



# DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday January 05, 2024

## BONDS COMMENTARY

1/5/2024

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

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

While the treasury market fell sharply yesterday following the downside breakout in weekly US initial and ongoing unemployment claims, the markets were under pressure prior to the release of the jobs data indicating a lingering bearish bias in sentiment. Therefore, this morning's downside extension before the primary jobs report release today is not surprising and likely signals a very poor close to the trading week. A potential contributing factor to renewed bearish control is the beginning of the political wrangling over the looming end of the continuing resolution and the rising threat of a US credit rating downgrade. Granted there are politicians aware of the downgrade threat, but it seems Washington's focus remains on an overly complicated solution allowing most parties to get some or all their pet spending programs. However, until there is a credit rating agency warning and or we are not at the 11th hour on December 19th, we would not expect legislative progress. In the near-term today's US nonfarm payroll report might have had its thunder stolen by falling initial claims and stronger than expected private job forecast from ADP and from a sharp drop in the Challenger job cuts report. Therefore, the only jobs related leading indicator this week not showing improvement was the JOLTS report which showed a drop in job openings which to the lowest since March 2021 and the lowest quit rate since February 2021. Second and third tier US economic data today are expected to show minimally positive results leaving the bear camp with a rounded case. The North American session will start out with the highlight for global markets, the December US employment situation report. December non-farm payrolls are forecast to come in around 150,000 to 170,000 which compares with November's 199,000 reading. The December US unemployment rate is expected to have a minimal uptick from November's 3.7% rate. December average hourly earnings are forecast to have a minimal downtick from November's 4.0% year-over-year rate. December Canadian unemployment is expected to have a minimal uptick from November's 5.8% rate along with a mild monthly increase in net employment. The December Canadian Ivey PMI is forecast to have a moderate downtick from November's 54.7 reading. November US factory orders are expected to have a sizable uptick from October's - 3.6% reading. The December ISM services index is forecast to have a minimal uptick from November's 52.7 reading. Richmond Fed President Barkin will speak during early afternoon US trading hours.



### TODAY'S MARKET IDEAS:

While the treasury markets have factored in some portion of a positive December jobs improvement with the slide of four points from last week's high, the most important scheduled report on a month in month and month out basis, is nonfarm payrolls and which could be seen as the final arbiter on the timing of a US rate cut. In fact, expectations for the payroll reading call for a lower number than last month but that appears to be a nonfactor. In our opinion, the trade was pent-up for a March rate cut and while the hope for cut will not be dashed completely by a decent number today, timing is likely to be pushed back by the markets. It should be noted there has been significant market chatter regarding the market setting rates for the Fed this year and that leaves open the possibility that a slightly better-than-expected report today could be partially discounted. Nonetheless, the charts are negative with a failure to hold 122-00 in March bonds and the failure at the 112-00 level in March Notes earlier this week project prices down to at least 121-21 in bonds and potentially significantly lower in treasury notes as the big range up trade on December 13th did not leave Treasury notes with close in support. Therefore, the next credible support level in March notes is 111-09.

### **NEW RECOMMENDATIONS:**

None.

### **PREVIOUS RECOMMENDATIONS:**

None.

### **BONDS TECHNICAL OUTLOOK:**

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

**BONDS (MAR) 01/05/2024:** Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. The close below the 1st swing support could weigh on the market. The next downside objective is 121-150. The next area of resistance is around 123-160 and 124-200, while 1st support hits today at 121-300 and below there at 121-150.

**10 YR TREASURY NOTES (MAR) 01/05/2024:** 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. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 111-120. The next area of resistance is around 112-105 and 112-265, while 1st support hits today at 111-195 and below there at 111-120.

### **STOCKS COMMENTARY**

1/5/2024

**The markets need to remove more premium based on an early cut**

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

**S&P 500 -14**

Global equity markets overnight were lower except for the markets in Japan and Russia which traded fractionally higher. While the equity markets showed signs of discounting the "good data is bad for equities" theme, ultimately the markets remained focused on declining odds of a March US rate cut. Perhaps the bull camp is fortunate traders and investors are distracted from classic corporate headline flow as the headlines this week have presented an ongoing pattern of legal, regulatory, and guarded forward guidance for many companies. Earnings announcements will include Constellation Brands before the Wall Street opening.



**S&P 500:** In our opinion, the S&P rarely reverses a downtrend pattern without a volatility event which can include a big range down followed by a reversal within the session. Therefore, it would not be surprising to see bargain hunting buying after initial weakness if the nonfarm payroll report is eventually shaped into a "Goldilocks" result. Initial but unreliable support is seen at 4696.75 with a "strong" reading (above 199,000) likely prompting a fresh wave of selling. In conclusion, the bias is down with an as expected payroll about the best the bull camp can hope for.

**Other US Indexes:** While the Dow showed signs of respecting the Wednesday low, the recovery stalled around the 38,000 level for the third straight session this week and the index this morning has posted a lower low and the lowest trade since December 22nd leaving the technical edge with the bear camp. However, the Dow has shown relative strength to the rest of the market and a nonfarm payroll reading near expectations of 176,000 could result in a weak downside extension followed by an afternoon recovery. Critical support today is at 37,462 with a trade above 37,765, a potential trend reversal signal. The NASDAQ has been the weakest sector relative to the rest of the market since the high in late December and with the markets/big tech not garnering renewed investment interest on weakness and in the face of US government support of the chip sector, sentiment remains off balance.

Near-term downside targeting in the NASDAQ today is 16,256 with a potential reversal signal with a trade above 16,587.

