

Preparing for the week ahead : Corellian 3 Step Process

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

Risk sentiment: Another poor close for risk sentiment and stock indices Friday, on late in the day news that Gazprom was not going to open its key gas pipeline to Europe as planned on Saturday, bringing Europe a step closer to a severe recession.

Friday's Non Farm Payrolls and Unemployment Rate was a solid release with a 315K gain in the headline (+300k expected). The unemployment rate rose from 3.5% to 3.7%, and wages dipped against expectations. The Fed is likely to be happy with the direction of this data, but it is unlikely this was enough to shift their sentiment towards aggressive interest rate hikes.

Stock indices fell heavily in the last 5 hours of trading. Stock traders initially took markets higher post the US payrolls data, buoyed by the rise in the unemployment rate. **That quickly turned on the headline from Gazprom.** The USA 500 reversed an initial 1% gain, finishing down 0.9% at 3933, while the US Tech 100 dropped 300 points to 12130 (-1.31%). Europe indices were hit the hardest with the Germany 40 dropping 400 points to close at 12690, and the Europe 50 finished at 3458, down 3.2% on the previous Friday close. **Next week is a big week in Europe! (See below for the Germany 40 Technical Update).**

US Equities: Quiet week for earnings with no big names reporting. However, the eagerly awaited 'Far out' event from Apple is on Wednesday starting at 1800 BST (See page 2).



The USD remained strong throughout the week boosted by lower risk sentiment and safe haven demand. The US Dollar index registered a fresh 2022 high at 109.96, before closing at 109.58 (+0.8% on the week). GBPUSD made fresh lows at 1.1495, while USDJPY traded to 20+ year highs at 140.80, despite headlines from the Japanese finance minister, earlier in the day, saying they were keeping a close eye on FX markets. **Are USDJPY traders now on MOF intervention watch?**

Fresh recession concerns saw commodities have a disappointing finish. Copper fell 7.6% on the previous Friday close, Oil was down 6.1%, Silver dropped 4.3% and Gold closed at \$1712 (-1.2%). Fresh China lockdowns and weak Chinese PMI data are dominating fears that this may mean a drop in anticipated demand for commodities going forward.

US 10 year bond yields, made fresh highs at 3.29% earlier in the week, closing at 3.20% Friday (+17bps), as global bond yields all rose in anticipation of bigger moves from central banks in September.



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

<p>Bloomberg:</p> <p>China's Covid spread persists after mega city lockdown</p> <p>Risk sentiment finished last week on shaky ground over worries for a global recession. Commodities in particular are sensitive to further China lockdowns. Could this make for a nervy open on Monday?</p> <p>New coronavirus cases in China stayed at elevated levels on Friday following the lockdown of a mega city of 21 million, as the nation pursues its rigid Covid zero policy with dogged determination. The technology hub of Shenzhen reported 87 new infections Friday, stoking fears of a second lockdown in the wake of a seven day one in mid March.</p>	<p>Bloomberg:</p> <p>Even Truss's supporters worry her plans could create havoc for the UK</p> <p>GBP is struggling under a weight of uncertainty facing the UK. On Monday a new PM is announced and Liz Truss is the front runner. What next for GBP?</p> <p>Liz Truss has spent the past week preparing to become the PM of the UK. She's been firming up plans to help households and businesses hit by soaring energy costs and finalising her cabinet appointments. Some of her closest supporters are worried that those first moves in office prove to be big mistakes. Her backers are worried her energy aid package won't go far enough and her tax cutting plans risk deepening the sell off in UK markets.</p>	<p>Bloomberg:</p> <p>OPEC+ faces output dilemma as darkening economy unsettles market</p> <p>Oil volatility is remaining elevated as global demand concerns battle with supply related issues to dominate prices. Monday's OPEC+ meeting could be a big deal in deciding 'what next' for the price of oil.</p> <p>The OPEC+ coalition is heading into unfamiliar territory. After spending 2 years gradually feeding idle oil production back into the post pandemic world, Saudi Arabia and its partners are facing a different market. The narrative that's dominated the last few months – pressure from key consumers like the US to tame inflation by ramping up supply – is shifting towards concerns about a global economic slowdown.</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

