



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday August 26, 2022

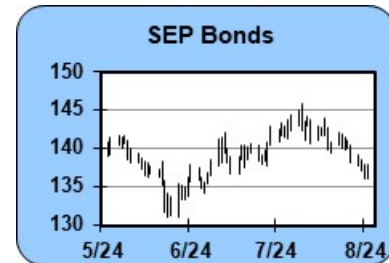
BONDS COMMENTARY

8/26/2022

The trend is down but bonds and notes are technically oversold

OVERNIGHT CHANGES THROUGH 3:16 AM (CT): BONDS -1

With the bond market in the last COT positioning report posting a net spec short of 36,371 contracts and the T-note market posting a net short of 390,703 contracts, yesterday's aggressive reversal from a new low for the move was likely classic short covering ahead of a potential volatility event this morning. However, volatility from the Fed Chairman speech could have its thunder stolen by the Fed's favorite inflation measure scheduled for release before the speech. In fact, fresh readings on US personal consumption and spending will also be released before the speech. Traders should realize Fed Chairman speeches are periodically released to the press just ahead of the actual speech. According to expectations, the July PCE (month over month) reading is expected to post a "relatively hot" gain, but that gain is expected to be a moderation from the June number. On the other hand, with today's US data following upbeat data from yesterday, "as expected" or "larger gains" in personal income and consumption could result in the market pushing yields to the highest levels of the week. In the end, with the treasury markets factoring in hawkish statements from the Fed persistently it could take "very hawkish" commentary to send prices lower without positive consumer data and higher US equities. The North American session will start out with July personal income which is expected to hold steady with June's 0.6% reading. July personal spending is forecast to have a moderate downtick from June's 1.1% reading. The July goods trade balance is expected to show a modest downtick from June's \$98.2 billion monthly deficit. July wholesale inventories are forecast to have a moderate downtick from June's 1.9% reading. A private survey on August consumer sentiment is expected to have a modest uptick from the previous 55.1 reading. The highlight for global markets will come during mid-morning US trading hours as Fed Chair Powell will speak at the Kansas City Fed's Jackson Hole Economic Symposium.



TODAY'S MARKET IDEAS:

While the technical path of least resistance is down in bonds and notes, significant declines, and wide ranges in the prior two trading sessions could signal a blowoff bottom. However, the fundamental condition favors the bear camp beyond today's possible knee-jerk reaction to Powell's speech. Therefore, we suggest traders sell a rally in September bonds to a downtrend channel resistance line up at 140-08. Downtrend channel sell resistance in September Notes is just above the initial high this morning at 117-26.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

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BONDS (SEP) 08/26/2022: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. Market positioning is positive with the close over the 1st swing resistance. The next downside target is now at 135-130. The next area of resistance is around 138-190 and 139-060, while 1st support hits today at 136-230 and below there at 135-130.

10 YR TREASURY NOTES (SEP) 08/26/2022: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 116-290. The next area of resistance is around 118-030 and 118-095, while 1st support hits today at 117-130 and below there at 116-290.

STOCKS COMMENTARY

8/26/2022

Unless investors see less Fed hawkishness lower prices loom

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 -13

Global equity markets overnight were mostly higher but gains overnight were all less than 1%. In today's action the bull camp takes comfort from the mid-August washout with that break reportedly the result of unrelenting rate hike chatter and disappointing US economic data. However, US economic data has improved this week which could decrease the duration of recession and or help engineer a soft landing. The highlight for global markets will come during mid-morning US trading hours as Fed Chair Powell will speak at the Kansas City Fed's Jackson Hole Economic Symposium.



S&P 500: In our opinion, the 108-point rally in the S&P from this week's low leaves the market vulnerable to noted back and fill selling wave generated by a knee-jerk reaction to the speech by Powell. In fact, if US scheduled data this morning depicts a healthy consumer and the PCE index is as expected or higher that should result in the market reviving expectations of a 75-basis point September hike. Overnight company specific news favors the bear camp with an expanding E. coli outbreak thought to be from Wendy's, chatter of a slowdown in spending for PCs and reports that US retail outlets are now being forced to cut prices for customers injured by high energy prices. While uptrend channel support from the July and August lows is rather close in at 4137.40 today's potential volatility will likely send the index below that level.

