



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday January 12, 2024

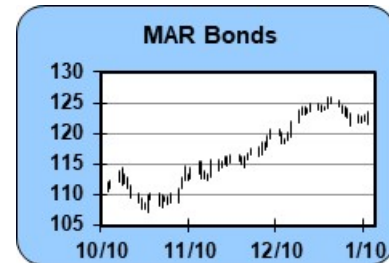
BONDS COMMENTARY

1/12/2024

We expect the downtrend will resume after a reaction to PPI

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

In retrospect, it is surprising to see treasury prices hold up this week in the face of an extension of data favoring hawkish Fed views. Despite unending resiliency in equities, minimally hotter than expected US CPI yesterday and a trend of better-than-expected US economic data points there has not been a resurgence of dominating bearish control of treasury prices. However, it appears that a portion of the trade remains concerned about a falloff in US economic activity regardless of good US jobs related data. On the other hand, treasury prices benefited from yesterday's 30-year US treasury auction with March bonds from the auction results announcement to the reaction high rising 1-07 and that combined with chatter this morning of a looming Chinese central bank rate cut should provide a modest underpin for bond prices into the next round of critical US inflation news today. On the other hand, the Fed has likely been the primary headwind holding down treasury prices this week with several members muttering hawkish views which have grudgingly reduced the odds of a first quarter rate cut. It is possible that tensions in the Middle East could become a source of flight to quality buying for treasury, especially with gold prices seemingly posting sharp overnight gains from classic flight to quality buying interest. In today's US trade the markets will obviously see the tone for the day set from the PPI report, but with a lower expected gain of 0.1% compared to expectations for CPI of a gain of 0.2%, it is easier to get a bullish result this morning. On the other hand, the upside surprise in CPI yesterday is likely to leave the Fed fearful of ongoing inflation. It should be noted that the Fed's Minneapolis Fed Pres. will speak early today, and he has been considered part of the Hawk camp. The North American session will start out with the December US producer price index which is forecast to have a mild uptick from November's 0.9% year-over-year rate. The December US core producer price index (excluding food and energy) is expected to have a minimal downtick from November's 2.4% year-over-year rate. Minneapolis Fed President Kashkari will speak during morning US trading hours. The first big day of quarterly earnings results this year will include updates from UnitedHealth Group, J.P. Morgan Chase, Bank of America, Wells Fargo, BlackRock, and Citigroup before the Wall Street opening.



TODAY'S MARKET IDEAS:

While the bull camp in treasuries is certainly facing inflation pressure and has seen long interest tempered by signs of better-than-expected US economic activity recently, today's PPI report could keep 1st quarter rate cut hopes alive even if they are on life support. We understand the markets finding support from uncertainty flowing from the Middle East but doubt on the status of the US economy remains in place despite evidence to the contrary. Looking ahead we suggest bulls holding long positions bank profits on a PPI rally as the January 19th US debt ceiling showdown could rekindle the 2023 4th quarter/January downtrend. In fact, while US nonfarm payroll gains have softened, current US initial claims have hovered just above eight-month lows providing the US economy with a backbone. We favor selling a PPI inspired rally in March bonds above 123-16 today especially if the report is as expected!

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

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BONDS (MAR) 01/12/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 120-210. The next area of resistance is around 123-260 and 124-200, while 1st support hits today at 121-270 and below there at 120-210.

10 YR TREASURY NOTES (MAR) 01/12/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The outside day up is somewhat positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is now at 111-100. The next area of resistance is around 112-250 and 113-025, while 1st support hits today at 111-290 and below there at 111-100.

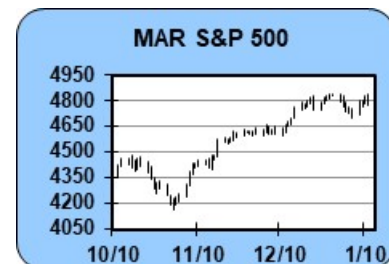
STOCKS COMMENTARY

1/12/2024

The bulls hold an edge but risk magnifies today

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 +5

Global equity markets overnight were mostly higher with markets in China posting losses of roughly 0.3% and Australia posting a small fractional loss. In the bull's favor the bullish resiliency of global equity markets has generally remained in place this week with weakness attracting bargain hunting buying and hopes for a first quarter US rate cut stubbornly remaining in place. Certainly, stocks will react to this morning's PPI report with the markets yesterday falling precipitously after a minimal higher-than-expected CPI. However, the markets today will also see macro impacts heavily offset by an avalanche of earnings reports. The first big day of quarterly earnings results this year will include updates from UnitedHealth Group, J.P. Morgan Chase, Bank of America, Wells Fargo, BlackRock, and Citigroup before the Wall Street opening.