Monday 5 th September	Tuesday 6 th September	Wednesday 7 th September	Thursday 8 th September	Friday 9 th September
<p>Before Market Opens:</p> <p>After Market Closes:</p>	<p>Before Market Opens: Kingsoft Cloud Holdings</p> <p>After Market Closes: UiPath Gitlab</p>	<p>RH 0700 Barratt Developments</p> <p>Before Market Opens: NIO</p> <p>After Market Closes: 1800 Apple 'Far Out' Event Copart Asana</p>	<p>Sprinklr National Beverage</p> <p>Before Market Opens: Bilibili FuelCell Energy</p> <p>After Market Closes: Zscaler Docusign</p>	<p>The Kroger Co.</p> <p>Before Market Opens:</p> <p>After Market Closes:</p>

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

Monday: China Caixin Services PMI. After seeing the manufacturing PMI slip into contraction last week, this release will be of interest. Chinese data is important right now as the global economy needs a recovering China, and so far, that has not been the case. **It could weight on risk sentiment on a potentially quiet US Labor Day bank holiday.**

OPEC+ Meeting. A big meeting given that on Friday G7 leaders announced plans to cap the price of Russian crude, and the oil price is hovering above 6 month lows. **What is the response from OPEC+, production cuts?**

UK PM is announced. Likely to be a big mover for GBP, UK bonds and domestic stocks. **Is Liz Truss or Rishi Sunak going to inherit the task of solving all of the UK's mounting problems?**

Tuesday: BRC Retail Sales. UK data has been weak and weighing on GBP. The economy still looks vulnerable and is so reliant on the consumer for growth. The BoE is trying to fight inflation whilst growth is slowing rapidly. **It will be interesting to see what UK bonds do on this data release and the knock on impact for GBP.**

RBA Interest Rate Decision. The RBA has taken the cash rate to 1.85% with three consecutive 50bp hikes, and most economists expect another 50bps increase this month, however, there is some uncertainty around this as the RBA may feel 25bps would be enough. Australians feel the impact of rate hikes quickly because about 60% of home loans are at variable rates. There is a danger if the RBA go too, far too fast, they may crush the economy. **This is a big meeting for AUD direction.**

Monday 5 th September	Tuesday 6 th September	Wednesday 7 th September	Thursday 8 th September	Friday 9 th September
0245 BST China Caixin Services PMI *OPEC+ Meeting*	0001 BST GBP BRC Retail Sales *0530 BST AUD* RBA Interest Rate Decision and Rate Statement 0700 BST EUR (Ger) Factory Orders *1500 BST USD* ISM Services PMI and Employment Index	0300 BST China Imports, Exports and Trade Balance 0700 BST EUR (Ger) Industrial Production 1000 BST EUR Gross Domestic Product *1500 BST CAD* BoC Interest Rate Decision and Rate Statement	*0000 BST AUD* RBA Governor Lowe Speech *1315 BST EUR* ECB Interest Rate Decision *1345 BST EUR* ECB Press Conference	*0230 BST China* Inflation Data (CPI) 1330 BST CAD Net Change in Employment and Unemployment Rate

Tuesday continued...German Factory orders. German data has been very weak as inflation keeps rising. Forward looking PMI releases are still sending weak signals about the economy. **This release is expected to point to further weakness in Germany!**

USD ISM services and employment index. This release is big, and important data for the Fed and thus, investors alike. The Fed are data dependent and this is forward looking data. The employment component is important with the Fed focused on unemployment (being too low) and the prices paid component which is part of the inflation dynamic. This data can move all markets and demands attention. (See below for the USA 500 Technical Update).



Wednesday: China Imports, exports and trade balance. The world is watching Chinese data and especially Chinese exports as they are a gauge of global demand. **A big sentiment indicator for traders worried about a global recession.**

German Industrial production. An important number for those trading the Germany 40, especially on the back of the Gazprom gas pipeline shutdown. If this number is bad and energy rationing and outages are incoming for German industry, its likely to only get much, much worse going forward.

