

CORELLIAN 2 STEP PROCESS TO PREPARE FOR NEXT WEEK

Risk sentiment finished the week in relatively buoyant mood as traders received news that the Fed's preferred measure of inflation (PCE) had eased in December to the slowest annual pace in over a year, potentially paving the way for a smaller Fed rate hike. Stocks took this positively, while the USD and commodities were mixed as traders focused on the central bank meetings next week.

STEP 1:

WHERE DID MARKETS END LAST WEEK AND WHY?

Friday data: US PCE Inflation cools further as consumer spending fell.

- PCE YoY (Dec) 5% vs 5.5% (Nov)
Core PCE YoY (Dec) which excludes food and energy 4.4% vs 4.7% (Nov). Slowest increase since 2021.
- Consumer income came in as expected at 0.2% while spending fell 0.2% (-0.1% expected).



US Stock indices ended another positive week with further gains on Friday, led by technology stocks. The US Tech 100 finished up 1% at 12221, cementing a strong 4.7% rally over the last 5 trading days. It seems in the short term investors are returning to some of the most unloved stocks from 2022, as they cut costs to support growth. **(Page 2 US Tech 100 TA Update)**. **European indices** had a relatively quiet week, consolidating their early strength in 2023 while awaiting the ECB meeting outcome.

The US Dollar Index closed the week unchanged after briefly retesting the years lows at 101.25. EURUSD breached 1.09 for the first time since April 2021 but couldn't sustain the up move closing the week unchanged at 1.0865. With so much potential volatility next week FX traders seemed reluctant to add to positions.

US 10 year yields gained 3bps Friday to close the week at 3.51%, despite the news that US inflation fell. Bond markets continue to price in an increased chance of recession but trading was light while markets await fresh inputs on what central banks have to say on growth and rate outlooks.



US Tech 100 Technical Update:
Positive themes continue to emerge as last week saw upside extend the rally in place since 10759 (Dec 28th low). This has now seen 12116 (mid-point Aug/Oct downside) give way with closing breaks suggesting a more extended phase of strength. This can open scope to challenge 12383 (Dec 13th high) then 12947 (higher 62% retrace) possibly further if this gives way. To the downside, closes below 11949 (half last weeks range) suggest a deeper correction risk towards 11700 (38% retrace Dec/Jan strength).



Commodities were generally weaker on Friday. Traders seemed keen to bank some profits into what should be the biggest week so far in financial markets. While Gold was relatively unchanged at 1927, after making a fresh high at 1949 Thursday, Silver fell 1.3% to 23.60, Copper fell 1% to 4.2290 and Palladium fell 3.85% to 1604. Oil which briefly erased all of its early 2023 losses when it traded to a high of 82.60 on Monday, fell 1.6% to close the week at 79.40. **(Page 3 Gold TA Update).**

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 Q4 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 30th Jan	Tuesday 31st Jan	Wednesday 1st Feb	Thursday 2nd Feb	Friday 3rd Feb
0600 Philips 1330 Franklin Canon	1130 Caterpillar 1200 McDonald's 1255 Imperial Oil	0700 GlaxoSmithKiline 1130 Boston Scientific Alibaba	0600 ING 1125 Eli Lilly 1159 Bristol Myers	0630 Sanofi 1100 Aon 1130 Zimmer Biomet
Before Market Opens:	Before Market Opens:	Before Market Opens:	Before Market Opens:	Before Market Opens:
	Spotify ExxonMobil	Peloton Old Dominion	Honeywell ConoccoPhilips	Avantor CIGNA
After Market Closes:	After Market Closes:	After Market Closes:	After Market Closes:	After Market Closes:
2105 Whirlpool Graco NXP Semiconductors	2101 Electronic Arts 2101 Amgen 2110 Snap	Meta SLM MetLife	2101 Amazon Alphabet Apple	



KEY EVENTS, SPEAKERS AND ECONOMIC DATA

Tuesday: 0030 GMT AUD Retail Sales. After the stronger than expected inflation print last week markets are pricing more rate hikes to come from the RBA, boosting AUD against its G10 FX peers. Traders will be keen to see if the Australian consumer is still spending, which could give the central bank more room to hike on 7th Feb.

