



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday February 16, 2024

BONDS COMMENTARY

2/16/2024

The trend is down but short covering is possible following data

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

In retrospect, the treasury markets were unable to sustain a two-day recovery from the spike down failure move earlier this week. However, the rally/short covering was justified by a slightly soft tone from US economic data and from the UK and Japan technically entering recession with two straight months of contracting growth. Spillover support for treasury prices from the UK recession discussion was tempered early today with a significant rebound in UK retail sales. On the other hand, treasury prices continue to see limited pressure from economic optimism generated by residual strength in US equities. Fortunately for the bull camp noted weakness in US retail sales last month helps to underpin prices even though that contraction might have been largely the result of one off extreme cold keeping retail foot traffic low. However, today's US PPI report could be a more significant development than the markets think today, as the Bank of Japan overnight said they would review the need for rate cuts when inflation goals are achieved, the Atlanta Fed Pres. indicated more time is needed to "weigh the prospects of a rate cut" and the euro zone said low productivity will make it difficult for inflation to fall quickly. While we think the reaction to this morning's US PPI report will be compacted and temporary because of the minimal changes expected by the trade, a simple 0.2% gain could throw bonds and notes sharply lower. Today's US housing starts and permits data are likely to be secondary considerations but a slight uptick in PPI could make anything positive from housing a big negative for treasuries. Today will be a busy North American session will start out with January Canadian housing starts. The North American session will start out with January US housing starts which are expected to have a minimal uptick from December's 1.46 million annualized rate. January US building permits are forecast to have a mild uptick from December's 1.49 million annualized rate. The January US producer price index is expected to have a moderate downtick from December's 1.0% year-over-year rate. The January US core producer price index (excluding food and energy) is forecast to have a mild downtick from December's 2.5% year-over-year rate. December Canadian wholesale sales are expected to have a minimal downtick from November's 0.9% reading. A private survey of February US consumer sentiment is forecast to have a minimal uptick from the previous 79.0 reading. Richmond Fed President Barkin, Fed Vice Chair Barr and San Francisco Fed President Daly will speak during morning US trading hours.



TODAY'S MARKET IDEAS:

While the US Treasury International Capital Flows report yesterday afternoon showed a net inflow, the markets seem to have fully ignored that news and have adopted a slightly bearish early stance to start today. As indicated already, it is difficult to predict today's reaction to US PPI as the magnitude of anticipated change in the reading call for minimal incremental change. With the sharp February slide in treasury prices, we think a large measure of "early rate cut" sentiment has been factored into prices especially with expectations for a March US rate cut at only 8% and odds of a June cut a 50-50 proposition. In the end, we see the "trend" pointing down but realize the potential for a week ending temporary bounce to resistance of 119-20 in March bonds.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

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BONDS (MAR) 02/16/2024: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 117-300. The next area of resistance is around 119-120 and 120-010, while 1st support hits today at 118-110 and below there at 117-300.

10 YR TREASURY NOTES (MAR) 02/16/2024: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 109-220. The next area of resistance is around 110-130 and 110-235, while 1st support hits today at 109-285 and below there at 109-220.

STOCKS COMMENTARY

2/16/2024

Today is a critical junction the trend is your friend

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

Global equity markets overnight were higher except for the Spanish IBEX which fell by mere fractions of one percent. Obviously, US equity markets remain tightly tethered to the ebb and flow of US rate policy potentials and therefore today's US PPI report will be a critical reading for the markets. Certainly, US equities have shown bullish resiliency, and therefore, we think an "as expected" and certainly "a lower than expected" PPI will result in a strong close to the week.



S&P 500: Clearly, bullish resiliency is reiterated with the higher high for the move in the S&P early today. Therefore, it is likely that an "as expected" gain in US PPI of only 0.1% later today will result in the S&P challenging the old high up at 5066.50. On the other hand, a mere +0.2% PPI could be very challenging to the bull camp especially after a three-day low to high rally of 124 index points. The trend is your friend, but even minimal signs of sticky inflation could result in a temporary spike down to 5031.50.

