

CORELLIAN 2 STEP PROCESS TO PREPARE FOR NEXT WEEK

Risk sentiment initially struggled for direction after the release of some mixed non farm payrolls data. However that all changed as traders received news that the US non manufacturing (Services) ISM fell dramatically into contraction, increasing hopes that the Fed won't have to hike as much as they have suggested in 2023. Stocks rallied and the USD fell into the close.

STEP 1: WHERE DID MARKETS END LAST WEEK AND WHY?

Friday data: US Non farm payrolls mixed and ISM services weak

- Headline payrolls +223k (+200k expected). Unemployment rate 3.5% (3.7% expected), lowest rate in 53 years. Average hourly earnings 4.6% (5% expected), less inflationary.
- US services ISM 49.6 versus 56.5 the previous month. The lowest reading since May 2020.



US Stock indices, which had been under pressure for most of the week, surged late Friday, reflecting signs of seller exhaustion as traders sought out the positives from the data releases. The US Tech 100 was the strongest performer, finishing up 2.66% on the day to close at 11108. **(Page 2 US Tech 100 TA Update)**. **European indices** had a very strong week supported by falling natural gas prices, lower inflation readings and China's commitment to support its economic growth. The Germany 40 closed at 14725, up 6% on the week.

The US Dollar Index failed to hold on to gains from earlier in the week which saw it trade as high as 105.39. It fell immediately after the US employment release and never recovered, eventually finishing down 1.14% on the day at 103.66. GBPUSD had a roller coaster week, falling to a low at 1.1840 before recovering 1.61% on Friday to close at a new high on the week at 1.2095. **(Page 3 GBPUSD TA Update)**.

US 10 year yields fell from 3.88% at the start of the week and never recovered. Eventually capitulating to close at 3.56% as traders increased bets for a US recession.



US Tech 100 Technical Update:

A positive reaction to payrolls saw new correction lows rejected and a close somewhat above the session opening.

However, focus is on 11265 (Bollinger mid-average) with closing breaks needed to open scope for a more sustained retracement towards 11383 (38% level) possibly 11580 (mid-point).

To the downside, breaks below 10751 (Friday's low) point to 10485 (Oct 13th extreme).



Most commodities benefitted from the weaker dollar to register gains on Friday. Gold rallied 1.8% to its best close since June 2021 at 1866, supported by news that China has been one of a number of central banks boosting its reserves of the metal. **(Page 4 Gold TA Update)**. Elsewhere silver was up 2.5%, copper gained 2.7% and palladium soared 4.3%. Oil was the under achiever. Flat on Friday at 73.69, but down 8% on the week.

STEP 2: LOOKING FORWARD TO THE WEEK AHEAD

All times are Greenwich Mean Time (GMT) Please use the key opposite to adjust to your appropriate time zone.

Key Q3 Earnings next week in table below (Times GMT)

Time Zone Key:

GMT -5	= New York
GMT	= London
GMT +1	= Frankfurt
GMT +9	= Tokyo
GMT +11	= Sydney

Monday 9th Jan	Tuesday 10th Jan	Wednesday 11th Jan	Thursday 12th Jan	Friday 13th Jan
Tilray Brands 1100 Acuity Brands Jeffries Financial		Infosys TSMC 0700 Chr. Hansen		1130 BNY Mellon 1145 JP Morgan 1200 Wells Fargo 1300 Citigroup Blackrock Delta Air Lines United Health

KEY EVENTS, SPEAKERS AND ECONOMIC DATA

Monday: 2330 GMT JPY Tokyo CPI. This is a front runner for the national inflation release in several weeks time. With Japanese inflation rising quite steeply, markets are nervous over what the next steps will be from the BoJ. **It could impact USDJPY.**

2345 GMT BoE Chief Economist Pill Speech. The UK economy is weak and there are concerns regarding how many more rate hikes it can stand. With GBP already having a volatile start to 2023, what he says on future hikes could have a significant impact. **(Below GBPUSD TA Update).**

Tuesday: 0001 GMT GBP BRC Retail Sales. GBP Traders are back looking at the negatives for the UK economy, and spending over the important holiday period will be a crucial factor in seeing how bad things are.

1010 GMT BoC Governor Macklem Speech. After stronger than expected unemployment data from Canada on Friday traders will be interested to hear what the central bank Governor has to say on how close they are to pausing rate hikes.



GBPUSD Technical Update:

USD weakness following latest payrolls data saw a strong rally into the close, which ended the session below 1.2104 (Bollinger mid-average). This is a focus to start next week, with closing breaks a further positive to suggest a more sustained recovery to 1.2212 (62% retrace) even 1.2446 (Dec 14th high).

In terms of support, 1.1974 (half Friday's rally) will be watched, as breaks point to downside resumption risks.

Wednesday: 0030 AUD Retail Sales and Monthly CPI. Retail sales feed into the central bank policy decision process. **How are Australian consumers reacting to tougher financial conditions?**

The CPI inflation reading is crucial. Expectations are for two more 25bp hikes from the RBA. **Will this release support or change traders thinking?** Expect AUD to move on this release.



Gold Technical Update:

Positive themes continued last week with new recovery highs and closes above 1851 (62% retrace Apr/Sep decline).

This looks set to challenge 1879 (Jun 13th high) potentially further if this gives way to 1920 (Apr 29th high).

To the downside, defense of 1816 (38% retrace Nov/Jan upside) is watched as closing breaks point to a deeper decline to 1799 (mid-point) even 1782 (62% retrace).

Thursday: 1330 GMT USD CPI. This is the standout data release of the week and will have an impact across all markets. **(Above Gold TA Update).** There is still a big difference of opinion between what the Fed are saying on future hikes and what markets are pricing for the rest of 2023. Oil and gas prices have fallen so the headline reading maybe weaker but the Fed focus on the core reading (excluding food and energy). **Will that release be as positive as traders are hoping?**

Friday: 0700 GMT GBP 3 Month GDP. Investors are turning bearish on the UK economy again so this data release could grab some relevant headlines. A stronger reading would be a shock and could lead to some short covering, and vice versa.

Start of US Q4 Earnings Season. The start of a crucial earnings season for traders with the major US banks like JP Morgan, Citigroup and Wells Fargo reporting. Expectations are for poor results and each release will be analysed for signs of whether a potential US economic slowdown is filtering through into company profits.

Key levels the Corellian mentors are focused on

USA 500:

Support

1st - 3788, December monthly low
2nd - 3732, 62% retrace Oct/Nov
3rd - 3705, November 3rd low trade

Resistance

1st - 3935, 38% Dec sell-off
2nd - 3980, Mid-point same move
3rd - 4031, Higher 62% retrace

Germany 40:

Support

1st - 14380, 38% retrace Dec/Jan
2nd - 14153, Deeper 62% retrace
3rd - 13764, December monthly low

Resistance

1st - 14742, Last week's high trade
2nd - 14943, March rejection level
3rd - 15730, February 2022 high

USDJPY:

Support

1st - 131.69, Thursday's low trade
2nd - 129.51, January extreme
3rd - 128.79, June 1st low trade

Resistance

1st - 134.77, Last week's high
2nd - 137.47, December 20th high
3rd - 138.10, 38% Oct/Jan sell-off

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