



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday December 16, 2022

BONDS COMMENTARY

12/16/2022

The bias remains up, but the bull case is richly factored

OVERNIGHT CHANGES THROUGH 3:16 AM (CT): BONDS -1

While international equity market declines overnight were not significant and early US equity market declines were modest, deteriorating sentiment in equity markets should help underpin bond and note prices today. However, given the wave of treasury supportive fundamental headlines this week, the inability to range higher could indicate the 132-00 level in March bonds and the 115-00 level in March Notes signals a factoring in of slowing and early signs of a peak in inflation. In fact, some analysts think the Treasury markets have largely factored in a recession. Certainly, yesterday's initial claims decline served to offset weakness in several other US economic activity readings, but we still view this week's net price gains as underwhelming. On the other hand, treasury bonds early today are two points above the initial spike low on Monday and the bond trade has continued to respect a uniform uptrend channel support line which is 130-05 today. Perhaps the lack of definitive upside extension in treasury prices this week is the result of a combination of very disappointing recent auctions and perhaps prices have become too expensive and yields too low to attract fresh interest. While a rearview mirror statistic, yesterday the trade was presented with foreign holdings of US treasuries for October which posted a 2nd straight monthly decline. However, it should be noted that the month of October saw the dollar near the highest levels of the year, thereby reducing the attractiveness of US instruments. Within the report Chinese holdings of treasuries fell from \$933 billion to \$909 billion while Japanese holdings (number one in holdings) fell from \$1.12 trillion to \$1.07 trillion. While we see an environment conducive to getting long bonds, prices this morning remain in the middle of the uptrend channel and therefore too far above support to get long in a thinning trade. The North American session will start out with the November Canadian new housing price index which is forecast to have a moderate downtick from October's 5.1% year-over-year rate. A "flash" reading on US manufacturing PMI is expected to have a modest uptick from the previous 47.7 reading. San Francisco Fed President Daly will speak during morning US trading hours. Earnings announcements will include Accenture and Darden Restaurants before the Wall Street opening.



TODAY'S MARKET IDEAS:

As indicated already, we favor the long side of treasuries on minimal downside action following the lower early trade. In fact, today's S&P global Composite, Manufacturing, and services PMI readings for the US look to post mixed results thereby moderating potential flight to quality buying interest flowing from noted weakness in equities. Our preferred long entry price in March bonds is 129-14, with that buying support line raised to 129-24 on Monday.

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) 12/16/2022: 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 close above the 9-day moving average is a positive short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 133-160. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 132-270 and 133-160, while 1st support hits today at 131-060 and below there at 130-050.

10 YR TREASURY NOTES (MAR) 12/16/2022: A bullish signal was given with an upside crossover of the daily stochastics. 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 objective is 115-125. The next area of resistance is around 115-065 and 115-125, while 1st support hits today at 114-225 and below there at 114-120.

STOCKS COMMENTARY

12/16/2022

Long liquidation and fresh speculative selling = more down

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 -45**

Global equity markets overnight were mostly lower with exceptions seen in Shanghai and Hong Kong. While macroeconomic factors are definitively negative and are expected to deteriorate ahead, serious technical damage on the charts again this morning emboldens the bear camp and scares would be buyers. In retrospect, classic positive fundamental corporate headlines this week have been tossed aside in favor of negative forward macroeconomic expectations. Even a positive US initial claims reading yesterday failed to spark a glimmer of optimism highlighting the downtrend in psychology. Earnings announcements will include Accenture and Darden Restaurants before the Wall Street opening.



S&P 500: As indicated already, severe damage on the charts has been perpetuated again overnight and classic chart support levels remain far below the early trade. Fortunately for the bull camp, the net spec and fund short in the Mini S&P early last week was already 142,429 contracts and with prices from that report trading more than 100 index points down the Index is becoming oversold. We point to developing oversold technical indicators as a possible bottom signal, but fundamentals are nearly universally bearish. Psychological support and targeting, is at 3850 with a 50% retracement of the October and December rally an early target today at 3855.10.

