



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday January 17, 2024

BONDS COMMENTARY

1/17/2024

Market focus remains on Fed policy signals not yet on the deficit

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

BONDS +0

While March bonds did not post a lower low overnight, a quasi-double low was posted, indicating the January downward track in treasury prices remains in place. In retrospect, the slide in treasuries yesterday was surprising with the US Empire State manufacturing report posting the weakest reading since May 2020! In other words, manufacturing sentiment in New York is on par with a period when Covid lockdown fear was near its zenith. Apparently, the marketplace is unwilling to fully throw in the towel on a first quarter US rate cut. However, yesterday comments from Fed Gov. Waller warning against rushing to cut rates until inflation is statistically confirmed, prompted a wave of stop loss capitulation selling which could extend today. However, it is possible that growing concern for the Chinese economy and across the board weakness in global equities is providing some US treasury buying interest this morning. The US will post an avalanche of economic readings today with retail sales and industrial production likely to carry the most weight. On the other hand, US import and export prices will be an impact as the early 2024 rate cut crowd scrambles for any signs inflation is moderating. In our opinion, to reawaken the bull camp in treasuries requires "plummeting inflation signals" or extremely "weak" economic signals. In our opinion, inflation is coming down gradually and the US economy is far from needing assistance. Nonetheless, today's US economic readings, two Fed speeches, a mid-day 20-year bond auction and the release of the Fed Base book creates the potential for volatility especially with open interest around 1.4 million contracts. The North American session will start out with weekly private surveys of same-store sales and mortgage applications. The December Canadian industrial product price index (IPPI) is forecast to have a sizable uptick from November's -2.3% year-over-year rate. December US retail sales are expected to have a minimal uptick from November's 0.3% reading. December readings for the US import price index and US export price index are both forecast to have a mild monthly uptick from their November readings. December US industrial production is expected to have a modest downtick from November's 0.2% reading, while December US capacity utilization is forecast to have a minimal downtick from November's 78.8% reading. November US business inventories are expected to hold steady with October's -0.1% reading. The January NABH housing index is forecast to have a modest uptick from December's 37 reading. The latest Fed Beige Book of US economic conditions will be released during early afternoon US trading hours. Fed Vice Chair Barr and Fed Governor Bowman will speak during morning US trading hours while New York Fed President Williams will speak during the afternoon. Earnings announcements include Prologis, Charles Schwab and U.S. Bancorp before the Wall Street opening while Kinder Morgan reports after the close.



TODAY'S MARKET IDEAS:

The path of least resistance is down in treasuries with hawkish Fed dialogue yesterday still ringing in the ears of the market. However, the US economic report slate today is extremely active with both price and economic activity readings capable of contributing to monetary policy decisions. On the other hand, Fed speeches today are likely to dominate over data. Last month Reuters indicated there were two dovish members, nine centrists, four who were considered hawkish, and one as a pure hawk. Today's Fed speakers include generally hawkish Bowman and mostly neutral Barr. From a bigger picture perspective, the slide in treasury prices from the December high is likely a capitulation of the first quarter rate cut theme, with mundane data leaving the bear camp in control. In conclusion, each price report that fails to post notable weakness and/or each US economic activity report that fails to show notable weakness favors the bear camp.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

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BONDS (MAR) 01/17/2024: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 119-110. The next area of resistance is around 122-100 and 123-260, while 1st support hits today at 120-030 and below there at 119-110.

10 YR TREASURY NOTES (MAR) 01/17/2024: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 111-050. The next area of resistance is around 112-110 and 112-285, while 1st support hits today at 111-155 and below there at 111-050.

STOCKS COMMENTARY

1/17/2024

A slight bearish tilt bad news outnumbers good news

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

S&P 500 -18

Global equity markets overnight were under noted pressure with the stock markets in China posting five-year lows. While bargain hunting buying could surface at any given minute, the bull camp "needs" definitive declines in US import/export prices and or definitive weakness in US retail sales to rekindle rate cut hopes. An example of current bearish sentiment is the markets discounting of optimistic news from bank earnings reports yesterday in favor of warnings from the banks regarding the future. Earnings announcements include Prologis, Charles Schwab and U.S. Bancorp before the Wall Street opening while Kinder Morgan reports after the close.



