



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday December 15, 2022

BONDS COMMENTARY

12/15/2022

The trend remains up, but will momentum wane?

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

Obviously, the bias in treasuries from a fundamental perspective is pointing up with economic uncertainty front and center again this morning in the face of disastrous Chinese industrial production and retail sales figures. In a continuation of the counterintuitive action in treasuries, the bull camp is assisted because of inflation fighting assistance from the Swiss National Bank, BOE and ECB. In other words, with several major central banks hiking rates within a 24-hour period fear of global slowing/recession is stoked again. With the added relief of softer inflation readings from the US and UK earlier this week, the bull camp in treasuries has yet another supportive fundamental argument. However, the markets will be presented with a veritable avalanche of US scheduled data points today with bond and note prices searching for a fresh catalyst to propel the markets into fresh upside breakouts. In our opinion, the initial claims report will offer little direction, while the Empire State manufacturing index, the Philadelphia Fed manufacturing survey and US retail sales are likely to provide buying impetus. The North American session will start out with November Canadian housing starts which are forecast to have a modest decline from their October annualized rate. A weekly reading on US initial jobless claims is expected to have a minimal uptick from the previous 230,000 reading. Ongoing jobless claims are forecast to have a modest weekly increase from the previous 1.671 million reading. November retail sales are expected to have a moderate downtick from October's 1.3% reading. The Philly Fed December manufacturing survey is forecast to have a moderate uptick from November's -19.4 reading. The New York Fed's December Empire State survey is expected to have a mild downtick from November's 4.5 reading. November industrial production is forecast to have a modest uptick from October's -0.1% reading, while November capacity utilization is expected to have a modest downtick from October's 79.9% reading. October business inventories are forecast to hold steady with September's 0.4% reading. Earnings announcements will include Adobe after the Wall Street close.



TODAY'S MARKET IDEAS:

The bull camp holds the edge today with the markets easily capable of an upside breakout and the highest trade since early September. While the bull camp is partially assisted by "expectations of soft data", signs of a loss of upside momentum could result in a very limited upside reaction from data. Nonetheless, signs point to a slowing US economy and that should launch bond and note prices to the top of the uptrend channel at 134-01 in March bonds and to 115-20 in March T-Notes. About the most the bear camp can hope for today is a lack of bullish price action to bullish data.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long March Bond 126-00/109-00 bear put spread from 2-40. Traders should have banked profits on the short 109-00 put around 0-06.

BONDS TECHNICAL OUTLOOK:

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BONDS (MAR) 12/15/2022: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 129-260. The next area of resistance is around 132-010 and 132-170, while 1st support hits today at 130-220 and below there at 129-260.

10 YR TREASURY NOTES (MAR) 12/15/2022: The daily stochastics gave a bullish indicator with a crossover up. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. 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 near-term upside target is at 115-195. The next area of resistance is around 115-110 and 115-195, while 1st support hits today at 114-175 and below there at 114-000.

STOCKS COMMENTARY

12/15/2022

Prices should continue to decline as bullish fundamental news is absent

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 -47

Global equity markets overnight were all lower with declines reaching 1.2% in Spain. The bias is down in equity markets today as a flurry of foreign central bank rate hikes are expected before Wall Street opens. While the Fed did not offer anything surprisingly negative from the rate hike pace front yesterday, a continuation of rate hike promises has prompted some markets (treasuries) to factor in increased recession prospects again. Yet another indirect negative for US equity markets is the combination of very concerning Chinese economic data and what the markets think is an ongoing explosion of infections inside China. Earnings announcements will include Adobe after the Wall Street close.



S&P 500: Fortunately for the bull camp, bearish sentiment from earlier in the week has not been joined by "anxiety". Therefore, the market should continue to slide lower uniformly and perhaps without serious momentum. An example of the bearish economic bias in place will be on display today as retail analysts have pointed to signs of favorable US holiday sales activity at the same time the markets are expecting a contraction in overall US retail sales from last month. Even Tesla is adding to the negative track in prices today with sales of Tesla stock by Elon Musk continuing to pressure that major bellwether stock. We see a near term downside target at the recent consolidation low down at 3924.50.

Other US Indexes: Clearly, the fear of runaway inflation has been replaced by fear of ongoing economic headwinds well into next year from Fed rate hikes. In retrospect, the markets fully discounted very positive Boeing aircraft sales news and discounted very optimistic Delta Airlines forward earnings views. Therefore, most the bear camp can hope for is a slide devoid of significant anxiety and momentum. Near term downside projections for the December Dow are 33,482 and then at 33,403. Obviously, the NASDAQ is under pressure because of block sales of Tesla shares from its founder but that is compounded by news of significant regulatory actions launched against Apple and Microsoft from the Australian government. Initial downside targeting is even numbers of 11,500 with a lower target seen down at 11,422.

TODAY'S MARKET IDEAS:

The path of least resistance is down as positive corporate news is largely ignored and the prospect of improving earnings eroding daily. In other words, given the current environment investors perceive more risk than reward in

the markets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 12/15/2022: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 3947.82. The next area of resistance is around 4086.12 and 4135.31, while 1st support hits today at 3992.38 and below there at 3947.82.

