

CORELLIAN 2 STEP PROCESS TO PREPARE FOR NEXT WEEK

Risk sentiment remained upbeat into what was a relatively quiet end to the week despite comments from Fed speakers Williams and Bostic suggesting that Fed rate cuts in March were probably too soon. Economic data showed services businesses are still supporting the US and UK economies, while the EU economy continues to disappoint (**see below**). Stock indices closed relatively flat, while the dollar bounced from lows and commodities were mixed.

STEP 1:

WHERE DID MARKETS END LAST WEEK AND WHY?

Friday data: Falling European PMI data for December flags rising recession risks

- **Above 50 = Expansion, Below 50 = Contraction**
Composite PMI: 47 versus 48 expected.
Manufacturing PMI: 44.2 versus 44.6 expected.
Services PMI: 48.1 versus 49 expected.
- Weak data strengthens case for rate cuts that the ECB are currently resisting.



US Stock indices consolidated their strong weekly gains into the close. The US Tech 100 recorded a new all time closing high at 16,814 driven by the Fed signaling that rate hikes are over and cuts are now on the table. The USA 500 closed within reach of its own all time high at 4,769. (**Page 4 USA 500 TA Update**). **European indices** were mixed, as the UK 100 fell 1%, back to 7,584, and the Germany 40 closed flat at 16,912, well off its highs at 17,198, as the ECB resisted the opportunity to signal rate cuts in early 2024 at their meeting on Thursday.

The US Dollar Index hit fresh 4 month lows at 101.37 on Thursday but rallied 0.6% on Friday to close at 102.21, as Fed speakers pushed back on market hopes for Fed rate cuts early next year. USDJPY registered its 5th down week in a row as it fell to a new 5 month low at 140.96 on Thursday, before rallying to close at 142.24, as traders reduced positions ahead of the BoJ meeting next week. (**Page 3 USDJPY TA Update**).

US 10 Year Bond Yields drifted lower from opening levels at 4.23% into the Fed meeting on Wednesday, after which they slipped to fresh lows at 3.89% as traders reacted to the increased chances of Fed rate cuts, before eventually closing at 3.91% on Friday, a fall of 32bps on the week.



Natural Gas TA Update:

A reactive recovery developed last week from over-extended downside conditions, although there is no evidence of a positive sentiment shift. This suggests 2.568 (38% retrace Nov 26th to Dec 13th weakness) can continue to hold any rallies, with any breaks back below 2.396 (half latest upside) exposing moves to 2.236 (Dec 13th low), even 2.134 (Jun monthly extreme).

To the upside, 2.568 giving way suggests moves back to 2.668 (higher mid-point).



In commodities, Natural Gas initially slipped 10% to a 6 month low at 2.236 on Wednesday as traders cut long positions below technical support, but recovered strongly to almost close the week flat at 2.468. **(Above Natural Gas TA Update)**. Elsewhere, Oil posted its first gain in 8 weeks as it rallied 1.2% to close at 72,08 helped by a lower dollar and the Fed rate cut news. It was a similar story for Gold which bounced from its lows at 1,972 to close up 0.8% at 2,019.

STEP 2: LOOKING FORWARD TO THE WEEK AHEAD

Time Zone Key:

GMT -5 = New York

GMT = London

GMT +1 = Frankfurt

GMT +11 = Sydney

All times are Greenwich Mean Time (GMT). Please use the key above to adjust to your appropriate time zone. **Key Earnings next week in table below.**

MONDAY 18.12	TUESDAY 19.12	WEDNESDAY 20.12	THURSDAY 21.12	FRIDAY 22.12
HEICO	Accenture Factset Research FuelCell Energy	Micron Carnival Aurubis General Mills Toro	CarMax Cintas Paychex	
	FedEx	Blackberry	Nike	

KEY EVENTS, SPEAKERS AND ECONOMIC DATA

Tuesday: 0030 GMT RBA Meeting Minutes. This will be an interesting release for AUDUSD and Australia 200 index traders, who will want to know how close the RBA came to hiking again at their last meeting, and what are the more detailed reasons behind their decision to maintain a tightening bias.