S&P 500: The path of least resistance is down in equities with anxiety at present limited. However, today the markets will be presented with economic information capable of killing the prospects of a March US rate cut or simply keeping them alive on life support. In other words, without definitively weak data and a net dovish takeaway from two Fed speeches, the bear camp looks to maintain control. In fact, the end of the continuing resolution to keep the US government operating is approaching without much urgency in Washington. Typically, markets/investors do not like uncertainty, and we see the S&P targeting 4744.

Other US Indexes: With the Dow the leading indicator of the markets for most of the last month (it temporarily receded leadership to the NASDAQ last week) the downside extension to the lowest level since December 13th this morning indicates market has entered a swing lower. Weakness in Boeing shares, the failure to drive a net benefit from yesterday's bank earnings news and brewing shareholder fighting at Disney leave the bear camp in control. Unfortunately for the bull camp the Dow futures this morning have fallen into a "no man's land" on the charts created by the sharp range up rally from December 13th. Initial support is 37,189, but with the failure of the

first retracement point from the December and January rally early today we target intermediate support at 37,260. Clearly, the NASDAQ is showing some capacity to stand up to the bearish tilt in the market as the index has held above yesterday's low and is showing signs of delinking with typical influences of Fed policy and classic economic activity. In other words, AI leaves the NASDAQ supported in the face of bearish macro conditions. Key support in the NASDAQ today is 16,750.

TODAY'S MARKET IDEAS:

The path of least resistance is down in equities unless there is a very clear emergence/revival of hope for an early 2024 US rate cut. Unfortunately for the bull camp, corporate headline flow remains bearish, the amount of slowing needed to result in rate cuts threatens earnings and we think more money will flee as the Friday night government shutdown draws closer.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/17/2024: 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 tilt is slightly negative with the close under the pivot. The near-term upside target is at 4843.62. The next area of resistance is around 4820.75 and 4843.62, while 1st support hits today at 4777.25 and below there at 4756.63.

MINI-DOW (MAR) 01/17/2024: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 37136. The next area of resistance is around 37767 and 38019, while 1st support hits today at 37325 and below there at 37136.

E-MINI NASDAQ (MAR) 01/17/2024: 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 upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 17167.62. The next area of resistance is around 17079.50 and 17167.62, while 1st support hits today at 16857.50 and below there at 16723.63.

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	121-060	37.82	46.50	34.09	23.80	122.23	122.54	123.48	119.93	117.61
TYAAH24	111-290	45.55	50.72	46.91	43.41	112.16	112.09	112.41	110.96	110.00
EPH24	4799.00	56.05	59.18	68.71	71.69	4810.63	4783.06	4795.03	4691.53	4598.58
ENQH24	16968.50	61.49	60.96	62.56	69.86	16959.81	16768.39	16871.85	16489.29	16109.92
YMH24	37546	44.57	53.96	60.46	47.63	37786.25	37773.56	37815.61	36783.36	36030.15

Calculations based on previous session. Data collected 01/16/2024

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	119-100	120-020	121-180	122-100	123-260
TYAAH24	10 Yr Treasury Notes	111-045	111-150	112-005	112-110	112-285
EPH24	S&P E-Mini	4756.62	4777.25	4800.12	4820.75	4843.62
ENQH24	E-Mini NASDAQ	16723.62	16857.50	16945.62	17079.50	17167.62
YMH24	Mini-Dow	37135	37325	37577	37767	38019

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CURRENCIES COMMENTARY

1/17/2024

The dollar is back in control

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
US DOLLAR +8, YEN -20, SWISS -40, CA DOLLAR -170**

Upcoming International Reports (all times CT)

01/17 UK Consumer Price Index 1:00 AM
01/17 UK Producer Price Index 1:00 AM
01/17 Business Inventories 7:30 AM
01/17 Canadian Industrial Product 7:30 AM
01/17 Retail Sales 7:30 AM
01/17 Capacity Utilization 8:15 AM
01/17 Industrial Production 8:15 AM
01/17 API Energy Stocks 3:30 PM
01/17 Japan Machinery Orders 5:50 PM
01/17 Japan Industrial Production 10:30 PM
01/18 Euro-zone Balance of Payment 3:00 AM
01/18 Housing Starts 7:30 AM
01/18 Jobless Claims 7:30 AM
01/18 EIA Gas Storage 9:30 AM
01/18 EIA Energy Stocks 10:00 AM
01/18 Japan Consumer Price Index 5:30 PM



DOLLAR: There appears to be a distinct differential of views toward the US economy with currency traders willing to discount soft US data and most importantly currencies have largely given up on the prospect of a US first quarter rate cut. In fact, with any show of positive US data from an avalanche of reports this morning, minimally hawkish take away from the Fed Beige book or any sign of "residual heat" from US import/export prices the dollar is likely to forge higher highs. Buying support in the March dollar is 102.83 with near-term targeting of 103.45.

