



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday January 23, 2024

BONDS COMMENTARY

1/23/2024

The trend is down but fresh shorts should be conservative

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

BONDS -0

Despite rising concern of a financial problem in China, a decision by the Bank of Japan not to end the era of negative interest rates yet and yesterday's softer than expected US leading economic indicator reading, treasury prices are under early pressure today. We suspect would be buyers are hesitant given the kickoff of the latest US auction as last week saw extremely low foreign interest in new US issuance.

However, it should be noted that poor foreign demand was for the longer maturities and today the auction may go off without much fanfare as the offering is at the short term or the curve. On the other hand, unending strength in US equities, persistently hawkish dialogue from Fed speeches, Goldilocks economic data and much larger total auction issuance should leave the longer-term trend in treasuries pointing downward. Today's US scheduled data is expected to post minimal improvements, but the data today is third tier data! Downtrend channel selling resistance is above the market today and might not be a factor at 121-26 in March Bonds with that downtrend channel resistance line falling to 121-02 on Friday. The North American session will start out with a weekly private survey of same store sales, followed by the December Canadian new housing price index which is expected to have a mild uptick from November's -0.9% year-over-year rate. The Richmond Fed's January manufacturing index is forecast to have a mild uptick from December's -11 reading. Earnings announcements will include Johnson & Johnson, Procter & Gamble, Verizon, General Electric, Lockheed Martin, and 3M before the Wall Street opening while Netflix, Texas Instruments, and Intuitive Surgical report after the close.



TODAY'S MARKET IDEAS:

While the bull camp might show some control following US scheduled data early today, US data today is third tier, and the focus of the trade is likely to be on the early afternoon US two-year treasury note auction. Downtrend channel selling resistance is above the market today and might not be a factor at 121-26 but that downtrend channel line falls to 121-02 on Friday.

NEW RECOMMENDATIONS:

Sell March Bond at 122-05 with an objective of 118-01.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

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BONDS (MAR) 01/23/2024: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 119-190. The next area of resistance is around 121-020 and 121-200, while 1st support hits today at 120-020 and below there at 119-190.

10 YR TREASURY NOTES (MAR) 01/23/2024: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 110-300. The next area of resistance is around 111-205 and 111-275, while 1st support hits today at 111-060 and below there at 110-300.

STOCKS COMMENTARY

1/23/2024

Overbought in the face of Chinese concerns and important earnings

OVERNIGHT CHANGES THROUGH 3:16 AM (CT): S&P 500 -0

Global equity markets overnight were mixed with the Chinese market making a very minimal recovery after very severe losses in previous sessions. While Chinese equity markets recovered overnight off talk of a Chinese government rescue plan utilizing \$278 billion, the need for a rescue package has knocked some bullish wind out of the markets. On the other hand, we expect the "Goldilocks" environment in the US to extend, leaving the bulls with a slight advantage. Earnings announcements will include Johnson & Johnson, Procter & Gamble, Verizon, General Electric, Lockheed Martin, and 3M before the Wall Street opening while Netflix, Texas Instruments, and Intuitive Surgical report after the close.



S&P 500: Obviously, the S&P is overbought following a four-day low to high rally of 150 points. However, in the last COT positioning report the S&P remained net spec and fund short 96,000 contracts which should leave the market with additional buying capacity. However, seeing United airlines forecast a quarterly loss because of the 737 problems provides a measure of headwinds but earnings today from 3M, GE, and Netflix will likely be seen as a sign of health of the US economy. While we will not take control away from the bull camp, the risk and reward of "paying up" in the face of potential Chinese problems and in the face of critical US treasury auctions is unattractive.

