



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Monday October 02, 2023

BONDS COMMENTARY

10/2/2023

The downtrend looks to resume

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
BONDS -0

In retrospect, the flight to quality threat from a US government shutdown has temporarily abated but the bounce last week of 2 1/2 points in bonds and 1 1/2-point rally in notes should have corrected the oversold condition from the aggressive March washouts and that should provide fresh selling impetus this week. Apparently, softer than expected Chinese and German manufacturing PMI data overnight was not supportive of US treasuries and therefore the bull camp is likely to be vulnerable to any hawkish comments from the US Federal Reserve Chairman this morning. However, it is possible that the failure to stop runaway spending by the US government "again" could force the US Federal Reserve Chairman to remain hawkish as inflation fighting is more difficult in the face of run-away deficit spending. With the CME Fed funds watch tool indicating there is only a 14% chance of a US rate hike in November, it would certainly be a surprise/shock to the market if the Fed chairman today alludes to a hike next month. On the other hand, today's US ISM Manufacturing prices paid, and the ISM Manufacturing employment index take on added importance as a combination of inflation signals and strength in the US jobs market (with monthly payrolls looming) could embolden Fed hawks. From a longer-term perspective, Reuters overnight carried a story suggesting the end of the historic low interest rate environment brought on by the financial crisis in 2008 has already ended. The September 26th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders were net short 155,661 contracts after increasing their already short position by 7,538 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net bought 21,894 contracts and are now net short 650,027 contracts. The North American session will start out with September manufacturing PMI readings for the US and Canada, both of which are expected to hold steady with their previous results. The September ISM manufacturing index is forecast to have a modest uptick from August's 47.6 reading. August construction spending is expected to have a minimal downtick from July's 0.7% reading. Fed Vice Chair Barr will speak during afternoon US trading hours.



TODAY'S MARKET IDEAS:

The downward track in treasuries looks to return this week with the prospect of fresh contract lows expanded by last week's recovery bounce. However, as indicated already the bear camp will likely need some assistance from a hawkish Fed chairman speech and signs of inflation from an ISM Manufacturing prices paid report. In the end, the path of least resistance remains down with a feeling of long-term yield adjustment (back to higher levels) remaining in place. Initial downside targeting in December bonds is last week's contract low at 112-10 and at 107-07 in December treasury notes.

NEW RECOMMENDATIONS:

Sell December bonds at 113-18 with a narrow downside target of 112-01. Risk the trade to a tight stop at 113-25.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 9/19/2023 - 9/26/2023

Non-Commercial

Commercial

Non-Reportable

	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Financials						
Bonds	-223,779	-28,470	155,661	+7,537	68,118	+20,932
T-Notes	-707,464	+8,687	650,027	-21,894	57,437	+13,207

BONDS TECHNICAL OUTLOOK:

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

BONDS (DEC) 10/02/2023: The daily stochastics have crossed over up which is a bullish indication. Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's short-term trend is negative as the close remains below the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 115-100. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 114-170 and 115-100, while 1st support hits today at 113-060 and below there at 112-190.

10 YR TREASURY NOTES (DEC) 10/02/2023: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The close below the 9-day moving average is a negative short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 108-225. The next area of resistance is around 108-105 and 108-225, while 1st support hits today at 107-225 and below there at 107-140.

STOCKS COMMENTARY

10/2/2023

More risk than reward, more down

OVERNIGHT CHANGES THROUGH 3:16 AM (CT): S&P 500 +21

Global equity markets overnight were mostly higher with gains very modest. In fact, gains were surrendered as of this writing and optimism from a "stop gap" spending bill from the weekend has dissipated quickly. While not a major negative for US stocks, fresh concerns toward the Chinese manufacturing economy (an economy with the second largest equity market in the world) should push some longs to the sidelines. Even though US treasury yields are holding above multi-decade highs early today in the early going today, favorable US data and/or hawkish dialogue from the Fed chairman speech is likely to extend the September slide into October.



S&P 500: Downtrend channel selling resistance in the December S&P is 4355.60 with a trade below 4300.00 likely as investors remain skittish because of fears of progressively higher US interest rates. In short, positive US economic data looks to be negative for stock prices. E-Mini S&P positioning in the Commitments of Traders for the week ending September 26th showed Non-Commercial & Non-Reportable traders reduced their net short position by 68,606 contracts to a net short 54,126 contracts.

