

CORELLIAN 2 STEP PROCESS TO PREPARE FOR NEXT WEEK

Risk sentiment finished Friday on a strong note after some nervousness at the start of the week. Traders focused on a big jump in sentiment and falling inflation expectations from US consumers (**See below**) as a good sign the US economy may see a soft landing when combined with Fed interest rate cuts at some stage in 2024. Stocks rose, the dollar drifted back from its highs and commodities experienced mixed fortunes.

STEP 1:

WHERE DID MARKETS END LAST WEEK AND WHY?

Friday data: US consumers start 2024 in optimistic mood as sentiment jumps

- **Preliminary Michigan Consumer Sentiment:**
78.8 versus 69.7 expected. Highest level since 2021.
1 Year Consumer Inflation Expectations:
2.9% versus 3.1% expected.
- Inflation expectations falling and confidence increasing could be another indication the US economy is on track for a soft landing.



US Stock indices all spiked higher to end the week led by technology shares. The USA 500 closed at a new all time high after a 1.2% jump on Friday to 4,870, while the US Tech 100 rallied 2% to close at 17,462 as traders increased exposure to AMD and Nvidia shares. **In Europe**, indices recovered well from heavy selling at the start of the week with the Germany 40 bouncing from a 7 week low at 16,462 on Wednesday to close at 16,739 ahead of the first ECB meeting of 2024 next Thursday. (**Page 4 Germany 40 TA Update**).

The US Dollar Index hit a new high for 2024 on Wednesday at 103.42 as it followed US bond yields higher but drifted lower into the Friday close to finish with a 1% gain at 103.02. USDJPY was the out performer across the week, gaining 2.2% to close at 148.15 as traders added to longs in the belief the BoJ will not act to change policy at their interest rate meeting next week. (**Page 3 USDJPY TA Update**).

US 10 Year Bond Yields opened the week at 3.94% on Tuesday and never looked back as they rallied to a high of 4.19% on Friday before drifting slightly lower to close at 4.13%, a gain of 19bps across the shortened four trading days.



Gold TA Update:
New correction lows last week (2001.75 Jan 17th) maintain downside risks with evidence materialising to retest 1973/80 (both Dec 13th low and mid-point Oct/Dec upside). This level giving way would appear a further negative to expose risks towards 1932/40 (Nov 13th low and deeper 62% level). To the upside, clear breaks above 2028 (38% retrace latest sell-off) are needed to open retests of 2041 (higher 62% level).



In commodities, Gold had a tough week initially falling to a 5 week low at 2,001 on Wednesday as traders scaled back their expectations for early Fed rate cuts in 2024, before rallying back to close the week down 1% at 2,029. **(Above Gold TA Update).** Elsewhere, Natural Gas dropped 19% on the week to close at 2.518 after forecasts of warmer weather and larger storage inventories hit sentiment.

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 22.01	TUESDAY 23.01	WEDNESDAY 24.01	THURSDAY 25.01	FRIDAY 26.01
BEFORE OPEN		3M J & J Verizon P & G General Electric	SAP ASML Abbot AT&T FCX	American Airlines Comcast NextEra Energy Xcel Energy Virtu Financial	Volvo Colgate-Palmolive AMEX NScorp Gentex
AFTER CLOSE	United Airlines Brown & Brown AGNC Investment Zions Bancorp	Netflix Texas Inst. Intuitive Surgical Steel Dynamics Baker Hughes	Tesla IBM Crown Castle United Rentals SLM	LVMH Visa Intel Capital One Western Digital	



KEY EVENTS, SPEAKERS AND ECONOMIC DATA

Monday: 0115 GMT PBOC Interest Rate Decision. With China facing major challenges from deflation pressures and a property crisis at the start of 2024, traders are focused on what the Chinese authorities will do next to keep the economy going forward. There is an outside chance of something from the PBOC at this meeting with implications for the China A50 and Hong Kong 50 indices.

