

Preparing for the week ahead : Corellian 3 Step Process

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

Friday's focus was always going to be on the US inflation (CPI), and post release, risk sentiment took a significant knock as those traders who believed that inflation had peaked in the US had to accept a punch of reality. Consumer prices rose far more than expected to +8.6% yoy (+8.3% yoy expected). **This was strong data and will likely convince the Fed to stay focused on their fight to bring inflation down with more aggressive moves in interest rates than hoped for the rest of 2022.**



US bond yields rallied aggressively post CPI. 2 year yields (more sensitive to interest rate hikes) rallied a huge 21bps to close at 3.07% 4 year highs. 10 year yields made similar gains into the close, finishing at 3.16% just below the key resistance at 3.25%.

Major European and US Stock indices had a poor week. EU Indices were rocked on Thursday by confirmation that the ECB would start its own rate hiking cycle in July. (See page 2 for the Germany 40 Technical Update). Then US indices followed aggressively post the CPI print as traders capitulated on the idea of a September rate pause from the Fed.

The USD is back in demand after a 3 week pause. Risk aversion and higher US yields combined to see the USD index closing back at 104.08, just 1% away from its May highs at 105.05. EURUSD fell 1.9% on the week after the ECB weren't as aggressive with their interest rate plans as expected, while USDJPY outperformed up 2.7%, tracking the rally in 10 year yields.

Commodities remain in demand, and the Bloomberg commodity index sits at record highs driven by soaring food and energy costs. Gold had a rollercoaster Friday, first dropping to \$1825 post CPI, before closing at \$1871 on safe haven demand.

Financial Market	Closing Level Friday 3 rd June	Closing Level Friday 10 th June	Weekly Change %	Financial Market	Closing Level Friday 3 rd June	Closing Level Friday 10 th June	Weekly Change %
Asia Stocks:				G10 Currencies:			
China A50	13520	13948	+3.2%	EURUSD	1.0721	1.0519	-1.9%
Japan 225	27571	27358	-0.8%	GBPUSD	1.2498	1.2310	-1.5%
ASX (Australia) 200	7208	6815	-5.5%	EURGBP	0.8578	0.8544	-0.4%
Hong Kong 50	21251	21328	+0.4%	AUDUSD	0.7210	0.7052	-2.2%
Europe Stocks:				USDJPY	130.85	134.38	+2.7%
UK (FTSE) 100	7544	7338	-2.7%	USD Index	102.18	104.07	+1.8%
Germany 40	14482	13782	-4.8%	Commodities:			
Europe 50	3785	3600	-4.9%	GOLD	1850	1871	+1.1%
France 40	6478	6187	-4.5%	Silver	21.92	21.90	-0.1%
US Stocks:				Copper	4.4785	4.2815	-4.4%
USA 500	4110	3907	-4.9%	US Crude Oil	120.31	120.43	+0.1%
USA 30 Wall Street	32912	31453	-4.4%	Other Markets:			
US Tech 100	12550	11886	-5.3%	Bitcoin	29600	29200	-1.4%
USA (Russell) 2000	1882	1802	-4.3%	US 10 Year Yield	2.94%	3.16%	+7.5%

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

<p>Bloomberg:</p> <p>Traders seeking ECB backstop brace for bond rout as hikes near</p> <p>It's what the ECB fear most as they try to normalise interest rates. Could this issue weigh on EUR next week? (See page 6 for the EURUSD Technical Update)</p> <p>Markets aren't convinced the ECB can lift interest rates and keep bond yields of the euro area's most indebted members in check at the same time.</p> <p>Investors worry about the lack of a credible plan to tackle so called fragmentation – unwarranted jumps in the borrowing costs of weaker euro zone countries relative to economically stronger ones.</p>	<p>Bloomberg:</p> <p>Valuation trauma is refusing to end for S&P 500 in freefall</p> <p>For a very long while there was no alternative to stocks (T.I.N.A) for investors, but that's changing. Is this another issue for stock traders to face? (See page 5 for the USA 500 Technical Update)</p> <p>The stock market: buckling under the hottest inflation since 1981, battered by a historically aggressive bid to break it. Making matters worse is that bonds are beckoning as well.</p> <p>Beyond the real time upheaval, one of the more tangible consequences of the Fed's campaign has been to make fixed income investments increasingly more attractive versus equities.</p>	<p>Bloomberg:</p> <p>Biden says US inflation to persist 'for a while' after new data</p> <p>It seems hopes of 'peak inflation' may finally be giving way to the realisation that inflation is likely to be around for longer than anyone hoped. Are stocks going test their recent lows into next week? (See page 3 for the US Tech 100 Technical Update)</p> <p>President Biden told Democratic donors they should expect high inflation to persist "for a while," after new data released Friday show prices rising faster than forecast. "It's going to come down gradually but we're going to live with it for a while," Biden said at a fund raising event for Democratic Party campaigns.</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

