



Weekly outlook for Jan.7 – Jan. 11 2019

Summary

- **The S&P500 index** is expected to continue the bounce for another week. 2575-95 zone remains the target for a test of the high level – provided the index stays above the 2450 line.
- **Oil** is expected to go sideways for consolidation within the \$50.50 to \$45.20 range.
- **GOLD** had a reversal candle last Friday> It could start to have a small correction move and retest the \$1264 area, the top line of longer-term rising uptrend. We expect this line can hold gold up.

SP500 index (ES mini, and SPY):

INTERMEDIATE-TERM TREND DIRECTION: down with oversold condition

Trade strategy: Short on major resistance zone if there is a strong bounce in first two weeks of the year.

SP500 index had a continuation bounce week. It closed slightly above last year's low area and gave buyers hope that the short-term oversold bounce may last until intermediate term resolves its oversold condition. But the weekly PMO indicator didn't turn up last week. The line drawn from last year low (blue) seems to be irrelevant at this stage. The weekly outlook is still negative. The 2575 level remains an important area for the first three months of 2019. On the monthly chart, 2628-2603 remains a major resistance zone. As long as this resistance zone holds the price down, a decline to test support around the year 2016 and 2015 highs (2273 and 2134) is still possible.



SHORT-TERM TREND DIRECTION: down
Trade strategy: Short on early strong bounce

The SP500 index had a closed green for the first week of January. Market lore dictates that if the first week is green, the rest of year will be good. We are skeptical. Under current conditions, the first half of the year at least may not be as good as the Street hopes. The 2529.50 area was last year's low area, and will also be a key line for this week. A move above it will encourage the buyers, and suggest that the AB=CD pattern for wave 4 is still possible. The 2577.75-2592 zone hasn't been retested yet, but we still should expect to see that if the 2450 line continues to hold up. However the daily PMO indicator (first sub-chart) needs to cross up through its signal line to add fuel to the current bounce. Otherwise, this bounce will be close to the end.



Weekly Option

	Strike price	Expiration Date	Strike price	Expiration Date
	2615			
Meanline	2530	1/7/2019	****	
	2400			

**** see daily trading plan

2. Oil (\$WTIC, CL)

INTERMEDIATE-TERM TREND DIRECTION: down with oversold condition

Trade strategy: Buy at low area of rectangle pattern

Oil had a continuation bounce from the year 2017 low area last week. But the weekly PMO indicator still hasn't turned up yet. The longs hope it stays there as a bottom and gradually moves up to keep the prospect of a new rally alive. The big obstacle will be the overhead resistance area around the 200-wEMA line (magenta). A move above \$56.50 could see a short squeeze move. Otherwise oil could stay under the 200-wEMA line for a while.



SHORT-TERM TREND DIRECTION: down with oversold condition
Trade strategy: buy on dip or short on strong bounce under \$55.50 line

Oil had an oversold bounce last week. It popped up to the November low for testing. Now the \$49.45 -50 range will be a key for this week. A break above it could lead oil to bounce further up to the \$55.-\$57.50 zone. The \$45-\$44.50 zone will be support. As long as oil stays above this support zone, a struggle to break above \$49.45-50 zone is likely until short-term indicators move into overbought territory.



3. GOLD (GC, GLD)

INTERMEDIATE-TERM TREND DIRECTION: up

Trade strategy: buy on dip

Gold maintains its bullish outlook for the intermediate term. A short-term overbought pullback is necessary. The price could be pulled into the 200-wEMA line area (magenta). The weekly PMO indicator is not overbought. Once a small short-term correction is complete the rally may resume again. We may see the \$1300-\$1325 area retested.



SHORT-TERM TREND DIRECTION: up
Trade strategy: Buy on pullback correction.

Gold hit the top of the short-term rising trend channel (red) and reversed from it. But the top line of the longer-term rising trend channel from August (green) should act as support while gold has a small pullback. Note that the 50-dEMA line is closing near the 200-dEMA line. As soon as the 50-dEMA line crosses above the 200-dEMA line a long-term buying signal will be given. So buying on dips will still be seen. \$1270 will be first support line to watch; \$1250-45 will be major support.



WEEKLY ECONOMIC REPORTS

MONDAY, JAN. 7					
10 am	ISM nonmanufacturing index	Dec.		--	60.7%
10 am	Factory orders*	Nov.		0.4%	-2.1%
TUESDAY, JAN. 8					
6 am	NFIB small-business index	Dec.		--	104.8
8:30 am	International trade*	Nov.		-\$53.9 bln	-\$55.5bln
10 am	Job openings	Nov.		--	7.1 mln
3 pm	Consumer credit	Nov.		--	\$25 bln
WEDNESDAY, JAN. 9					
2 pm	FOMC minutes				
THURSDAY, JAN. 10					
8:30 am	Weekly jobless claims	1/5		227,000	231,000
10 am	Wholesale inventories*	Nov.		--	0.8%
FRIDAY, JAN. 11					
8:30 am	Consumer price index	Dec.		-0.1%	0.0%
8:30 am	Core CPI	Dec.		0.2%	0.2%
2 pm	Federal budget*	Dec.		--	-\$23 bln
*COULD BE DELAYED BY GOVERNMENT SHUTDOWN					