

Preparing for the week ahead : Corellian 3 Step Process

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

Risk sentiment: A very bad end to the week as Fed Chairman Powell sent a clear message that the central bank was far from done on hiking interest rates. Stock markets fell aggressively into the close, the USD rallied hard, especially against AUD and GBP. Commodities fell, while bond yields hardly moved. It seemed clear Powell set out to bring optimistic traders back into line regarding how focused the Fed are on fighting inflation, and how aggressive they may be on interest rates, even if that means pain for consumers and investors. **The summer rally in stocks has reached a pivot point. Can they stabilize around closing levels or is there further pain ahead for traders?**



Friday's USD PCE & Personal Income/spending data: Positive data overshadowed by Powell's speech 90 minutes later, this inflation measure showed inflation may well have peaked in the US.

Powell's Jackson Hole Speech: This was a hugely awaited statement and as the dust settled, the market focused on this part of his statement in particular and it was hawkish:.. " there were multiple failed attempts to lower inflation in the 1970s. Our aim is to avoid that outcome by acting with resolve now and we will keep at it until the job is done", even if that means below trend growth and higher unemployment.

Stock indices fell hard into the Friday close. The USA 500 was down 3.74%, US Tech 100 fell 4.54% and the USA 30 Wall Street fell 3.04%. (See below for the USA 30 Wall Street Technical Update). European indices performed badly on reports that the ECB were considering a bigger hike (75bps, not 50bps) at their next meeting in September. The Germany 40 fell 2.24%, while the Europe 50 was down 2.72%.



US Equities: Earnings Q2 season is almost done with only a few stand out names reporting next week, **Baidu, BestBuy, Weibo, HP, and Lululemon.** (See page 2).

The USD got a big boost from the Powell comments and the US Dollar Index is trading back at its 2022 highs around 109. Risk aversion provided further support throughout Friday afternoon. GBPUSD had a weak close at 1.1736 (2022 lows), while AUDUSD fell 1.28%, dragged lower by weaker commodities, to finish the week back below 0.69.

Commodities had a mixed week with Gold losing ground and closing back at \$1737, while oil benefitted from OPEC+ comments over potential production cuts to stabilise the price. Trading from lows at \$86.28 to close the week up 3.6% at \$93.

Bond yields, remained relatively stable while stocks fell, reflecting the fact Powell's commentary was already priced into bond markets. **One interesting** point to note is the 2yr 10yr curve remains inverted suggesting a US recession is still likely.



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

<p>Bloomberg: Kuroda pledges loose policy until price, wage gains sustainable</p> <p>Lots of commentary coming from the Jackson Hole central banks event this weekend. Could this see USDJPY higher on Monday?</p> <p>Bank of Japan Governor Haruhiko Kuroda said almost all of the country's inflation is being caused by higher commodities prices and that the central bank must continue with easy monetary policy for now.</p> <p>"We have no choice other than continued monetary easing until wages and prices rise in a stable and sustainable manner," Kuroda said at the Jackson Hole event on Saturday.</p>	<p>Bloomberg: Top central bankers deliver hawkish message at Jackson Hole</p> <p>After the nasty sell off for stock indices Friday. Will the trend continue next week after other top central bankers talk tough on inflation risks?</p> <p>The world's top central bankers delivered a stern and unified message on the need to curb inflation, declaring at Jackson Hole that it is broad based, here to stay and will require forceful action. The heads of the BoE, SNB, BoJ, BoK and several ECB policy makers spoke Saturday. Their statements follow remarks by Fed Chair Powell Friday that sought to unequivocally commit the US central bank to raising interest rates until inflation meaningfully slows.</p>	<p>Reuters: ECB Policymakers make the case for a big rate hike</p> <p>Is the ECB now going to hike more than expected at their next meeting as they are worried about EURUSD weakness?</p> <p>ECB policymakers made the case on Saturday for a large interest rate hike next month as inflation remains uncomfortably high and the public maybe losing trust in the bank's inflation fighting credentials. The ECB raised rates by 50bps to zero last month and a similar or even bigger move now is expected on Sept 8th on sky high inflation and <u>partly because the US Federal Reserve is also moving in exceptionally large steps.</u></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 29 th August	Tuesday 30 th August	Wednesday 31 st August	Thursday 1 st September	Friday 2 nd September
LI Auto HEICO	HP Bunzl Best Buy Co. 1100 BMO	Trip.com Group 1100 Donaldson	Pernod Ricard 1330 Toro	Ashmore
Before Market Opens:	Before Market Opens:	Before Market Opens:	Before Market Opens:	Before Market Opens:
After Market Closes:	After Market Closes:	After Market Closes:	After Market Closes:	After Market Closes:
	Baidu iQIYI Vnet ChargePoint Chewy	SentinelOne Veeva Systems Okta	Weibo CIENA Broadcom Lululemon Athletica	

