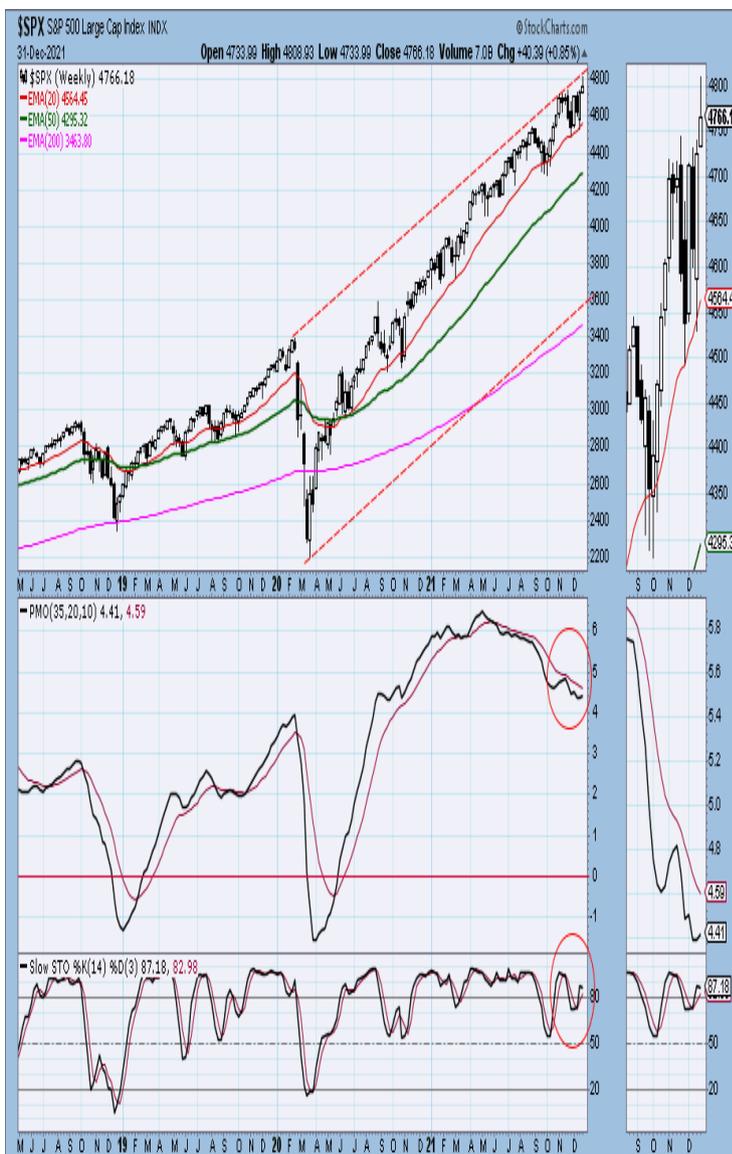




Weekly Outlook for Jan. 3 – Jan. 7, 2022

SP500 index (E-mini, and MES)

LONG-TERM and INTERMEDIATE-TERM TREND DIRECTION: **up**



S&P 500 e-mini futures, Dec. 31, 2021. Weekly bars.

Sp500 dropped sharply in early 2020 but has now regained twice that decline. On the long-term chart the index is in a strong bull market and the trend is still up – so far.

The market keeps making new all-time highs, but we should expect an intermediate-term correction at some point in the not-distant future.

The index could have 15-20 percent correction. However we believe it will recover any losses. We expect the market will close 2022 at or near the high for the year. Check back in 52 weeks and see if we're right.

Last week the weekly PMO indicator continued to decline even as the index made new highs. The weekly slow STO indicator had lower highs from an extremely overbought area, but us still in overbought territory.

Both indicate the index has a chance to retest the 20-wEMA line at the 4565 area at some time in the future.

ES - SHORT-TERM TREND DIRECTION: Up

Trade strategy: short on strong bounce in early Monday's bounce with protective stoploss



S&P500 e-mini futures Dec.31, 2021, Daily bars.

SP500 Index (SPX and ES) made new highs and retraced almost 50 points in the last two days of trading. But it still closed the year up more than 27% from the prior year's close.

The holiday bullish momentum pushed the index above 4811.76 before the market pulled back.

But the trend remains up, and the 50-dEMA lines will be a first support level for the short term. That level needs to hold up to prevent a short-term change direction.

A break below it could trigger selling and push the index down near the 100-dEMA line.

The daily PMO indicator continued to rally, but there is a negative divergence between it and the price. The daily slow STO indicator is overbought.

Both suggest the SP500 index will pull back from whatever high is made in first week of the new year.