**TODAY'S MARKET IDEAS:**

The prevailing trend is down but a Goldilocks payroll reading (within a range of +160,000 and 185,000) potentially resulting in lower lows early and bargain hunting buying later!

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**STOCKS TECHNICAL OUTLOOK:**

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S&P E-MINI (MAR) 01/05/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 4699.13. The next area of resistance is around 4750.25 and 4778.12, while 1st support hits today at 4710.75 and below there at 4699.13.

MINI-DOW (MAR) 01/05/2024: 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. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 37502. The next area of resistance is around 37877 and 38074, while 1st support hits today at 37591 and below there at 37502.

E-MINI NASDAQ (MAR) 01/05/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 16327.57. The next area of resistance is around 16521.62 and 16630.06, while 1st support hits today at 16370.38 and below there at 16327.57.

**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	122-230	49.08	55.97	79.66	67.93	123.93	124.30	123.13	118.40	116.35
TYAAH24	111-310	47.41	54.00	76.44	63.78	112.42	112.65	112.18	110.32	109.47
EPH24	4730.50	42.65	52.05	74.22	55.82	4770.13	4796.75	4770.36	4627.26	4556.48
ENQH24	16446.00	35.87	45.79	65.66	41.56	16681.00	16882.83	16798.03	16238.29	15946.24
YMH24	37734	59.48	65.91	85.54	77.67	37855.50	37865.00	37613.67	36221.38	35618.53

Calculations based on previous session. Data collected 01/04/2024

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	121-140	121-290	123-010	123-160	124-200
TYAAH24	10 Yr Treasury Notes	111-115	111-190	112-030	112-105	112-265
EPH24	S&P E-Mini	4699.12	4710.75	4738.62	4750.25	4778.12
ENQH24	E-Mini NASDAQ	16327.56	16370.37	16478.81	16521.62	16630.06
YMH24	Mini-Dow	37502	37591	37788	37877	38074

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## CURRENCIES COMMENTARY

1/5/2024

**A bull dollar trend appears to be in the offing**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):  
US DOLLAR +290, YEN -32, SWISS -27, CA DOLLAR -95**

### Upcoming International Reports (all times CT)

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 US treasury and equity markets are tracking as expected following generally better-than-expected US data flow this week, the dollar saw an initial delayed reaction to bullish data yesterday creating temporary doubt on the bullish dollar theme. However, the overnight upside breakout and highest trade since December 13th, along with the approach of the 200-day moving average at 102.658 should instill fresh confidence in the bull camp today. On the other hand, given the initial weakness following yesterday's positive US data and the given upside breakout overnight the dollar bulls might need a payroll reading at or above estimates of 170,000-180,000 to extend the rally straightaway. In our opinion, this week's economic information reiterates the resiliency of the US economy and the odds of a pushback in US rate cut timing remain high. In conclusion, we see fundamental and technical signals extending the bull track.

**Other Currencies:** In retrospect, the December gains in the euro were largely the result of "win by default" against bearish dollar centric thinking. However, it seems that the markets underestimated the US economy again and temporarily managed to discount an ongoing teetering of the European economy. Along those lines much weaker than expected November German retail sales overnight and nondescript European inflation readings leave the internal fundamental case in the euro in favor of the bear camp. It should be noted that the euro slipped below its 200-day moving average early today for the third straight session (at 1.095 and therefore we see very unreliable support today at the breakout point of 1.0926. While the pound is tracking lower early today, somewhat hot Halifax House price readings provide the currency with minor fundamental support. Furthermore, expectations of a rate cut by the Bank of England have dropped and that should increase the unlikely prospect of the Pound holding a recent double low at 1.2621 in the wake of the US jobs report today. With the typical market focus on US jobs readings over Canadian jobs results, expectations calling for weaker Canadian readings and the downside breakout in the Canadian early today, the bear camp has the edge. Credible support on the charts comes in down at 74.72.

### TODAY'S MARKET IDEAS:

The trade is bullishly biased toward the dollar and -2 all actively traded nondollar currencies. In fact, dollar bulls



DXAH24	102.13	53.41	48.08	32.10	48.04	101.81	101.42	101.99	103.12	103.77
JYAH24	69.91	38.50	46.00	62.85	46.48	70.90	71.13	70.86	69.34	69.13
EU6H24	109.8000	47.81	51.17	65.16	50.44	109.95	110.45	109.85	109.11	108.47
BPAH24	126.89	51.45	53.62	60.04	51.31	126.84	127.11	126.79	125.48	124.59
CAAH24	75.00	49.64	55.92	76.34	64.70	75.16	75.43	74.93	73.89	73.70
SFAH24	118.51	59.04	62.15	72.62	63.46	118.83	118.69	117.38	115.39	114.82
DAAH24	67.18	43.36	51.25	74.91	59.75	0.68	0.68	0.67	0.66	0.66

**Calculations based on previous session. Data collected 01/04/2024**

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH24	US Dollar	101.71	101.94	102.09	102.32	102.47
JYAH24	Japanese Yen	69.13	69.42	70.10	70.40	71.08
EU6H24	Euro	109.2137	109.5174	109.7787	110.0824	110.3437
BPAH24	British Pound	126.22	126.53	126.94	127.25	127.66
CAAH24	Canadian Dollar	74.74	74.86	75.01	75.13	75.29
SFAH24	Swiss	117.78	118.15	118.49	118.86	119.21
DAAH24	Australian Dollar	66.67	66.86	67.31	67.50	67.94

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