Other US Indexes: With the Dow futures spiking down again this morning investors are attempting to exit and salvage profits from what was a very strong quarterly performance by the index. As indicated several times earlier this week, very upbeat classic fundamental news for Dow stocks has been tossed aside and the trade continues to factor in longer-term economic erosion and recession. In the end, the lack of a "relief rally" after the central bank rate hike barrage indicates the markets are not "looking for positives". Initial and unreliable support is seen at 33,000 with lower targeting down at 32,860. While the brunt of the negative environment for the NASDAQ is arising from plummeting economic sentiment bearish technical signals should continue to press prices. Near term downside targeting is seen at 11,339 and then again down at 11,265.

TODAY'S MARKET IDEAS:

The path of least resistance remains down as the markets aggressively embrace and factor in progression toward recession and disappointing forward earnings conditions. At this point we are not sure what type of fundamental headline can turn the head of the market away from the downside.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 12/16/2022: 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 back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 3811.38. The next area of resistance is around 3984.75 and 4081.37, while 1st support hits today at 3849.75 and below there at 3811.38.

MINI-DOW (MAR) 12/16/2022: The major trend has turned down with the cross over back below the 40-day moving average. Momentum studies are declining, but have fallen to oversold levels. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. 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 32475. The next area of resistance is around 33900 and 34667, while 1st support hits today at 32804 and below there at 32475.

E-MINI NASDAQ (MAR) 12/16/2022: The market back below the 60-day moving average suggests the longer-term trend could be turning down. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. 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 11050.50. The next area of resistance is around 11685.00 and 12038.50, while 1st support hits today at 11191.00 and below there at 11050.50.

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										
USAAH23	132-000	70.05	67.22	82.62	84.18	131.02	130.68	129.07	124.71	125.13
TYAAH23	114-305	63.23	61.63	74.86	77.24	114.57	114.47	113.96	112.35	112.35
EPH23	3917.25	38.48	44.19	34.05	24.58	4007.19	3996.81	4026.72	3927.11	3874.50
ENQH23	11438.00	38.13	43.24	36.38	27.19	11773.06	11747.28	11833.04	11597.53	11547.92
YMH23	33352	37.37	44.79	36.28	25.71	34065.50	34000.89	34216.22	33151.96	32310.82

Calculations based on previous session. Data collected 12/15/2022

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	130-040	131-050	131-260	132-270	133-160
TYAAH23	10 Yr Treasury Notes	114-115	114-220	114-280	115-065	115-125

EPH23	S&P E-Mini	3811.37	3849.75	3946.37	3984.75	4081.37
ENQH23	E-Mini NASDAQ	11050.50	11191.00	11544.50	11685.00	12038.50
YMH23	Mini-Dow	32475	32804	33571	33900	34667

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CURRENCIES COMMENTARY

12/16/2022

Use counter trend action in Swiss, Euro and Yen to get long

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +17, YEN +37, SWISS +3, CA DOLLAR -45

Upcoming International Reports (all times CT)

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: So far this week the dollar has not experienced noted flight to quality buying interest from the anxiety flowing from serious declines in global equity prices. In a major psychological fundamental resistance development, the trade continues to embrace comments from the ECB President indicating the markets are not fully appreciative of the amount of additional ECB rate hikes necessary to control inflation. In other words, a portion of the currency trade thinks the US yield gap can shrink versus the euro zone. Fundamentally we have a significant problem embracing the idea that the euro zone economy will hold up to aggressive rate hikes as well as the US economy. Nonetheless, the charts in the dollar remain bearish and traders should sell tests of downtrend channel resistance of 104.37 today.

EURO: As indicated in dollar coverage this morning, very hawkish comments from the ECB suggesting the markets are understating of where EU rates need to go, is underpinning the euro. While French S&P global composite and services PMI readings were soft, German and overall, Euro zone PMI readings were distinctly positive. Furthermore, with the uniform downtrend in the dollar entrenching and a uniform uptrend channel in place in the euro we suggest buying a dip to uptrend channel support at 1.066.

YEN: With the dollar seemingly poised for lower lows and lower highs ahead, the short-term oversold condition of the Yen from this week's washout and given favorable Japanese "Jibun" bank manufacturing and services PMI readings for December overnight, the Yen should have fundamental and technical support today at 73.40.