The earnings backdrop for many companies is looking more fraught with danger with every passing day. Global technology companies have problems with the strength of the USD impacting the value of their overseas earnings. US retailers, like **Target**, have issues with excess inventory after they misjudged consumer demand, and now have to heavily discount to off load stocks. Manufacturers across the globe are facing the reality of soaring costs for raw materials as food and energy costs continue to remain excessively high.

Next weeks earnings focus is relatively quiet as we approach the end of this reporting season.

Oracle, is expected to report its slowest annual growth in annual earnings for 6 years, with Q4 2021 its second quarter with a declining EPS. Traders will be watching for continued growth in its cloud products, and forward guidance on any potential slowdown in demand due to the economic uncertainty. Traders looking at software firm **Spinklr**, will also be looking to see if the company can keep their growth in revenue, subscriptions and customers at the top end of expectations. While for **Adobe**, traders will want to hear news on the potential acquisitions its CEO recently suggested may be on the cards for the \$5 billion in cash sitting on its balance sheet.

Monday 13 th June	Tuesday 14 th June	Wednesday 15 th June	Thursday 16 th June	Friday 17 th June
Before Market Opens:	Colruyt Ashtead	Clariant	Halma The Kroger Co.	
After Market Closes: Oracle	Before Market Opens:	Before Market Opens:	Before Market Opens: Jabil Circuit	Before Market Opens:
	After Market Closes: Spinklr	After Market Closes:	After Market Closes: Adobe	After Market Closes:



Central Bank Meetings and Key Central Bank Speakers:

It's a central bank heavy week that finishes with Fed Chairman Powell on Friday.

Monday 13 th June	Tuesday 14 th June	Wednesday 15 th June	Thursday 16 th June	Friday 17 th June
<p>*1900 BST USD* Fed Vice Chair Brainard Speech</p>	<p>1800 BST EUR ECB Schnabel Speech</p>	<p>*1720 BST EUR* ECB President Lagarde Speech</p> <p>*1900 BST USD* FOMC Interest Rate Decision and Monetary Policy Statement</p> <p>*1930 BST USD* FOMC Press Conference</p>	<p>0830 BST CHF SNB Interest Rate Decision and Monetary Policy Assessment</p> <p>0850 BST EUR ECB Panetta Speech</p> <p>*1200 BST GBP* BoE Interest Rate Decision and Monetary Policy Summary</p>	<p>0400 BST JPY BoJ Interest Rate Decision and Monetary Policy Statement</p> <p>0700 BST JPY BoJ Press Conference</p> <p>0930 BST GBP BoE Chief Economist Pill Speech</p> <p>0930 BST GBP BoE Tenreiro Speech</p> <p>*1345 BST USD* Fed Chairman Powell Speech</p>

Monday: Fed Vice Chair Brainard. She recently commented that it will be very hard to see a case for the Fed pausing interest rates hikes in September, and after last Friday's US CPI print above expectations at 8.6% it seems she maybe right. This speech is pre recorded, but traders are very sensitive to any thoughts on interest rate moves so it could grab a headline.

Wednesday: ECB President Lagarde Speech. She disappointed markets at last Thursday's ECB press conference when she laid out a less aggressive path for future EU interest rate moves, which sent EUR and Bund yields lower immediately. This will be her chance to **clarify any misunderstandings**, especially as a lower EUR will increase inflation problems for the central bank.

