

## Preparing for the week ahead : Corellian 3 Step Process

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

Markets opened Friday on shaky ground as risk sentiment took an early knock on day 1 of H2/Q3, however short covering into a long weekend for US traders ensured an impressive risk rally after European markets closed. Friday data: Preliminary EU inflation surged to a fresh record at 8.6%, driven by food and energy costs. US ISM Manufacturing data weakened to 2 year lows at 53 (54.5 exp) as orders slumped.



**Global bond yields** fell again as investors cover short bond positions. The US 10 year yield closed the week down 25bps at 2.88%, as fears over global growth continue to dominate traders thoughts.

Traders took advantage of Monday's continuance of the **mini bear stock market rally** to further reduce longs, turning sentiment back lower. The US Tech 100 fell 4.3% on the week as markets digested news that slowing economic growth is unlikely to stop central banks raising rates. (See page 2 for the US Tech 100 Technical Update).

**The USD** had a good week as negative risk sentiment boosted its demand as a safe haven in times of stress. GBPUSD (-1.6%) had a bad week trading to lows at 1.1975, and AUDUSD (-1.9%) to lows at 0.6763, before seeing mini squeezes into the close.

**Commodities** saw further underperformance as fears of what a global recession may mean for demand going forward ensured fresh selling. Silver fell to 2 year lows at 19.37, before closing at 19.85 down 6.1% on the week.

Financial Market	Closing Level Friday 24 <sup>th</sup> June	Closing Level Friday 1 <sup>st</sup> July	Weekly Change %	Financial Market	Closing Level Friday 24 <sup>th</sup> June	Closing Level Friday 1 <sup>st</sup> July	Weekly Change %
<b>Asia Stocks:</b>				<b>G10 Currencies:</b>			
China A50	14715	14895	+1.2%	EURUSD	1.0559	1.0428	-1.2%
Japan 225	26842	26315	-2.0%	GBPUSD	1.2287	1.2096	-1.6%
ASX (Australia) 200	6572	6548	-0.4%	EURGBP	0.8592	0.8620	+0.3%
Hong Kong 50	21784	21800	+0.1%	AUDUSD	0.6950	0.6818	-1.9%
<b>Europe Stocks:</b>				USDJPY	135.20	135.29	+0.1%
UK (FTSE) 100	7187	7180	-0.1%	USD Index	103.88	104.88	+1.0%
Germany 40	13212	12905	-2.3%	<b>Commodities:</b>			
Europe 50	3551	3467	-2.4%	GOLD	1827	1808	-1.0%
France 40	6117	5988	-2.1%	Silver	21.15	19.85	-6.1%
<b>US Stocks:</b>				Copper	3.7378	3.6105	-3.4%
USA 500	3915	3827	-2.2%	US Crude Oil	107.12	108.40	+1.2%
USA 30 Wall Street	31480	31055	-1.4%	<b>Other Markets:</b>			
US Tech 100	12132	11614	-4.3%	Bitcoin	21150	19450	-8.0%
USA (Russell) 2000	1764	1729	-2.0%	US 10 Year Yield	3.13%	2.88%	-8.0%

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

#### Bloomberg:

Commodities hit July storm with Putin and Powell stirring fear

Commodities had a very bad end to the quarter on demand concerns from slowing global growth. Is volatility about to increase further in July? (See page 6 for oil and gold Technical Updates).

Commodities are careering into a second half that promises as much turmoil as the first, with the world facing an escalating energy crisis, copper plunging on Fed fuelled recession fears, and Russian President Vladimir Putin delivering a shock for Shell Plc.

#### Bloomberg:

Recession unease sends pound crashing to worst quarter since '08

Investor sentiment towards the UK is becoming increasingly more negative. After another poor close Friday what next for GBP next week?

"The UK economy is being pulled apart". The evidence is everywhere. Households are losing their spending power, the cost of basic goods is skyrocketing and business confidence is dismal. The pound is coming off its worst quarter since 2008 and sank below 1.20 (again) on Friday.

While economic reports are pointing to a downturn worldwide, the UK's position appears especially precarious.

#### Bloomberg:

The worst stock selloff in half a century might not be done yet

As stocks enter a pivotal July the jury is out on whether the worst is over or not for stock indices (See page 3 for the USA 500 Technical Update).

It's been a chaotic, and costly, time for many investors. But 2022 is only half over and the stocks tale will probably have more twists and turns before the year is up.

After just about everyone on Wall Street got their 2022 predictions wrong, investors are now focused on a toxic mix that spells stagflation, as well as more damage to valuations.



