



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday February 01, 2024

BONDS COMMENTARY

2/1/2024

The trend remains up unless data presents a positive sweep

OVERNIGHT CHANGES THROUGH 3:16 AM (CT): BONDS +0

Clearly, the treasury markets were unfazed by Fed comments yesterday suggesting it is unlikely there will be a March rate cut. The Fed clearly indicated they did not expect to see enough evidence of softening inflation by the March meeting to cut rates and they also acknowledged residual strength in the US economy which allows them to be conservative with policy. Not surprisingly, the CME Fed watch tool probability of a March rate cut has plunged to 35% over the last month, with the odds of a May rate cut today pegged at only 62%. Taking a step back, seeing inflation moderating is historically supportive of bonds and with the Fed content to stand back and allow further slowing is a bullish treasury market recipe. In our opinion, a softening trend has emerged from US data and even neutral to mixed results should leave the edge with the bull camp. Furthermore, noticeably softer jobs data over the coming 36 hours could still revive rate cut expectations and in turn send bond and note prices quickly back to the early January highs. Close in pivot point support in March bonds today is 122-10 with similar pivot point support in treasuries at 112-04. In the end, without several better-than-expected jobs related reports in the coming two days, the bull camp should retain control. The North American session will start out with the January Challenger job cut survey followed by a weekly reading on initial jobless claims that are expected to have a minimal downtick from the previous 214,000 reading. Ongoing jobless claims are forecast to have a modest weekly increase from the previous 1.833 million reading. Fourth quarter non-farm productivity is expected to have a sizable downtick from the previous 5.2% reading while fourth quarter unit labor costs are forecast to have a moderate uptick from the previous -1.2% reading. The January ISM manufacturing index is expected to have a mild downtick from December's 47.4 reading. December construction spending is forecast to have a minimal uptick from the previous 0.4% reading.



TODAY'S MARKET IDEAS:

Despite disappointment from plummeting odds of an "early" 2024 US rate cut, treasury prices remain bullishly biased on their charts. With recent US data establishing a pattern of softer readings and periodic signs that inflation is coming under more control the fundamental track should remain up in bonds and notes. In fact, to shift the trend back down at this point probably requires a nonfarm payroll jump of more than 270,000 jobs tomorrow.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

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BONDS (MAR) 02/01/2024: The major trend could be turning up with the close back above the 40-day moving

average. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside target is at 124-050. The next area of resistance is around 123-240 and 124-050, while 1st support hits today at 122-060 and below there at 121-000.

10 YR TREASURY NOTES (MAR) 02/01/2024: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 113-055. The next area of resistance is around 112-305 and 113-055, while 1st support hits today at 112-045 and below there at 111-170.

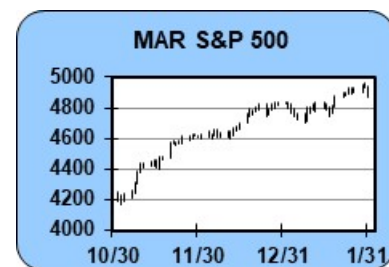
STOCKS COMMENTARY

2/1/2024

If bad data sinks stocks early the tide shifts down

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 +15**

Global equity markets overnight were lower except for the CSI 300, FTSE 100, and the Ixex 35, which gained fractions on the day. However, two of the three major Chinese equity markets continued to track lower overnight leaving concern for China in the market. While yesterday's hard washout was largely attributable to the lack of clearly dovish dialogue from the US Federal Reserve, it should also be noted that big tech has come under increased scrutiny by analysts regarding excess valuations and from the prospect of surging costs to develop profitable AI product lines. Given the temporary removal of rate cut optimism, deteriorating views toward the magnificent seven alters the risk and reward set up in favor of the bear camp. Earnings announcements will include Merck, Honeywell, Eaton, Illinois Tool Works, and Altria before the Wall Street opening while Apple, Amazon.com and Meta Platforms (Facebook) report after the close.



S&P 500: As indicated already, the primary lift in the S&P since the late October low has been the undying hope for lower US rates which we think at best have now been pushed out to May. Unfortunately for the bull camp, the removal of the Fed "put" appears to be combining with a downgrade in optimism toward big tech and near-term AI profitability margins. Furthermore, the markets saw significant chatter early this week suggesting big tech and AI related company shares are seriously overvalued. Therefore, today's stock market reaction to US jobs data will be very telling as soft data which fails to produce a rally becomes a double negative for investors. Uptrend channel support in the March S&P today is from the October and January lows is 4861.95, with closer in pivot support at yesterday's low of 4866.