2. Oil (CL, QM and MCL)

LONG-TERM TREND is neutral with overbought
INTERMEDIATE-TERM TREND DIRECTION: up



Crude oil futures, Dec. 31, 2021. weekly bars

Oil broke above the 20-wEMA and closed above it. It regained a bullish outlook for the intermediate term.

\$73.40 will be a key line for the short term. A failure to hold above it could lead the market down near the \$67.50 area.

In any case the \$64 level has to hold up for a move to a higher level this year.

We think Oil should be bullish this year. Our prediction is a return to or near the highs made in 2010-2013.

Last week the weekly PMO indicator kept declining on the downside with a selling signal, but could become oversold soon. The weekly slow STO indicator moved away from oversold territory last week.

Both show oil could rally after an early short-term dip.

OIL - SHORT-TERM TREND DIRECTION: down

Trade strategy: aggressively short on strong bounce under \$77.60 or buy on dip above \$68.50 with protective stops



Oil stopped its recent advance below its short-term downtrend line (dashed red line) last week. The high made last week will become a key resistance area this week.

The short-term momentum indicators (20- and 50-dEMA lines) didn't give a buy signal even though the market was trading above them. There remains a possibility that oil will pull back near the \$72.50 area to search for support.

The daily PMO indicator is moving near the zero value line with an overbought slow STO. Both indicate that oil could pull back to the \$72.50 area after it attempts to test last week's high in the early days of the week.

Light crude futures, Dec.31, 2021. Daily bars.

3. GOLD (GC and MGC)

LONG TERM and INTERMEDIATE-TERM TREND DIRECTION: **Neutral**



Gold futures, Dec. 31, 2021. One-week bars.

Gold broke above its long-term downtrend line (solid red line) in early November, then pulled back under that line for testing. It popped back above the downtrend and closed above it for the end of the year.

That shows some energy from short-term bulls. But for long term, it needs some fuel to power a further move to the upside.

There are many things could change the future outlook for gold, including a Fed hike in interest rate, and/or a downward adjustment in the equity markets. However, we expect gold will underperform in the year 2022.

A neutral performance for gold in 2022 would be a sideways trading range between \$1960 and \$1650. That seems the most likely outcome.

The optimistic outlook would be a move up to \$2115, but I doubt that will happen.

The pessimistic case would be a decline to or near \$1450.

GOLD - SHORT-TERM TREND DIRECTION: Up**Trade strategy: buy on dips as long as price trades above \$1795 level.**

Gold futures, Dec. 31, 2021. One day bars.

Gold rallied in the last three trading days of 2021 and pushed the price firmly back above \$1800 for closing. It gave a slightly bullish outlook for the short term.

Gold could continue rallying up to \$1860 or higher near \$1910 area to retest last year's high area. But some conditions may limit the rally.

\$1840 will be a key level in the short-term movement. A failure to break through it could lead gold to drop back down near the \$1800 area again.

A move under \$1795 will be bearish. A further decline towards the \$1765 area should then be expected.

The daily PMO indicator was rising in the last few days with a buying signal. But the daily slow STO indicator is moving into overbought territory. Both suggest gold could go up further before the price retraces.

WEEKLY ECONOMIC REPORT

News from U.S. Economic Calendar - MarketWatch

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
MONDAY, JAN. 3					
9:45 am	Markit manufacturing PMI (final)	Dec.	--		57.8
19 am	Construction spending	Nov.	0.7%		0.2%
TUESDAY, JAN. 4					
10 am	ISM manufacturing index	Dec.	60.2%		61.1%
10 am	Job openings	Nov.	--		11.0 million
10 am	Job quits	Nov.	--		4.2 million
WEDNESDAY, JAN. 5					
8:15 am	ADP employment report	Dec.	373,000		534,000
9:45 am	Markit services PMI	Dec.	--		57.5
2 pm	FOMC minutes				
THURSDAY, JAN. 6					
8:30 am	Initial jobless claims (regular state program)	Jan. 1	195,000		198,000
8:30 am	Continuing jobless claims (regular state program)	Dec. 25	--		1.72 million
8:30 am	Trade deficit	Nov.	-\$72.6 billion		-\$67.1 billion
10 am	ISM services index	Dec.	66.1%		69.1%
10 am	Factory orders	Nov.	1.5%		1.3%
FRIDAY, JAN. 7					
8:30 am	Nonfarm payrolls	Dec.	405,000		210,000
8:30 am	Unemployment rate	Dec.	4.1%		4.2%
8:30 am	Average hourly earnings	Dec.	0.4%		0.3%
3 pm	Consumer credit	Nov.	\$25 billion		\$17 billion