CORELLIAN 2 STEP PROCESS TO PREPARE FOR NEXT WEEK

Risk sentiment remains in a fragile state, bruised by the failure to achieve a Santa rally in stocks into year end and a growing amount of uncertainty about what hawkish central bank policies mean for economic growth and company earnings at the start of Q1 2023. Stock indices and the USD remain under pressure, commodities continue to tread water and bond yields remain firm.

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

Saturday data: China's economic activity at its slowest since 2020

- China Manufacturing PMI for December fell to 47 (expected 47.8). Non-manufacturing PMI fell to 41.6 (expected 45) as surging Covid infections hit service industries. Both readings are heavily in contraction.
- Do these very negative readings finally mark the lows for the world's 2nd largest economy?

US Stock indices were under pressure for most of Friday but a last hour squeeze, in thin liquidity, saw the USA 500 bounce 1% from its lows at 3821 to finish with only a minor loss (-0.11%) on the day at 3867. This left the index nursing its worst yearly fall (-19%) since the 2008 financial crisis. **(Page 2 USA 500 TA Update).** **European stock indices** all fell Friday. The Germany 40 failed to hold onto early week gains, closing the year with a 0.96% fall to 13895 (-12.7% on year).

The US Dollar Index ended the year at 103.25 (6 month lows), registering its biggest quarterly decline since 2010. Much of this downward pressure has been due to a surging EUR, which closed Friday at 1.0704. Traders are weighing up prospects for bigger ECB hikes in 2023, at a time when the pace of further Fed hikes is slowing. **(Page 4 EURUSD TA Update).**

US 10 year yields rose on the final trading day of the year to end at 3.88%, a seven week high. After a very volatile year traders reduced positions ahead of what is expected to be a bumpy start to 2023.

EVERYTHING YOU NEED TO KNOW BEFORE THE MARKETS OPEN

Sunday 1st January 2023

USA 500 Technical Update:
Choppy activity developed over the Christmas period but it is still negative themes that remain.

Risks are in place to test 3758 (62% retrace Oct/Dec upside) with breaks a further negative to expose 3705 (Nov 3rd low).

To the upside, focus is on 3937 (38% retrace Dec sell-off) with closing breaks needed to see a more extended upside retracement move.

Commodities had a mixed close on Friday. Oil rose 2.4%, as traders look forward to a potential rebound in Chinese demand in early 2023. Gold rose to its highest level since June at 1823. Similarly, silver finished at 23.92, its highest closing level since May. Copper closed down -0.35% at 3.8188 as it range trades between 3.50-3.95, while traders await further economic data from China, US and EU in January to decide its next move. **(Page 2 Oil 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 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 2nd Jan	Tuesday 3rd Jan	Wednesday 4th Jan	Thursday 5th Jan	Friday 6th Jan
			MSC 1200 Walgreens 1230 ConAgra Foods RPM Constellations Brands	

KEY EVENTS, SPEAKERS AND ECONOMIC

Tuesday: 1300 GMT German Preliminary CPI. With Monday likely to be a slow open for markets with it being a bank holiday in the UK, Tuesday will start to warm up with the release of German inflation for December. Higher prices have been hampering the performance of big industrial businesses that power the German economy. **Is inflation starting to cool off as has been seen elsewhere in the EU? This release could impact the Germany 40 and EUR.**

Wednesday: 0900 GMT OPEC+ Meeting. OPEC recently cut its forecast for oil demand for the first quarter of 2023, followed by a steady pick up from Q2 into the end of Q4 2023 as global economic demand improves. Nothing new is expected from this meeting but traders will look for any friction between Russia and the other major producers over their decision not to consult the rest of OPEC+ before retaliating to the G7 price cap, which was imposed on Russia at the start of December. **(Below Oil TA Update).**

Oil Technical Update:
An improving technical backdrop is now emerging with closing breaks seen above mid-average resistance. While not an outright positive development, further pressure can build on 81.86 (mid-point Nov/Dec downside) with closing breaks a catalyst for continued strength to 84.67 (62% retrace) possibly further towards 93.72 (Nov 7th high).

To the downside, breaks under 76.50 (Bollinger mid-average) suggest a deeper sell-off back to 73.30 (Dec 16th low).

1500 GMT USD Manufacturing ISM. This release will be the first significant piece of economic data for traders to chew on at the start of 2023. US manufacturing has been trending lower in both this and other similar forward looking surveys. **Are things still getting worse, suggesting further slowing in the US economy, or has a low been seen? This has the potential to move all markets.**

1900 GMT FOMC Meeting Minutes. Chairman Powell's press conference at the last FOMC meeting in December put an end to any hope of a Santa rally into the end of 2022. Traders will be scouring these minutes for any further insight into how high peak rates in the US will be, how unified views of panel members are and how close they see the US economy is to falling into recession.

EURUSD Technical Update:
Consolidation activity has materialised since latest highs but it is still a positive pattern since 0.9536 (Sep 28th low).

This has seen 1.0615 (Jun 27th high) give way, opening scope to challenge 1.0786 (May 29th high) which appears a stronger resistance focus.

To the downside, breaks below 1.0604 (Bollinger mid-average) suggest deeper declines towards 1.0541 (38% retrace).

Friday: 1000 GMT EUR Preliminary Inflation Data. Inflation is a very important concern for the ECB, and after President Lagarde surprised traders with her hawkish approach to future rate hikes for early 2023, this release will matter to EU bond markets and the EUR. Deviations from market expectations must be watched closely.

1330 GMT USD Non Farm Payrolls and Unemployment Rate. The big event of the week. The Fed are waiting for US unemployment to start trending higher before considering stopping / slowing future rate hikes. Traders were disappointed in December when the rate remained unchanged at 3.7%. **Expect increased volatility across all markets into and after this data release.**

1500 GMT USD Non Manufacturing ISM. This data reflects service providers across the US and it unexpectedly accelerated higher last month to 56.5, well above expectations and well ahead of other US services reading in other surveys, which have all fallen into contraction below 50. **Will this number follow the trend and capitulate, or remain stubbornly firm, reflecting a strong US economy?**

Key levels the Corellian mentors are focused on

US Tech 100:
Support
1st - 10759, Last week's low trade
2nd - 10640, November extreme
3rd - 10485, October monthly low

Resistance
1st - 11372, 38% retrace Dec
2nd - 11566, Mid-point same move
3rd - 11759, Higher 62% retrace

USA 30 Wall Street
Support
1st - 32694, 38% retrace Oct/Dec
2nd - 31917, Mid-point same move
3rd - 31139, Deeper 62% retrace

Resistance
1st - 33662, 38% latest sell-off
2nd - 33966, Mid-point same move
3rd - 34258, Higher 62% retrace

GBPUSD:
Support
1st - 1.1992, December low trade
2nd -1.1951, 38% retrace Nov/Dec
3rd - 1.1795, Mid-point same move

Resistance
1st - 1.2161, Bollinger mid-average
2nd - 1.2241, December 19th high
3rd - 1.2446, December extreme

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