



Weekly Outlook for Jan 23 – Jan 27, 2023

SP500 index (E-mini)

LONG-TERM TREND is **Up**

The INTERMEDIATE-TERM TREND: **Down**



S&P 500 index, Jan. 20, 2023. Weekly chart.

upside, both indicators need to rise up to support a potential breakout movement. In the absence of a rise from both indicators we will continue to regard the current rally as a bounce in a bear market.

The rally in the S&P 500 index was stopped by the 50-wEMA line early in the week, but managed to hold above the 20-wEMA line (at 3923) for the weekly close. The price is bumping against the top of the downtrend channel and the 38% Fibonacci level.

Last Friday's rally could result from January option expiration movement.

The price action this week will be a key for the intermediate-term outlook. A break above the 50-wEMA line at 4015 (ES 4035.50) could lead the index to form a bullish inverted H&S pattern. A break below 3895 line could lead the index to go back near the 3853 area.

The weekly PMO indicator is rising, but still negative for the intermediate term. The weekly slow STO indicator still has lower highs. For the

SPX - SHORT-TERM TREND DIRECTION: Up

Trade strategy: aggressive buy on dip above 3910 level with protective stops



S&P500 index, Jan.20, 2023, Daily chart.

STO indicator moves away from the overbought area. Both suggest that the index could go in either direction – more likely down first and back up later in the week.

The SP500 Index sold off on external news last Wednesday, but quickly found support on Thursday and rallied into Friday in an option-expiration squeeze.

This week the overhead resistance line at the 3990 area (ES 4005) will be important. A break above it could push the price higher to test the highs made in the first week of the year.

A failure to break above the resistance could return the price to the 10/20-dEMA line for testing. But as long as index stays above the 50-dEMA line around the 3905 area, the odds favor a push back up again.

The daily PMO struggled to move back up while holding its buying signal above the neutral line. The daily slow

2. Oil (\$WTIC, CL)

LONG-TERM TREND is **Down**

INTERMEDIATE-TERM TREND DIRECTION: **Down**



Crude oil futures, Jan.20, 2023 weekly chart

The weekly slow STO indicator barely holds above the oversold area. Both hint that the short-term bounce hasn't changed the intermediate-term downtrend.

Oil bounced for a second week last week, although the bounce was not as strong. Nevertheless the market closed green for the week.

The resistance overhead from the 20-wEMA line at \$82.75 will be a key for this week. It could be the battleground for both sides.

For the upside, to break through \$83.25 line the underlying support at \$78 needs to hold up. For the downside, the resistance around \$82.75 needs to hold to help sellers continue pushing the price down through the \$77 line. Which side will succeed depends on the strength of the momentum breakout.

The weekly PMO indicator still is in negative area, without giving out any buy signal yet.

OIL - SHORT-TERM TREND DIRECTION: Neutral

Trade strategy: aggressive short on bounce under \$87 with protective stop or buying on dip above \$78 line with protective stop.



Light crude futures, Jan. 20, 2023. Daily chart.

Oil has a potential inverted H&S pattern forming on the daily chart. The neckline could be lying at \$83.25 area. A break above the neckline could push the price up to the 200-dEMA line area or higher. The 50 and 20-dEMA lines could be current support lines.

This week the \$83.25 area will be a key line. It controls any upside momentum movement. The \$77 area will be a key line to control downside movement. As long as oil holds above the \$78.20 line, the ultra-short-term trend is up.

The daily PMO indicator holds a buying signal, but the value is still near zero line, a sign the momentum is not strong. The daily slow STO indicator moved up near its overbought area, but not extremely so. Both hint oil could go in either direction this week.

3. GOLD (GC, GLD)

LONG TERM: **up**

INTERMEDIATE-TERM TREND DIRECTION: **up**



Gold futures, Jan. 20, 2023. Weekly chart.

Gold shows a clean breakout above the moving average lines. In addition, the momentum indicators caught up and gave out a buying signal last week.

Gold had a continuation high week. It filled the gap back to mid-April 2022, and the price action should be considered as positive. This week gold may pull back a little, but we expect investors will add to their long side positions.

The weekly PMO indicator continues to move up and the buying signal remains intact. The weekly slow STO indicator is overbought, but it could get more overbought while waiting for the PMO indicator to catch up to a higher level. Both hint gold could hold its support level even if there is a minor correction this week.

GOLD - SHORT-TERM TREND DIRECTION: Up with overbought**Trade strategy: buy on pullback above \$1875 with protective stop**

Gold futures, Jan. 20, 2023. Daily chart

Gold did a minor back-fill in the first two days of last week then continued moving up, moving higher than its prior week.

So far gold has already gained more than \$100 from last year's close. This is a positive sign for gold.

The \$1875 area will turn into the first major support for this week. The 20-dEMA line should be held up if there is any pullback.

The daily PMO indicator is strong, and overbought, but still moving up and holding a buy signal. The daily slow STO indicator moved down a little, but still stayed up inside its overbought area and could get more overbought. Both hint gold is strong and could hold its position if there is a short-term correction.