S&P 500: As indicated already, yesterday the March S&P contract fell from the pre-CPI report high of 4837 to a mid-morning low of 4772 on the back of a minimal 0.1% higher than expected US CPI reading. Clearly, the trade remains hyper fixated on the dying prospect of a US rate cut in the first quarter and therefore PPI results today if hot could be the death knell for early 2024 rate cut prospects. However, the trade will be partially distracted from the inflation storyline following an avalanche of large Company Earnings Reports before the Opening. Key support in the S&P through the volatile data window is 4801.75 with an upside reversal seen with a trade above 4817.00.

Other US Indexes: With an avalanche of large, capitalized company earnings scheduled for release before the opening this morning, the Dow could show divergence with the rest of the markets through the US PPI report reaction. However, with today the first active flow of earnings reports of the cycle the markets take away from earnings could be significant. Like the S&P, the Dow futures yesterday saw a low to high washout following CPI of 400 points leaving the prospect for large volatility in place this morning. While we see the risk and reward of fresh long positions at current levels as unattractive, today's PPI could save the day with a soft reading keeping the dying probability of a first quarter rate cut alive. Critical failure support in the Dow futures today is 37,845 whereas a trade above 37,944 after earnings and CPI could project record highs. The NASDAQ reaction to yesterday's US

inflation report resulted in a slide of 300 points with early chart action today also negative. Therefore, the post data reaction today should be a key pointer for action into the end of the month. Critical support and a pivot point in the NASDAQ to start today is 16,900.

TODAY'S MARKET IDEAS:

Today is "moving day" for the stock markets. In addition to amazing bullish resiliency in the face of declining US rate cut prospects, the markets have managed to absorb consistently negative company specific fundamental developments. Therefore, we give the edge to the bull camp but realize the risk of being long is very significant given overbought conditions and the potential for a major junction concerning US Fed policy.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/12/2024: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 4874.68. The next area of resistance is around 4846.12 and 4874.68, while 1st support hits today at 4780.88 and below there at 4744.19.

MINI-DOW (MAR) 01/12/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 37465. The next area of resistance is around 38123 and 38286, while 1st support hits today at 37713 and below there at 37465.

E-MINI NASDAQ (MAR) 01/12/2024: Momentum studies are trending higher from mid-range, which should support 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 upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 17238.50. The next area of resistance is around 17116.00 and 17238.50, while 1st support hits today at 16812.00 and below there at 16630.50.

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										
USAAH24	122-260	50.93	55.33	42.63	32.86	122.48	123.07	123.65	119.60	117.20
TYAAH24	112-110	55.56	57.29	47.86	43.53	112.04	112.18	112.43	110.80	109.80
EPH24	4813.50	61.11	62.29	64.58	70.37	4805.56	4782.22	4792.31	4675.50	4585.87
ENQH24	16964.00	61.26	60.84	55.14	62.77	16884.75	16748.11	16861.78	16427.22	16056.21
YMH24	37918	61.70	65.53	70.11	68.26	37872.75	37849.11	37818.39	36643.47	35918.00

Calculations based on previous session. Data collected 01/11/2024

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	120-200	121-260	122-200	123-260	124-200
TYAAH24	10 Yr Treasury Notes	111-095	111-285	112-060	112-250	113-025
EPH24	S&P E-Mini	4744.18	4780.87	4809.43	4846.12	4874.68
ENQH24	E-Mini NASDAQ	16630.50	16812.00	16934.50	17116.00	17238.50
YMH24	Mini-Dow	37464	37712	37875	38123	38286

Calculations based on previous session. Data collected 01/11/2024

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CURRENCIES COMMENTARY

1/12/2024

Unless claims breakout down & CPI breaks out up be bearish \$

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

US DOLLAR -64, YEN +25, SWISS +4, CA DOLLAR +230

Upcoming International Reports (all times CT)

01/12 UK Industrial Production 1:00 AM
01/12 France Consumer Price Index 1:45 AM
01/12 France Consumer Spending 1:45 AM
01/12 Canadian Housing Starts 7:15 AM
01/12 Canadian New Housing Price I 7:30 AM
01/12 PPI 7:30 AM
01/13 Euro-zone Industrial Product 4:00 AM



DOLLAR: While the dollar index yesterday managed a low to high rally from the US CPI report of 80 points, the index ultimately fell back to the pre-CPI report price levels overnight but found support at that level again (101.91). Certainly, US PPI could replicate the slightly hotter than US CPI report yesterday, but we think producers are more likely to adjust prices lower to retailers quicker than lower prices will be offered to consumers. In fact, without a higher-than-expected US PPI today we see the dollar resuming the downtrend in place since early November. However, after US scheduled data impacts the markets, the Fed's Kashkari could provide the dollar bulls a temporary lifeline with hawkish views.