### 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 USA 500 had its worst half since 1970 as stubbornly high inflation and hawkish central banks have created increased fears of a global recession. The reality from here is that corporate earnings for Q2 2022 (Starting 13th July) will face serious scrutiny to see what damage the current economic uncertainty is doing to margins as input prices rise and consumer sentiment falls adding to reduced discretionary spending. Are traders currently only pricing a mild recession so stock valuations have further to fall or is the bad news already priced? (See page 3 for the USA 500 Technical Update).

The Germany 40 had its worst half year since 2008 as Europe's largest economy struggles to deal with the fallout from the Ukraine war. With EU inflation surging to a record 8.6% on Friday, questions are being asked about how aggressive the ECB will need to be to bring it under control and help ease the cost of living crisis. Will the ECB ignore the downturn in equity markets and ultimately act more aggressively?

**Next weeks earnings focus** is extremely light.

Monday 4 <sup>th</sup> July	Tuesday 5 <sup>th</sup> July	Wednesday 6 <sup>th</sup> July	Thursday 7 <sup>th</sup> July	Friday 8 <sup>th</sup> July
		Aeon	Seven & I Industrivarden 0700 Chr. Hansen 2110 Levi Strauss	0630 Fabege
<b>Before Market Opens:</b>	<b>Before Market Opens:</b>	<b>Before Market Opens:</b>	<b>Before Market Opens:</b>	<b>Before Market Opens:</b>
<b>After Market Closes:</b>	<b>After Market Closes:</b>	<b>After Market Closes:</b>	<b>After Market Closes:</b>	<b>After Market Closes:</b>



#### Central Bank Meetings and Key Central Bank Speakers:

Another important week ahead, with an increased likelihood of volatility from central bank decision and headline risks.

Monday 4 <sup>th</sup> July	Tuesday 5 <sup>th</sup> July	Wednesday 6 <sup>th</sup> July	Thursday 7 <sup>th</sup> July	Friday 8 <sup>th</sup> July
US Holiday Independence Day  1600 BST EUR ECB de Guindos Speech	<b>*0530 BST AUD*</b> <b>RBA Interest Rate Decision and Rate Statement</b>  1730 BST GBP BoE Teneyro Speech	<b>*1900 BST USD*</b> <b>FOMC Meeting Minutes</b>  0910 BST GBP BoE Chief Economist Pill Speech	<b>*1230 BST EUR*</b> <b>ECB Meeting Minutes</b>  1045 BST EUR ECB Chief Economist Lane Speech	1255 BST EUR ECB President Lagarde Speech

**Tuesday:** This is a big meeting for the RBA with the recent fall in commodities. Australia's central bank is expected to act for back to back 50bps interest rate hikes for the first time ever as it beefs up efforts to rein in escalating inflation. **Will they disappoint?** The consensus is for 50bps and for a more cautious approach going forward for the rest of 2022. With AUDUSD making new lows last week at 0.6763, **this decision will move markets. (See below for the AUDUSD Technical Update).**





**Wednesday: FOMC Meeting Minutes.** These minutes will be forensically analysed by traders for insight into the thoughts of the Fed regarding the increased chances of a US recession and whether they feel another 75bps raise is warranted to deal with inflation at the next meeting. **A big chance of headline risk for stock indices and the USD from this release.**

**BoE Pill Speech.** It will be interesting to hear just how worried the BoE's chief economist is regarding the weakening outlook in the UK economy and the impact that may have on rate decisions for August and the rest of 2022. Traders are very negative on the UK and GBP, so his words could be the catalyst for a further sell off or short squeeze to current positioning. **(See below for the GBPUSD Technical Outlook).**



**Thursday: ECB Meeting Minutes.** The ECB do have an extensive press conference after every meeting but traders will want to know if the more aggressive members on the committee are starting to gain the upper hand. **Could a 50bps hike, not the 25bps touted by ECB President Lagarde be closer than traders have been led to believe?**

**ECB Lane Speech.** Lane is the ECB's chief economist and it will be interesting to hear what he has to say about rate hikes in July and the future after the stronger CPI data last week. Does what he says reinforce or conflict with the tone of the ECB minutes?

**Friday: ECB President Lagarde Speech.** Lagarde has committed the ECB to hiking at least 25bps in July. **Will she hint at a bigger hike after last Friday's record CPI data release?** Markets will be hanging on her every word. **(See below for the EURUSD Technical Update).**



### Key Economic Data Next Week:

A few key data points to focus on for traders this week.