FOMC Interest Rate Meeting and Press Conference. This is a big meeting and traders are likely to see a 50bp hike from the Fed and guidance for at least 1, possibly 2 more. This forward guidance (Fed's dot plot) is important for all traders given that markets are fully pricing in 150 bps of hikes for the next 3 FOMC meetings. Stocks, bonds and FX are all extremely sensitive to the Fed's next policy moves and extreme volatility is likely. **(See below for the US Tech 100 Technical Update).**

Thursday: SNB Interest Rate Decision. Nothing expected but still one to keep a focus on for headline risks. After the ECB suggested rate hikes are coming, the SNB may follow as they often do. **But will they hike before the ECB?** Probably unlikely.





Thursday continued: BoE Interest Rate Decision. This is huge for GBP, and for those that are focused on the UK economy. A hike is needed to contain soaring inflation at 10%, and that is priced by markets, but what next? That is a huge question for traders as the UK economy seems to be slowing down rapidly. **The BoE forward guidance will be of huge significance.** This release should have a big impact on GBP next week. **(See below for the GBPUSD Technical Update).**



Friday: BoJ Interest Rate Decision. These usually pass without anyone noticing but the BoJ is seeing its currency fall off a cliff and that means import costs will increase exponentially. Kuroda seems happy with a weaker JPY, as he repeated last week, however is that about to change? Japanese businesses and consumers are struggling! Overall little change is expected, but after a rare joint statement from Government and BoJ about recent JPY weakness on Friday, intervention calls are increasing with the consensus of USDJPY at 140 the line in the sand. **(See below for the USDJPY Technical Update).**



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: GBP Gross Domestic Product (GDP). Likely to get some headlines considering the weakness seen in the UK economy. A below consensus release could make this a nervous start to the week for GBP after Fridays poor close.



Monday 13 th June	Tuesday 14 th June	Wednesday 15 th June	Thursday 16 th June	Friday 17 th June
0700 BST GBP Imports, Exports and Trade Balance	0230 BST AUD House Price Index	0130 BST AUD Consumer Confidence	0050 BST JPY Imports, Exports and Trade Balance	1000 BST EUR Inflation Data (HICP)
0700 BST GBP Gross Domestic Product	0530 BST JPY Industrial Production	*0300 BST China* Industrial Production, Unemployment Rate and Retail Sales	0230 BST China House Price Index	1330 BST CAD Inflation Data (PPI)
0700 BST GBP Industrial Production	*0700 BST GBP* Claimant Count, Unemployment Rate and Average Earnings	1000 BST EUR Industrial Production	*0230 BST AUD* Employment Change and Unemployment Rate	1415 BST USD Industrial Production
	0700 BST EUR (Ger) Inflation Data (CPI)	*1330 BST USD* Retail Sales	1330 BST USD Initial Jobless Claims and Philadelphia Fed Manufacturing Survey	
	1000 BST EUR and Ger ZEW Business Survey	1530 BST USD EIA Crude Oil Stocks Change	1330 BST USD Housing Starts	
	1330 BST USD Inflation Data (PPI)	2345 BST NZD Gross Domestic Product	2330 BST NZD Business PMI	
	2130 BST USD API Weekly Crude Oil Stock			

Tuesday: UK Employment Data. This is key data for the BoE and it includes earnings which while rising, are failing to keep up with inflation. It is likely traders could see GBP move on this data which is released very early in the day.

Wednesday: AUD Consumer Confidence. Data from Australia has been mixed recently, but they now have a far more hawkish central bank after the 50bp hike from the RBA last week. Consumer confidence has been falling around the world so this is an issue for the RBA to consider especially if it feeds into weaker retail sales.

China Industrial Production, Unemployment and Retail Sales. The market is very focused on just how soon the recovery in China will be seen and data has suffered due to the draconian lockdowns. Strong data would encourage more risk globally, however there is a danger that demand for Chinese goods has shifted elsewhere.

US Retail Sales. This could be a very interesting release after the collapse in Michigan Consumer Sentiment data last Friday. Consumer sentiment hit a record low while also showing consumer inflation expectations are continuing to rise (The 5 year inflation expectation was the highest since June 2008). Will this spill into weaker sales and if not, are US consumers maxing out on credit cards to keep spending? **A weaker print is likely to ignite US recession fears.**

(See below for the USA 500 Technical Update).





Thursday: AUD Employment Data. This is big data for the RBA which means it will move AUD. The unemployment rate and earnings are a huge aspect of why the RBA are hiking and produced aggressive forward guidance last week.