BoC Interest rate decision. This is a big meeting. The Canadian economy accelerated in the second quarter as the nation benefited from surging commodity prices, though signs are emerging that the momentum is waning. The BoC is fighting inflation quite aggressively and markets are undecided if they go with 50bps or 75bps of hikes at this meeting. **Investors are almost fully pricing in another 75 basis point increase though, so any deviation will impact the CAD.**

Thursday: ECB Interest rate decision and press conference. This is another huge meeting for markets, the EUR and EU bonds. Traders are confronting the prospect of even bigger rate increases from the European Central Bank, as pressure grows on officials to intensify their fight against record inflation in the region (+9.1%). Money markets have priced in 125 bps of tightening by October. That number implies a 50bps hike and a 75bps increase spread over its next two policy decisions. The ECB's deposit rate is seen by markets as hitting 2.25% next year, the highest since 2008. **If Lagarde does not hike 75bps at this meeting, the danger is that the EUR falls again below the recent lows at 0.9900.** (See below for the EURUSD Technical Update).



Commodity Focus Copper: China's import data for August (Wed next week) should help form clearer views on the direction of metals prices from here. While the Chinese government's intention to spend more on infrastructure will help revive consumption of materials used in construction, there are doubts over whether it'll be enough to fully offset the impact of virus related curbs on economic activity and a teetering property sector. **Having hit a one month low at 3.38**, copper managed a mini rebound Friday until a couple of hours from the close, but slowing global growth is weighing on demand expectations still. That's being partly offset by supply-side risks, with exchange stockpiles low and many European smelters hobbled by the power crunch. (See below for the Copper Technical Update).





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

Support	Resistance	Support	Resistance
USA 500:		EURUSD:	
1 st - 3905, 62% retrace Jun/Aug	1 st - 4066, 38% retrace Aug/Sep	1 st - 0.9900, August 23 rd session low	1 st - 1.0062, Bollinger mid-average
2 nd - 3821, July 18 th session low	2 nd - 4117, Mid-point same move	2 nd - 0.9666, Channel lower limits	2 nd - 1.0247, 38% retrace May/Aug
3 rd - 3724, July 14 th session low	3 rd - 4147, Bollinger mid-average	3 rd - 0.9608, Sept 2002 low	3 rd - 1.0348, Mid-point same
US Tech 100:		GBPUSD:	
1 st - 12018, Last week's low	1 st - 12678, 38% retrace Aug/Sep	1 st - 1.1495, Last weeks low trade	1 st - 1.1798, 38% retrace Aug/Sep
2 nd - 11860, July 18 th session low	2 nd - 12880, Mid-point same	2 nd - 1.1450, Bollinger lower band	2 nd - 1.1847, Bollinger mid-average
3 rd - 11480, July 14 th extreme	3 rd - 13014, Bollinger mid-average	3 rd - 1.1409, March 2020 extreme	3 rd - 1.1984, Higher 62% retrace
USA 30 Wallstreet:		USDJPY:	
1 st - 31180, Last week's low	1 st - 32383, 38% retrace Aug/Sep	1 st - 138.48, Half latest upside move	1 st - 140.80, Last week's high
2 nd - 30107, July 14 th session low	2 nd - 32727, Mid-point same	2 nd - 137.02, 38% retrace Aug/Sep	2 nd - 141.02, Bollinger upper band
3 rd - 29640, June 17 th hold level	3 rd - 32922, Bollinger mid-average	3 rd - 135.80, Mid-point same move	3 rd - 147.33, 38% Feb'85/Oct'11
Germany 40:		AUDUSD:	
1 st - 12599, Last week's low trade	1 st - 13142, 38% retrace Aug/Sep	1 st - 0.6770, Last weeks low	1 st - 0.6932, Bollinger mid-average
2 nd - 12366, July monthly low	2 nd - 13301, Mid-point same	2 nd - 0.6720, July 15 th hold level	2 nd - 0.7009, Aug 26 th rejection high
3 rd - 11313, October 2020 low	3 rd - 13466, Higher 62% retrace	3 rd - 0.6681, July 14 th session low	3 rd - 0.7040, Aug 16 th bounce high
UK 100:		USDCAD:	
1 st - 7133, Last week's low trade	1 st - 7304, 38% retrace Aug/Sep	1 st - 1.3025, 38% retrace Aug/Sep	1 st - 1.3207, Last week's high
2 nd - 6955, July 15 th session low	2 nd - 7357, Mid-point same move	2 nd - 1.2968, Bollinger mid-average	2 nd - 1.3223, July 14 th rejection
3 rd - 6908, June monthly low	3 rd - 7439, Bollinger mid-average	3 rd - 1.2913, Deeper 62% retrace	3 rd - 1.3337, Half Mar'20/May'21

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