Monday 4 <sup>th</sup> July	Tuesday 5 <sup>th</sup> July	Wednesday 6 <sup>th</sup> July	Thursday 7 <sup>th</sup> July	Friday 8 <sup>th</sup> July
0700 BST EUR (Ger) Imports, Exports and Trade Balance	0000 BST AUD Services PMI (Final)	0700 BST EUR (Ger) Factory Orders	0230 BST AUD Imports, Exports and Trade Balance	<b>*1330 BST USD*</b> <b>Non Farm Payrolls, Unemployment Rate and Average Hourly Earnings</b>
<b>0730 BST CHF</b> <b>Inflation Data (CPI)</b>	0130 BST JPY Services PMI (Final)	1000 BST EUR Retail Sales	0700 BST EUR (Ger) Industrial Production	<b>1330 BST CAD</b> <b>Net Change in Employment and Unemployment Rate</b>
<b>1000 BST EUR</b> <b>Inflation Data (PPI)</b>	<b>0245 BST China</b> <b>Caixin Services PMI</b>	1445 BST USD Services PMI (Final)	<b>1315 BST USD</b> <b>ADP Employment Change</b>	
1430 BST CAD Manufacturing PMI (Final)	0850-0930 BST Fra, Ger, EUR, GBP Services PMI (Final)	<b>1500 BST USD</b> <b>ISM Services PMI and Employment Index</b>	<b>1330 BST USD</b> <b>Initial Jobless Claims</b>	
2300 BST NZD Business Confidence	1500 BST USD Factory Orders		1330 BST CAD Imports, Exports and Trade Balance	

**Monday: CHF Inflation (CPI).** One to watch after the SNB raised rates 50bps last month to try and get ahead of surging prices. Remember, EURCHF fell below parity last Wednesday, its lowest price since March. **Will traders test the resolve of the SNB to curb any excessive CHF strength?**

**EUR Inflation (PPI).** Input prices are a major part of the EU inflation story. This is finished goods or factory gate prices and if stubbornly high, prices need to be passed on to a struggling consumer. If not then corporate profit margins fall and earnings will drop. **What will this mean for EU stocks? (See below for the Germany 40 Technical Update).**



**Tuesday: China Caixin Services PMI.** Data from China is starting to improve and some readings in official PMIs have moved back above 50, the line between contraction and expansion. **If better than expected, this could lift flagging risk sentiment.**

**Wednesday: USD ISM Services.** After some disappointment in the manufacturing ISM last Friday, it will be interesting to see how services ISM comes in as this is where the consumer is said to be spending now. A weak number could well spark further risk aversion and vice versa. **It is good data for traders to follow as it is forward looking.**

**Thursday: USD ADP Employment/ Initial Jobless Claims.** This starts the run of data into Friday's Non-farm payrolls release and will be monitored closely. **ADP** is private sector employment and does feed into the overall unemployment data, so traders will watch closely to see if employment is starting to weaken as the US economy slows. **Jobless claims** have been rising by the week adding to the slowing growth theory.

**Friday: USD Non Farm Payrolls, Unemployment Rate and Average Hourly Earnings.** The Non-farm lottery rolls back onto traders screens, with the volatile headline print impossible to predict. All financial markets will move on this release but the underlying **Unemployment rate** and **Average Hourly Earnings** are the more important data to follow. **Beware chasing the headline release!**

**CAD Employment:** Always important data for the BoC and so therefore for anyone who trades CAD. USDCAD has tried and failed to hold any gains above 1.30 in the last 2 months but this print, released alongside US employment could increase chances of bigger, more exaggerated moves.

### Commodity Focus: Oil and Gold

Oil investors are battling against a demand shock as the global economy slows down, but still face issues with tightness of supply, and at some point, China will be back demanding more oil. It is something of a conundrum, and risks are that oil still trades higher from current levels. **(See below for the Oil Technical Update).**