MINI-DOW (MAR) 12/15/2022: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 33594. The next area of resistance is around 34650 and 35018, while 1st support hits today at 33938 and below there at 33594.

E-MINI NASDAQ (MAR) 12/15/2022: The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher from mid-range, which should support 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 12235.37. The next area of resistance is around 12060.75 and 12235.37, while 1st support hits today at 11720.25 and below there at 11554.38.

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 |
|--------------------------|----------|--------------|---------------|---------------------------|---------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| FINANCIAL COMPLEX | | | | | | | | | | |
| USAAH23 | 131-110 | 66.22 | 64.68 | 81.84 | 79.57 | 130.48 | 130.43 | 128.69 | 124.55 | 125.10 |
| TYAAH23 | 114-300 | 63.23 | 61.65 | 74.53 | 75.68 | 114.41 | 114.46 | 113.84 | 112.28 | 112.34 |
| EPH23 | 4039.25 | 54.33 | 54.56 | 38.83 | 37.84 | 4019.25 | 4017.06 | 4031.65 | 3920.53 | 3872.96 |
| ENQH23 | 11890.50 | 53.41 | 52.96 | 41.00 | 41.47 | 11830.81 | 11820.81 | 11855.04 | 11586.84 | 11553.61 |
| YMH23 | 34294 | 55.55 | 57.29 | 41.54 | 39.19 | 34160.00 | 34142.44 | 34252.94 | 33068.67 | 32262.45 |

Calculations based on previous session. Data collected 12/14/2022

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 | | | | | | |
| USAAH23 | Bonds | 129-250 | 130-210 | 131-050 | 132-010 | 132-170 |
| TYAAH23 | 10 Yr Treasury Notes | 113-315 | 114-170 | 114-255 | 115-110 | 115-195 |
| EPH23 | S&P E-Mini | 3947.81 | 3992.37 | 4041.56 | 4086.12 | 4135.31 |
| ENQH23 | E-Mini NASDAQ | 11554.37 | 11720.25 | 11894.87 | 12060.75 | 12235.37 |

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CURRENCIES COMMENTARY

12/15/2022

Temporary Dollar bounce the down trend should return soon

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

US DOLLAR +671, YEN -74, SWISS -56, CA DOLLAR -140

Upcoming International Reports (all times CT)

12/15 France Business Climate Surv 1:45 AM
 12/15 France Consumer Price Index 1:45 AM
 12/15 Swiss Monetary Policy 2:30 AM
 12/15 UK Monetary Policy 6:00 AM
 12/15 UK Monetary Policy Minutes 7:00 AM
 12/15 Canadian Housing Starts 7:15 AM
 12/15 Euro-zone Monetary Policy 7:15 AM
 12/15 Business Inventories 7:30 AM
 12/15 Jobless Claims 7:30 AM
 12/15 Retail Sales 7:30 AM
 12/15 Capacity Utilization 8:15 AM
 12/15 Industrial Production 8:15 AM
 12/15 EIA Gas Storage 9:30 AM
 12/15 UK Consumer Confidence 6:01 PM
 12/16 UK Retail Sales 1:00 AM
 12/16 France Manufacturing PMI Fla 2:15 AM
 12/16 France Services PMI Flash 2:15 AM
 12/16 Euro-zone Consumer Price Ind 4:00 AM
 12/16 Euro-zone Foreign Trade 4:00 AM
 12/16 Canadian New Housing Price I 7:30 AM
 12/16 Canadian Wholesale Trade 7:30 AM



DOLLAR: While the dollar is showing strength this morning the downside extension following the latest US rate hike (and more specifically in the face of promises of a consistent chain of hikes in 2023) confirms market sentiment toward the dollar has indeed shifted bearish. Traders should expect a measure of volatility early today as three major foreign central banks are expected to hike rates this morning. However, the lack of selling in the dollar following this morning's rate hikes likely signal additional minor gains in the dollar today. We doubt the December dollar will reach downtrend channel selling resistance (which also coincides with the 200-day moving average) at 105.85 today. Our pick for a fresh short entry price in the dollar index is 105.09.

EURO: As for the dollar, the euro today looks to correct against the uptrend in place since the late September low. Adding into the slight corrective track in the euro this morning is a significant downtick in German wholesale prices and a marginally softer than expected French consumer price index reading. However, shortly after this research is released, the European Central Bank is likely to raise rates by 50-basis points. Unfortunately for the bull camp, the euro is likely to react as the dollar did yesterday following its rate hike. In other words, back and fill declines are expected in the Euro today with a close in buy price pegged at 1.057.

YEN: The corrective pattern in non-dollar currencies is present in the Yen trade with uptrend channel buying support today positioned down at 72.90 in the March Yen. As indicated many times in the past regularly scheduled economic data from Japan exerts minimal impact on the Yen, but Japan saw a significant influx of foreign investment in Japanese stocks, improvement in exports and a significant jump in imports and that should offer support to the currency.

