



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday January 11, 2024

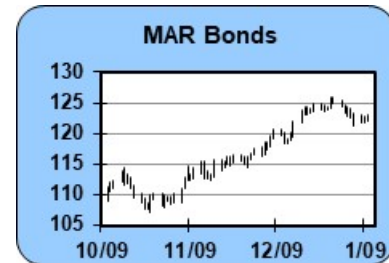
BONDS COMMENTARY

1/11/2024

The bias is down off recent tech and fundamental signals

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

In retrospect, it is undeniable that the prospects of a first quarter US rate cut are falling with another Fed member overnight (Williams) presenting hawkish statements suggesting more work is needed to bring inflation back to the Fed's target! While some may debate the impact of various Fed speeches, and the treasury market has not faltered significantly in the face of bearish Fed news, we think the bulls are on the ropes. However, we see the odds of soft inflation rising as energy and grain prices have declined significantly from last year's highs and have remained low which should be seeping into the economy. Our confidence of a softer inflation reading today is also based on inflation measures falling since July 2022 with monthly readings ranging between zero and 1.2% in that time frame. On the other hand, the upside in treasury prices should be limited by lingering headwinds from last Friday's better than expected US nonfarm payroll reading and from signs in the equity markets that the US might be capable of avoiding a soft landing altogether! Today's US economic report slate offers both growth and price signals which provide the market with information on both sides of the Fed's dual mandate. If US initial claims were not so close to a downside breakout, we would think today will be dominated by the CPI report. In other words, if US initial claims break the 200,000 level on the downside, CPI needs to be below 0.2% to see bonds respect this week's lows at 121-20. One of the CPI reading will likely frontload volatility in today's action, a US monthly budget statement for the month of December later today should not be ignored with the budget showdown drawing near. The North American session will start out with the highlight for global markets, the December US consumer price index which is expected to hold steady with November's 3.1% year-over-year rate. The December US core consumer price index (which excludes food and energy) is forecast to have a minimal downtick from November's 4.0% year-over-year rate. The weekly reading on initial jobless claims is expected to have a moderate uptick from the previous 202,000 reading. Ongoing jobless claims are forecast to have a minimal weekly increase from the previous 1.855 million reading. Richmond Fed President Barkin will speak during early afternoon US trading hours. Earnings announcements will include Infosys before the Wall Street opening.



TODAY'S MARKET IDEAS:

From a chart perspective, the bias in treasuries remains down with the fundamental picture offering opposing to slight bearish views. However, the news that has been presented since last Friday favors the bear camp, with stronger payroll readings combining with a hawkish Fed speech bias which suggests the fundamentals favor the downside. Unfortunately for the bear camp, the treasury markets have displayed a "resiliency" in the form of discounting some patently bearish data points. While we give the edge to the bear camp, traders should utilize a breakout system today with a trade above 122-31 likely resulting in upside follow-through, with a trade below 121-20 likely to extend the pattern of declines seen since the end of December.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

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BONDS (MAR) 01/11/2024: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Momentum studies trending lower at mid-range could accelerate a price break 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 daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 121-100. The next area of resistance is around 122-210 and 123-090, while 1st support hits today at 121-220 and below there at 121-100.

10 YR TREASURY NOTES (MAR) 01/11/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 111-165. The next area of resistance is around 112-030 and 112-120, while 1st support hits today at 111-215 and below there at 111-165.

STOCKS COMMENTARY

1/11/2024

We think a surprise CPI will favor the bull camp but claims factor today

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 +11**

Global equity markets overnight were all higher with some markets gaining more than 1.5%. While the equity markets are certainly vulnerable to any disappointment from today's US scheduled report slate (as prices are up significantly from last week's lows) into what could be a very important macroeconomic inflection point. As indicated in other coverage today, events since last Friday have reduced the prospect of a rate cut and yet equity prices have rallied! Earnings announcements will include Infosys before the Wall Street opening.



S&P 500: The S&P charts favor the bull camp but also indicate a reversal could result in very significant declines from stop loss selling. While the markets have seen lingering investment interest from the AI story, specific corporate headlines continue to be negative with Citigroup booking a \$3.8 billion loss from charges, Alaska and United Airlines canceling more flights because of the Boeing problem and Google laying off employees across multiple product lines. Uptrend channel support in the S&P today from the fourth quarter and early 2024 action is 4749.50 with a closer in pivot/failure price seen at 4785.00. In the end, bullish resiliency has been a hallmark, but that sentiment will be tested this morning.

