



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Monday January 29, 2024

BONDS COMMENTARY

1/29/2024

The trend has shifted up off flight to quality and the softer data

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

With a three-day high early today it is likely that treasuries are experiencing flight to quality buying from the ordered liquidation of Chinese property giant Evergrande Group as that fosters fears of a Chinese financial contagion. It should also be noted that Chinese holdings of US treasuries have continued to plummet in recent months with the trade split on the causes, with a portion thinking China needs capital to support its struggling economy and another portion of the trade thinking the withdrawal is a strategic move to undermine the US. While not a major influence favoring the bull camp, the escalation of tensions in the Middle East and the death of three US military personnel probably has the attention of the treasury trade with respect to flight to quality. In a negative forward threat, the markets are expecting US treasury auction supply to expand further and with recent auctions showing signs of softening foreign interest, the added supply could put an upward bias on yields. However, the treasury markets could see short covering dry up on further gains as recent COT positioning reports showed further leveling of what was historically large net spec and fund short positioning last year. The January 23rd Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders reduced their net short position by 7,225 contracts to a net short 59,977 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net bought 88,685 contracts and are now net short 663,979 contracts. The North American session will only have one top-tier data point, the Dallas Fed's January manufacturing business index which is expected to have a sizable downtick from December's -9.3 reading.



TODAY'S MARKET IDEAS:

The bull camp has a slight edge today with the Dallas Fed manufacturing index likely to provide a small measure of buying early on. The next upside target in bonds is 120-21 with the first upside targeting in March notes at 111-19.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/16/2024 - 1/23/2024						
Financials	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Bonds	-122,323	+5,108	59,977	-7,225	62,346	+2,117
T-Notes	-713,647	+100,886	663,980	-88,685	49,668	-12,201

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) 01/29/2024: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 118-280. The next area of resistance is around 120-100 and 120-270, while 1st support hits today at 119-110 and below there at 118-280.

10 YR TREASURY NOTES (MAR) 01/29/2024: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 110-215. The next area of resistance is around 111-145 and 111-250, while 1st support hits today at 110-290 and below there at 110-215.

STOCKS COMMENTARY

1/29/2024

The bull camp retains an edge largely from Microsoft and chips

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

S&P 500 +2

Global equity markets overnight were mixed with weakness in China extending into the new trading week. While the Goldilocks mentality created by mixed US data and signs of softening US inflation is a significant underpin for the bull camp, uncertainty toward China following a property company liquidation and escalating fighting in the Middle East could dampen investor interest. However, with a midweek US central bank rate decision/and the press conference the aggressively deflated prospects of an early rate cut could see a final letdown. Earnings announcements will include Nucor, Cleveland-Cliffs and Whirlpool after the Wall Street close.



S&P 500: While the charts in the S&P remain constructive with higher lows and higher highs, the markets are presented with a midweek junction potentially offering significant guidance on the direction and timing of US rate cuts. On the other hand, surging Microsoft market valuations from exploding AI revenue projections provides a significant internal bullish theme for the markets. Another support from the tech sector is the expectation the US administration will announce massive subsidies for advanced chip manufacturers. It should be noted that sellers are accumulating positions in the S&P, as if aggressive traders think a top is near. E-Mini S&P positioning in the Commitments of Traders for the week ending January 23rd showed Non-Commercial & Non-Reportable traders are net short 119,032 contracts after net selling 22,692 contracts. Uptrend channel support today in the S&P is 4900.50.

Other US Indexes: While the Dow will likely be held back by ongoing declining rate cut expectations, that bearish storyline has been heavily factored already. On the other hand, the Dow should garner significant support/lift surging Microsoft valuations and from the addition of very positive AI forward revenue expectations for the entire AI sector. The Dow should also derive support from the possible US government announcement of support for advanced chip manufacturers. The path of least resistance is up with uptrend channel support in the Dow futures at 38,149 and initial but thin resistance seen at 38,374. The Commitments of Traders report for the week ending January 23rd showed Dow Jones \$5 Non-Commercial & Non-Reportable traders added 3,936 contracts to their already long position and are now net long 21,547. We are surprised to see the NASDAQ post a lower low in the early action today given the bullish AI buzz and news of government subsidies for high-tech US chip manufacturers. Therefore, the NASDAQ could see divergence with the rest of the market with initial support today pegged at 17,409. Nasdaq Mini positioning in the Commitments of Traders for the week ending January 23rd showed Non-Commercial & Non-Reportable traders net sold 1,696 contracts and are now net long 37,699 contracts.