Other Currencies: While the downside breakout in the euro was not aggressive the bear camp has control. Certainly, the 1.090 level could be some form of value with harmonized and core harmonized prices in the EU holding in positive ground at previous reading levels. Unfortunately for the bull camp in the euro the dollar has a psychological edge with US Fed dialogue likely to send the euro toward downside targeting of 1.0875. If there is a currency capable of standing up to ongoing dollar strength it is the pound which failed on the charts overnight and then aggressively rejected the washout. In our opinion, the pound found significant support from what we considered to be a hot GBP consumer price index reading for December especially with that inflation signal enhanced by a hot retail price index reading. However, in the end we see the Pound as a sell because of residual strength in the dollar. The best hope for the bull camp in the Canadian is for the sellers to exhaust themselves as the range down extension on the charts overnight has yet to reach a credible chart support area. As in the pound,

we see residual strength in the dollar combined with slightly soft Canadian economic readings this morning as a very bearish combination. First support in the March Canadian dollar is 73.90 with lower support at 73.72.

TODAY'S MARKET IDEAS:

The dollar is back in control with as expected US scheduled data capable of producing more gains. Once again, the dollar lacks a peer with any positive US data or any price pressure from US import/export data capable of sending the dollar sharply higher.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/17/2024: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The gap up move on the day session chart is a bullish indicator for trend. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 103.65. The next area of resistance is around 103.44 and 103.65, while 1st support hits today at 102.77 and below there at 102.29.

EURO (MAR) 01/17/2024: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is now at 108.1675. The next area of resistance is around 109.5600 and 110.2875, while 1st support hits today at 108.5000 and below there at 108.1675.

JAPANESE YEN (MAR) 01/17/2024: The market back below the 60-day moving average suggests the longer-term trend could be turning down. 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. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 67.72. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 69.16 and 69.99, while 1st support hits today at 68.03 and below there at 67.72.

SWISS (MAR) 01/17/2024: The downside crossover of the 9 and 18 bar moving average is a negative signal. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 115.80. The next area of resistance is around 117.52 and 118.49, while 1st support hits today at 116.18 and below there at 115.80.

CANADIAN DOLLAR (MAR) 01/17/2024: The close under the 40-day moving average indicates the longer-term trend could be turning down. Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 73.65. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 74.49 and 74.97, while 1st support hits today at 73.84 and below there at 73.65.

BRITISH POUND (MAR) 01/17/2024: The market back below the 40-day moving average suggests the longer-

term trend could be turning down. The daily stochastics gave a bearish indicator with a crossover down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 125.21. The next area of resistance is around 127.11 and 128.14, while 1st support hits today at 125.65 and below there at 125.21.

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	103.10	69.52	59.95	70.33	80.14	102.36	102.22	101.81	102.58	103.31
JYAH24	68.59	28.66	36.41	22.45	13.16	69.28	69.74	70.46	69.60	69.24
EU6H24	109.0300	36.24	43.19	31.60	22.25	109.71	109.71	110.12	109.50	108.86
BPAH24	126.38	41.88	47.20	53.23	43.97	127.27	127.18	127.15	126.20	125.19
CAAH24	74.16	28.54	39.63	26.45	14.06	74.59	74.77	75.11	74.19	73.84
SFAH24	116.85	35.75	45.20	39.96	25.34	117.84	118.21	118.31	116.28	115.45
DAAH24	65.98	25.92	36.74	29.66	17.18	0.67	0.67	0.68	0.67	0.66

Calculations based on previous session. Data collected 01/16/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH24	US Dollar	102.29	102.76	102.97	103.44	103.65
JYAH24	Japanese Yen	67.71	68.02	68.85	69.16	69.99
EU6H24	Euro	108.1675	108.5000	109.2275	109.5600	110.2875
BPAH24	British Pound	125.20	125.64	126.67	127.11	128.14
CAAH24	Canadian Dollar	73.64	73.83	74.31	74.49	74.97
SFAH24	Swiss	115.79	116.17	117.14	117.52	118.49
DAAH24	Australian Dollar	64.97	65.33	66.25	66.62	67.54

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