Other US Indexes: With Dow futures this morning posting a seven-day high and approaching all-time highs in the face of mostly bearish fundamental news over the last two weeks, the index has bullish confidence into a very critical data junction this morning. Unfortunately for the bull camp the prospects of an early 2024 US rate cut have been pulled down for almost a week and the most likely outcome from CPI today is a non-event number and a lack of a noted progression against inflation could be discounted. In conclusion Apple and Boeing shares are a headwind but apparently headwinds that are being overcome. Uptrend channel buying support in the Dow today is 37,764. The NASDAQ continues to show the most resiliency with major underpins of very optimistic future AI earnings, ongoing aggressive production of chips to catch up on the shortage and from what appears to be rotation of money from the S&P. Close in pivot point support in the March NASDAQ today is 16,868.50 with post 730 action likely to be a "pointer" for direction for the rest of January's trade.

TODAY'S MARKET IDEAS:

Pushed into the market we think inflation is more likely to come in below expectations than above. However, the focus on inflation has resulted in the trade magnifying the impact of a 0.1% change in either direction. While today's number may not be soft sustained losses in energy and grain prices combined with a small measure of lost economic momentum suggest inflation is moving in the right direction. Therefore, the trend is your friend but buying support is advised given the short-term overbought status of the markets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/11/2024: 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 close above the 9-day moving average is a positive short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 4856.25. The next area of resistance is around 4841.50 and 4856.25, while 1st support hits today at 4799.00 and below there at 4771.25.

MINI-DOW (MAR) 01/11/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 37602. The next area of resistance is around 38078 and 38174, while 1st support hits today at 37792 and below there at 37602.

E-MINI NASDAQ (MAR) 01/11/2024: 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 cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 17106.00. The next area of resistance is around 17047.50 and 17106.00, while 1st support hits today at 16866.00 and below there at 16743.00.

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	122-050	44.63	52.14	47.51	32.85	122.28	123.33	123.69	119.37	117.01
TYAAH24	111-280	46.59	52.55	50.02	39.20	111.89	112.24	112.43	110.70	109.72
EPH24	4820.25	63.27	63.66	61.68	65.73	4786.06	4784.44	4789.81	4666.93	4579.90
ENQH24	16956.75	60.95	60.64	51.31	56.18	16759.75	16761.94	16849.44	16392.82	16031.82
YMH24	37935	62.83	66.25	70.95	67.36	37819.50	37860.78	37800.94	36566.73	35861.00

Calculations based on previous session. Data collected 01/10/2024

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

DAILY SWING STATISTICS

Contract	Support 2	Support 1	Pivot	Resist 1	Resist 2
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FINANCIAL COMPLEX

USAAH24	Bonds	121-090	121-210	122-090	122-210	123-090
TYAAH24	10 Yr Treasury Notes	111-160	111-210	111-300	112-030	112-120
EPH24	S&P E-Mini	4771.25	4799.00	4813.75	4841.50	4856.25
ENQH24	E-Mini NASDAQ	16743.00	16866.00	16924.50	17047.50	17106.00
YMH24	Mini-Dow	37602	37792	37888	38078	38174

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CURRENCIES COMMENTARY

1/11/2024

Unless claims breakout down & CPI breaks out up be bearish \$

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +5, YEN +3, SWISS +6, CA DOLLAR +25**

Upcoming International Reports (all times CT)

01/11 Japan Index of Business Cond
01/11 CPI 7:30 AM
01/11 Jobless Claims 7:30 AM
01/11 Real Earnings 7:30 AM
01/11 EIA Gas Storage 9:30 AM
01/12 UK Industrial Production 1:00 AM
01/12 France Consumer Price Index 1:45 AM
01/12 France Consumer Spending 1:45 AM
01/12 Canadian Housing Starts 7:15 AM
01/12 Canadian New Housing Price I 7:30 AM
01/12 PPI 7:30 AM



DOLLAR: On one hand, Fed news this week has favored the bull camp in the dollar, yet the index has not managed to fully benefit from that shift. While a 0.2% as expected CPI result may not initially pressure the dollar, that reading shows inflation is generally under control if not in a downward path set from July 2022. Certainly, the focus of the financial markets today are trained on the CPI report, but the impact from initial claims could take charge if the reading breaks below the psychological level of 200,000. In fact, the markets have not seen a sub 200,000 reading since last February and that kind of number should add to the generally hawkish views from the US Fed this week. In conclusion, it will probably take a downside breakout in claims to restart the uptrend, with corrective action seemingly lingering in the backdrop. In our opinion, a dollar trade above 102.385 or a trade below 101.835 could set the upcoming trend.