TODAY'S MARKET IDEAS:

We give the edge to the bull camp in the S&P and Dow, with the outlook for the NASDAQ very disappointing considering the overnight headlines carrying very supportive news for tech companies. While the lack of a US rate cut on Wednesday is largely factored, the trade will be parsing Fed statements for guidance on a March cut! In the end, with US rates creeping lower today and investors embracing a Goldilocks data pattern more grinding gains are likely.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/16/2024 - 1/23/2024						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Financials						
E-Mini S&P	-188,164	-35,625	119,031	+22,692	69,132	+12,933

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/29/2024: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. The close over the pivot swing is a somewhat positive setup. The next upside objective is 4951.81. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 4933.62 and 4951.81, while 1st support hits today at 4897.88 and below there at 4880.32.

MINI-DOW (MAR) 01/29/2024: 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 38558. The next area of resistance is around 38419 and 38558, while 1st support hits today at 38095 and below there at 37911.

E-MINI NASDAQ (MAR) 01/29/2024: A crossover down in the daily stochastics is a bearish signal. 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 above the 9-day moving average suggests the short-term trend remains positive. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 17366.13. The next area of resistance is around 17598.25 and 17698.12, while 1st support hits today at 17432.25 and below there at 17366.13.

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	119-260	35.96	41.59	13.68	12.71	119.60	120.10	121.47	120.91	119.06
TYAAH24	111-055	41.65	45.59	21.51	19.45	111.17	111.31	111.72	111.43	110.64
EPH24	4915.75	73.71	70.28	87.33	90.84	4909.31	4862.97	4822.43	4751.92	4679.38

ENQH24	17515.25	69.27	67.79	86.07	85.56	17569.31	17350.11	17046.08	16747.18	16463.88
YMH24	38257	66.35	65.63	73.80	81.66	38139.25	37937.33	37880.61	37305.84	36639.32

Calculations based on previous session. Data collected 01/26/2024

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	118-270	119-100	119-270	120-100	120-270
TYAAH24	10 Yr Treasury Notes	110-210	110-285	111-070	111-145	111-250
EPH24	S&P E-Mini	4880.31	4897.87	4916.06	4933.62	4951.81
ENQH24	E-Mini NASDAQ	17366.12	17432.25	17532.12	17598.25	17698.12
YMH24	Mini-Dow	37910	38095	38234	38419	38558

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CURRENCIES COMMENTARY

1/29/2024

Sell euro rallies, dips in the pound or C\$

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +126, YEN +12, SWISS +36, CA DOLLAR +60**

Upcoming International Reports (all times CT)

- 01/29 UK Nationwide Housing Price 1:00 AM
- 01/29 Japan Unemployment Rate 5:30 PM
- 01/30 FOMC Meeting
- 01/30 Swiss Trade Balance 1:00 AM
- 01/30 France Consumer Spending 1:45 AM
- 01/30 Swiss KOF Leading Indicator 2:00 AM
- 01/30 Euro-zone Business and Consu 4:00 AM
- 01/30 Consumer Confidence 9:00 AM
- 01/30 API Energy Stocks 3:30 PM
- 01/30 Japan Retail Sales 5:50 PM
- 01/30 Japan Construction Orders 11:00 PM
- 01/30 Japan Consumer Confidence Su 11:00 PM
- 01/30 Japan Housing Starts 11:00 PM



DOLLAR: While the charts favor the bull camp in the dollar, the charts are more indicative of a consolidating pattern rather than a bullish pattern. As in many other financial markets, the dollar trade has aggressively reduced the prospects of an early/January US rate cut and it is possible upcoming Fed dialogue will reduce the prospects of a March rate cut. Therefore, continued declines in the prospects of lower US rates are likely to add to a slight increase in flight to quality buying of the dollar because of renewed real estate sector problems in China. Unfortunately for dollar bulls, the index has not responded to good US economic data and today's New York Empire State index is likely to offer a soft reading. Dollar positioning in the Commitments of Traders for the week ending January 23rd showed Non-Commercial & Non-Reportable traders were net long 2,366 contracts after increasing their already long position by 1,076 contracts.