Tuesday: 0300/0630 GMT BoJ Interest Rate Decision and Press Conference. This is a much anticipated meeting for traders of the Japan 225 index and USDJPY after strong rallies for both at the start of 2024. There seems to be little scope for the BoJ to raise rates yet and no change is expected by the markets, but they may start to communicate that a policy shift is coming in the spring. **(Below USDJPY TA Update).**



USDJPY TA Update:

The latest upside was triggered by breaks of the Bollinger mid-average, a move that has seen tests of 148.50 (Nov 30th high). These closing breaks appear a fresh positive and a potential trigger to challenge 149.74 (Nov 22nd high), even 151.90 (Nov 11th extreme). To the downside, breaks under 147.02 (Wednesday's low) while not an outright negative, could open up retests of 146.62 (38% retrace Jan 9th/Jan 17th strength).

Global Preliminary PMI Data, AUD (Tues), EUR, GBP and USD (Wed). Manufacturing activity remains in contraction (below 50) in many developed economies but service activity has been resilient which has helped to slow declines in economic growth in the face of higher interest rates. If service activity starts to trend lower that could indicate an increased likelihood of a global recession with implications for all markets.

2145 GMT NZD Inflation Data (CPI). An important reading for the RBNZ to consider next week, with implications for the direction of NZDUSD after its recent fall to start 2024. High interest rates have started to weigh on consumer spending and slowed economic growth in the country, so this reading could signal when rate cuts could occur in 2024.

Wednesday: 1500/1630 GMT BoC Interest Rate Decision and Press Conference. A surprise up tick in Canadian core inflation last week was a disappointment for traders hoping for a rate cut at this meeting. Instead, what Governor Macklem says about the central bank's next moves in the press conference will be important for the direction of USDCAD, which has moved steadily higher so far in 2024.



Germany 40 TA Update:
Having failed below 17199 (Dec 14th high) in early January, downside pressure has built, a move that has broken 16574 (mid-point Nov 28th/Dec 14th upside). With the Bollinger mid-average, currently at 16803 also turning lower, a downtrend is highlighted, suggesting risks to 16428 (deeper 62% level), even 15948 (Nov 28th low). To the upside, breaks of 16818 are needed to open retests of 16971 (Jan 11th session high).

Thursday: 1315/1345 ECB Interest Rate Decision and Press Conference. This is a big meeting for traders of EURUSD and European indices. ECB policymakers were out in force last week pushing back on the market expectations for 150bps of ECB cuts in 2024, starting in April. Even ECB President Lagarde suggested that cuts are more likely to happen some time during the summer, so what she says to follow up this message in her press conference will be important. **(Above Germany 40 TA Update).**

1330 GMT USD Preliminary Q4 GDP. The path of US economic growth is a big focal point for traders of US stock indices, especially in trying to decide whether a soft landing is still the more likely scenario in 2024.

Friday: 1330 USD PCE Inflation. As the Fed's preferred gauge of inflation this release has implications for all markets. With traders nervous about whether a Fed rate cut in March is now possible, this update could either confirm or push back on this expectation, depending on whether it highlights inflation is fully under the Fed's control or not.

Key levels the Corellian mentors are focused on

EURUSD:

Support

- 1st - 1.0844, Last week's low
- 2nd - 1.0796, Mid-point Oct/Dec
- 3rd - 1.0723, December 9th low

Resistance

- 1st - 1.0918, Half latest sell-off
- 2nd - 1.0956, Bollinger mid-average
- 3rd - 1.0990, January 11th high

US Tech 100:

Support

- 1st - 16689, Wednesday's low
- 2nd - 16336, January low
- 3rd - 16027, 38% retrace Oct/Dec

Resistance

- 1st - 17470, Last week's high
- 2nd - 17593, Upper weekly Bollinger band
- 3rd - 17723, Upper limits of channel

Oil:

Support

- 1st - 70.50, Last week's low
- 2nd - 69.29, January low
- 3rd - 67.72, December low

Resistance

- 1st - 74.60, Last week's high
- 2nd - 75.22, January high
- 3rd - 76.16, December high

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