

Preparing for the week ahead : Corellian 3 Step Process

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

Risk sentiment: It was an interesting end to the week and if we look at the rush into buying bonds, one would suggest we had a risk off day but no, stocks rallied and closed up solidly again with Copper, Oil, Gold and Silver all higher as well. Friday's US PCE data surprised up 1% MOM, to 6.8% from June 2021, seeing the largest annual increase in 40 years. EUR GDP & HCIP, highlighted the challenges for the EU, with, Italy, Spain and France posting surging output, Portugal and the Baltic states contracting, while Germany the #1 economy unexpectedly stagnating, and heading into recession. Euro area consumer prices all set an all time high.



Stocks made big gains Friday: Equity investors shrugged off continuing signs of high inflation in the US economy after the PCE data. That could be a mistake as the Fed is solely focused on getting inflation down and so far has not managed to put a dent in it. But the market built up a lot of shorts and month end could see some book squaring and short covering after Apple and Amazon surprised with better than expected earnings on Thursday after the close. (see page 2 for US Tech 100 update).

US Equities: Another big week for earnings with AMD, BP, Caterpillar and PayPal among the big names reporting. (see page 2)

The USD gave back some gains into the Friday close: The USD failed to hold gains after the US data as US yields fell back and concerns over growth as the Fed is likely to keep hiking saw investors head for bond markets. (see page 3 for technical update).

Commodities: Copper ended the day up 2.25%, but commodity traders main focus is still Oil. Traders will be paying close attention to Wednesday's OPEC meeting where September's oil output is on the agenda. (see page 4 for technical update)

Bonds: Treasuries rallied, dragging yields down sharply, as traders pared expectations for how much policy tightening the Federal Reserve will do based on a weak initial estimate of the US economy's performance in the second quarter. We may see more of this and it could weigh on the USD, especially USDJPY.

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

<p>Reuters:</p> <p>China's factory activity contracts unexpectedly in July as Covid flares up</p> <p>Potential bad news story for sentiment and commodities on the Monday open?</p> <p>China's factory activity contracted unexpectedly in July after bouncing back from Covid 19 lockdowns the month before, as fresh virus flare ups and a darkening global outlook weighed on demand.</p> <p>The official manufacturing PMI fell to 49 in July from 50.2 in June, below the 50 point mark that separates contraction from growth and the lowest in 3 months. Analysts polled by Reuters had expected a reading of 50.4.</p>	<p>Bloomberg:</p> <p>Ailing economy is causing traders to unwind rate hike bets</p> <p>Next week is a big week for GBP. If traders are scaling back on bets that the BoE hikes 50bps then expect volatility around the decision.</p> <p>With the UK economy looking worse by the day, traders are less confident that the Bank of England will deliver the biggest rate hike since 1995.</p> <p>Just a few weeks ago, a 50bps increase seemed like a sure thing, and money markets were signalling 100% certainty in a more aggressive approach to tackle inflation. The probability has dropped to 70%, and more strategists are saying 25bps would be a better choice.</p>	<p>Bloomberg:</p> <p>Gas crisis now tops European stock traders' long list of risks</p> <p>A strong rally last week in European indices, can't cover up their sensitivity to any headlines on Russia's chokehold on European gas supplies. Watch out next week!</p> <p>Just when it seemed the raft of economic challenges that have haunted investors this year had been priced in by financial markets, a spiralling energy crisis in Europe is threatening to provide a fresh jolt to equity traders'.</p> <p>Those sectors and countries with a heavy dependence on Russian fossil fuels have the most at stake. Germany's major heavy manufacturing companies are big gas importers and the nation's DAX index has 45% exposure to chemicals, autos and industrials.</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

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

Monday 1 st August	Tuesday 2 nd August	Wednesday 3 rd August	Thursday 4 th August	Friday 5 th August
Zoom	BP Caterpillar S&P Global	CVS Moderna Sunoco	Eli Lilly Kellogg Co Zoetis	Berkshire Hathaway
<u>Before Market Opens:</u>	<u>Before Market Opens:</u>	<u>Before Market Opens:</u>	<u>Before Market Opens:</u>	<u>Before Market Opens:</u>
<u>After Market Closes:</u>	<u>After Market Closes:</u> AMD Airbnb PayPal Starbucks	<u>After Market Closes:</u> GoDaddy MetLife	<u>After Market Closes:</u> AMC Beyond Meat DropBox	<u>After Market Closes:</u>

Central Bank Meetings, Key Central Bank Speakers and Important Economic Data:

Monday

German Retail Sales: German data has been weak and inflation is still rising and the ECB is now data dependent and so data from its largest economy matters.

US ISM Manufacturing PMI & Manufacturing PMI: Both PMI data and the ISM manufacturing are important data and the ISM has components like employment, prices paid (inflation) and New orders. All forward looking as well so highly regarded and the Fed have suggested they are now data dependent and therefore we should be too!

Tuesday

RBA Interest Rate Decision: This is a big meeting for the AUD and Aussie bonds and many analysts are expecting a 50bps hike but the tone of the statement regarding further hikes could be key.



Wednesday

EUR Retail Sales: Again the ECB is data dependent and so EU data like this matters more now and could see some volatility. Is the ECB prepared to keep hiking if the economy is stalling?

