



# DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday January 04, 2024

## BONDS COMMENTARY

1/4/2024

**The bull camp desperately needs signs of softening jobs**

### OVERNIGHT CHANGES THROUGH 6:06 AM (CT): BONDS -1

Despite what was initially considered to be a supportive FOMC meeting minutes release yesterday afternoon, treasuries have given up the gains from that release in today's early action in a sign that the trade was not conclusively convinced in the dovish argument. Certainly, the dialogue from the Fed confirmed the beginning of a pivot but shifting focus does not equal an actual cut and certainly did not offer guidance on timing. It should be noted that despite a very lofty CME Fed watch tool probability of a cut in the March meeting prior to the FOMC meeting minutes release yesterday, the post probability of a March rate cut declined! While not a major impact on US treasuries, international PMI readings heavily favored growth over slowing, with the only slightly disappointing reading posted in French services PMI readings. Shifting the focus to the continuation of the US monthly jobs report cycle, the trade will be presented with a veritable avalanche of readings today which will likely steal the thunder from tomorrow's nonfarm payroll report. On another issue of potential major historical importance in the coming two weeks, the US deficit (now pegged at \$34 trillion by the US treasury after rising by \$1 trillion since September) should begin to impact treasury futures prices, as posturing for the January 19th end of the continuing resolution to keep the government open approaches. While some voices are demanding a reduction in the debt ceiling, most politicians in Washington are focusing on spending for Ukraine and the cost of unchecked immigration. With estimates of the number of border crossings for December pegged at 300,000 (suspect) and given increased backlash from Democratic constituents in sanctuary cities, it would not be surprising to see the number of border crossings "explode" as those seeking economic prosperity (generally not real asylum) fear the border will be closed. While political forces discount the financial cost of unfettered immigration, the costs add directly to the deficit are likely exponentially growing with the Federation of Immigration in March pegging the cost at \$151 billion per year! The total immigration in 2023 was pegged at 430,000 which means the 300,000-immigration tally in December should explode the cost to the US government. In conclusion, cumulative illegal immigration costs are likely approaching one half of \$1 trillion which means that issue combined with hundreds of billions in aid to Ukraine, on top of regular out-of-control domestic spending pattern should result in downgrades of US debt. With Washington unable to cope with the surging deficit from US domestic needs alone, the added extraordinary spending makes a budget deal very unlikely. The importance of US spending is and will become a major daily influence on treasury market action with bond vigilantes likely to attack US treasuries and in turn overcome buying interest from any signs of a weakening US economy. The North American session will start with the Challenger job cuts survey followed by the December ADP employment survey which is expected to have a modest uptick from November's 103,000 reading. A weekly reading on initial jobless claims is forecast to have a mild downtick from the previous 218,000 reading. Ongoing jobless claims are expected to have a modest weekly increase from the previous 1.875 million reading. A December reading on the US services PMI is forecast to have a mild uptick from November while the December Canadian services PMI is expected to have a modest downtick from November. Earnings announcements include Walgreens Boots Alliance and ConAgra Brands before the Wall Street opening.



### TODAY'S MARKET IDEAS:

As indicated already, spending by the US government continues to explode which should begin to pressure US rates higher and without fresh support from soft jobs data, bullish forces in treasuries are likely to be overcome. In fact, with slightly positive jobs data, the selling pressure in treasuries could become acute. The caveat of selling

this market is past instances where severe debt issues have surprisingly prompted flight to quality buying of treasuries! While we think the bias is down in US treasuries to start today the failure to hold 122-25 in March bonds could result in a sharp downside extension, while definitively soft jobs news will save the day for the bull camp.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **BONDS TECHNICAL OUTLOOK:**

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**BONDS (MAR) 01/04/2024:** Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 122-090. The next area of resistance is around 124-260 and 125-100, while 1st support hits today at 123-100 and below there at 122-090.

**10 YR TREASURY NOTES (MAR) 01/04/2024:** 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. The upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 111-200. The next area of resistance is around 112-275 and 113-035, while 1st support hits today at 112-040 and below there at 111-200.

#### **STOCKS COMMENTARY**

1/4/2024

**The markets have factored in too much premium for an early cut**

#### **OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**

**S&P 500 -2**

Global equity markets recovered overnight except for the markets in Shanghai and Sydney which traded nearly 0.5% lower. While US equity index markets did not make a new lows for the move overnight, the charts remain bearish, and investors are disappointed with the lack of a definitive step toward early 2024 rate cuts following the fed meeting minutes release yesterday. In the end, without data increasing the prospects of a first quarter US rate cut, we doubt rosy AI revenue expectations will save the day. Earnings announcements include Walgreens Boots Alliance and ConAgra Brands before the Wall Street opening.