Other Currencies: We suspect the euro is under modest pressure to start today from several signs of under control inflation from Europe overnight. However, the euro has surprisingly found support this week from slightly better views toward the European economy but without a weaker dollar, the euro is unlikely to forge gains on its own merits. In other words, the euro bulls need to "win by default" washout in the Dollar today. Key pivot point and failure prices are 1.0941 and a more severe failure/support level is seen at 1.0908. From a pure chart perspective, the Pound has the best set up of the currency trade with higher lows and higher highs remaining in place throughout the first half of January. Overnight data supporting the Pound came from better-than-expected November Manufacturing production, steady Industrial production, and a slight upward adjustment in GBP GDP for November. Buying support in the March pound today is at uptrend channel support of 1.2674. In our opinion, the charts in the Canadian favor the bear camp with a pattern of lower highs and lower lows generally in control since December 27th. In fact, the Canadian was undermined yesterday by a minimally higher-than-expected US CPI but should see less negative impact today from US PPI. On the other hand, we think the odds of a soft inflation take away from US PPI is greater than the odds were of a soft CPI yesterday. Downtrend channel selling resistance in the March Canadian today is 74.98.

TODAY'S MARKET IDEAS:

Once again, the currency markets face a possible trend setting junction with the odds of a US rate cut in the first quarter consistently training from the market over the last week. Therefore, it is possible that US PPI today could

settle the decision for a rate cut in the March Fed meeting creating the potential for a volatility event today in the currency markets. In our opinion, the US economy is showing resiliency, and the US dollar has shown a lack of bullish sensitivity (particularly to the nonfarm payroll reading last week) and we favor short dollar positions with tight stops this morning.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/12/2024: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 102.83. The next area of resistance is around 102.43 and 102.83, while 1st support hits today at 101.70 and below there at 101.37.

EURO (MAR) 01/12/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 109.1663. The next area of resistance is around 110.4025 and 110.8162, while 1st support hits today at 109.5775 and below there at 109.1663.

JAPANESE YEN (MAR) 01/12/2024: 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 daily closing price reversal up on the daily chart is somewhat positive. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 68.69. The next area of resistance is around 69.86 and 70.17, while 1st support hits today at 69.13 and below there at 68.69.

SWISS (MAR) 01/12/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned 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 target is now at 116.94. The next area of resistance is around 118.69 and 119.26, while 1st support hits today at 117.53 and below there at 116.94.

CANADIAN DOLLAR (MAR) 01/12/2024: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal down puts the market on the defensive. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 74.19. The next area of resistance is around 75.00 and 75.27, while 1st support hits today at 74.47 and below there at 74.19.

BRITISH POUND (MAR) 01/12/2024: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. The crossover up in the daily stochastics is a bullish signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 128.64. The next area of resistance is around 128.23 and 128.64, while 1st support hits today at 127.17 and below there at 126.53.

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	102.06	50.37	47.17	60.15	66.82	102.08	101.97	101.74	102.77	103.47
JYAH24	69.49	35.98	42.88	30.54	19.94	69.74	70.28	70.69	69.54	69.22
EU6H24	109.9900	51.70	52.98	38.68	33.79	109.87	109.89	110.13	109.42	108.75
BPAH24	127.70	58.19	57.59	56.45	59.48	127.46	127.17	127.13	126.02	125.01
CAAH24	74.73	42.67	50.25	38.31	25.13	74.81	74.98	75.16	74.12	73.80
SFAH24	118.11	51.55	56.61	52.66	43.30	118.37	118.60	118.16	116.07	115.30
DAAH24	67.04	42.11	49.01	40.95	29.77	0.67	0.67	0.68	0.66	0.66

Calculations based on previous session. Data collected 01/11/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH24	US Dollar	101.36	101.69	102.10	102.43	102.83
JYAH24	Japanese Yen	68.68	69.12	69.42	69.86	70.17
EU6H24	Euro	109.1662	109.5775	109.9912	110.4025	110.8162
BPAH24	British Pound	126.52	127.17	127.58	128.23	128.64
CAAH24	Canadian Dollar	74.18	74.46	74.73	75.00	75.27
SFAH24	Swiss	116.93	117.52	118.09	118.69	119.26
DAAH24	Australian Dollar	66.15	66.59	67.04	67.48	67.93

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