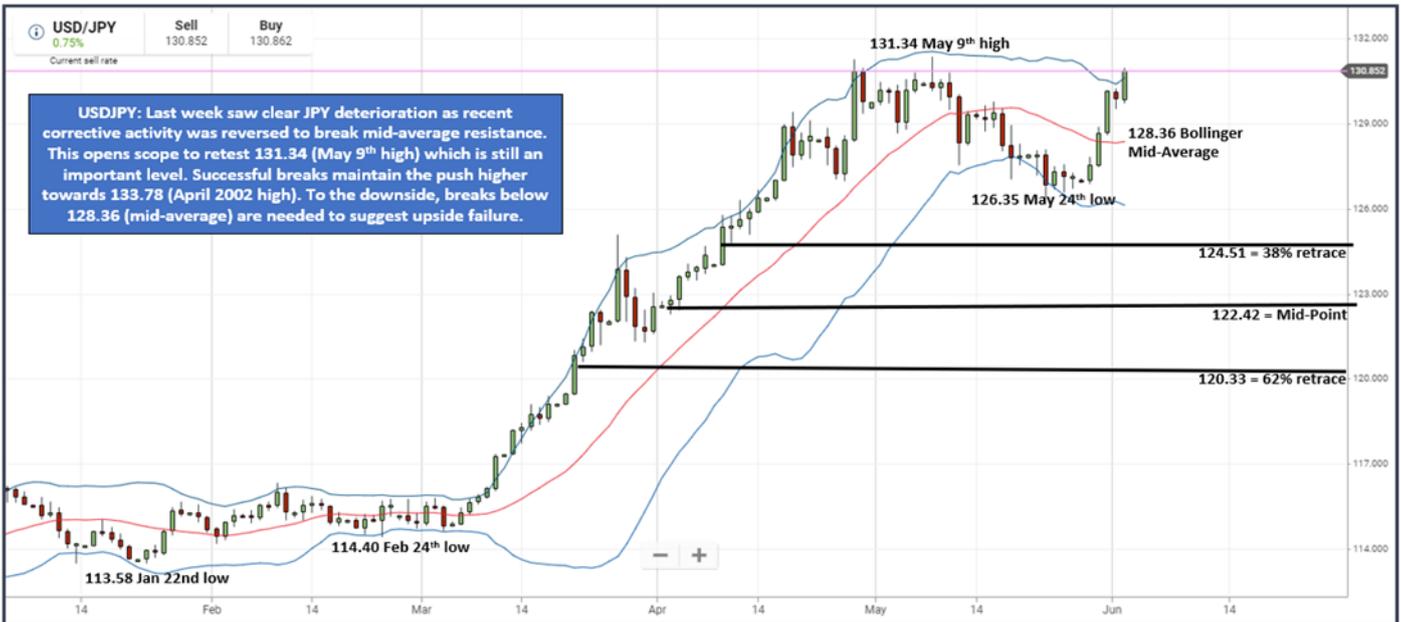


Thursday: China Trade Data. The world is looking at Chinese data for any signs of a recovery as it would give global growth forecasts a much needed boost, but most of China is still locked down and this data may still reflect that. Expectations are low so there is room for an upside surprise, like the recent PMI data last week. **Can this data give risk sentiment a fresh boost?**



Friday: China Inflation Data (PPI/CPI). Inflation data is always a key piece of data and Chinese CPI is no different, but the lockdowns have distorted data so much it is difficult to know how to take this release. Keep an eye on USDCNY and CNH after the data.

Also Friday. US Inflation Data (CPI) Another big data point for traders at the end of a busy week. Inflation is starting to bite in the US as gasoline prices climbed to yet another record, the latest blow to motorists at the start of the summer driving season. Costs of many things are rising and the consumer is borrowing to maintain living standards for now, but the Fed could become even more aggressive if inflation is not showing signs of topping out. The data will be closely monitored by the Fed, especially the core CPI data after the easing seen in Core PCE data recently. **Traders are looking for signs inflation has peaked so they can extend the relief rally, will they be disappointed?** A higher print will likely push US 10 year yields higher and could support a fresh challenge of the highs in USDJPY. (See below for the USDJPY Technical Update).



Commodity Focus: Chart of the week, Oil

Oil finished last week on its highs at \$120, despite OPEC+ Thursday agreeing to a production hike. The reality is this OPEC+ hike only amounts to 0.4% of global demand in the coming months, and there are lingering doubts over whether these new targets can even be met as producers struggle to ramp up production. Coming into key driving season in the US, with US economic data still far from collapsing into recession, China slowly unlocking and European holiday makers keen to get away on breaks, the concerns around a supply deficit are still strong and keeping prices supported on dips. (See below for the Oil 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 – 4056.55, 38% retrace latest upside 2 nd – 3963.63, 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 – 1.0611, Bollinger mid-average 2 nd – 1.0522, 62% retrace May upside 3 rd – 1.0349, May 13 th low trade | 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 – 12270.00, Bollinger mid-average 2 nd – 11490.92, May 20 th low trade 3 rd – 10944.58 Oct'20 monthly low | 1 st – 12960.62, Bollinger upper band 2 nd – 13553.55, May monthly high trade 3 rd – 14296.30, April 20 th bounce failure | 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 – 32345.00, 38% retrace latest rally 2 nd – 31695.00, 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 – 129.50, Thursday's session low 2 nd – 128.36, Bollinger mid-average 3 rd – 126.35, May 24 th low trade | 1 st – 130.97, Last weeks upside extreme 2 nd – 131.34, May upside extreme 3 rd – 133.78, April 2002 high trade |
| Germany 40: 1 st – 14130.48, 38% retrace May/June 2 nd – 13807.54, Deeper 62% retrace 3 rd – 13269.71, May 10 th extreme | 1 st – 14635.76, June 3 rd high trade 2 nd – 14805.50, 62% retrace Jan/Mar sell-off 3 rd – 14942.95, March 29 th session high | AUDUSD: 1 st – 0.7115, 38% retrace Apr/Jun upside 2 nd – 0.7075, Bollinger mid-average 3 rd – 0.7007, Deeper 62% retracement | 1 st – 0.7282, Last weeks high trade 2 nd – 0.7347, 62% retrace Apr/May sell-off 3 rd – 0.7457, April 19 th session high |
| UK 100: 1 st – 7423.84, Bollinger mid-average 2 nd – 7215.75, May 19 th extreme 3 rd – 7129.75, May monthly low | 1 st – 7634.00, April 8 th upside extreme 2 nd – 7685.49, Bollinger upper band 3 rd – 7758.19, August 2018 failure high | USDCAD: 1 st – 1.2552, Last weeks low trade 2 nd – 1.2457, April 20 th session extreme 3 rd – 1.2404, April monthly low trade | 1 st – 1.2685, Thursday's rejection high 2 nd – 1.2754, 38% retrace May/Jun sell-off 3 rd – 1.2782, Bollinger mid-average |

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