Other US Indexes: Like the S&P, the bull camp takes solace from the mid-August high to low slide in Dow futures of 1493 points, as that probably factors in fresh rate hike threats. On the other hand, a modest measure of fundamental support has surfaced this week from positive data which in turn increases hope the US economy will be able to stand up to a 75-basis point rate hike next month. Key uptrend channel support in the September Dow from the August and July lows is 32,935. The NASDAQ faces spillover negative sentiment from a lower share price close in Tesla shares after yesterday's 3 for 1 split and because of market expectations of falling PC sales from Dell. Uptrend channel support in the September NASDAQ futures today is 12,916 and we suggest traders use that price as a trend signal in the afternoon trade.

TODAY'S MARKET IDEAS:

We get the sense that the market has widely accepted an ongoing regime of hawkish Fed commentary and therefore anything less than distinctly hawkish dialogue today could result in a strong finish to the week.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long Sep E-Mini S&P 3300/2950 bear put spread from 35. Use a target in the spread of 40.00 as time decay is accelerating.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (SEP) 08/26/2022: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside target is 4124.69. The next area of resistance is around 4225.87 and 4244.18, while 1st support hits today at 4166.13 and below there at 4124.69.

MINI-DOW (SEP) 08/26/2022: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is 32745. The next area of resistance is around 33454 and 33581, while 1st support hits today at 33036 and below there at 32745.

E-MINI NASDAQ (SEP) 08/26/2022: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside target is 12858.50. The next area of resistance is around 13265.00 and 13331.50, while 1st support hits today at 13028.50 and below there at 12858.50.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
FINANCIAL COMPLEX										
USAAU22	137-210	36.63	40.65	12.47	11.75	137.38	139.05	140.54	139.98	138.88
TYAAU22	117-240	36.90	40.93	9.67	9.65	117.59	118.35	119.05	118.91	118.43
EPU22	4196.00	53.72	56.44	52.61	39.41	4155.00	4224.69	4197.50	4022.94	3998.91
ENQU22	13146.75	50.61	53.78	46.53	33.24	12981.44	13285.44	13269.90	12580.45	12440.11
YMU22	33245	52.40	55.71	57.79	43.97	33049.75	33538.89	33244.50	32166.96	32023.08

Calculations based on previous session. Data collected 08/25/2022

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
FINANCIAL COMPLEX						
USAAU22	Bonds	135-120	136-220	137-090	138-190	139-060
TYAAU22	10 Yr Treasury Notes	116-285	117-125	117-190	118-030	118-095
EPU22	S&P E-Mini	4124.68	4166.12	4184.43	4225.87	4244.18
ENQU22	E-Mini NASDAQ	12858.50	13028.50	13095.00	13265.00	13331.50
YMU22	Mini-Dow	32745	33036	33163	33454	33581

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CURRENCIES COMMENTARY

8/26/2022

As indicated already nondollar rallies are short opportunities

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

US DOLLAR +67, YEN -28, SWISS -15, CA DOLLAR -90

Upcoming International Reports (all times CT)

08/26 German GfK Consumer Confiden 1:00 AM

08/26 Personal Income 7:30 AM



DOLLAR: Even though the dollar stalled after making contract highs earlier this week the index has more than likely factored in moderately hawkish dialogue from the Fed Chairman later this morning. In the end, the uptrend in the dollar remains in place and a significant knee-jerk reaction washout in the dollar should be seen as a buying opportunity. A normal retracement of the August rally is 1.0740 but traders should not rule out a "temporary" violation of that level if speech this morning is in any way dovish.

EURO: With the euro technically oversold from the August high to low slide of 570 points, a knee-jerk reaction bounce should not be seen as a signal of a reversal of the fundamental downtrend. In fact, euro bulls are fortunate that overnight euro zone consumer confidence readings were mixed, as a significant decline in a German consumer confidence survey for September, highlights the euro as the most vulnerable economic region in the world next to China. Down trend channel resistance from the June and August highs is probably irrelevant today up at 1.027, with a more rational short entry target seen at 1.0114.

