

CORELLIAN 2 STEP PROCESS TO PREPARE FOR NEXT WEEK

Risk sentiment, which had initially taken a hit in the middle of the week as traders hopes of a September Fed rate cut were dealt a blow by more hawkish Fed meeting minutes and PMI updates that showed the US economy to be stronger than expected, eventually rallied into the Friday close after the release of the Michigan Consumer Sentiment reading (**See below**) as traders took comfort from a drop in consumer inflation expectations.

STEP 1: WHERE DID MARKETS END LAST WEEK AND WHY?

Friday data: US consumers inflation expectations dipped in late May

- **Michigan Consumer Sentiment (Final):**
69.1 versus 67.5 expected (April 77.2).
1 Year Consumer Inflation Expectations:
3.3% versus 3.5% expected.
- Falling consumer sentiment and inflation expectations suggest rate hikes are slowing the economy.



US Stock indices all rallied on Friday but had a mixed week. A 14% rally in Nvidia's stock price helped the US Tech 100 register a new all time closing high at 18,870, after a 1% jump on Friday, while the S&P 500 closed up 0.7% at 5,321, flat on the week. The USA 30 snapped a five week winning streak by closing down 2.4% on the week at 39,150.

In Europe, the UK 100 underperformed falling 0.3% on Friday and 1.3% on the week, hit by falling commodity company shares, while the Germany 40 finished flat ahead of some key inflation data next Friday. (**Page 3 Germany 40 TA Update**).

The US Dollar Index fell 0.6% on Friday but managed to post a small 0.2% gain on the week to close at 104.65. USDJPY rallied 1% over the five trading days to close at 156.94, its highest close since Japanese authorities intervened 3 weeks ago, while AUDUSD dropped 1% to finish at 0.6630 hurt by large falls in key commodities.

US 10 Year Yields had a very quiet week. After opening at 4.43% on Monday they rallied 7bps to weekly highs at 4.50% on Thursday before dipping to close at 4.47%.



Gold TA Update:

While last week did see new all-time highs posted, a concern was the rejection from this point, a move that closed below the Bollinger mid-average, currently at 2349. Defense of this resistance will be watched next week, as while intact on a closing basis, risks are for a deeper decline to 2272/77 (May 3rd low and 38% retrace Feb 14th to May 20th strength). Successful closes above 2349 are required for a recovery back to 2389 (half last week's range) even the 2450 (May 20th all-time high).



In commodities, Gold had a volatile week. After hitting new all time highs at 2,450 on Monday it quickly reversed its gains to close the week 3.4% lower at 2,334. **(Above Gold TA Update)**. It was a similar story for Silver, which fell 3.6% to 30.40 and Copper which slipped 5.7% to 4.7590 hurt by slowing demand from China due to higher prices. Elsewhere, Oil rallied 1.2% on Friday but was still down 2.3% on the week as it closed at 77.80.

STEP 2:

LOOKING FORWARD TO THE WEEK AHEAD

Time Zone Key:

| | |
|--------|-------------|
| BST -5 | = New York |
| BST | = London |
| BST +1 | = Frankfurt |
| BST +9 | = Sydney |

All times are British Standard Time (GMT). Please use the key above to adjust to your appropriate time zone. **Key Earnings next week in table below.**

| | MONDAY 27.05 | TUESDAY 28.05 | WEDNESDAY 29.05 | THURSDAY 30.05 | FRIDAY 31.05 |
|-------------|-----------------|---|---|--|-----------------|
| BEFORE OPEN | | Intermediate Capital Scotiabank Futu Holdings | BMO Dick's Sporting Goods Chewy | Canadian Imperial RBC Dollar General Best Buy Co. Kohl's | |
| AFTER CLOSE | | HEICO | Agilent Technologies Salesforce C3.ai UiPath HP | Dell Technologies Mongodb Nordstrom Costco Gap | |



KEY EVENTS, SPEAKERS AND ECONOMIC DATA

Monday: 0105 BST BoJ Governor Ueda Speech. With a bank holiday in the UK and US this could be an interesting speech to follow in what should otherwise be a quiet start to the week. USDJPY continues to climb higher supported by interest rate differentials between the two countries. **Will Ueda say anything to change that?**

Tuesday: 1500 BST USD Consumer Confidence. Several months of weakness in US consumer confidence has spilled over into lower spending on goods and services as high interest rates impact household budgets. Another poor reading here could help support the argument for a rate cut in September from the Fed with knock on implications for US stock indices and the dollar.