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

Monday: AUD-Retail Sales. The RBA is facing some tough decisions as the housing market dips, and consumer debt is running high. They need a strong consumer and therefore this data is important for the RBA. A weak number may see markets price out a 50bps hike at the next meeting and instead look for only a 25bps hike. **One to watch on a nervous Monday open!**

USD-Fed Vice-Chair Brainard Speech. What the Vice-Chair has to say is always important, especially given Powell's comments on Friday. Traders will be expecting to hear similar comments on aggressive rate hikes and weaker economic growth.

Tuesday: German CPI (Preliminary). Inflation is rampant in Europe's biggest economy, driven by soaring energy costs which are closing down businesses and forcing tough choices on it's population. This reading comes a day before the EU inflation release. A high number may scare traders into thinking that a bigger German recession is imminent. Could impact the EUR and Germany 40. **(See next page for the Germany 40 Technical Update).**

USD-Consumer Confidence. This has been trending lower in recent months as consumers face up to rising costs, falling house prices and rising interest rates. US Economic growth thrives on a healthy consumer, a poor reading could weigh on sentiment.

Wednesday: CNY- PMI. The market want to know what state the Chinese economy is in, and this data has implications for not just Chinese markets but the globe. **After Friday, market risk sentiment could be unsettled by a unexpectedly weak release.**



Monday 29 th August	Tuesday 30 th August	Wednesday 31 st August	Thursday 1 st September	Friday 2 nd September
<p>0230 BST AUD Retail Sales</p> <p>1915 BST USD Fed Vice Chair Brainard Speech (Pre Recorded)</p>	<p>1300 BST EUR (Ger) Inflation Data (Prelim. CPI)</p> <p>1500 BST USD Consumer Confidence</p>	<p>*0200 BST China* Manufacturing and Non Manufacturing PMI</p> <p>0855 BST EUR (Ger) Unemployment Rate</p> <p>*1000 BST EUR* Inflation Data (Prelim. CPI)</p> <p>*1315 BST USD* ADP Employment</p> <p>1330 BST CAD Gross Domestic Product</p> <p>*Month End* Rebalancing</p>	<p>*0245 BST China* Caixin Manufacturing PMI</p> <p>0700 BST EUR (Ger) Retail Sales</p> <p>0730 BST CHF Inflation Data (CPI)</p> <p>1330 BST USD Initial Jobless Claims</p> <p>*1500 BST USD* ISM Manufacturing and Employment Index</p>	<p>1000 BST EUR Inflation Data (PPI)</p> <p>*1330 BST USD* Non Farm Payrolls, Unemployment Rate and Average Hourly Earnings</p> <p>1500 BST USD Factory Orders</p>

Wednesday continued: EUR-German unemployment. The German economy is rather weak and this data may add to the perception. Can the EU afford to see its largest economy slide even further?

EUR-CPI (Preliminary). This is big data for the ECB after policymakers at the weekend were discussing the potential for jumbo hikes at their next meeting (8th Sept). Expectations will be for another increase as inflation has not yet peaked in Europe. This release will impact all markets. (See page 4 for the EURUSD Technical Update).

USD-ADP. This is private sector employment data and is a forerunner to the Non Farm Payrolls (NFP) release on Friday. With markets sensitive to how strong the US labour market is, this data will likely see an increase in volatility across all asset classes.

CAD-GDP. Markets are very sensitive right now to all data releases outlining economic growth. With the BoC very aggressive in hiking rates, which is slowing the Canadian economy dramatically, this release will get some headlines and could move CAD.

Thursday: EUR-German Retail Sales. The market is sensitive to German data with it's economy teetering on the verge of recession, so this consumer release is vital. A disappointing number could see more pressure on the EUR.

USD-Initial Jobless Claims. Traders will be keeping an eye on this data, especially as markets head into Friday's NFP release.