Other US Indexes: With the Dow charts unable to forge a noted recovery retracement from the very aggressive September washout and tracking lower this morning, the bear camp remains in control. As indicated in S&P coverage today, the fear of higher rates and more importantly the fear of rotation away from equities hangs in the marketplace giving confidence to the bear camp. Unreliable support to start today is 33,623 and then at the September low of 33,544. Dow Jones \$5 positioning in the Commitments of Traders for the week ending September 26th showed Non-Commercial & Non-Reportable traders are net short 19,478 contracts after net selling 2,190 contracts. In addition to negative big picture macro forces returning, the NASDAQ is confronted with

a bevy of bearish tech sector headlines. Bearish news from big tech remains bearish with Apple's challenge to massive Dutch fines rejected by regulators and news that Tesla deliveries will fall because of factory closures and soft demand. Nasdaq Mini positioning in the Commitments of Traders for the week ending September 26th showed Non-Commercial & Non-Reportable traders were net long 2,500 contracts after decreasing their long position by 1,182 contracts. We see an early failure of close in support at 14,811 and a retest of 14,658 if US scheduled data is positive.

TODAY'S MARKET IDEAS:

Both technical and fundamental issues favor the bear camp again with fears of higher rates flowing from treasury markets. Furthermore, as indicated already, the stock market is a posture where bad economic data is good for stock prices and good economic data is bad for stock prices.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 9/19/2023 - 9/26/2023						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Financials						
E-Mini S&P	-68,744	+53,927	54,127	-68,604	14,618	+14,679

STOCKS TECHNICAL OUTLOOK:

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

S&P E-MINI (DEC) 10/02/2023: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 4396.18. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 4360.87 and 4396.18, while 1st support hits today at 4300.63 and below there at 4275.69.

MINI-DOW (DEC) 10/02/2023: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 33308. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 34000 and 34315, while 1st support hits today at 33496 and below there at 33308.

E-MINI NASDAQ (DEC) 10/02/2023: A bullish signal was given with an upside crossover of the daily stochastics. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 15166.93. The next area of resistance is around 15023.37 and 15166.93, while 1st support hits today at 14773.63 and below there at 14667.44.

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										
USAAZ23	113-270	23.76	27.18	11.34	13.43	113.80	115.56	117.37	119.56	121.18
TYAAZ23	108-005	32.34	33.33	13.23	17.21	107.89	108.35	109.07	110.07	110.72
EPZ23	4330.75	29.30	33.23	16.36	17.04	4328.56	4373.89	4446.40	4500.20	4523.53
ENQZ23	14898.50	38.33	40.07	18.86	21.08	14816.81	14940.11	15237.06	15380.58	15482.50
YMZ23	33748	23.42	29.24	16.78	14.83	33859.00	34205.22	34586.11	35031.96	35095.62

Calculations based on previous session. Data collected 09/29/2023

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						
USAAZ23	Bonds	112-180	113-050	113-300	114-170	115-100
TYAAZ23	10 Yr Treasury Notes	107-135	107-220	108-020	108-105	108-225
EPZ23	S&P E-Mini	4275.68	4300.62	4335.93	4360.87	4396.18
ENQZ23	E-Mini NASDAQ	14667.43	14773.62	14917.18	15023.37	15166.93
YMZ23	Mini-Dow	33307	33496	33811	34000	34315

Calculations based on previous session. Data collected 09/29/2023

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

CURRENCIES COMMENTARY

10/2/2023

The dollar bull trend resumes

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +145, YEN -18, SWISS +38, CA DOLLAR -145

Upcoming International Reports (all times CT)

10/02 Swiss Retail Sales 1:30 AM
 10/02 Swiss PMI 2:30 AM
 10/02 France Manufacturing PMI 2:50 AM
 10/02 German Manufacturing PMI 2:55 AM
 10/02 Euro-Zone Manufacturing PMI 3:00 AM
 10/02 UK CIPS/NTC Research Manufac 3:30 AM
 10/02 Euro-zone Unemployment Rate 4:00 AM
 10/02 Construction Spending 9:00 AM
 10/02 ISM Manufacturing PMI 9:00 AM
 10/03 Swiss Consumer Price Index 1:30 AM
 10/03 API Energy Stocks 3:30 PM
 10/03 Japan Services PMI 7:30 PM



DOLLAR: With higher interest rate expectations returning to the fray today and disappointing Chinese and German manufacturing PMI data the dollar has come back into vogue. In fact, if US manufacturing PMI prices paid readings are hotter than expected, treasury yields make higher highs and or other US scheduled data shows positive traction we suspect the dollar will post fresh contract highs. It should be noted that the US Fed chairman will give a speech today in the early trade along with the Fed's Harker. From a technical perspective, the dollar high to low correction last week of 119 ticks likely balanced the overbought technical condition which should facilitate a resumption of the uptrend. The Commitments of Traders report for the week ending September 26th showed Dollar Non-Commercial & Non-Reportable traders net bought 1,288 contracts and are now net long 18,632 contracts.