USD ISM Services PMI: As with the manufacturing ISM, this is very important data which gives an insight into how businesses are coping looking forwards. We have seen some real weakness and contraction in this sector which is not good news for the consumer data as the consumer was expected to have shifted from goods to services. This sector should see an expansion after last month fall below 50.

Monday 1 st August	Tuesday 2 nd August	Wednesday 3 rd August	Thursday 4 th August	Friday 5 th August
0700 BST EUR German Retail Sales	*0530 BST AUD* RBA Interest Rate Decision	*1000 BST EUR* EUR Retail Sales	0230 BST AUD Trade Balance	0030 BST AUD RBA Monetary Policy Statement
1500 BST USD Manufacturing PMI	2345 BST NZD Unemployment Rate	1500 BST USD ISM Services PMI *OPEC Meeting*	*1200 BST GBP* BoE Interest Rate Decision 1230 BST GBP BoE's Governor Bailey speech	*1330 BST USD* Non Farm Payrolls 1330 BST CAD Unemployment Rate

Thursday

AUD Trade Balance: Not usually something that the broader markets look at but domestic trades will have an eye on this on the release.

BoE Interest Rate Decision: This is a big one for the BoE and a tough decision but it seems likely the BoE will hike 50bps. However the UK economy has probably tipped into recession, and "the Bank of England should hold off from further interest-rate increases", said former policy maker Blanchflower. However, Investors and analysts almost uniformly believe the UK central bank will deliver its biggest rate rise in 27 years, accelerating its effort to rein in prices that are rising at the strongest pace since 1982.



Friday

AUD RBA Policy Statement: This will be interesting after the Rate decision Thursday and markets will look for forward guidance but beware on that as some CBs seem to be abandoning forward guidance now and opting for a data dependent strategy.

USD Non Farm Payrolls & Unemployment Rate: This always moves markets and will do again but the headline number is probably the least important and impossible to predict. Unemployment rates and average hourly earnings are more important.

Commodity Focus Oil: Oil was up 2.5% on the Brent exchange, and US crude oil climbed back above \$100 a barrel on signs of tightening supply. Futures are set to end the month lower amid continued recession concerns. (see technical update below).



Support	Resistance	Support	Resistance
USA 500: 1 st – 3803, Bollinger mid-average 2 nd – 3741, June 30 th session low 3 rd – 3639, June monthly extreme	1 st – 3950, June 28 th failure high 2 nd – 4020, 38% Mar/Jun sell-off 3 rd – 4137, Mid-point same decline	EURUSD: 1 st – 1.0072, Friday's correction low 2 nd – 1.0000, Level of parity 3 rd – 0.9882, November 2002 extreme	1 st – 1.0283, 38% retrace latest downside 2 nd – 1.0346, Mid-point same move 3 rd – 1.0410, Higher 62% retracement
US Tech 100: 1 st – 11666, Bollinger mid-average 2 nd – 11350, June 30 th low trade 3 rd – 11068, June monthly extreme	1 st – 12261, Jun 27 th session high 2 nd – 12687, 38% retrace Mar/Jun sell-off 3 rd – 12944, June failure high trade	GBPUSD: 1 st – 1.1876, Last weeks correction low 2 nd – 1.1408, March 2020 spike low 3 rd – 1.0366, February 1985 extreme	1 st – 1.2168, Bollinger mid-average 2 nd – 1.2332, June 27 th session high 3 rd – 1.2406, June 16 th bounce failure
USA 30 Wallstreet: 1 st – 30771, Bollinger mid-average 2 nd – 30330, Last weeks correction low 3 rd – 30005, June 21 st low trade	1 st – 31865, 38% retrace Apr/Jun sell-off 2 nd – 32539, Mid-point same move 3 rd – 33234, Higher 62% retracement	USDJPY: 1 st – 135.44, Bollinger mid-average 2 nd – 132.97, 38% retrace May/Jun upside 3 rd – 131.73, Mid-point same move	1 st – 137.00, June 29 th high trade 2 nd – 137.28, Bollinger upper band 3 rd – 137.73, 138% Fibo extension level
Germany 40: 1 st – 12336, Last weeks correction low 2 nd – 12177, Mid-point Mar'20/Jan'22 3 rd – 11495, November 2020 extreme	1 st – 13040, Bollinger mid-average 2 nd – 13264, 38% retrace June/July sell-off 3 rd – 13363, June 28 th session failure high	AUDUSD: 1 st – 0.6761, Last weeks low trade 2 nd – 0.6659, June 2020 monthly extreme 3 rd – 0.6469, 62% retrace Mar'20/Feb'21	1 st – 0.6895, Bollinger mid-average 2 nd – 0.7069, June 15 th bounce failure 3 rd – 0.7024, Bollinger upper extreme
UK 100: 1 st – 6953, Last weeks low trade 2 nd – 6908, June monthly extreme 3 rd – 6723, March 8 th rally point	1 st – 7123, Bollinger mid-average 2 nd – 7224, Last weeks failure high trade 3 rd – 7308, June 29 th bounce failure level	USDCAD: 1 st – 1.2936, Bollinger mid-average 2 nd – 1.2869, 38% retrace Jun/Jul strength 3 rd – 1.2802, Mid-point same move	1 st – 1.3083, Last weeks recovery high 2 nd – 1.3171, Mid-November 2020 extreme 3 rd – 1.3337, Mid-point 2020/2022 range



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