Other Currencies: With the trade continuing to project the next move by the ECB to be a rate cut, the trade remains unclear on when the bank will act. In fact, according to one ECB official the bank will need softer wage growth to cut rates while another official indicated a projected cut in March might not be enough! With the fundamental case neutral to slightly bearish and negative chart action (a fresh lower low and lower high) this morning projects a slide to the lowest level since the middle of December. However, in December the break below 1.08 in the euro brought in significant trading volume and a surge in open interest as if that level was a value

zone. The Commitments of Traders report for the week ending January 23rd showed Euro Non-Commercial & Non-Reportable traders net sold 18,609 contracts and are now net long 124,188 contracts. While the Pound entered a slightly bullish chart pattern on January 17th, sharply declining inflation expectations from the public signal the potential for a dovish tilt by the BOE on Thursday. Critical support in the March pound today is 1.2679. With little in the way of leadership action presenting in other currencies, the Canadian should see a measure of win by default early this week. From a technical perspective, the Canadian has consistently rejected trades below its 200-day moving average which is 74.39 today.

TODAY'S MARKET IDEAS:

With the dollar and the euro showing little in the way of leadership, the pound and the Canadian could step into the leadership void. In fact, widespread chatter of a possible US rate cut continues to erode and has already been pushed into the summer by the trade and that should have supported the dollar!

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/29/2024: 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 market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 102.66. The next area of resistance is around 103.57 and 103.85, while 1st support hits today at 102.97 and below there at 102.66.

EURO (MAR) 01/29/2024: 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 daily closing price reversal up is a positive indicator that could support higher prices. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 107.9938. The next area of resistance is around 109.1325 and 109.4837, while 1st support hits today at 108.3875 and below there at 107.9938.

JAPANESE YEN (MAR) 01/29/2024: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 68.50. The next area of resistance is around 68.23 and 68.50, while 1st support hits today at 67.85 and below there at 67.73.

SWISS (MAR) 01/29/2024: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close above the 9-day moving average is a positive short-term indicator for trend. The upside daily closing price reversal gives the market a bullish tilt. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 117.20. Short-term indicators suggest buying dips today. The next area of resistance is around 116.82 and 117.20, while 1st support hits today at 115.91 and below there at 115.37.

CANADIAN DOLLAR (MAR) 01/29/2024: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 74.78. The next area of resistance is around 74.59 and 74.78, while 1st support hits today at 74.22 and below there at 74.03.

BRITISH POUND (MAR) 01/29/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 127.97. The next area of resistance is around 127.47 and 127.97, while 1st support hits today at 126.64 and below there at 126.30.

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	103.27	60.65	57.52	83.22	82.43	103.26	103.21	102.66	102.51	102.96
JYAH24	68.04	31.19	35.80	9.93	10.30	68.14	68.17	69.11	69.67	69.21
EU6H24	108.7600	38.12	42.37	19.37	19.18	108.83	108.97	109.38	109.54	109.16
BPAH24	127.06	50.54	51.95	49.88	51.93	127.06	126.94	127.05	126.76	125.90
CAAH24	74.41	48.26	48.62	20.81	25.72	74.25	74.23	74.55	74.44	74.03
SFAH24	116.36	44.29	45.98	16.07	19.55	116.04	116.06	117.23	116.72	115.79
DAAH24	65.88	35.15	39.87	18.71	20.77	0.66	0.66	0.67	0.67	0.66

Calculations based on previous session. Data collected 01/26/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH24	US Dollar	102.65	102.97	103.25	103.57	103.85
JYAH24	Japanese Yen	67.72	67.84	68.11	68.23	68.50
EU6H24	Euro	107.9937	108.3875	108.7387	109.1325	109.4837
BPAH24	British Pound	126.29	126.64	127.13	127.47	127.97
CAAH24	Canadian Dollar	74.02	74.22	74.40	74.59	74.78
SFAH24	Swiss	115.36	115.90	116.28	116.82	117.20
DAAH24	Australian Dollar	65.62	65.71	65.95	66.05	66.29

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