Other Currencies: Uptrend channel support in the euro from the fourth quarter and early 2024 charts is 1.0935 today, with a trade above 1.1031 potentially igniting a rally capable of extending into next week. In our opinion, the totality of European data released over the past week has tempered recession fears but, in the end, it is difficult to see the European economy outperforming the US economy and perhaps more importantly it is difficult to think the US will be more aggressive in supporting their economy than the ECB. Nonetheless, today's action is likely to be "knee reaction" type activity initially and we favor the bull case in the euro. The charts in the pound also favor the bull camp with uptrend channel support today down at 1.266 with that trendline support rising to 1.267 tomorrow. From a classic fundamental perspective, we see the UK economy stabilizing and the pound receptive to minimally bearish dollar news today. While the Canadian might have found value at this week's lows, the currency feels heavy despite the Bank of Canada viewed to be in the upper tier of hawkish global central banks. In the end, the bull camp will need noted dollar weakness (perhaps a trade below 101.82) to post notable gains.

TODAY'S MARKET IDEAS:

While the trade is already assuming a major inflection point today from US data, fundamental conditions in the dollar are generally supportive but the trade seems insensitive to those forces. Therefore, for the dollar to rally

probably requires a downside breakout in US initial claims below 200,000.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/11/2024: The upside crossover of the 9 and 18 bar moving average is a positive signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 102.45. The next area of resistance is around 102.25 and 102.45, while 1st support hits today at 101.95 and below there at 101.86.

EURO (MAR) 01/11/2024: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 109.3863. The next area of resistance is around 110.2525 and 110.3962, while 1st support hits today at 109.7475 and below there at 109.3863.

JAPANESE YEN (MAR) 01/11/2024: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 now at 68.79. The next area of resistance is around 69.70 and 70.23, while 1st support hits today at 68.98 and below there at 68.79.

SWISS (MAR) 01/11/2024: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 117.89. The next area of resistance is around 118.54 and 118.64, while 1st support hits today at 118.16 and below there at 117.89.

CANADIAN DOLLAR (MAR) 01/11/2024: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. 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 target is now at 74.66. The next area of resistance is around 74.89 and 74.97, while 1st support hits today at 74.74 and below there at 74.66.

BRITISH POUND (MAR) 01/11/2024: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The upside daily closing price reversal gives the market a bullish tilt. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is 126.75. The next area of resistance is around 127.73 and 127.90, while 1st support hits today at 127.16 and below there at 126.75.

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	102.10	51.57	47.81	56.82	66.30	102.11	101.84	101.72	102.84	103.53
JYAH24	69.34	33.12	41.23	35.69	21.73	69.83	70.50	70.81	69.51	69.20
EU6H24	110.0000	51.89	53.09	41.01	33.17	109.79	109.99	110.15	109.37	108.69
BPAH24	127.45	56.11	56.32	54.93	54.50	127.36	127.13	127.13	125.93	124.92
CAAH24	74.81	46.15	52.59	44.90	29.24	74.86	75.08	75.15	74.08	73.79
SFAH24	118.35	54.18	58.37	57.34	48.80	118.49	118.75	118.07	115.96	115.21
DAAH24	67.14	44.17	50.39	46.51	33.87	0.67	0.68	0.68	0.66	0.66

Calculations based on previous session. Data collected 01/10/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH24	US Dollar	101.85	101.95	102.15	102.25	102.45
JYAH24	Japanese Yen	68.78	68.97	69.50	69.70	70.23
EU6H24	Euro	109.3862	109.7475	109.8912	110.2525	110.3962
BPAH24	British Pound	126.74	127.15	127.32	127.73	127.90
CAAH24	Canadian Dollar	74.65	74.73	74.81	74.89	74.97
SFAH24	Swiss	117.88	118.16	118.26	118.54	118.64
DAAH24	Australian Dollar	66.74	66.95	67.11	67.32	67.47

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