SURGETRADER
ACCELERATED TRADER FUNDING

SURGETRADER APRIL 2022 Market Outlook

Presented in collaboration with BKForex

BK FOREX LLC

Boris Schlossberg

Kathy Lien

T.S. Eliot once remarked that April is the cruelest month, and for traders and investors that may indeed be the truth this year, as some of the well-defined trends across a variety of markets have come to a grinding halt, leaving only choppy trading ranges that threaten to pulverize both longs and shorts with a series of false breaks.

OIL MARKET

If anything, the macro situation looks even more muddled than the month prior as the G7 nations experience both buoyant growth in jobs, as well as skyrocketing energy inflation, all against the grinding backdrop of a horrid war in Ukraine that is now the scene of some of the worst war crimes since World War II. With the Russia-Ukraine conflict now at a standstill, and the Western nations threatening a full boycott of Russian energy products, it is difficult to imagine that oil is not a persistent buy. Yet crude has been a horrible trade for the longs, dropping from a high of $130 per barrel to below $100 per barrel, as President Biden released 1 million barrels per day from the US Special Petroleum Reserve, in an attempt to stabilize the market.

Another factor weighing on oil is the prospect of desperate Russia dumping crude on the black market at steep discount prices, as it desperately tries to earn revenue in the face of what is now **2% per week** inflation. Russia is now reaching a point where it will run out of space to store crude which will force it to shut down production — a move that is sure to aggravate further the already difficult supply-demand imbalance on the global markets. That is why, ultimately, oil remains a buy, and now approaches the key breakout levels of early February. But, as always, the volatility in the market requires a scale down approach to the trade, buying at $97 per barrel, $92 per barrel, $87 per barrel and a stop below $85.

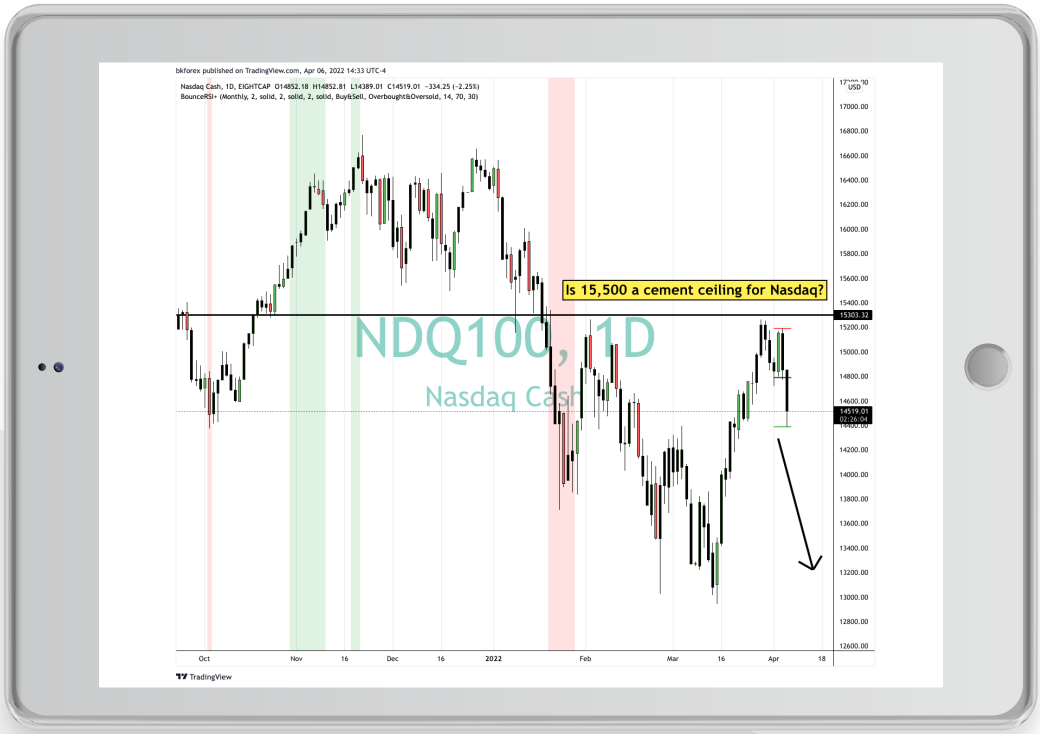
EQUITIES
MARKETS

On the equity front, stocks have held up remarkably well given the turmoil on the global stage, and part of the reason for the underlying bid is that demand in G7 remains buoyant, while corporate profits are rising at the fastest pace since 1950s, as companies enjoy pricing power for the first time in decades.

