



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday January 31, 2024

BONDS COMMENTARY

1/31/2024

The trend remains up but a setback off profit-taking midmorning

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



While US treasury prices made an early higher high today, early US jobs related data from ADP should provide a measure of additional lift especially with overnight central bank news supportive. Clearly, a pre-existing dovish central bank vibe was given a boost overnight from the Bank of England Gov. Bailey who indicated a softening economy gives them the "cover" to cut rates even though the governor indicated no change in policy would be made tomorrow. Indirectly the treasury markets should derive support from soft economic data from German retail sales and a lack of forward movement from Chinese PMI readings for January. In our opinion, the US Fed today will likely favor the upside as the statement is likely to acknowledge softening of the US economy and acknowledge generally declining US inflation. Certainly, there could be some treasury selling if the Takeaway from the statements today pushes the probability of a March rate cut down to even lower levels. However, there is a slim chance that the Fed chairman will suggest the markets are overpricing the prospect of a quick rate cut as the Fed thinks market expectations of an early rate cut are running significantly ahead of Fed easing views. In other words, the fed sees the massive October through late December rally as incorrect front running. It should be noted that the October through late December rally provided solid support at its first retracement level last week indicating the 120-00 level in March bonds is a longer-term support point. As indicated already, today's ADP readings are expected to be lower than last month with additional support potentially garnered from a softer US employment cost index reading. However, the last data point ahead of the US Fed meeting (Chicago Purchasing Managers Index for January) is expected to improve and that could prompt profit-taking by longs unwilling to face the Fed statement. The North American session will start out with a weekly private survey of mortgage applications followed by the January ADP employment survey which is forecast to have a moderate downtick from December's 164,000 reading. December Canadian GDP is expected to have a minimal downtick from November's 0.1% reading. The fourth quarter US employment cost index is expected to have a minimal downtick from the previous 1.1% reading. The January Chicago PMI is forecast to have a mild uptick from December's 46.9 reading. The highlight for global markets will come during early afternoon US trading hours with the results of the January FOMC meeting. No change in Fed rates or policy is expected, but post-meeting comments from Fed Chair Powell will be scrutinized for clues on upcoming Fed policy moves.

TODAY'S MARKET IDEAS:

We see the bull camp maintaining an edge through initial US data topping out following the Chicago Purchasing Managers Index report, with that report likely sparking long profit taking selling off position squaring ahead of the Fed meeting. In our opinion, the Fed will be disappointed in the short term but will open up the prospect for a June rate cut.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

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BONDS (MAR) 01/31/2024: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 122-080. Short-term indicators suggest buying dips today. The next area of resistance is around 121-310 and 122-080, while 1st support hits today at 121-010 and below there at 120-110.

10 YR TREASURY NOTES (MAR) 01/31/2024: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 112-055. The next area of resistance is around 111-310 and 112-055, while 1st support hits today at 111-150 and below there at 111-050.

STOCKS COMMENTARY

1/31/2024

Initial jobs data supportive but a major pivot after the Fed

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

S&P 500 -21

Global equity markets overnight were mixed with Chinese markets off again with declines of .81%, 0.91%, and 1.48% in the Shanghai stock exchange composite. While not an ominous flow, deteriorating views toward the magnificent seven is troublesome for the intermediate term Outlook. In fact, analysts are also

highlighting the declining capacity of big tech shares to pull up the entire market. However, we see early action today providing a limited move into positive territory early with the markets encountering a very key pivot from the market interpretation of post meeting Fed dialogue today. Obviously, a large portion of the January gains are predicated on a cut by the Fed in the first half of this year. Another busy day of earnings announcements will include Mastercard, Thermo Fisher Scientific, Boeing, ADP, Boston Scientific and Phillips 66 before the Wall Street opening while QUALCOMM and MetLife report after the close.



S&P 500: As indicated already we expect anticipation of a dovish Fed to support prices early, especially if US jobs data shows deceleration of the US economy. In our opinion, bullish news from the magnificent 7/mega tech Stocks is waning with analysts indicating their complete dominance of the market is deteriorating. Therefore, the bull camp in the S&P needs assistance from the US Fed today with the best outcome for the bulls a slight increase in the probability of a June rate cut. Initial upside targeting in the S&P is 4950.25 with the Fed statement a major test of the bull trend in the early afternoon. We remain bullish if the March S&P manages to respect key consolidation low support at 4901.75 after today's Fed reaction.