Other Currencies: With the euro posting a low to high bounce last week of 130 points, the oversold condition is partially balanced allowing for a fresh wave of selling. While Italy and France posted positive manufacturing PMI readings (and Italy posted a favorable unemployment rate decline) disappointing German manufacturing PMI takes precedence as the German economy is the primary engine of the European economy. In conclusion, we see a quick return to last week's quasi-double low at 1.0525. The September 26th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 118,614 contracts after net selling 9,506 contracts. Not surprisingly, the Pound bias is down with Nationwide housing prices in September contracting again as that partially countervailed a slightly better-than-expected manufacturing PMI reading for September. Initial downside targeting in the Pound is 1.211. The massive range/reversal last Friday combined with a definitive downside extension this morning leaves the charts in the Canadian patently bearish. Therefore, even if Canadian global manufacturing PMI readings for September are positive that is unlikely to dissuade the Canadian from a quick return to 73.42.

TODAY'S MARKET IDEAS:

The dollar returns to bull market status with gains capable of accelerating if US data this morning is positive and or Fed speech dialogue this morning is perceived as hawkish.

NEW RECOMMENDATIONS:

Sell the December Euro at 1.0590 with an objective of 1.0490. Use a tight risk on the trade of 1.0619.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

US DOLLAR (DEC) 10/02/2023: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 105.16. The next area of resistance is around 106.17 and 106.36, while 1st support hits today at 105.58 and below there at 105.16.

EURO (DEC) 10/02/2023: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 106.7412. The next area of resistance is around 106.3625 and 106.7412, while 1st support hits today at 105.7675 and below there at 105.5513.

JAPANESE YEN (DEC) 10/02/2023: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 67.38. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 68.00 and 68.32, while 1st support hits today at 67.54 and below there at 67.38.

SWISS (DEC) 10/02/2023: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is negative as the close remains below the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 111.19. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 110.60 and 111.19, while 1st support hits today at 109.72 and below there at 109.44.

CANADIAN DOLLAR (DEC) 10/02/2023: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Stochastics trending lower at midrange will tend to reinforce a move

lower especially if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. A negative signal was given by the outside day down. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 73.01. The next area of resistance is around 74.16 and 74.85, while 1st support hits today at 73.25 and below there at 73.01.

BRITISH POUND (DEC) 10/02/2023: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close below the 9-day moving average is a negative short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 123.10. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 122.52 and 123.10, while 1st support hits today at 121.60 and below there at 121.27.

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										
DXAZ23	105.87	68.08	68.59	86.62	81.71	106.03	105.52	105.08	103.68	102.82
JYAZ23	67.77	27.21	30.36	6.48	5.95	67.84	68.18	68.53	69.67	70.55
EU6Z23	106.0650	33.95	33.52	14.31	19.14	105.90	106.44	106.99	108.60	109.43
BPAZ23	122.06	28.23	28.50	9.36	13.95	121.77	122.46	123.49	125.64	126.57
CAAZ23	73.70	36.39	40.36	57.27	43.52	74.00	74.21	73.98	74.21	74.64
SFAZ23	110.16	24.08	24.93	8.75	12.87	110.00	110.93	111.97	113.99	114.78
DAAZ23	64.49	51.34	48.20	38.89	42.51	0.64	0.64	0.64	0.65	0.66

Calculations based on previous session. Data collected 09/29/2023

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAZ23	US Dollar	105.15	105.57	105.75	106.17	106.36
JYAZ23	Japanese Yen	67.37	67.53	67.85	68.00	68.32
EU6Z23	Euro	105.5512	105.7675	106.1462	106.3625	106.7412
BPAZ23	British Pound	121.26	121.60	122.18	122.52	123.10
CAAZ23	Canadian Dollar	73.00	73.24	73.92	74.16	74.85
SFAZ23	Swiss	109.43	109.72	110.31	110.60	111.19
DAAZ23	Australian Dollar	63.83	64.09	64.63	64.89	65.44

Calculations based on previous session. Data collected 09/29/2023

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.