Other US Indexes: While yesterday's corrective track unnerves investors and there is residual disappointment in the lack of a dovish Fed result, the Dow this morning continues to display leadership with positive early action. However, with two major Dow companies reporting earnings before the opening this morning traders will have an opportunity to shift their focus away from bearish Fed news but only if earnings are good enough and forward guidance is good enough. Uptrend channel support from the late October and January lows is 38,125, with that level a very significant bull/bear line. As indicated already, some of the gloss has come off big tech/magnificent seven shares from talk of over valuations, expectations of shrinking margins from competition and from surging AI development costs all of which increases the risk to longs in the NASDAQ. Uptrend channel support in the March NASDAQ from the late October early January low channel line is 17,078 but with earnings from Apple, Amazon and Meta Platforms scheduled for after the New York close, bearish fireworks might be pushed into the Friday Asian trade. In conclusion, three of the magnificent seven report earnings after the close today and given lofty 17,500 pricing in the NASDAQ, there is a high bar for earnings results today.

TODAY'S MARKET IDEAS:

We leave the edge with the bull camp but will suggest that the risk and reward of entering fresh longs is becoming less attractive given high valuations and signs the Fed will allow more slowing before acting. In fact, the equity markets priced in significant premium for an early 2020 for rate cut and those hopes have been seriously deflated.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 02/01/2024: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 4814.00. The next area of resistance is around 4906.00 and 4958.00, while 1st support hits today at 4834.00 and below there at 4814.00.

MINI-DOW (MAR) 02/01/2024: A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. A negative signal was given by the outside day down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 37900. The next area of resistance is around 38497 and 38845, while 1st support hits today at 38025 and below there at 37900.

E-MINI NASDAQ (MAR) 02/01/2024: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 17041.38. The next area of resistance is around 17386.25 and 17566.37, while 1st support hits today at 17123.75 and below there at 17041.38.

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	122-310	64.74	59.50	29.76	48.80	121.08	120.43	121.13	121.31	119.61
TYAAH24	112-175	64.76	60.01	31.87	47.78	111.68	111.43	111.66	111.61	110.88
EPH24	4870.00	51.45	56.41	86.67	80.44	4916.63	4904.28	4849.17	4772.36	4709.65
ENQH24	17255.00	49.13	54.36	80.87	72.57	17482.69	17512.36	17195.56	16831.00	16592.18
YMH24	38261	57.80	60.42	81.96	81.74	38385.75	38230.89	37981.39	37493.33	36872.47

Calculations based on previous session. Data collected 01/31/2024

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	120-310	122-050	122-180	123-240	124-050
TYAAH24	10 Yr Treasury Notes	111-165	112-040	112-110	112-305	113-055
EPH24	S&P E-Mini	4814.00	4834.00	4886.00	4906.00	4958.00
ENQH24	E-Mini NASDAQ	17041.37	17123.75	17303.87	17386.25	17566.37
YMH24	Mini-Dow	37899	38024	38372	38497	38845

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CURRENCIES COMMENTARY

2/1/2024

A complexion change from consolidation to dollar leadership

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +471, YEN -21, SWISS -47, CA DOLLAR -270

Upcoming International Reports (all times CT)

02/01 Swiss PMI 2:30 AM
02/01 France Manufacturing PMI 2:50 AM
02/01 German Manufacturing PMI 2:55 AM
02/01 Euro-Zone Manufacturing PMI 3:00 AM
02/01 UK CIPS/NTC Research Manufac 3:30 AM
02/01 Euro-zone Unemployment Rate 4:00 AM
02/01 UK Monetary Policy 6:00 AM
02/01 UK Monetary Policy Minutes 7:00 AM
02/01 Jobless Claims 7:30 AM
02/01 Construction Spending 9:00 AM
02/01 ISM Manufacturing PMI 9:00 AM
02/01 EIA Gas Storage 9:30 AM
02/02 France Industrial Production 1:45 AM
02/02 France ECRI Future Inflation 3:30 AM
02/02 German ECRI Future Inflation 3:30 AM
02/02 UK ECRI Future Inflation Gau 3:30 AM
02/02 Euro-zone ECRI Future Inflat 4:00 AM
02/02 Unemployment 7:30 AM
02/02 Factory Orders 9:00 AM



DOLLAR: After sustained sideways consolidation and the lack of a clear leadership currency, the upside breakout in the dollar overnight suggests more gains are ahead. Apparently, soft US data has not created a headwind for the dollar which seems counterintuitive in the current condition. However, given the action this morning, the bull camp in the Dollar will need to prove they can sustain gains in the wake of further signs of weakening in the US economy. On the other hand, there is very little competition for the dollar especially with European economic data overnight posting a sweep of manufacturing PMI data below the 50.0 growth/no growth level, and with the data showing softening European inflation signals, it is the dollar's turn to win by default. Key support today after the US reports is 103.28 with near-term resistance and targeting seen at 103.70.