Other US Indexes: The higher high action in the Dow early today highlights its leadership capacity especially with the gains forged after analysts discounted Microsoft AI profitability from the massive cost of development of the technology. In fact, AI companies have lost \$190 billion in valuation following Apple and Microsoft earnings. However, early gains today suggest the focus of bullish investors is on the prospect of declining rates inside and outside of the US. While we see the Dow disappointed with the initial Fed statements, a good bull market will shift its focus and embrace a June rate cut. Uptrend channel support in the Dow futures today is 38,397.40 with a significant failure seen with a trade below 38,380. It is not surprising to see the NASDAQ as the worst performing index especially with the index negatively diverging with the Dow in the early trade today. As indicated several times this morning, the allure of big tech is deteriorating which means overall market valuations are now seen as expensive!

TODAY'S MARKET IDEAS:

We leave the edge with the bull camp from anticipation of something dovish from the Fed, which we think will ultimately disappoint before the close. As indicated already, questions toward big tech valuations and concern for future earnings from the magnificent seven suggest the market is currently overvalued and in need of corrective action. However, strength in equities after digesting the Fed statement could mean higher highs and a continuation of the uptrend from momentum.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/31/2024: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 4963.87. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 4952.00 and 4963.87, while 1st support hits today at 4933.50 and below there at 4926.88.

MINI-DOW (MAR) 01/31/2024: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 38824. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 38747 and 38824, while 1st support hits today at 38489 and below there at 38309.

E-MINI NASDAQ (MAR) 01/31/2024: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 17374.13. The next area of resistance is around 17656.00 and 17803.12, while 1st support hits today at 17441.50 and below there at 17374.13.

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	121-160	53.15	51.57	20.24	29.47	120.29	120.09	121.12	121.13	119.43
TYAAH24	111-230	53.05	52.15	24.43	30.29	111.39	111.29	111.63	111.53	110.80
EPH24	4942.75	74.53	71.40	90.27	92.81	4931.19	4898.72	4842.03	4766.95	4701.66
ENQH24	17548.75	63.92	64.72	85.73	84.40	17583.38	17505.75	17155.22	16809.87	16558.34
YMH24	38618	75.07	71.42	82.21	90.84	38363.25	38164.89	37954.00	37437.31	36805.62

Calculations based on previous session. Data collected 01/30/2024

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	120-100	121-000	121-090	121-310	122-080
TYAAH24	10 Yr Treasury Notes	111-045	111-145	111-210	111-310	112-055
EPH24	S&P E-Mini	4926.87	4933.50	4945.37	4952.00	4963.87
ENQH24	E-Mini NASDAQ	17374.12	17441.50	17588.62	17656.00	17803.12
YMH24	Mini-Dow	38308	38489	38566	38747	38824

Calculations based on previous session. Data collected 01/30/2024

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CURRENCIES COMMENTARY

1/31/2024

Buy a hard Pound break & buy a modest break in the Canadian

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +90, YEN +5, SWISS -10, CA DOLLAR -95

Upcoming International Reports (all times CT)

01/31 FOMC Meeting
01/31 German Retail Sales 1:00 AM
01/31 Swiss Retail Sales 1:30 AM
01/31 France Producer Price Index 1:45 AM
01/31 German Employment Situation 2:55 AM
01/31 Canadian GDP (By Industry) 7:30 AM
01/31 Employment Cost Index 7:30 AM
01/31 Chicago PMI 8:45 AM
01/31 EIA Energy Stocks 9:30 AM
01/31 Japan Manufacturing PMI 6:30 PM
02/01 Swiss PMI 2:30 AM
02/01 France Manufacturing PMI 2:50 AM
02/01 German Manufacturing PMI 2:55 AM
02/01 Euro-Zone Manufacturing PMI 3:00 AM
02/01 UK CIPS/NTC Research Manufac 3:30 AM
02/01 Euro-zone Unemployment Rate 4:00 AM
02/01 UK Monetary Policy 6:00 AM
02/01 UK Monetary Policy Minutes 7:00 AM
02/01 Jobless Claims 7:30 AM
02/01 Construction Spending 9:00 AM
02/01 ISM Manufacturing PMI 9:00 AM
02/01 EIA Gas Storage 9:30 AM



DOLLAR: Given the lack of sustained dollar movement following definitively bearish and bullish information recently the most likely reaction in the dollar today will be to remain within a range defined as 103.64 and 102.78. However, the range should be expanded today because of Fed news and because of the approach of a wave of US jobs data. With the recent pattern of data showing signs of softening and inflation generally softening, the dollar bears should have a slight edge. On the other hand, market expectations of a dovish progression by the Fed are likely to be running further ahead of the Fed after today and that could also push the dollar toward consolidation support.