Other US Indexes: With the aggressive range up extension of this week's recovery yesterday the Dow appears poised to retest the highs above 39,000. The Index has discounted news of a 2% reduction in Nike jobs and ignored a measure of concern toward US banks following the US Federal Reserve release of its 2024 bank stress tests guidelines. In the end, we see the Dow hyper focused on the ebb and flow of US treasury yields, but we will remain bullish toward the Dow if the March Bond contract holds above 117-30 following today's US scheduled inflation data. We suspect the NASDAQ to continue to "buy the rumor" of favorable Nvidia earnings next week. In our opinion, the performance of Nvidia and the exploding chip demand environment created by AI is likely to drive the NASDAQ sharply higher in the coming week. Buying support in the March NASDAQ today is 17,901 and thin resistance is at 18,121.

TODAY'S MARKET IDEAS:

The bull camp retains control today unless PPI posts a higher-than-expected US PPI result even if that upside surprise is minimal. On the other hand, an effective outside market indicator is the treasury bond market with a trade below 117-30 temporarily deflating bullish control.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 02/16/2024: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 5000.63. The next area of resistance is around 5069.25 and 5079.62, while 1st support hits today at 5029.75 and below there at 5000.63.

MINI-DOW (MAR) 02/16/2024: 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside objective is 38344. The next area of resistance is around 39054 and 39165, while 1st support hits today at 38644 and below there at 38344.

E-MINI NASDAQ (MAR) 02/16/2024: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 17727.57. The next area of resistance is around 18050.12 and 18103.06, while 1st support hits today at 17862.38 and below there at 17727.57.

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	118-270	40.30	42.53	17.25	12.94	118.80	119.61	120.27	121.79	120.72
TYAAH24	110-045	39.41	41.53	13.23	12.76	110.13	110.57	111.09	111.73	111.31
EPH24	5049.50	66.71	66.57	82.97	82.01	5019.00	5008.94	4966.78	4862.89	4803.53
ENQH24	17956.25	62.70	63.11	79.50	76.98	17864.69	17840.69	17699.11	17222.69	16970.38
YMH24	38849	60.35	60.93	72.00	68.48	38636.00	38653.44	38506.72	38056.73	37581.07

Calculations based on previous session. Data collected 02/15/2024

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	117-290	118-100	118-310	119-120	120-010
TYAAH24	10 Yr Treasury Notes	109-215	109-280	110-065	110-130	110-235
EPH24	S&P E-Mini	5000.62	5029.75	5040.12	5069.25	5079.62
ENQH24	E-Mini NASDAQ	17727.56	17862.37	17915.31	18050.12	18103.06
YMH24	Mini-Dow	38343	38643	38754	39054	39165

Calculations based on previous session. Data collected 02/15/2024

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CURRENCIES COMMENTARY

2/16/2024

Expected change in US PPI is splitting hairs limiting volatility

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +75, YEN -13, SWISS -22, CA DOLLAR -70

Upcoming International Reports (all times CT)

02/16 UK Retail Sales 1:00 AM
02/16 Swiss Industrial Production 1:30 AM
02/16 France Consumer Price Index 1:45 AM
02/16 Canadian New Housing Price I 7:30 AM
02/16 Canadian Wholesale Trade 7:30 AM
02/16 Housing Starts 7:30 AM
02/16 PPI 7:30 AM



DOLLAR: While we perceive this week's setback in the dollar as an overreaction to Goldilocks data, today's US PPI report will virtually complete the monthly inflation cycle from last month action and that could result in a sharp swing in the US interest rate policy pendulum. Certainly, soft US scheduled data recently has justified a portion of the slide in the dollar this week and we assume today's inflation report will ultimately undermine the dollar but might not prevent a dollar index trade below 104.00 today.