Other Currencies: While there were favorable manufacturing PMI readings from Spain, Italy, and Germany overnight those readings are significantly below the no growth pivot level of 50.0 and inflation signals from Europe are providing more justification for a rate cut than the inflation readings in the US. When one adds in the technical breakout up in the dollar, in the face of a definitive pushback of US rate cut timing, that suggests the dollar has come back into favor and the euro should continue to post lower lows. Near-term downside targeting in the euro is 1.077. Similarly, the pound was presented with a better-than-expected manufacturing PMI reading but that reading (47 versus 47.3) was softer than the prior month and remains below the growth level of 50.0. Furthermore, the pound could see sharp follow-through selling from dovish BOE commentary following their meeting this morning. Near-term downside targeting in the pound today is 1.2601. Even the Canadian has caved to newfound US dollar strength and has failed despite predictions the Canadian economy avoided recession with

growth last month. However, the Bank of Canada has clearly pivoted toward cutting rates and that gives fresh fundamental fodder to the bear camp. Near-term downside targeting in the March Canadian is now 73.97.

TODAY'S MARKET IDEAS:

A shift in the currency trade has surfaced with the consolidation action of the last several weeks coming to an end in favor of Dollar bullishness and bearishness toward nondollar currencies!

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 02/01/2024: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 102.45. The next area of resistance is around 103.75 and 104.06, while 1st support hits today at 102.95 and below there at 102.45.

EURO (MAR) 02/01/2024: The daily stochastics have crossed over down which is a bearish indication. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. The close below the 1st swing support could weigh on the market. The next downside target is now at 107.4863. The next area of resistance is around 108.8425 and 109.4562, while 1st support hits today at 107.8575 and below there at 107.4863.

JAPANESE YEN (MAR) 02/01/2024: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's close above the 9-day moving average suggests the short-term trend remains positive. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 69.47. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 69.04 and 69.47, while 1st support hits today at 68.15 and below there at 67.68.

SWISS (MAR) 02/01/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 118.02. The next area of resistance is around 117.26 and 118.02, while 1st support hits today at 116.01 and below there at 115.51.

CANADIAN DOLLAR (MAR) 02/01/2024: The close below the 40-day moving average is an indication the longer-term trend has turned down. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down is a negative indicator for prices. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside target is at 75.06. The next area of resistance is around 74.73 and 75.06, while 1st support hits today at 74.24 and below there at 74.09.

BRITISH POUND (MAR) 02/01/2024: The daily stochastics have crossed over down which is a bearish indication. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market could take on a defensive posture with the daily closing price reversal down. The market tilt is slightly

negative with the close under the pivot. The next downside target is now at 126.07. The next area of resistance is around 127.36 and 127.92, while 1st support hits today at 126.44 and below there at 126.07.

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	103.35	54.30	54.25	81.39	78.06	103.24	103.22	102.84	102.52	102.88
JYAH24	68.59	46.81	44.28	14.82	20.62	68.29	68.21	68.73	69.67	69.24
EU6H24	108.3500	32.72	38.55	18.27	16.46	108.58	108.79	109.18	109.47	109.26
BPAH24	126.90	47.32	50.16	49.72	48.53	126.99	127.02	127.11	126.85	126.16
CAAH24	74.48	56.22	53.71	38.10	51.63	74.56	74.40	74.48	74.52	74.14
SFAH24	116.63	48.99	48.90	25.82	32.93	116.52	116.16	116.91	116.84	116.03
DAAH24	65.77	35.10	39.35	24.10	25.45	0.66	0.66	0.66	0.67	0.66

Calculations based on previous session. Data collected 01/31/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH24	US Dollar	102.44	102.94	103.25	103.75	104.06
JYAH24	Japanese Yen	67.67	68.14	68.57	69.04	69.47
EU6H24	Euro	107.4862	107.8575	108.4712	108.8425	109.4562
BPAH24	British Pound	126.06	126.43	126.99	127.36	127.92
CAAH24	Canadian Dollar	74.08	74.24	74.57	74.73	75.06
SFAH24	Swiss	115.50	116.00	116.76	117.26	118.02
DAAH24	Australian Dollar	65.15	65.41	65.87	66.13	66.59

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