SURGETRADER
ACCELERATED TRADER FUNDING

SURGETRADER JUNE 2022 Market Outlook

Presented in collaboration with BKForex

BK FOREX LLC

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EQUITIES

As we approach the key event of the Fed meeting mid-month, stocks are finding some footing. Although equities have taken a drubbing in May, they're finally showing some signs of stabilization currently trading off their yearly lows.

The focus this month rests squarely on two key variables — inflation data and the Fed.

Inflation remains the main concern of all policymakers on both economic and political fronts, but the solution to the problem remains elusive. One of the key challenges for monetary authorities is that the data remains highly divergent. Although wage cost pressures from labor have eased input costs from commodity prices, especially, energy continues to be the single greatest threat to economic growth.

This leaves the Fed in a very precarious position. Monetary policymakers are caught between their desire to continue to grow the economy, while at the same time providing credible policy on inflation control. Fed chair Paul is expected to raise rates 50 basis points and communicate that this policy will remain on this track for the foreseeable future. Such guidance could actually prove moderately positive for equities, as the markets have priced in a significant amount of tightening already.

NASDAQ, after having tested the **12,000** level, could see a bounce **up to 13,000**. Meanwhile for the S&P the key support level, both psychologically and technically, remains at 4000.

Having already moved significantly lower over the past few months, equities are much more likely to consolidate during the summer doldrums and could frustrate both bulls and bears, as range conditions continue.

COMMODITIES

Can anything stop oil? At this time, the answer appears to be no. Oil continues to defy all attempts at profit taking, as crude remains well supported above the **$110** level and could begin to make another run at the recent highs above the **$135** level, as the Chinese economy returns back to normal after the COVID lockdowns.

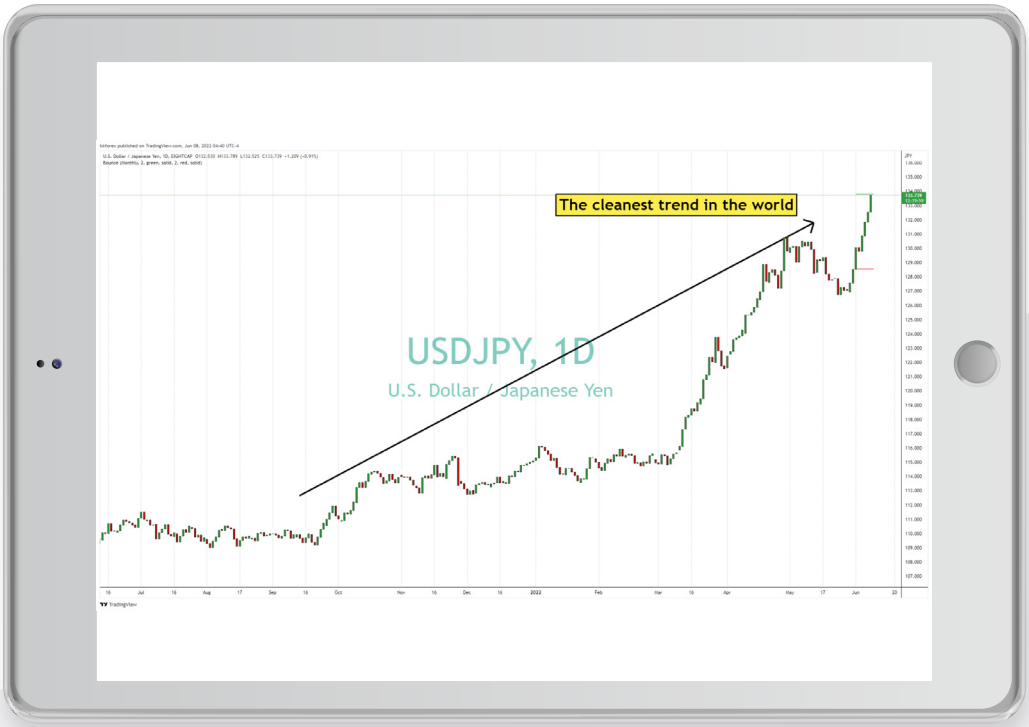
Both China and India are extremely happy to snap up Russian crude at below market prices, as the West continues to sanction Russia for the invasion of Ukraine. Meanwhile other sources of crude production from both the Middle East and North America are unable to keep up with demand, and any supply increases have been far too small to have any impact on price.

Oil has always been a geopolitical, as well as an economic, asset and its fortunes have always had major political ramifications. That's why the price of oil remains the greatest threat to economic growth and political stability in the West, and any burst towards the **$150** level will likely exert an intolerable pressure across the whole supply chain, tipping G-10 into a recession. For now, crude remains contained to the **$110-$120** corridor, but any breakout should set off warning lights in other assets.

Gold meanwhile remains dormant at $1,850, well off the **$2,000** per ounce highs, and is unlikely to move, unless real rates begin to turn more negative. With central banks across the world now taking inflation seriously and ratcheting up rates, it will become more difficult for Gold to stage a sustainable rally, unless inflation expectations begin to rise out of control. Indeed, if prices stabilize while central banks continue to hike, Gold may see a selloff back to **$1,750** per ounce.

FOREX

The FX story is being dominated by the massive move in USDJPY and JPY crosses. As the Fed moves to a sustained tightening policy, while the BOJ remains stationary, the widening of the carry spread has given rise to one of the strongest trends in decades as the USDJPY pair has risen more than 20 big figures over the past two months. Although the trend may appear to be long in the tooth, FX trends tend to last much longer than one can imagine, and given the clear direction in interest rate differentials, it is possible that the pair could push towards **140.00**, and perhaps even 150.00, as the year progresses. This makes USDJPY, and any of the JPY crosses, strong candidates for any buy on pullback as the upward pressures on the whole complex will continue to push it higher.



CRYPTO

Crypto remains a mystery wrapped in an enigma. Is it a fad — the digital version of a pet rock — or a useful function? While the world waits for a single, truly unique use case, and various protocols scramble to create updates that make them faster and cheaper to transact, the whole sector has slid into obscurity now, well below **50%** from the all-time highs, as both investors and speculators lose enthusiasm.

The start of the month, however, has seen a tiny semblance of support in the sector, with Bitcoin finding a foothold at **30,000** and ETH at 1800. The whole asset class may get a boost from the recent announcement by Citadel and Virtu that they will start making markets in spot — a development that should see spreads narrow considerably and could invite fresh retail participation from a broader set of investors that are not necessarily crypto native. Still, the asset class remains in a secular bear market, and any advances in market structure will not be enough to create sustained buying power. The sector needs a fresh narrative, such as ETH moving to proof of stake model in order to expedite processing times and vastly reduce transaction costs, but while the promise has been long in the making, the reality has yet to be achieved.

Meanwhile, news this week that most of the Bored Ape NFTs have been stolen, costing their former owners millions of dollars in lost assets, put a perfect coda to a sector that is in pure disarray. For now, crypto remains a sell the rally trade, unless Bitcoin is able to break and hold the **35,000** level and ETH can recover the **2,000** price.

ABOUT SURGETRADER

Here at SurgeTrader, we fund traders up to $1 million. Our traders keep 75% of the profits. The program is built on three pillars:

1. Simple, straightforward trading rules
2. No time restrictions
3. Fast, responsive service

SurgeTrader offers a one-step funding model, where traders take an Audition with simple rules and no time restrictions. SurgeTrader exists to accelerate trader funding and help profitable traders with their biggest challenge: undercapitalization. We are not built to profit off of failed challenges like other firms. Our approach is long-term. We profit when you profit. When you win, we all win.

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