SWISS: While we do not see the uptrend in the Swiss reversing, the significant run up from the December lows is likely to result in a significant temporary corrective setback today. As in the Japanese Yen, Swiss fundamental developments like central bank action and Swiss economic data points are of little impact on the value of the Swiss. Therefore, the 50-basis point rate hike from the Swiss National Bank this morning is not a cushion for prices.

POUND: Even though the Pound has and is likely to retain the most uniform uptrend of the actively traded foreign currencies, overall market conditions today favor a temporary dip. In fact, it is likely that the Pound will exhibit "sell the fact" action following the BOE rate hike. Uptrend channel buying support in the March Pound today is 1.226.

CANADIAN DOLLAR: While the Canadian only saw very modest buying off the weakness in the dollar earlier this week, the currency is likely to see limited selling because of the recovery in the dollar today. As in most nondollar currencies, the Canadian is unlikely to see a major impact from a Canadian employment insurance beneficiaries report for October this morning. Pushed into the Canadian we are a seller of minimal rallies today to 73.88.

TODAY'S MARKET IDEAS:

Temporary counter trend trade action today to balance technical indicators Fokker and set the stage for a continuation of previously established trends next week.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short the December Swiss franc at 1.0482. * Added a long January Swiss franc 1.09 call and a short 1.07 January Swiss franc put for a net cost of 30 ticks.

Traders should look to bank profits on the short put at 30 and hold the call. *Insert an objective of the short Dec Swiss at 1.0760. Short exit of the December Swiss (6:30 am - 7:00 am 14th) 1.79. Hit objective on short put at 30.00 Remain long Jan Swiss 1.09 call.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 12/15/2022: 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 market tilt is slightly negative with the close under the pivot. The next downside objective is 102.57. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 103.62 and 104.13, while 1st support hits today at 102.85 and below there at 102.57.

EURO (MAR) 12/15/2022: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 108.1899. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 107.9199 and 108.1899, while 1st support hits today at 107.1400 and below there at 106.6300.

JAPANESE YEN (MAR) 12/15/2022: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside objective is 73.98. The next area of resistance is around 75.17 and 75.62, while 1st support hits today at 74.35 and below there at 73.98.

SWISS (MAR) 12/15/2022: Momentum studies are trending higher but have entered overbought levels. 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 next upside target is 110.23. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 109.85 and 110.23,

while 1st support hits today at 108.91 and below there at 108.35.

CANADIAN DOLLAR (MAR) 12/15/2022: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's short-term trend is positive on the close above the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 74.35. The next area of resistance is around 74.15 and 74.35, while 1st support hits today at 73.65 and below there at 73.35.

BRITISH POUND (MAR) 12/15/2022: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 125.45. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 125.08 and 125.45, while 1st support hits today at 124.06 and below there at 123.40.

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 | | | | | | | | | | |
| DXAH23 | 103.23 | 28.23 | 31.89 | 22.43 | 16.75 | 104.01 | 104.38 | 105.16 | 107.92 | 108.96 |
| JYAH23 | 74.76 | 63.00 | 62.43 | 65.85 | 64.99 | 74.29 | 74.35 | 73.62 | 71.32 | 71.15 |
| EU6H23 | 107.5300 | 75.12 | 70.47 | 83.30 | 87.97 | 106.70 | 106.25 | 105.37 | 102.70 | 101.76 |
| BPAH23 | 124.57 | 73.00 | 68.49 | 83.69 | 86.50 | 123.59 | 122.96 | 121.66 | 117.76 | 116.10 |
| CAAH23 | 73.90 | 48.68 | 48.17 | 25.09 | 28.64 | 73.65 | 73.67 | 74.12 | 73.93 | 73.78 |
| SFAH23 | 109.38 | 70.99 | 67.27 | 80.09 | 83.45 | 108.58 | 108.06 | 107.43 | 104.80 | 104.38 |
| DAAH23 | 68.85 | 62.25 | 60.59 | 67.86 | 72.89 | 0.68 | 0.68 | 0.68 | 0.66 | 0.66 |

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DAILY SWING STATISTICS

| Contract | | Support 2 | Support 1 | Pivot | Resist 1 | Resist 2 |
|-------------------------|-------------------|-----------|-----------|----------|----------|----------|
| CURRENCY COMPLEX | | | | | | |
| DXAH23 | US Dollar | 102.56 | 102.84 | 103.34 | 103.62 | 104.13 |
| JYAH23 | Japanese Yen | 73.97 | 74.34 | 74.79 | 75.17 | 75.62 |
| EU6H23 | Euro | 106.6300 | 107.1400 | 107.4100 | 107.9199 | 108.1899 |
| BPAH23 | British Pound | 123.39 | 124.05 | 124.42 | 125.08 | 125.45 |
| CAAH23 | Canadian Dollar | 73.35 | 73.65 | 73.85 | 74.15 | 74.35 |
| SFAH23 | Swiss | 108.34 | 108.90 | 109.28 | 109.85 | 110.23 |
| DAAH23 | Australian Dollar | 68.02 | 68.48 | 68.77 | 69.22 | 69.51 |

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