YEN: With the Bank of Japan earlier this week reiterating its intention to hold interest rates at very low levels, a much hotter than expected Tokyo consumer price index reading for August overnight provided almost no lift for the Yen. While an extended sideways consolidation (largely above 73.00) could signal a value zone in the Yen, we have yet to see a significant fundamental development to project a Yen low.

SWISS: Like other nondollar currencies, the Swiss has marked time on the charts this week with a chop around the 1.04 level which according to Swiss bears, balances the oversold condition from the August high to low slide of 360-points. However, the likely outcome from the Fed symposium today is not a pivot in the US Fed stance in favor of supporting the US economy and talk of a peak in US inflation. In fact, global inflation fears have been stoked further overnight by analysis of severe economic headwinds from explosive European winter heating costs.

POUND: For some reason the trade this week decided to embrace the prospect of a full winter of UK gas prices holding at 10 times the level seen in the US. Furthermore, the Bank of England late last week announced QT with plans to sell corporate bonds and indications that the central bank will exercise more restraint in the future when utilizing QE. While the Pound is oversold, simple first retracement targeting from the August washout is pegged up at 1.208, Which should be considered a fresh short entry.

CANADIAN DOLLAR: Action in the Canadian dollar today could be temporarily nonsensical in the aftermath of today's Fed speech. However, the Canadian this month has shown similar trading patterns as other nondollar currencies and therefore the Canadian should continue to trade inversely with the dollar in today's volatility event. A fresh short entry price in the Canadian is at this week's high of 77.52, which also coincides with a 50% retracement of the August washout.

TODAY'S MARKET IDEAS:

Today's market reaction to the Fed should not alter big picture currency market trends without a very major headline surprise from the mouth of the Fed chairman this morning!

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (SEP) 08/26/2022: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 109.03. The next area of resistance is around 108.72 and 109.03, while 1st support hits today at 108.03 and below there at 107.64.

EURO (SEP) 08/26/2022: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 99.1388. The next area of resistance is around 100.3325 and 100.8287, while 1st support hits today at 99.4875 and below there at 99.1388.

JAPANESE YEN (SEP) 08/26/2022: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 72.84. The next area of resistance is around 73.61 and 73.77, while 1st support hits today at 73.14 and below there at 72.84.

SWISS (SEP) 08/26/2022: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 103.29. The next area of resistance is around 104.25 and 104.53, while 1st support hits today at 103.63 and below there at 103.29.

CANADIAN DOLLAR (SEP) 08/26/2022: The daily stochastics have crossed over up which is a bullish indication. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 77.79. Daily studies suggest buying dips today. The next area of resistance is around 77.57 and 77.79, while 1st support hits today at 77.10 and below there at 76.83.

BRITISH POUND (SEP) 08/26/2022: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 117.52. The next area of resistance is around 118.76 and 119.12, while 1st support hits today at 117.96 and below there at 117.52.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
CURRENCY COMPLEX										
DXAU22	108.37	66.12	62.94	84.22	86.75	108.65	107.71	106.78	106.47	105.79
JYAU22	73.37	41.74	43.63	17.24	14.32	73.13	73.73	74.34	73.97	74.33
EU6U22	99.9100	30.46	34.30	15.78	13.54	99.79	100.73	101.65	102.46	103.47
BPAU22	118.36	35.99	38.33	16.73	15.02	118.01	119.09	120.29	120.52	121.32
CAAU22	77.33	48.77	48.36	28.36	28.98	77.02	77.23	77.54	77.43	77.65
SFAU22	103.94	38.93	43.90	25.36	15.91	103.81	104.58	104.96	104.38	104.08
DAAU22	69.80	53.72	52.28	28.28	27.65	0.69	0.69	0.70	0.69	0.70

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAU22	US Dollar	107.63	108.02	108.33	108.72	109.03
JYAU22	Japanese Yen	72.83	73.13	73.30	73.61	73.77
EU6U22	Euro	99.1387	99.4875	99.9837	100.3325	100.8287
BPAU22	British Pound	117.52	117.96	118.32	118.76	119.12
CAAU22	Canadian Dollar	76.82	77.09	77.30	77.57	77.79
SFAU22	Swiss	103.28	103.62	103.91	104.25	104.53
DAAU22	Australian Dollar	68.75	69.36	69.64	70.25	70.53

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