Wednesday: 0230 BST AUD Inflation Data (CPI). The direction of inflation in Australia is crucial to the RBA when setting policy, especially after the minutes from their last meeting suggested they could hike if the data suggests it is necessary. With AUDUSD and the ASX 200 both falling last week, this release could have a big impact on what happens next.



Germany 40 TA Update:

A correction has developed from the May 16th all-time high (19017 May 16th), back to the rising Bollinger mid-average which ended the week at 18625. This is the support focus, as while intact, risks are for further upside to challenge 18808 (half the decline) and if this gives way on to 19017.

Falls below 18625 suggest a deeper setback to test 18485 (38% retrace Apr 19th to May 16th upside).

Thursday: 1330 BST USD GDP Data (Q1 2nd Reading). Economic growth in the US is still a big focal point for stock and FX traders who are looking for signals as to whether the Fed can still engineer a soft landing or not. This release could generate some market moving headlines.

1950 BST BoE Governor Bailey Speech. An important event for UK 100 and GBPUSD traders to digest after inflation in the UK didn't fall as much as expected last week. **Is a June rate cut now officially off the table?** What Governor Bailey says will be listened to closely.

Friday: 0030 BST JPY Tokyo Inflation (CPI). Tokyo is a huge part of the Japanese economy and that means this release could have implications for the direction of the Japan 225 and USDJPY next week.



EURUSD TA Update:

It has been a strong recovery since the April lows (1.0600 Apr 16th), a move that appears on course to challenge 1.0934 (62% retrace Dec 28th to Apr 16th decline). If this point is in turn breached the scope would be to challenge 1.0980 (Mar 9th high). To the downside, important support is 1.0807 (Bollinger mid-average) as closing breaks suggest the end of upside themes, exposing moves back 1.0785 (38% retrace Apr/May upside), even 1.0750, (deeper mid-point).

0230 BST China Manufacturing and Non Manufacturing PMIs. These releases have more significance now as the Chinese authorities continue to try different ways to boost their economy. Manufacturing activity has been improving recently supported by global demand and if this trend continues it could have implications for the direction of commodities next week.

1000 BST EUR Preliminary Inflation (HICP). This is a big release for traders who expect the ECB to cut interest rates in June. This update could confirm that view and suggest another cut in July is a possibility, or could cast doubt on the whole process with implications for the direction of European indices next week. **(Page 3 Germany 40 TA Update).**

1330 BST USD PCE Inflation. With the Fed looking for more data to support the small decline in the CPI reading earlier in May, this release of the Fed's preferred inflation gauge is crucial. If it is also weaker it could support a September rate cut, and vice versa, with implications for the direction of the dollar. **(Above EURUSD TA Update).**

Key levels the Corellian mentors are focused on

Natural Gas:

Support

- 1: 2.608, Last week's low
- 2: 2.571, 38% retrace May upside
- 3: 2.356, Bollinger mid-average

Resistance

- 1: 2.962, Last week's high
- 2: 3.116, January 15th high
- 3: 3.389, YTD high trade

US Tech 100:

Support

- 1: 18621, Thursday's low
- 2: 18301, 38% retrace Apr/May
- 3: 18069, Mid-point same move

Resistance

- 1: 19021, Last week's all-time high
- 2: 19150, Upper daily Bollinger band
- 3: 20000, Psychological number

Silver:

Support

- 1: 30.05, 38% retrace May upside
- 2: 29.27, Mid-point same move
- 3: 28.69, Bollinger mid-average

Resistance

- 1: 31.00, 38% retrace latest sell-off
- 2: 31.57, Higher 62% retrace
- 3: 32.50, Last week's high highs

Sunday 26th May 2024

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