Precious metals and indeed base metals got hit hard last week. This is partly due to the rise in REAL yields which are nominal yields minus inflation. Higher real yields always weigh on commodities, especially precious metals and this may continue. Silver has led the falls and has been hit very hard indeed recently. Gold is in danger of breaking the lower range bands around \$1780. **(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
<b>USA 500:</b> 1 <sup>st</sup> – 3741, Last weeks recovery level 2 <sup>nd</sup> – 3639, June correction low 3 <sup>rd</sup> – 3595, December 2020 extreme	1 <sup>st</sup> – 3854, Bollinger mid-average 2 <sup>nd</sup> – 3950, Tuesday's failure high 3 <sup>rd</sup> – 4020, 38% Mar/Jun sell-off	<b>EURUSD:</b> 1 <sup>st</sup> – 1.0349, May 13 <sup>th</sup> low trade 2 <sup>nd</sup> – 1.0340, Jan 2017 Low 3 <sup>rd</sup> – 1.0000, Level of parity	1 <sup>st</sup> – 1.0505, Bollinger mid-average 2 <sup>nd</sup> – 1.0615, Jun 27 <sup>th</sup> bounce failure 3 <sup>rd</sup> – 1.0786, May 29 <sup>th</sup> session high trade
<b>US Tech 100:</b> 1 <sup>st</sup> – 11319, June 21 <sup>st</sup> low trade 2 <sup>nd</sup> – 11068, June monthly extreme 3 <sup>rd</sup> – 10945, October 2020 hold level	1 <sup>st</sup> – 11794, Bollinger mid-average 2 <sup>nd</sup> – 12261, Jun 27 <sup>th</sup> session high 3 <sup>rd</sup> – 12687, 38% retrace Mar/Jun sell-off	<b>GBPUSD:</b> 1 <sup>st</sup> – 1.1933, June monthly low trade 2 <sup>nd</sup> – 1.1408, March 2020 spike low 3 <sup>rd</sup> – 1.0366, February 1985 extreme	1 <sup>st</sup> – 1.2232, Bollinger mid-average 2 <sup>nd</sup> – 1.2406, June 15 <sup>th</sup> session high 3 <sup>rd</sup> – 1.2599, June 6 <sup>th</sup> bounce failure
<b>USA 30 Wallstreet:</b> 1 <sup>st</sup> – 30404, Last weeks correction low 2 <sup>nd</sup> – 30005, June 21 <sup>st</sup> low trade 3 <sup>rd</sup> – 29640, June monthly low trade	1 <sup>st</sup> – 31124, Level of Bollinger mid-average 2 <sup>nd</sup> – 31865, 38% retrace Apr/Jun sell-off 3 <sup>rd</sup> – 32539, Mid-point same move	<b>USDJPY:</b> 1 <sup>st</sup> – 135.04, Bollinger mid-average 2 <sup>nd</sup> – 132.97, 38% retrace May/Jun upside 3 <sup>rd</sup> – 131.73, Mid-point same move	1 <sup>st</sup> – 137.00, Last weeks high trade 2 <sup>nd</sup> – 137.05, Bollinger upper band 3 <sup>rd</sup> – 137.73, 138% Fibb extension level
<b>Germany 40:</b> 1 <sup>st</sup> – 12597, Last weeks correction low 2 <sup>nd</sup> – 12424, March 8 <sup>th</sup> extreme 3 <sup>rd</sup> – 12177, Mid-point Mar'20/Jan'22	1 <sup>st</sup> – 13014, Half last weeks sell-off 2 <sup>nd</sup> – 13415, 38% retrace June sell-off 3 <sup>rd</sup> – 13666, Mid-point same move	<b>AUDUSD:</b> 1 <sup>st</sup> – 0.6763, Last weeks low trade 2 <sup>nd</sup> – 0.6659, June 2020 monthly extreme 3 <sup>rd</sup> – 0.6469, 62% retrace Mar'20/Feb'21	1 <sup>st</sup> – 0.6947, Bollinger mid-average 2 <sup>nd</sup> – 0.7069, June 15 <sup>th</sup> bounce failure 3 <sup>rd</sup> – 0.7080, Bollinger upper extreme
<b>UK 100:</b> 1 <sup>st</sup> – 7041, Last weeks low trade 2 <sup>nd</sup> – 6908, June monthly extreme 3 <sup>rd</sup> – 6723, March 8 <sup>th</sup> rally point	1 <sup>st</sup> – 7221, Bollinger mid-average 2 <sup>nd</sup> – 7304, Last weeks failure high trade 3 <sup>rd</sup> – 7365, 62% retrace June sell-off	<b>USDCAD:</b> 1 <sup>st</sup> – 1.2865, 38% retrace June strength 2 <sup>nd</sup> – 1.2800, Mid-point same move 3 <sup>rd</sup> – 1.2734, Deeper 62% retracement	1 <sup>st</sup> – 1.3016, June 23 <sup>rd</sup> bounce failure 2 <sup>nd</sup> – 1.3075, 11 <sup>th</sup> May session high 3 <sup>rd</sup> – 1.3217, Mid-point 2020/2022 range

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