WEEKLY ECONOMIC REPORT

| TIME (ET) | REPORT | PERIOD | ACTUAL | MEDIAN FORECAST | PREVIOUS |
|---------------------------|--|---------|---------|-----------------|-----------------|
| MONDAY, JAN. 23 | | | | | |
| 10 am | Leading economic indicators | Dec. | -0.7% | | -1.0% |
| TUESDAY, JAN. 24 | | | | | |
| 9:45 am | S&P U.S. manufacturing PMI (flash) | Jan. | 47.0 | | 46.2 |
| 9:45 am | S&P U.S. services PMI (flash) | Jan. | 45.3 | | 44.7 |
| WEDNESDAY, JAN. 25 | | | | | |
| | None scheduled | | | | |
| THURSDAY, JAN. 26 | | | | | |
| 8:30 am | Initial jobless claims | Jan. 21 | 199,000 | | 190,000 |
| 8:30 am | Continuing jobless claims | Jan. 14 | -- | | 1.65 million |
| 8:30 am | Real gross domestic product, first estimate (SAAR) | Q4 | 2.8% | | 3.2% |
| 8:30 am | Real final sales to domestic purchasers, first estimate (SAAR) | Q4 | -- | | 1.5% |
| 8:30 am | Trade in goods (advance) | Dec. | -- | | -\$83.3 billion |
| 8:30 am | Durable goods orders | Dec. | 2.9% | | -2.1% |
| 8:30 am | Core capital goods orders | Dec. | -- | | -0.1% |
| 8:30 am | Chicago Fed national activity index | Dec. | -- | | N/A |
| 10 am | New home sales (SAAR) | Dec. | 615,000 | | 640,000 |
| FRIDAY, JAN. 27 | | | | | |
| 8:30 am | Real disposable incomes (SAAR) | Dec. | -- | | 3.2% |
| 8:30 am | Real consumer spending (SAAR) | Dec. | -- | | 0.1% |
| 8:30 am | PCE price index | Dec. | -- | | 0.1% |
| 8:30 am | Core PCE price index | Dec. | 0.3% | | 0.2% |
| 8:30 am | PCE price index, year-over-year | Dec. | -- | | 5.5% |
| 8:30 am | Core PCE price index, year-over-year | Dec. | 4.4% | | 4.7% |
| 10 am | UMich consumer sentiment index (late) | Jan. | 64.6 | | 64.6 |
| 10 am | UMich 1-year inflation expectations (late) | Jan. | -- | | 4.0% |

WEEKLY OPTION LEVELS

S&P500 (ES mini)

PREVIOUS WEEK (ESH23 and MESH23)

| Open | High | Low | Closing |
|---------|---------|---------|---------|
| 3878.00 | 3900.50 | 3804.50 | 3861.00 |

| | Weekly |
|----------------------------|---------|
| 2 nd Short area | 4052.50 |
| 1 st Short area | 3995.50 |
| Key # (control line) | 3875.00 |
| 1 st Buy area | 3718.50 |
| 2 nd Buy area | 3660.50 |

OPTION Trading (EW1 for ESH23 contract and EX1 for MESH23 contract)

| | Strike price | Expiration Date |
|------------|--------------|-----------------|
| Resistance | 4065 | |
| Meanline | 3875 | 1/6/2023 |
| Support | 3650 | |

OIL (CL, \$WTIC)

(time from 6pm Globex market open to following day 2:30pm est.)

PREVIOUS WEEK (CLF23 and MCLF23)

| Open | High | Low | Closing |
|------|-------|-------|---------|
| 79.9 | 81.18 | 76.79 | 80.26 |

| | Weekly |
|----------------------------|-------------|
| 2 nd Short area | 89.65 |
| 1 st Short area | 83.75 |
| Key # (control line) | 78.00-80.25 |
| 1 st Buy area | 74.50 |
| 2 nd Buy area | 70.50 |

OPTION Trading (LO1 for CLG23)

| | Strike price | Expiration Date |
|------------|--------------|-----------------|
| Resistance | 90 | |
| Meanline | 78-80.25 | 1/6/2023 |
| Support | 70 | |

GOLD (GC, MGC)**PREVIOUS WEEK (GCG23, MGCG23)**

| Open | High | Low | Closing |
|---------|---------|---------|---------|
| 1808.20 | 1841.90 | 1804.20 | 1826.20 |

| | Weekly |
|----------------------------|---------|
| 2 nd Short area | 1900.50 |
| 1 st Short area | 1868.50 |
| Key # (control line) | 1825.00 |
| 1 st Buy area | 1790.00 |
| 2 nd Buy area | 1762.00 |

OPTION Trading (OG1 for GCG23 contract)

| | Strike price | Expiration Date |
|------------|--------------|-----------------|
| Resistance | 1895 | |
| Meanline | 1825 | 1/6/2023 |
| Support | 1750 | |