0130 GMT China Manufacturing and Non manufacturing PMI. Much emphasis has been placed on how quickly the Chinese economy can recover in 2023 and so, depending on the print, this data is likely to have an impact on oil, commodities and general risk sentiment. **(Below Gold TA Update).**

1000 GMT EUR Gross Domestic Product (GDP). There has been a big debate about whether the EU is going to avoid a recession and so this release will be closely scrutinised and could move European bonds, FX and indices.



Gold Technical Update:

Bullish trending conditions were extended last week, a move that saw new recovery highs. This maintains risks to higher levels to challenge 1898 (Apr'22 high) possibly even towards the more significant 2070/75 area (Aug'20 & Mar'22 extremes).

To the downside, first support is marked by 1891 (half this years range) but it appears as if closing breaks are needed to expose a deeper retracement towards 1826 (38% level) possibly further.

Wednesday: 1000 GMT Preliminary EU CPI. Very important data for the EU and ECB. With the central bank sounding more hawkish than ever, this data is huge for the markets, and could have a big impact on the direction of the EUR. **(Page 4 EURUSD TA Update).**

Meta (Wed), Alphabet, Apple and Amazon (Thurs). With technology stocks leading the recent stock market rally these earnings will be watched closely for insight into current performance and to see how they see the rest of 2023 panning out in terms of customer demand and cost control.

1900/1930 GMT FOMC Interest Rate Decision and Press Conference. The joint biggest event of the week with the ECB meeting. Investors widely expect a smaller 25bp hike. If that is the case then the next question impacting markets is whether Chairman Powell and the Fed tones down its hawkish commentary in the face of cooling inflation or emphasises that more needs to be done. **These signals will have a big say on the longevity of any further rally in stocks and falls in the USD.**



EURUSD Technical Update:

Bullish trending conditions continue to dominate as last week saw further new recovery highs. However, this is currently challenging 1.0924 (mid-point Jan'21/Sep'22 downside) which is an important and potentially strong supply area. Closing breaks are needed to maintain strength towards 1.1054 (Apr'22 high) otherwise corrections can materialise. That said, support is still evident at 1.0796 (Bollinger mid-average) with closing breaks of this pointing to more extended declines.

Thursday: 1200/1230 GMT BoE Interest Rate Decision and Press Conference. Traders are expecting a 50bps hike to 4% as UK inflation remains stubbornly high and wages are still increasing. However economic data released last week showed a UK economy in sharp contraction and a consumer that is beginning to reduce spending. **Is this going to be the last aggressive hike from the BoE or is there more to come?** This meeting will have big implications for UK indices and GBP.

1315/1345 GMT ECB Interest Rate Decision and Press Conference. President Lagarde and a host of other ECB members have been speaking increasingly hawkishly in 2023, so this is a big event for the future direction of European indices, bonds and the EUR. Expectations are for 50bps at this meeting but it is unclear what comes next. So the press conference will be critical.

Friday: USD Non Farm Payrolls and Unemployment Rate. The US labour market remains tight with unemployment at record lows. This is a problem for the Fed and if this trend were to continue then US rates may need to stay higher for longer, which could negatively impact stocks and turn the USD higher again.

Key levels the Corellian mentors are focused on

USA 500

Support

- 1st - 3966, Bollinger mid-average
- 2nd - 3902, January 19th extreme
- 3rd - 3819, January 6th low

Resistance

- 1st - 4109, Last week's high trade
- 2nd - 4174, Dec rejection high
- 3rd - 4217, Sep'22 bounce failure

Germany 40:

Support

- 1st - 14954, Bollinger mid-average
- 2nd - 14750, 38% retrace Dec/Jan
- 3rd - 14564, Mid-point same move

Resistance

- 1st - 15331, January extreme
- 2nd - 15730, February 2022 high
- 3rd - 16077, Mid-Jan 2022 extreme

GBPUSD

Support

- 1st - 1.2255, Bollinger mid-average
- 2nd - 1.2169, January 17th low
- 3rd - 1.1962, Bollinger lower band

Resistance

- 1st - 1.2447, Last week's high
- 2nd - 1.2599, June 7th 2022 high
- 3rd - 1.2666, May 27th extreme

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