Other US Indexes: While the Dow is showing positive early action today, the index is also overbought from the three-day low to high rally of 1,000 points! The Dow is likely undermined following poor results for United but that negative news was tempered by a favorable full year forecast from the company. We suspect the Dow will take significant direction from pre-opening earnings from 3M, GE, and Procter & Gamble as those companies provide a reading on a broad section of the US economy. Unfortunately for the bull camp the last COT positioning report showed a net spec and fund long in the Dow 17,611 contracts which is the second highest net long since March 2020. In other words, the Dow last week presented the largest spec long of the post pandemic timeframe and the market has added 1000 points since that report was measured! Therefore, we see the addition of fresh longs at current levels as extremely risky. At the risk of sounding like a broken record the NASDAQ is also overbought from a four-day low to high rally of 800 points with the index presented with critical earnings reports this morning from Netflix before the open and from Texas instruments after the close. While we see the NASDAQ as short-term overbought and recommend against implementing fresh longs, if there is a sector of the market capable of riding through a temporary corrective setback without severe damage it is the NASDAQ.

TODAY'S MARKET IDEAS:

Rising concerns with the Chinese economy, short-term overbought pricing and a flurry of earnings reports today provided a junction for the trade. While we suspect the trend will ultimately remain up, we advise against chasing the markets with buy orders. We see buying support in the S&P far off the market down at 4841.50.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/23/2024: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 4908.43. The next area of resistance is around 4892.87 and 4908.43, while 1st support hits today at 4867.13 and below there at 4856.94.

MINI-DOW (MAR) 01/23/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 next upside objective is 38428. The next area of resistance is around 38313 and 38428, while 1st support hits today at 38073 and below there at 37947.

E-MINI NASDAQ (MAR) 01/23/2024: 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. The daily closing price reversal down puts the market on the defensive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 17630.75. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 17525.50 and 17630.75, while 1st support hits today at 17374.50 and below there at 17328.75.

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
FINANCIAL COMPLEX										
USAAH24	120-180	38.47	44.88	18.02	15.59	120.31	121.39	122.67	120.51	118.37
TYAAH24	111-130	42.26	47.15	27.82	22.81	111.29	111.75	112.12	111.24	110.33
EPH24	4880.00	69.64	67.22	75.70	83.94	4832.44	4818.08	4804.10	4722.74	4633.27
ENQH24	17450.00	74.17	69.93	78.60	87.21	17222.63	17063.17	16936.68	16618.97	16260.94
YMH24	38193	66.73	66.12	57.06	69.35	37837.75	37802.67	37845.28	37060.96	36311.20

Calculations based on previous session. Data collected 01/22/2024

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						
USAAH24	Bonds	119-180	120-010	120-190	121-020	121-200
TYAAH24	10 Yr Treasury Notes	110-295	111-055	111-125	111-205	111-275
EPH24	S&P E-Mini	4856.93	4867.12	4882.68	4892.87	4908.43
ENQH24	E-Mini NASDAQ	17328.75	17374.50	17479.75	17525.50	17630.75
YMH24	Mini-Dow	37946	38072	38187	38313	38428

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CURRENCIES COMMENTARY

1/23/2024

Listless action allows the pound to win by default

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR -98, YEN +23, SWISS +8, CA DOLLAR -25

Upcoming International Reports (all times CT)

01/23 Japan BOJ Report 12:00 AM
01/23 API Energy Stocks 3:30 PM
01/23 Japan Trade Balance 5:50 PM
01/24 France Manufacturing PMI Fla 2:15 AM
01/24 France Services PMI Flash 2:15 AM
01/24 Canadian Monetary Policy 9:00 AM
01/24 EIA Energy Stocks 9:30 AM



DOLLAR: Dollar bulls should be thoroughly disappointed with the action over the last several weeks as the sharp gap up rally last week stalled despite US economic data and Fed dialogue that should have facilitated an uptrend. In fact, with a five-day low early trade today and a lack of detectable flight to quality buying interest from the troubles in China, the dollar remains under a liquidation watch. While today's US scheduled data is expected to be in positive territory, this month's readings look to be slightly slower than previous months and there is the potential for a significant volatility event following the results of this week's US two-year treasury note auction at mid-session! In the end, typical bullish fundamental themes are just not providing lift as would be expected. In fact, if the dollar fails to rally off positive US data and ongoing gains in US equities, the slide from last week's highs might resume.