**S&P 500:** The path of least resistance is down unless early data today definitively moves the needle toward a first quarter US interest rate cut. Obviously, the failure to hold 4741.00 early today opens the potential for a quick slide to 4700.00. In conclusion, "bad data is good for stock prices" but more importantly "good data is very bad for stock prices".

**Other US Indexes:** With the aggressive range down washout yesterday in the Dow sentiment in the market is bearish and the bull camp needs a life preserver. In our opinion, the 5000-point rally since late October in the Dow futures was based almost entirely on the hope for rate cuts with a smaller measure of optimism generated by lofty

AI profit hopes. As in the S&P the failure to hold 37,664 in March Dow index futures could result in a quick retest of the December low down at 37,390. While the NASDAQ should see some support from the US plan to finance the chip sector with a \$162 million grant for Microchip Technology, big picture macroeconomic influences are set to dominate. The failure to hold 16,522 in the coming 24 hours should set the stage for a decline to 16,250.

**TODAY'S MARKET IDEAS:**

We see a major pivot/junction for equities in the coming 36 hours with the bull camp already extracting significant rewards from the prospects of an early 2024 rate cut. In addition to the extremely overbought fundamental situation, investors should be concerned about a soft-landing washout as valuations are sky high and perhaps most importantly the potential for a US debt downgrade in the coming two weeks.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**STOCKS TECHNICAL OUTLOOK:**

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S&P E-MINI (MAR) 01/04/2024: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. 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 target is now at 4705.94. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 4770.37 and 4805.43, while 1st support hits today at 4720.63 and below there at 4705.94.

MINI-DOW (MAR) 01/04/2024: The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 37417. Daily studies pointing down suggests selling minor rallies. The next area of resistance is around 37869 and 38116, while 1st support hits today at 37519 and below there at 37417.

E-MINI NASDAQ (MAR) 01/04/2024: 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 market tilt is slightly negative with the close under the pivot. The next downside objective is 16366.57. The next area of resistance is around 16641.62 and 16797.06, while 1st support hits today at 16426.38 and below there at 16366.57.

**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
<b>FINANCIAL COMPLEX</b>										
USAAH24	124-020	59.51	62.86	85.42	79.85	124.48	124.47	122.98	118.10	116.17
TYAAH24	112-155	56.62	60.01	82.66	77.11	112.64	112.74	112.14	110.20	109.40
EPH24	4745.50	46.11	54.64	83.22	71.65	4795.06	4798.92	4764.94	4616.02	4551.20
ENQH24	16534.00	39.11	48.42	77.59	58.59	16839.81	16920.67	16785.29	16196.98	15928.54
YMH24	37694	57.81	64.85	89.26	84.64	37922.00	37833.11	37543.44	36123.07	35557.78

Calculations based on previous session. Data collected 01/03/2024

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>FINANCIAL COMPLEX</b>						
USAAH24	Bonds	122-080	123-090	123-250	124-260	125-100
TYAAH24	10 Yr Treasury Notes	111-195	112-035	112-115	112-275	113-035
EPH24	S&P E-Mini	4705.93	4720.62	4755.68	4770.37	4805.43
ENQH24	E-Mini NASDAQ	16366.56	16426.37	16581.81	16641.62	16797.06
YMH24	Mini-Dow	37416	37519	37766	37869	38116

Calculations based on previous session. Data collected 01/03/2024

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## CURRENCIES COMMENTARY

1/4/2024

**The dollar is vulnerable to a washout and high volatility**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**

**US DOLLAR -120, YEN -49, SWISS +2, CA DOLLAR +80**

### Upcoming International Reports (all times CT)

01/04 France Services PMI 2:50 AM  
01/04 German Service PMI 2:55 AM  
01/04 Euro-Zone Services PMI 3:00 AM  
01/04 UK CIPS/NTC Research Service 3:30 AM  
01/04 Jobless Claims 7:30 AM  
01/04 ISM Services PMI 9:00 AM  
01/04 EIA Gas Storage 9:30 AM  
01/04 EIA Energy Stocks 10:00 AM  
01/04 Japan Services PMI 6:30 PM  
01/04 Japan Consumer Confidence Su 11:00 PM  
01/05 German Retail Sales 1:00 AM  
01/05 UK Halifax Housing Price Ind 1:00 AM  
01/05 Swiss Retail Sales 1:30 AM  
01/05 France ECRI Future Inflation 3:30 AM  
01/05 German ECRI Future Inflation 3:30 AM  
01/05 UK ECRI Future Inflation Gau 3:30 AM  
01/05 Euro-zone ECRI Future Inflat 4:00 AM  
01/05 Euro-zone Industrial Produce 4:00 AM  
01/05 Canadian Labor Force Survey 7:30 AM  
01/05 Unemployment 7:30 AM  
01/05 Canadian PMI 9:00 AM  
01/05 Factory Orders 9:00 AM



**DOLLAR:** While the dollar has retrenched from yesterday's upside extension (a three-day aggressive rally) the bull camp faces a significant junction with a very large portion of the marketplace intensely focused on the ebb and flow of the probability of a US March rate cut. Therefore, mixed, or slightly better than expected jobs data could launch the dollar sharply higher. However, given the low to high rally in the dollar of 212 points over four days, definitive evidence of a soft jobs market could cause a 200 points compacted slide. In conclusion, today is a put up or shut up day for the dollar bulls and dollar bears and the winner will be decided by the resiliency or lack of resiliency in the US jobs market. Pushed into the market we favor the purchase of at the money dollar index puts.