Friday: EU Inflation Data (HICP). While a final reading, this release will garner some interest at the end of a likely very busy and volatile week. The ECB and EU are grappling with runaway inflation and are not nearly as aggressive about dealing with it as the market hoped. **Any slight adjustments higher could move EUR or EU yields. (See below for the EURUSD Technical Update).**



Commodity Focus: Chart of the week, Gold

Oil fell from fresh highs on Friday as the USD climbed, but there remains some serious supply/demand dynamics in play. The West Texas Intermediate fell almost 2% to near \$119, reversing earlier gains that were driven by signs of China starting to ease virus curbs in key cities. The inflation report chilled broader markets which led to some profit taking in oil after 7 weeks of consecutive price gains.

Gasoline grabbed headlines over the weekend as it topped an average of \$5 in the US for the first time. Demand has jumped to its highest level for 2022 only a week into the peak US driving season.

Gold remains in a 1786-1919 trading range and managed to close the week back in mid-range. However, that doesn't tell the whole story. Late Friday saw a significant recovery from 1825 as traders rushed for safe haven assets as nervousness around global recession/ stagflation grew. **Could this gain pace next week? (See below for the gold 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 – 4060, 11 th /18 th May Lows 2 nd – 3807 YTD 20 th May Lows 3 rd – 3720 March 2021 Lows	1 st – 4046, Bollinger Mid Rate 2 nd – 4201 30 th May Failure High 3 rd – 4302, 4 th May High	EURUSD: 1 st – 1.0522, 62% retrace May upside 2 nd – 1.0349, May 13 th low trade 3 rd – 1.0340, Jan 2017 Low	1 st – 1.0680, Bollinger mid rate 2 nd – 1.0787, 38% retrace Feb/May sell-off 3 rd – 1.0935, April 21 st session high
US Tech 100: 1 st – 11632, Lower Bollinger level 2 nd – 11490.92, May 20 th low trade 3 rd – 10944.58 Oct'20 monthly low	1 st – 12277, 38% Fibo from 3 rd June High 2 nd – 12943, 3 rd June Recovery High 3 rd – 13546, 5 th May Failure High	GBPUSD: 1 st – 1.2300, 10 th June Session Low 2 nd – 1.2155, May 13 th session low 3 rd – 1.2073, May 2022 Low	1 st – 1.2446, 38% from 27 th May high 2 nd – 1.2543, Bollinger Mid rate 3 rd – 1.2666, 27 th May Failure High
USA 30 Wallstreet: 1 st – 31037, Lower Bollinger level 2 nd – 30588.00, May 19 th low trade 3 rd – 29974, Jan 2021 Low	1 st – 32000, 50% Level from YTD Low 2 nd – 33430, 30 th May Recovery High 3 rd – 35410.00, April 20 th rejection point	USDJPY: 1 st – 133.18, Thursday session low 2 nd – 131.36, 38% Fibo from 8 th June High 3 rd – 129.59, Bollinger mid rate	1 st – 134.55, 8th June Extreme 2 nd – 134.85, Bollinger upper level 3 rd – 137.73, 138% Fibo extension level
Germany 40: 1 st – 13669, 20 th May Low 2 nd – 13269.71, May 10 th extreme 3 rd – 12424, Ukraine War YTD Low	1 st – 14244, Bollinger mid rate 2 nd – 14707, 7 th June high 3 rd – 14942.95, March 29 th session high	AUDUSD: 1 st – 0.7037, 10 th June Low 2 nd – 0.7003, 62% from May Low/ June high 3 rd – 0.6948, 19 th May Low	1 st – 0.7137, 10 th June High 2 nd – 0.7196, 62% retrace June high/low 3 rd – 0.7282, 7 th June session high
UK 100: 1 st – 7215.75, May 19 th extreme 2 nd – 7129.75, May monthly low 3 rd – 7068, 16 th March Low	1 st – 7473, Bollinger mid rate 2 nd – 7677, 7 th June high 3 rd – 7758.19, August 2018 failure high	USDCAD: 1 st – 1.2700, Bollinger mid rate 2 nd – 1.2517, 7 th June Low 3 rd – 1.2404, April monthly low trade	1 st – 1.2811, 10 th June High 2 nd – 1.2904, Bollinger upper band level 3 rd – 1.3075, 11 th May session high

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