Other Currencies: In a minimally euro supportive development the ECB overnight indicated they were concerned low productivity would keep inflation declines slow. However, with the euro approaching downtrend channel resistance and recessionary chatter toward the European economy discounted this week, there appears to be a bullish Euro bias in place. In fact, despite a 0.1% Spanish consumer price index reading this morning the euro has remained in positive territory. Unfortunately for the bull camp a softer than expected (+0.1%) US PPI is needed to forge a sustainable breakout above downtrend channel resistance in the euro today at 1.0810. While one could suggest the Pound's ability to hold up this week in the face of the technical designation the UK economy has fallen into recession, we think the action shows some bullish capacity in the Pound. In fact, the Pound should draft fresh support from surprisingly stronger-than-expected UK retail sales reading this morning. In conclusion, UK retail sales provides the pound even bullish fuel to lead in a currency market devoid of dominating leadership. While it is not a significant accomplishment, the Canadian appears to have the most bullish technical and fundamental set up in the currency markets today. In fact, without a hotter than expected US PPI report, we see the Canadian breaking out above a downtrend channel resistance line at 74.38 today.

TODAY'S MARKET IDEAS:

Once again, the currency markets have a void of leadership which favors further sideways action in most currencies. However, UK and Japan officially and statistically entered recession last month and that should provide lift to the euro, Canadian and Swiss.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 02/16/2024: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close below the 9-day moving average is a negative short-term indicator for trend. 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 103.73. The next area of resistance is around 104.45 and 104.81, while 1st support hits today at 103.92 and below there at 103.73.

EURO (MAR) 02/16/2024: The crossover up in the daily stochastics is a bullish signal. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside objective is at 108.3562. The next area of resistance is around 108.1325 and 108.3562, while 1st support hits today at 107.5275 and below there at 107.1463.

JAPANESE YEN (MAR) 02/16/2024: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next downside objective is now at 66.50. The next area of resistance is around 67.22 and 67.44, while 1st support hits today at 66.75 and below there at 66.50.

SWISS (MAR) 02/16/2024: The daily stochastics gave a bullish indicator with a crossover up. 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 market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 114.81. The next area of resistance is around 114.47 and 114.81, while 1st support hits today at 113.51 and below there at 112.89.

CANADIAN DOLLAR (MAR) 02/16/2024: The crossover up in the daily stochastics is a bullish signal. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 74.63. The next area of resistance is around 74.50 and 74.63, while 1st support hits today at 74.05 and below there at 73.71.

BRITISH POUND (MAR) 02/16/2024: Momentum studies are declining, but have fallen to oversold levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 125.25. The next area of resistance is around 126.29 and 126.46, while 1st support hits today at 125.69 and below there at 125.25.

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	104.18	57.51	58.43	81.51	80.06	104.43	104.23	103.75	102.73	102.84
JYAH24	66.98	33.72	35.09	9.41	9.10	66.92	67.33	67.81	69.24	69.20
EU6H24	107.8300	43.70	42.45	19.73	22.63	107.59	107.72	108.19	109.18	109.19
BPAH24	125.99	43.39	44.89	32.05	28.55	125.91	125.98	126.51	126.82	126.64
CAAH24	74.27	50.28	49.01	32.57	32.86	74.03	74.13	74.28	74.63	74.38
SFAH24	113.99	35.72	36.84	11.04	12.62	113.71	114.44	115.40	116.68	116.33
DAAH24	65.29	46.82	44.41	24.01	28.26	0.65	0.65	0.65	0.67	0.66

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH24	US Dollar	103.72	103.91	104.26	104.45	104.81
JYAH24	Japanese Yen	66.50	66.75	66.97	67.22	67.44
EU6H24	Euro	107.1462	107.5275	107.7512	108.1325	108.3562
BPAH24	British Pound	125.24	125.68	125.85	126.29	126.46
CAAH24	Canadian Dollar	73.70	74.04	74.16	74.50	74.63
SFAH24	Swiss	112.88	113.50	113.85	114.47	114.81
DAAH24	Australian Dollar	64.67	65.03	65.19	65.55	65.71

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