

BOLDLY GO!



Weekly Market Preview – week of Jan. 4, 2021

SP500 index (E-mini, and SPY)

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



Early in 2020 the SP500 e-mini (ES) reached its first impulse wave maximum target at 3397.50 and did its second wave correction. It soon found support at 2174 on March 23, 2020 and resumed its third impulse wave. Since then the long-term uptrend has remained bullish. This strong bull market could continue as long as the many government stimulus programs continue to boost the market.

Based on the natural breakout movement, ES could continue to move toward its final maximum long-term target area at 4906.25, but it may take

years to get there. The necessary condition is that the underlying major support zone has to be held up even if there is any short- or intermediate-term correction. Even if the ES drops near the 2740-3118 long-term support zone, it needs to hold up to prevent ES from dropping to last year's low near 2174, and changing the market direction.

SHORT-TERM TREND DIRECTION: up with overbought condition

Trade strategy: Focus on short side if there is an early pop



During the Christmas holidays period, the SP500 emini (ES) moved from the 3596 level and made an all – time high at 3753 on the last trading of the year . The total two-week range was 157 points, which is a year-end rally on steroids.

For the first week of the new year the ES may run up a little to the 3760 area to search for resistance, and possibly retrace from there if the 3760 level rejects the rally. The price could then drop down near 3600-3590 for testing.

Right now I don't know which way ES will go on Sunday night, however I expect ES to retest the 3600 area. **One thing could disrupt the market: the US Senate election in Georgia in the first week of January.** The outcome will determine control of the Senate.

A move under 3714.50 level is negative; if that occurs, the downside targets (3690-80) and (3660-3635) are likely to be hit.

Weekly Option Trading

	Strike price	Expiration Date
	3850.00	
Meanline	3715.00	1/8/2021
	3590.00	

So far the Friday option sets up this range top at 3850 Call and bottom at 3590 Put with meanline at 3715. But the Georgia Senate election on Jan. 6 may expand the range to the downside and cause the Put option to change to the low level. Therefore we should avoid shorting Puts this week.

Oil (\$WTIC, CL)

LONG-TERM TREND is Down,
INTERMEDIATE-TERM TREND DIRECTION: Neutral



Crude oil regained control of the intermediate-term support level at \$33.50, but the price remains under the long-term downtrend line (red line on monthly chart).

The overhead 50-mEMA line at \$51.35 will be the current first major resistance. Only a break through the \$51.50 level could lead oil to move up to retest the \$58.85 area, the long-term downtrend line.

The \$33.50 level is the long-term support area. As long as it holds up, it will prevent oil from going down to retest last year's low at \$15.50 (not - \$40 area).

SHORT-TERM TREND DIRECTION: Up

Trade strategy: focus on short side if there is an early pop and buy on dip on key support area with major stop at \$41.75



Oil returned its last February breakdown level for testing. The short-term trend is up, but it has an overbought condition. In addition the overhead long-term resistance stalls the current rally. Crude oil could pull back or move sideways to solve the overbought problem. \$49.50 is a key line for this week. The market could stay under it and move sideways, but hold above \$46.

A move below \$45.65 could lead oil down to \$42.85 area to search for support. The chart visualizes an upside movement for oil. But a move below \$41.90 level would negate the upside move prediction. At that point a reassessment will be needed.

GOLD (GC, GLD)

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



The long- and intermediate-term outlook for gold is bullish. The price made an all-time high last August at \$2089.20 area and closed above its yearly breakout point at \$1804.10.

For the long-run, the current low at \$1760 will be a key for any upside movement. As long as this line holds up, gold will go back last year's high at \$2089.20 for testing or make a new all-time high again this year.

The full measurement upside target is predicted at \$2275 area the as long as \$1760 level holds up.

A break below \$1760 will eliminate the upside target and more likely lead to a drop down above the 50-mEMA line to search for support.

SHORT-TERM TREND DIRECTION: Up

Trade strategy: Focus on buy side and Buy on dip above 1815 level with protective stop.



The short-term outlook for gold is also bullish. Gold formed a bull flag formation on the daily chart.

The price has formed a sideways range to do its accumulation during holiday season. This week gold could break through its overhead resistance to move back up to last year's high area.

A move above \$1915.50 line will be bullish. \$1855 is the control line for the downside. As long as it holds the price up, buyers will try to push the market back up. Only if the price goes below it and closes under it, gold be likely to move down to retest the 200-dEMA line at the \$1815 area.

WEEKLY ECONOMIC REPORT

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
MONDAY, JAN. 4					
9:45 am	Markit manufacturing PMI	Dec.	--		56.5
10 am	Construction spending	Nov.	--		1.3%
TUESDAY, JAN. 5					
10 am	ISM manufacturing index	Dec.	--		57.5%
Varies	Motor vehicle sales	Dec.	--		15.6 million
WEDNESDAY, JAN. 6					
8:15 am	ADP employment report	Dec.	--		307,000
9:45 am	Markit services PMI	Dec.	--		55.3
10 am	Factory orders	Nov.	--		1.0%
2 pm	FOMC meeting minutes				
THURSDAY, JAN. 7					
8:30 am	Initial jobless claims (regular state program, SA)	Jan. 2	--		N/A
8:30 am	Initial jobless claims (federal & state, NSA)	Jan. 2	--		N/A
8:30 am	Continuing jobless claims (regular state program, SA)	Dec. 26	--		N/A
8:30 am	Continuing jobless claims (federal & state, NSA)	Dec. 19	--		N/A
8:30 am	Trade deficit	Nov.	--		-\$63.1 billion
10 am	ISM services index	Dec.	--		55.9%
FRIDAY, JAN. 8					
8:30 am	Nonfarm payrolls	Dec.	--		245,000
8:30 am	Unemployment rate	Dec.	--		6.7%
8:30 am	Average hourly earnings	Dec.	--		0.3%
10 am	Wholesale inventories	Nov.	--		1.1%
3 pm	Consumer credit	Nov.	--		\$7 billion