Thursday continued: USD-ISM Manufacturing PMI: Important forward looking data providing an update on current economic activity in the US economy. Markets will be sensitive to any release below consensus, which could indicate an incoming recession. The employment components and prices paid will be closely monitored as well as the new orders component. **Something the Fed will be watching, and likely to impact risk sentiment across all markets.**

Friday: USD-Nonfarm Payrolls and earnings data. Massive data for traders to watch. The focus will be on the unemployment rate and average hourly earnings (AHEs). If unemployment stays low and wages are rising, then the Fed will keep hiking, while an uptick in the unemployment rate could signal the start of a weakening US economy. **A key release for sentiment into the weekly close.**

Commodity Focus Oil: Oil had another volatile week, trading from \$86.28 to a high at \$95.72 before settling at \$93 with a 3.3% gain on the previous weekly close. Traders took comments from OPEC+ suggesting they may cut production to stabilize the price at current levels as a big positive early in the week, but ran into selling Thursday on news that California (US most populous state) proposed a law banning the sale of new gasoline powered vehicles by 2035. **Traders are hoping a low at \$85 is now in place but further gains will be dependent on any updates on the state of the global economy. (See below for the Oil Technical Update).**





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

Support	Resistance	Support	Resistance
USA 500: 1 st – 4040, Bollinger lower band 2 nd – 3979, Mid-point Jun/Aug upside 3 rd – 3913, July 26 th session low	1 st – 4150, 38% retrace Aug downside 2 nd – 4186, Bollinger mid-average 3 rd – 4217, Friday's rejection high	EURUSD: 1 st – 0.9900, Last weeks low trade 2 nd – 0.9701, Channel lower limits 3 rd – 0.9608, September 2002 low trade	1 st – 1.0131, Bollinger mid-average 2 nd – 1.0247, 38% retrace May/Aug sell-off 3 rd – 1.0348, Mid-point same move
US Tech 100: 1 st – 12402, Mid-point Jun/Aug upside 2 nd – 12191, July 27 th session low 3 rd – 12087, Deeper 62% retracement	1 st – 13011, 38% retrace Aug downside 2 nd – 13219, Bollinger mid-average 3 rd – 13287, Higher 62% retracement	GBPUSD: 1 st – 1.1717, Last weeks low trade 2 nd – 1.1699, Bollinger lower band 3 rd – 1.1409, March 2020 extreme	1 st – 1.1900, Friday's rejection high trade 2 nd – 1.1931, 38% retrace August sell-off 3 rd – 1.1996, Bollinger mid-average
USA 30 Wallstreet: 1 st – 31959, Mid-point Jul/Aug upside 2 nd – 31666, July 26 th session low 3 rd – 31421, Deeper 62% retracement	1 st – 32963, 38% retrace Aug downside 2 nd – 33164, Bollinger mid-average 3 rd – 33441, Friday's rejection high	USDJPY: 1 st – 135.81, Last weeks low trade 2 nd – 135.16, Bollinger mid-average 3 rd – 134.10, Mid-point August upside	1 st – 137.71, Last week's upside extreme 2 nd – 138.87, July 21 st failure point 3 rd – 139.39, July 14 th high trade
Germany 40: 1 st – 12809, July 19 th session low trade 2 nd – 12418, July 14 th extreme 3 rd – 12366, July monthly low trade	1 st – 13295, 38% retrace August downside 2 nd – 13367, Thursday's session high 3 rd – 13529, Bollinger mid-average	AUDUSD: 1 st – 0.6855, 62% retrace Jul/Aug upside 2 nd – 0.6720, July 15 th hold level 3 rd – 0.6681, July 14 th session low	1 st – 0.6969, Bollinger mid-average 2 nd – 0.7009, Friday's rejection high 3 rd – 0.7040, August 16 th bounce failure
UK 100: 1 st – 7322, 38% retrace Jul/Aug upside 2 nd – 7243, Mid-point same move 3 rd – 7165, Deeper 62% retracement	1 st – 7464, Bollinger mid-average 2 nd – 7502, 62% retrace August downside 3 rd – 7537, Thursday's failure high trade	USDCAD: 1 st – 1.2903, Bollinger mid-average 2 nd – 1.2727, August monthly low trade 3 rd – 1.2680, June 10 th session extreme	1 st – 1.3062, Last week's failure extreme 2 nd – 1.3135, July 15 th failure level 3 rd – 1.3223, July 14 th rejection point

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