**Other Currencies:** Even though the press has carried numerous stories suggesting the euro zone is already in a

recession, traders should not rule out the potential for the euro to win by default if today's early news rekindles hope of a first quarter US rate cut. However, the euro could also surge higher given the positive sweep of PMI readings throughout the continent overnight. Uptrend channel support and a pivot point today is 1.0935. The pound is also showing early signs of winning by default, but it might also see sustained buying following an increase in net lending to individuals, a significant jump in GBP consumer credit (a sign of consumer confidence), a jump in mortgage approvals and most importantly from better-than-expected S&P global composite and services PMI release. In short, the Pound bulls have the most definitive fundamental case in the currency space. Uptrend channel support in the pound today is 1.263. While the Canadian has certainly seen bullish sentiment drained by the previous three days large washout, the currency may have found value at 75.00. However, given the prospect of a significant trend decision in the dollar, the Canadian will be in a knee-jerk reaction mode today. We suggest traders abandon their bullish view toward the Canadian if the market fails at 74.85 today.

#### **TODAY'S MARKET IDEAS:**

While US initial claims data has signaled a leveling of growth in the US economy over the past two months, the US economy has the capacity to surprise with resiliency and therefore we are not ruling out a positive spin from the avalanche of jobs data in the coming 36 hours. Pushed into the market we favor the short side of the dollar through long put positions and favor the long side of the pound through bull call positions.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **CURRENCIES TECHNICAL OUTLOOK:**

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**US DOLLAR (MAR) 01/04/2024:** Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 102.78. The next area of resistance is around 102.49 and 102.78, while 1st support hits today at 101.84 and below there at 101.48.

**EURO (MAR) 01/04/2024:** Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 108.8563. The next area of resistance is around 109.9025 and 110.3062, while 1st support hits today at 109.1775 and below there at 108.8563.

**JAPANESE YEN (MAR) 01/04/2024:** A bearish signal was triggered on a crossover down in the daily stochastics. Declining momentum studies in the neutral zone will tend to reinforce lower price action. 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 69.83. The next area of resistance is around 71.10 and 71.69, while 1st support hits today at 70.18 and below there at 69.83.

**SWISS (MAR) 01/04/2024:** 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 117.55. The next area of resistance is around 119.10 and 119.37, while 1st support hits today at 118.19 and below there at 117.55.

**CANADIAN DOLLAR (MAR) 01/04/2024:** Stochastics turning bearish at overbought levels will tend to support

lower prices if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 74.69. The next area of resistance is around 75.11 and 75.29, while 1st support hits today at 74.82 and below there at 74.69.

BRITISH POUND (MAR) 01/04/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 downside target is now at 126.01. The next area of resistance is around 127.01 and 127.22, while 1st support hits today at 126.41 and below there at 126.01.

## 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
<b>CURRENCY COMPLEX</b>										
DXAH24	102.16	54.06	48.37	24.03	35.55	101.50	101.40	102.04	103.20	103.82
JYAH24	70.64	47.58	52.62	71.04	64.33	71.31	71.20	70.91	69.31	69.12
EU6H24	109.5400	44.18	49.01	72.47	59.62	110.24	110.45	109.77	109.05	108.41
BPAH24	126.71	49.42	52.40	64.41	57.33	126.95	127.06	126.74	125.37	124.52
CAAH24	74.96	50.07	56.22	82.18	72.60	75.35	75.44	74.86	73.84	73.68
SFAH24	118.64	62.67	64.69	77.54	70.15	119.15	118.56	117.23	115.27	114.72
DAAH24	67.45	48.39	54.75	82.48	72.88	0.68	0.68	0.67	0.66	0.66

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH24	US Dollar	101.47	101.83	102.13	102.49	102.78
JYAH24	Japanese Yen	69.82	70.17	70.75	71.10	71.69
EU6H24	Euro	108.8562	109.1775	109.5812	109.9025	110.3062
BPAH24	British Pound	126.00	126.40	126.61	127.01	127.22
CAAH24	Canadian Dollar	74.69	74.81	74.98	75.11	75.29
SFAH24	Swiss	117.54	118.18	118.45	119.10	119.37
DAAH24	Australian Dollar	66.80	67.11	67.49	67.79	68.17

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