Still, as some perma-bulls love to point out, the sharpest rallies occur in bear markets and that may be exactly what happened in March. Stocks face a series of headwinds over the near-term horizon, not the least of which is the decidedly more hawkish Fed, with most participants favoring a 50bp rate hike and Fed funds futures pricing in an 85% chance of that occurring in May.

Higher rates are toxic to stocks which remain at historically high P/E levels. No index is more vulnerable than NASDAQ, which essentially thrives on "free money" as both the cost of capital and valuations of high-tech names depend on ultra-low rates. Most of the smaller high technology companies have already seen their stocks decimated, but the high capitalization names have held up well.

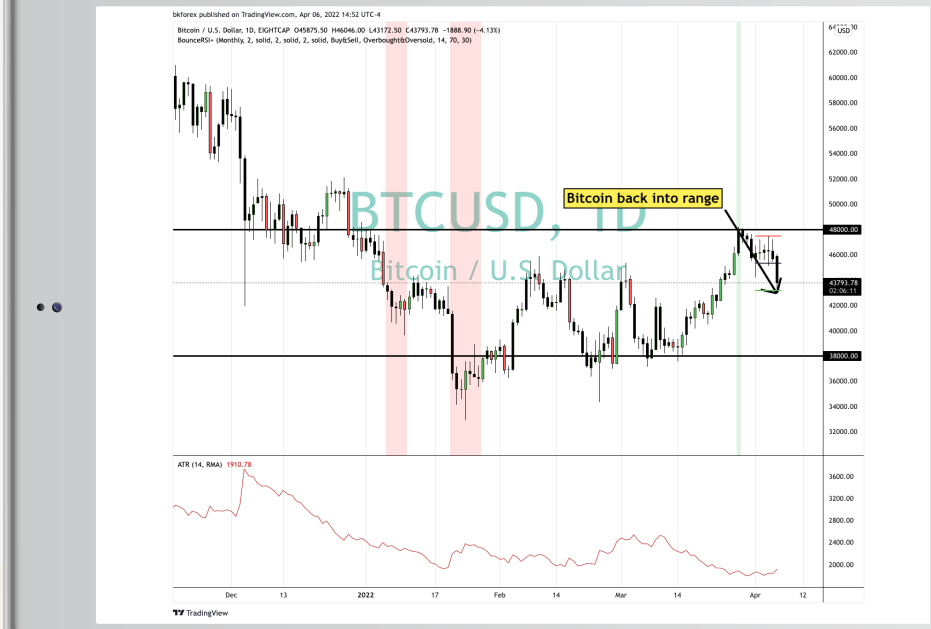
In April, that dynamic may change as the higher rates could finally see FAANGs give way. For now, 15,500 appears to be cement ceiling for NASDAQ and the index is vulnerable to retesting its year to date lows at 12,800.



CRYPTO
MARKET

One of the more confusing markets over the past month has been crypto, which has not fulfilled the breakout fantasies of the bulls or the doomsday predictions of the bears. The asset appears to be trying to make up its mind as to whether it is indeed a store of value, or a risk play. The sense of uncertainty has dampened volatility in the whole crypto market markedly, as the Average True Range declined by nearly 50%.

The lack of volatility and lack of any significant new advances in the application of technology bodes badly for the whole crypto space, as participation may wane, and ranges could narrow even further. For now, Bitcoin remains a 48,000-38,000 trade, but the bias has shifted to the sell side, as the latest rally shows all the signs of flaming out.



FOREX
MARKET

In contrast to the moribund action in crypto, FX is seeing some of the best moves in decades as widening yield differentials and the seeming end of the global zero interest rate policy have created massive opportunities in the space. The clearest trend has been in yen crosses, as the persistently widening differential in US and Japanese yields has created a one-way trade in all the yen pairs.

Still the parabolic move appears to be due for a pause, despite the fact that Fed/BOJ rates are likely to widen out as much of the good news has been factored in. Carry traders are probably wise to buy pullbacks, although swap rates from many brokers remain negative on BOTH sides of the transaction, despite the widening gulf in rates. So simply holding the position is not yet profitable. Ironically enough, USDJPY may not become a buy until it breaks above and holds the recent 125.00 highs, as that would indicate that many specs are positioning for much higher levels of 130-140 yen by year end.

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:

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2. No time restrictions
3. Fast, responsive service

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CONTACT INFO

866-998-0883 (Toll-free)
239-829-8438 (Direct)

info@surgetrader.com

www.surgetrader.com

405 5th Ave South
Naples, Florida 34102

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