Other Currencies: The euro has also entered a race to the bottom with respect to the pace of its economy and the pace of the US economy. However, very disappointing German data continues to flow and market expectations of a rate cut for Europe should thicken overhead resistance in the euro. Lastly, the charts in the euro favor the bear camp with a clear and uniform downtrend in place since the end of December. Like the dollar, the Pound has settled into a sideways consolidation with dovish comments from the BOE Gov. overnight suggesting economic slack gives them the "cover" to cut rates. Therefore, the pound is also involved in the economic race to

the bottom along with the dollar and euro. Consolidation low support and a key failure pivot point is 1.2644. With the Canadian uptrend remaining intact and other currencies vulnerable, the Canadian continue to rise off a win by default edge and from IMF predictions of a soft landing in the Canadian economy.

TODAY'S MARKET IDEAS:

While it is usually seen as a copout, our view today is more sideways chop in the dollar, euro, and pound. However, the post Fed reactions in currencies could be trend signals with the Canadian holding the initial leadership edge today.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/31/2024: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower from overbought levels is a bearish indicator and would 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 market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 102.74. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 103.43 and 103.66, while 1st support hits today at 102.98 and below there at 102.74.

EURO (MAR) 01/31/2024: 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. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 109.0787. The next area of resistance is around 108.8975 and 109.0787, while 1st support hits today at 108.4325 and below there at 108.1488.

JAPANESE YEN (MAR) 01/31/2024: 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 has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 68.67. The next area of resistance is around 68.45 and 68.67, while 1st support hits today at 68.07 and below there at 67.90.

SWISS (MAR) 01/31/2024: 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 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 next upside objective is 117.06. The next area of resistance is around 116.86 and 117.06, while 1st support hits today at 116.37 and below there at 116.08.

CANADIAN DOLLAR (MAR) 01/31/2024: The market now above the 40-day moving average suggests the longer-term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance 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 near-term upside target is at 74.90. The next area of resistance is around 74.83 and 74.90, while 1st support hits today at 74.55 and below there at 74.34.

BRITISH POUND (MAR) 01/31/2024: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 next upside target is 127.74. The next area of resistance is around 127.41 and 127.74, while 1st support hits today at 126.60 and below there at 126.11.

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	103.20	57.88	56.28	83.05	82.00	103.31	103.24	102.79	102.51	102.90
JYAH24	68.26	37.31	39.06	11.91	14.38	68.19	68.15	68.81	69.66	69.23
EU6H24	108.6650	38.12	41.95	19.22	19.59	108.67	108.87	109.26	109.50	109.24
BPAH24	127.01	49.68	51.41	50.37	50.60	127.02	127.03	127.11	126.83	126.08
CAAH24	74.69	57.10	54.24	31.42	44.37	74.46	74.34	74.50	74.50	74.11
SFAH24	116.61	49.07	48.94	22.27	29.28	116.34	116.06	117.01	116.80	115.95
DAAH24	66.13	43.64	44.32	23.36	28.29	0.66	0.66	0.66	0.67	0.66

Calculations based on previous session. Data collected 01/30/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH24	US Dollar	102.73	102.97	103.20	103.43	103.66
JYAH24	Japanese Yen	67.89	68.06	68.28	68.45	68.67
EU6H24	Euro	108.1487	108.4325	108.6137	108.8975	109.0787
BPAH24	British Pound	126.10	126.59	126.93	127.41	127.74
CAAH24	Canadian Dollar	74.33	74.54	74.62	74.83	74.90
SFAH24	Swiss	116.07	116.36	116.56	116.86	117.06
DAAH24	Australian Dollar	65.61	65.88	66.11	66.38	66.61

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