



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Monday January 08, 2024

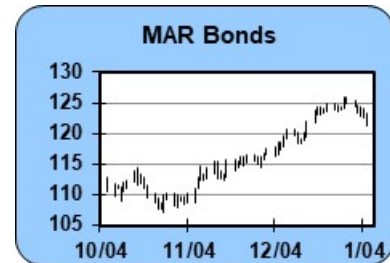
BONDS COMMENTARY

1/8/2024

In retrospect, US jobs were Goldilocks allowing short covering

OVERNIGHT CHANGES THROUGH 6:06 AM (CT): BONDS -0

While international bond yields are tracking higher and the natural tendency following a stronger than expected US nonfarm payroll reading is to push yields higher, over the weekend the Fed's Barkin said that the US labor market feels like it is moving in a steady softening pattern and that has provided support to US Treasuries to start.



Surprisingly, the markets are not showing noted sensitivity to efforts to avoid a US government shutdown, with legislators reportedly agreeing on the framework of spending of \$1.59 trillion. However, almost instantly after the agreement was announced conflict broke out on the details, with Republican Speaker of the House indicating \$886 billion for defense and \$704 billion for nondefense spending while the Democratic Senate Majority Leader Chuck Schumer indicated non-defense spending would be \$772.7 billion. Therefore, the two sides could be \$68 billion apart even before hardline fiscal conservative Republicans have their say. Today the US scheduled report slate is thin with a Fed speech early likely to set the tone over a US consumer credit reading in the afternoon. In our opinion, March bonds are likely to waffle around 122-00 today given the lack of key economic news and a slight tempering of uncertainty with respect to the US debt ceiling. In retrospect, while the US nonfarm payroll report was larger than expected, the two previous payroll readings were revised downward and there is a distinct softening pattern unfolding. Therefore, last Friday's lows of 121-09 in March bonds and 111-06 in March treasury notes could represent strong value. However, in the most recent COT positioning report the treasury notes continue to hold a very large net spec and fund short suggesting the trade continues to fear higher rates which contradicts ideas of a first quarter rate cut and the idea that the markets and not the Fed are in control of interest rates. For T-Notes Non-Commercial & Non-Reportable traders are net short 716,930 contracts after net selling 58,288 contracts. The January 2nd Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 83,383 contracts after net buying 7,725 contracts. The North American session will start out with the New York Fed's December reading on consumer 1-year inflation expectations which is expected to have a minimal downtick from November's 3.4% year-over-year rate. November US consumer credit is forecast to have a moderate uptick from October's \$5.1 billion reading.

TODAY'S MARKET IDEAS:

Apparently, the trade is not embracing the prospect of a budget deal to avoid a government shutdown as progress toward a deal was reportedly made yesterday and the markets today are not showing much of a reaction to what could be an incendiary event. However, with a Fed member indicating he sees the US jobs market softening in an orderly manner, inflation widely seen as falling and a slight downtick in credit rating downgrade fear, the bull camp should hold a minimal edge. In fact, from a technical perspective, the hard washouts of the last two weeks leave bonds and notes short-term oversold with the capacity for retracement bounces from the late December to early January washout to 123-01 in March bonds and 112-01 in March treasury notes.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 12/26/2023 - 1/2/2024						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Financials						
Bonds	-134,241	+2,502	83,383	-7,725	50,858	+5,223
T-Notes	-765,217	-29,077	716,930	+58,287	48,287	-29,211

BONDS TECHNICAL OUTLOOK:

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BONDS (MAR) 01/08/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 120-050. The next area of resistance is around 122-280 and 124-000, while 1st support hits today at 120-310 and below there at 120-050.

10 YR TREASURY NOTES (MAR) 01/08/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 110-195. The next area of resistance is around 112-065 and 112-260, while 1st support hits today at 111-035 and below there at 110-195.

STOCKS COMMENTARY

1/8/2024

The markets need to remove more premium based on an early cut

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

S&P 500 -3

Global equity markets were generally lower except for the markets in Japan, Russia, and Germany which traded fractionally higher. It is surprising to see equity prices remaining near the recent lows following what in retrospect was a "Goldilocks" nonfarm payroll reading for December. In fact, for those bulls heavily dependent on a first quarter US rate cut, the Goldilocks distinction of the Friday report was partially confirmed by a Fed member statement that the US jobs market is softening in a controlled fashion. The bull camp should also be discouraged given the lack of risk on this morning following reports of progress on the effort to avoid a US government shutdown. However, fresh concerning news on Boeings 737 Max, and a 30% decline in January Chinese iPhone sales in the first week of the year has unnerved some investors.