0300/0630 GMT BoJ Interest Rate Decision and Press Conference. There is a certain amount of nervousness ahead of this event after conflicting headlines over the last 10 days first suggested a policy change was possible, before a later report inferred there would be no change. Either way, USDJPY, which has fallen from 151 to 141 since the last BoJ meeting, is likely to move further depending on what is decided. **(Below USDJPY TA Update).**



USDJPY TA Update:

An extended decline has developed from November extremes (151.90), a move that posted fresh correction lows last week (140.96). This maintains downside risks to test 138.04 (Jul 30th low), even 137.24 (Jul 16th extreme).

For a more extended recovery back higher, breaks above 143.14 (38% retrace last week's decline) are required, which can open up moves to 143.79 (mid-point), possibly 144.47 (higher 62% level).

1330 GMT CAD Inflation Data (CPI). Inflation has been moderating in Canada to the extent that BoC Governor Macklem recently suggested that interest rates are high enough to bring it back to the central banks target. With this in mind, this release will be an important update in confirming that view, with implications for the direction of USDCAD prices next week.

Wednesday: 0115 GMT PBOC Interest Rate Decision. Nothing is currently expected from this meeting after the Chinese central bank stepped up support for the economy on Friday by adding a record \$112 billion of cash into the financial system. However, traders still believe more stimulus is required, so after a brief rally into the weekend, the direction of Asian stock indices next week are likely to be influenced by the outcome of this event.

0700 GMT GBP Inflation Data (CPI). Despite weak growth in the UK the BoE has not be able to consider cutting interest rates to provide any support, as inflation still remains too high and they need to get it back under control. This release could create some volatility in GBPUSD, which hit fresh 3 month highs last week.



USA 500 TA Update:

Over-extended upside conditions continue to be ignored, as further support developed for new highs. This maintains scope back to 4808 (Jan 2022 all-time extreme) and possibly further if this level gives way.

To the downside, a short term reaction to strength is possible, but it is breaks below 4701 (38% retrace Dec upside) that are required to expose moves to 4672 (mid-point), even 4643 (deeper 62% level).

Thursday: 1330 GMT USD GDP. Financial markets have been focused on the direction of US economic growth, especially, since the Fed last week signaled it was ready to consider interest rate cuts next year. This release could get some headlines which will directly impact sentiment towards the major US stock indices. **(Above USA 500 TA Update).**

Friday: 0700 GMT GBP Retail Sales. Another relevant release for the BoE to consider next week. With the UK consumer around 70% of the UK economy, their spending matters, especially as the important festive season is about to start. Traders will want to see if last month's weak spending update was an anomaly or start of a series.

1330 GMT USD PCE Inflation. While the Fed have suggested that rate hikes are now behind them, they did comment that if inflation returns they could still act, so this release has important implications for all markets next week, especially as risk sentiment has turned very positive in recent days.

Key levels the Corellian mentors are focused on

Oil:

Support

- 1st - 70.27, Half last week's rally
- 2nd - 67.72, Last week's low
- 3rd - 67.04, June 28th extreme

Resistance

- 1st - 73.59, Bollinger mid-average
- 2nd - 75.11, 62% retrace
- 3rd - 76.72, December high

Germany 40:

Support

- 1st - 16729, 38% Nov 28th/Dec 12th
- 2nd - 16582, Mid-point same move
- 3rd - 16428, Bollinger mid-average

Resistance

- 1st - 17199, Last week's high
- 2nd - 17356, 38% extension Aug/Oct
- 3rd - 17819, 62% extension Aug/Oct

EURUSD:

Support

- 1st - 1.0867, Bollinger mid-average
- 2nd - 1.0834, 62% retrace
- 3rd - 1.0773, December 13th low

Resistance

- 1st - 1.0950, Half last week's sell-off
- 2nd - 1.1009, Last week's high
- 3rd - 1.1017, November extreme

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