Other Currencies: Fortunately for euro bulls the dollar remains sluggish and inattentive to bullish developments. However, the trade is even less enamored with the euro than the dollar and fears of a European recession are readily available in market chatter, while the outlook for the US economy continues to improve after recent jobs data and Fed dialogue. Therefore, the euro looks to lose by default but a lack of noted bullish interest in the dollar should mitigate euro losses. We see unreliable support in the euro at a recent double low (quasi-double low) 1.0872. The pound continues to have a slight edge from a win by default environment, but from increased talk of stimulative tax cuts in the "March budget". Furthermore, seeing UK borrowing readings moderate this morning has increased expectations of a stimulative tax cut in the March UK budget. Therefore, the bull camp has a slight edge, but that edge is likely primarily the result of a lack of commitment in the dollar trade. With the aggressive rally and subsequent sharp reversal, the Canadian looks vulnerable to a retest of 74.00. In fact, Canadian new house price index readings for December today are expected to be level versus November leaving the bull camp without fresh fundamental headline support.

TODAY'S MARKET IDEAS:

Even though the currency markets look to be in a choppy mood, we give a slight edge to the pound. However, noted weakness in the yen and euro are likely to support the dollar above the overnight low.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/23/2024: 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. The daily closing price reversal up on the daily chart is somewhat positive. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 103.34. The next area of resistance is around 103.26 and 103.34, while 1st support hits today at 103.01 and below there at 102.83.

EURO (MAR) 01/23/2024: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 108.8338. The next area of resistance is around 109.2174 and 109.4237, while 1st support hits today at 108.9225 and below there at 108.8338.

JAPANESE YEN (MAR) 01/23/2024: 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. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 67.83. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 68.28 and 68.48, while 1st support hits today at 67.96 and below there at 67.83.

SWISS (MAR) 01/23/2024: 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. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 115.34. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 115.99 and 116.25, while 1st support hits today at 115.53 and below there at 115.34.

CANADIAN DOLLAR (MAR) 01/23/2024: The close under the 40-day moving average indicates the longer-term trend could be turning down. The daily stochastics gave a bullish indicator with a crossover up. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The downside closing price reversal on the daily chart is somewhat negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside objective is at 74.70. The next area of resistance is around 74.43 and 74.70, while 1st support hits today at 74.06 and below there at 73.96.

BRITISH POUND (MAR) 01/23/2024: The downside crossover of the 9 and 18 bar moving average is a negative signal. 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. 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 near-term upside objective is at 127.61. The next area of resistance is around 127.37 and 127.61, while 1st support hits today at 126.91 and below there at 126.68.

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	103.13	65.32	58.64	83.10	85.57	103.18	102.69	102.19	102.50	103.14
JYAH24	68.11	26.90	34.31	10.23	7.27	68.10	68.83	69.85	69.66	69.22
EU6H24	109.0700	39.13	44.22	20.10	17.35	109.11	109.43	109.86	109.60	109.01
BPAH24	127.14	51.96	52.99	46.06	47.63	126.98	127.11	127.16	126.54	125.52
CAAH24	74.24	39.25	43.87	17.41	17.44	74.22	74.44	74.88	74.33	73.92
SFAH24	115.76	27.33	37.64	16.09	7.67	115.88	117.00	117.95	116.56	115.58
DAAH24	65.81	32.77	38.58	16.83	14.43	0.66	0.66	0.67	0.67	0.66

Calculations based on previous session. Data collected 01/22/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH24	US Dollar	102.82	103.00	103.08	103.26	103.34
JYAH24	Japanese Yen	67.82	67.95	68.15	68.28	68.48
EU6H24	Euro	108.8337	108.9224	109.1287	109.2174	109.4237
BPAH24	British Pound	126.67	126.90	127.14	127.37	127.61
CAAH24	Canadian Dollar	73.95	74.05	74.32	74.43	74.70
SFAH24	Swiss	115.33	115.52	115.79	115.99	116.25
DAAH24	Australian Dollar	65.43	65.56	65.91	66.04	66.39

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