S&P 500: At least in the early going today both good news and bad news are being discounted by the trade with reports of progress on a debt deal and news of a new Nvidia Chinese focused AI chip launch offset by the latest Boeing 737 Max incident and ongoing trouble for Apple iPhones in China. However, with the S&P from the COT positioning report declining 88 points into last week's low, the net spec short has likely reached the highest levels since the beginning of the fourth quarter last year. The January 2nd Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders were net short 126,377 contracts after decreasing their short position by 2,840 contracts. We see value at 4700 with fundamentals leaning in favor of the bear camp.

Other US Indexes: After being the leadership market throughout most of the fourth quarter, the Dow this morning has shown negative divergence with a lower low and the lowest trade since December 21st. We suspect troubles at Boeing and an ongoing Chinese boycott of iPhones sets the stage for divergence between the Dow and S&P. However, overall macroeconomic conditions favor the bull camp, and we see solid support at 37,462.

Unfortunately for the bull camp the last COT positioning report showed Dow futures to be slightly overbought. The Commitments of Traders report for the week ending January 2nd showed Dow Jones \$5 Non-Commercial & Non-Reportable traders added 8,103 contracts to their already long position and are now net long 20,584. Fortunately for the bull camp in the NASDAQ, Apple travails in China have been partially offset by the launch of Nvidia AI chips designed for China. However, unlike the S&P the NASDAQ does not appear to have found value on its charts with thin and unreliable support to start the week at 16,334. Nasdaq Mini positioning in the Commitments of Traders for the week ending January 2nd showed Non-Commercial & Non-Reportable traders are net long 49,083 contracts after net buying 14,540 contracts.

TODAY'S MARKET IDEAS:

The prevailing trend is down but a Goldilocks payroll report from the US and signs of progress on the US debt ceiling should reduce anxiety and temper downside action.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 12/26/2023 - 1/2/2024						
	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	-204,116	-10,314	126,377	-2,840	77,739	+13,154

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/08/2024: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside closing price reversal on the daily chart is somewhat bullish. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 4675.19. The next area of resistance is around 4764.87 and 4791.68, while 1st support hits today at 4706.63 and below there at 4675.19.

MINI-DOW (MAR) 01/08/2024: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 37328. The next area of resistance is around 37907 and 38083, while 1st support hits today at 37529 and below there at 37328.

E-MINI NASDAQ (MAR) 01/08/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 16216.38. The next area of resistance is around 16584.50 and 16702.37, while 1st support hits today at 16341.50 and below there at 16216.38.

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
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FINANCIAL COMPLEX

USAAH24	121-290	43.48	51.97	71.01	53.71	123.20	124.09	123.30	118.69	116.52
TYAAH24	111-210	42.74	50.74	68.09	51.27	112.11	112.54	112.26	110.43	109.53
EPH24	4735.75	44.10	52.89	65.06	46.51	4751.31	4790.28	4774.67	4638.11	4561.43
ENQH24	16463.00	36.85	46.37	54.76	32.84	16547.06	16829.33	16807.15	16279.17	15962.74
YMH24	37718	58.22	65.02	80.66	70.55	37797.75	37867.22	37674.39	36317.84	35676.42

Calculations based on previous session. Data collected 01/05/2024

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						
USAAH24	Bonds	120-040	120-300	122-020	122-280	124-000
TYAAH24	10 Yr Treasury Notes	110-190	111-030	111-225	112-065	112-260
EPH24	S&P E-Mini	4675.18	4706.62	4733.43	4764.87	4791.68
ENQH24	E-Mini NASDAQ	16216.37	16341.50	16459.37	16584.50	16702.37
YMH24	Mini-Dow	37327	37529	37705	37907	38083

Calculations based on previous session. Data collected 01/05/2024

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CURRENCIES COMMENTARY

1/8/2024

The dollar and pound hold an insignificant edge

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

US DOLLAR +71, YEN +4, SWISS -23, CA DOLLAR -145

Upcoming International Reports (all times CT)

01/08 German Foreign Trade 1:00 AM
01/08 German Manufacturing Orders 1:00 AM
01/08 German Manufacturing Turnove 1:00 AM
01/08 Swiss Consumer Price Index 1:30 AM
01/08 Euro-zone Retail Trade 4:00 AM
01/08 Euro-zone Unemployment Rate 4:00 AM
01/08 Consumer Credit 2:00 PM
01/08 Japan Household Spending 5:30 PM
01/09 Swiss Employment 12:45 AM
01/09 German Industrial Production 1:00 AM
01/09 France Trade Balance 1:45 AM
01/09 Canadian Building Permits 7:30 AM
01/09 Canadian International Merch 7:30 AM
01/09 US Trade Balance 7:30 AM
01/09 API Energy Stocks 3:30 PM



DOLLAR: Clearly, the rally in the dollar from the end of December has stalled with the prospect of a speedy US rate cut clearly reduced by last Friday's US jobs data. However, signs of progress on avoiding a US government shutdown (traders should be highly skeptical) could temper selling interest. On the other hand, with a neutral to slightly bullish comment from the Fed's Barkin suggesting the US jobs market is softening in an orderly manner, some traders see the prospect of rate cut, while others see that commentary as a sign no change in rates is necessary. It should be noted that the Fed's Bostic will speak in the typical US data window at 730 and that speech could set the tone for the day. We see the dollar chopping within a range defined as 102.40 and 101.86. Dollar positioning in the Commitments of Traders for the week ending January 2nd showed Non-Commercial & Non-Reportable traders reduced their net long position by 565 contracts to a net long 1,612 contracts.

