



SURGETRADER
ACCELERATED TRADER FUNDING

SurgeTrader May 2022 **Market Outlook**

Presented in collaboration with BKForex



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“April showers bring May flowers”, noted Thomas Tusser nearly five hundred years ago and for equity bulls who have had to suffer one of the worst start of the year performances in recent history, that sentiment may be the only ounce of solace out there.

Equities Markets

The NASDAQ is off to its worst start since the index was created in 1971, while the S&P has not seen such weak performance since 1939. Equities have been hit by a litany of problems, with inflation being the most significant as nominal price levels have soared to forty years highs and show few signs of stabilizing. That, in turn, has prompted the Fed to assume a far more hawkish posture with the market now expecting a 50bp hike in early May and rate hikes for the rest of the year.

Ironically enough, the move from rhetoric to policy may actually provide equity markets with some support as it would eliminate much of the uncertainty regarding monetary policy and allow traders to focus on the fundamentals of individual stocks. There are plenty of analogues of equities rallying after the start of the Fed hiking cycle in classic “Sell the rumor, buy the news” fashion. With sentiment turning high negative, and NASDAQ now approaching the 13000-12500 support zone from 2021, the prospect of a bounce — even if it’s a dead cat one — looks quite good.



Oil Markets

After years of being relegated to the backstage of finance, commodities have emerged, not just as the main story, but perhaps as the only story that matters to the global economy. Decades of globalization and technological progress have lulled us into complacency about our ability to make, mine, and grow stuff at will. No more.

The supply side constraints triggered by COVID lockdowns in China, and the increasingly brutal war in Ukraine have created unrelenting pressures on the whole commodity complex. Soybeans, for example, have had a rising 150-day moving average for more than 100 days. So, the pause in the price action of both oil and gold this month may actually provide a flicker of relief to the otherwise continuous drumbeat of doom and recession coming from the Twitter feeds of bears.

Oil, after staging a spike high at the \$130 per barrel has done nothing but print a series of lower highs, suggesting that despite the removal of Russian oil off the market, supply-demand imbalance may be finding equilibrium around the \$100-\$110 level. If that indeed is the case, that would be very good news for the global economy as stable oil prices — albeit at higher price levels — would temper all other inflationary pressures in the global economy.

For now, oil remains the key price in financial markets and, as long as it doesn't move and hold above the \$110 per barrel level, the risks of recession will diminish rather than increase.



Gold Market

Gold, too, is also showing signs of inflation fatigue. In fact, nothing casts more doubt on the prospect of sustained inflation more than the recent price action in gold, which has shown nothing but repeated failures at lower highs and what appears to be yet another failed bounce at the key \$1,860 per ounce level. A break below \$1,850 per ounce would be a complete repudiation of the rally from the start of the year and open the way for a test of support levels at \$1,800 per ounce.



Crypto Markets

Is crypto a Ponzi scheme? That is not our view, but rather the musings of Sam Baknkam Fried the founder of the FTX exchange and one of the richest crypto billionaires in the world. In a recent Odd Lots podcast, he came very close to suggesting that very notion when describing the underlying mechanics of yield farming which has been one of the more popular investment schemes in crypto over the past two years.

It's becoming increasingly clear that in a world with rising yields, crypto will have a more and more difficult time attracting investment capital, unless it can demonstrate a viable economic

function. Say what you will about the societal utility of social media, the businesses that dominate that space have demonstrated enormous earning power of algorithmic advertising proving their economic viability, if not their social worth.

Thirteen years after the investing of Bitcoin, crypto has yet to show any ability to earn a dime outside of its own enclosed universe of gaming for tokens and Bored Ape NFTs. Little wonder then that both the volatility and the price action in crypto has slowed markedly this year, and Bitcoin is essentially marking time in the 38,000-48,000 range. The range compression action is actually not benign, as it suggests loss



of investor interest and opens up the possibility of a breakdown if Bitcoin breaches the 35,000 level and pushes towards a retest of lows at 33,000.



Forex Markets

Are there any Euro bulls left? Let us know if you find one, because they are certainly an endangered species. The EURUSD has been in freefall for the past several months hitting a low of 1.0470 before finally staging a mild bounce.

The woes for the pair are well known:

- The war in Ukraine
- The energy woes for Germany, the block's biggest economic powerhouse and its major manufacturing hub
- The interest rate divergence between the ECB and the Fed

There really is no clear reason why the pair won't tumble towards parity — but perhaps not yet. Sentiment in the pair has become so negative and positioning is so skewed that it seems too obvious a move at this point. All of

the negatives are well known, while the positives may not be accounted for. The sharp decline in the Euro should prove to be a boon for tourism this summer — a major part of the region's economy — but should also provide much better margins for the EU's various export sectors leading to record trade surpluses this year.

The countertrend buy is not without risks — especially if the war in Ukraine turns nuclear, but technically the risks are well established at the 1.0300 level as the pair has now approached the final level of its long-term support.

If Europe can negotiate fresh gas supply deals with Qatar, if Ukraine can absorb the Russian attacks in the East while Turkey keeps the Russian Black Sea fleet trapped in the waters and Russia is forced to retreat, the long EURUSD trade may turn out to be the biggest FX surprise of the summer.

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.

If you want to partner with a firm that has simple trading rules, incredible trader support and has your best interests at heart, SurgeTrader is the partner for you.

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