SWISS: While the Swiss continues to exhibit the most volatility in the currency trade (especially during the December rally) is presenting an overbought technical condition, an ongoing downtrend in the dollar should thicken support underneath the Swiss and produce a fresh buy next week. We suggest getting long the Swiss on a setback to uptrend channel support of 1.081 today.

POUND: Even though the Pound has been a very uniform leadership currency against the dollar, the currency has violated uptrend channel support with the sharp declines of the last 24 hours, possibly because of disappointing UK data. Traders specifically point to the failure in the Pound following the rate hike wave this week as a sign of upcoming Pound weakness. Adding to the suspicions of the vulnerability of the UK economy is a 0.4% month-over-month decline in retail sales. We see pivot point support in the March Pound today at 1.2150.

CANADIAN DOLLAR: Building consolidation support of 73.11 combined with a lack of Canadian Dollar weakness in the face of Pound and dollar weakness earlier this week should discourage fresh sellers at today's

levels. However, seeing the Canadian consistently extend respect of the 73.00 support level might be largely the result of dollar weakness and the Canadians recent relegation to a currency without bullish or bearish conviction.

TODAY'S MARKET IDEAS:

Traders should use corrections in the Swiss, euro and in 4 fresh long entry.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Remain long Jan Swiss 1.09 call with an objective of 1.0930 basis the March Swiss futures contract.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 12/16/2022: The daily stochastics have crossed over up which is a bullish indication. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The outside day up is a positive signal. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 105.58. The next area of resistance is around 105.06 and 105.58, while 1st support hits today at 103.44 and below there at 102.35.

EURO (MAR) 12/16/2022: A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 105.6850. The next area of resistance is around 107.6500 and 108.5850, while 1st support hits today at 106.2000 and below there at 105.6850.

JAPANESE YEN (MAR) 12/16/2022: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-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 target is now at 72.10. The next area of resistance is around 74.19 and 75.30, while 1st support hits today at 72.60 and below there at 72.10.

SWISS (MAR) 12/16/2022: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 109.85. The next area of resistance is around 109.25 and 109.85, while 1st support hits today at 108.23 and below there at 107.81.

CANADIAN DOLLAR (MAR) 12/16/2022: The close below the 60-day moving average is an indication the longer-term trend has turned down. The daily stochastics have crossed over down which is a bearish indication. 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 defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 72.67. The next area of resistance is around 73.59 and 74.12, while 1st support hits today at 72.86 and below there at 72.67.

BRITISH POUND (MAR) 12/16/2022: A crossover down in the daily stochastics is a bearish signal. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 119.85. The

next area of resistance is around 123.44 and 125.46, while 1st support hits today at 120.64 and below there at 119.85.

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	104.25	40.85	39.28	23.25	23.82	103.99	104.41	105.00	107.76	108.85
JYAH23	73.39	47.79	52.32	61.92	54.04	74.10	74.13	73.68	71.41	71.19
EU6H23	106.9250	65.00	64.70	83.21	82.87	106.92	106.33	105.53	102.89	101.88
BPAH23	122.04	52.61	56.68	80.87	75.24	123.38	122.85	121.82	118.01	116.24
CAAH23	73.22	38.52	41.91	23.91	22.44	73.59	73.54	74.03	73.94	73.75
SFAH23	108.74	63.37	62.87	80.27	80.63	108.70	108.16	107.57	104.95	104.43
DAAH23	67.21	46.14	50.06	64.09	56.54	0.68	0.68	0.68	0.66	0.66

Calculations based on previous session. Data collected 12/15/2022

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH23	US Dollar	102.34	103.44	103.96	105.06	105.58
JYAH23	Japanese Yen	72.09	72.59	73.70	74.19	75.30
EU6H23	Euro	105.6850	106.2000	107.1350	107.6500	108.5850
BPAH23	British Pound	119.84	120.63	122.65	123.44	125.46
CAAH23	Canadian Dollar	72.66	72.86	73.39	73.59	74.12
SFAH23	Swiss	107.80	108.22	108.82	109.25	109.85
DAAH23	Australian Dollar	65.66	66.25	67.59	68.17	69.52

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