Other Currencies: While there were better than expected in euro zone data points released overnight, those

readings were contractionary and should be categorized as not as negative as feared. In fact, EU retail sales fell by 0.3% on a month-over-month basis and were down 1.1% on a year-over-year basis. Furthermore, Eurozone consumer confidence remained deeply negative with a -15 reading! It should also be noted that the euro holds a relatively large net spec and fund long positioning despite the noted contraction from the December highs! The January 2nd Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders were net long 158,584 contracts after increasing their already long position by 2,707 contracts. We leave the edge with the bear camp and see a sideways chop within a range of 1.105 and 1.090. With the euro and dollar showing signs of sideways consolidation action markets, the pound could win by default early this week. In fact, with UK budget chatter favoring low tax policies to avoid slowing the UK economy, we see solid buying support in the pound at 1.2625. The charts in the Canadian remain bearish which in the face of a lack of leadership from other currencies is a lucky break for the bull camp. However, the Canadian dollar should be undermined from last Friday's jobs report with the unemployment rate unchanged and the net change in total jobs negligible. We see thin and unreliable support at 74.70 with secondary support down at 74.64.

TODAY'S MARKET IDEAS:

There does not appear to be a definitive leadership currency with the dollar and pound holding a very minimal edge over currencies. However, economic data and US budget action indicates this week could bring Range trading instead of new trends.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/08/2024: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 103.41. The next area of resistance is around 102.78 and 103.41, while 1st support hits today at 101.57 and below there at 100.99.

EURO (MAR) 01/08/2024: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 108.4750. The next area of resistance is around 110.3300 and 110.9350, while 1st support hits today at 109.1000 and below there at 108.4750.

JAPANESE YEN (MAR) 01/08/2024: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 68.77. The next area of resistance is around 70.39 and 70.88, while 1st support hits today at 69.34 and below there at 68.77.

SWISS (MAR) 01/08/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 116.62. The next area of resistance is around 119.34 and 120.12, while 1st support hits today at 117.60 and below there at 116.62.

CANADIAN DOLLAR (MAR) 01/08/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market could take on a defensive posture with the daily closing price reversal down. The market tilt is slightly negative with the close under the pivot. The next downside objective is 74.33. The next area of resistance is around 75.22 and 75.59, while 1st support hits today at 74.60 and below there at 74.33.

BRITISH POUND (MAR) 01/08/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The close over the pivot swing is a somewhat positive setup. The next downside objective is 125.51. The next area of resistance is around 128.04 and 128.70, while 1st support hits today at 126.44 and below there at 125.51.

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										
DXAH24	102.17	54.07	48.52	40.02	55.85	102.10	101.49	101.91	103.03	103.72
JYAH24	69.86	38.24	45.81	54.63	37.97	70.44	70.98	70.85	69.39	69.14
EU6H24	109.7150	46.60	50.40	57.50	42.45	109.69	110.36	109.94	109.18	108.52
BPAH24	127.24	55.57	56.10	57.16	51.39	126.78	127.15	126.88	125.61	124.66
CAAH24	74.91	48.35	55.05	68.97	54.22	74.98	75.38	74.99	73.95	73.72
SFAH24	118.47	60.98	63.30	68.44	60.07	118.52	118.78	117.59	115.54	114.92
DAAH24	67.29	45.93	52.58	67.17	51.69	0.67	0.68	0.68	0.66	0.66

Calculations based on previous session. Data collected 01/05/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH24	US Dollar	100.98	101.56	102.19	102.78	103.41
JYAH24	Japanese Yen	68.76	69.33	69.82	70.39	70.88
EU6H24	Euro	108.4750	109.1000	109.7050	110.3300	110.9350
BPAH24	British Pound	125.50	126.44	127.10	128.04	128.70
CAAH24	Canadian Dollar	74.32	74.59	74.96	75.22	75.59
SFAH24	Swiss	116.61	117.59	118.37	119.34	120.12
DAAH24	Australian Dollar	66.11	66.75	67.19	67.83	68.26

Calculations based on previous session. Data collected 01/05/2024

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