



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday February 14, 2024

BONDS COMMENTARY

2/14/2024

CPI data gives the bear camp the edge, sell rallies

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

While we were highly suspicious of Treasury market predictions of six US rate cuts this year, yesterday's CPI result not only pushed back rate cut timing but should also pull down the number of easing moves expected this year. In retrospect, both the January US CPI and January US core CPI came in at the high end of trade forecasts, which means US inflation is not "coming down" as the Fed mandated in their guidance for any cut in rates. It should be noted that some economists are beginning to consider the possibility the US economy will avoid a soft landing, which would clearly add to the puncturing of dovish market hopes which began in the waning days of 2023. Not surprisingly, the CME's Fed Watch tool saw the probability of a March rate cut fall from 15.5% before the CPI results yesterday to only 8.5% afterward, with the chances of a May rate cut fell from 58.1% before the CPI results to 37.6% afterward the report release. This morning the CME Fed watch tool gives the probability of a June rate cut at 50.3%, which we think highlights overly dovish market sentiment. In other words, a portion of the trade is stubbornly holding onto the prospects of dovish action from the Fed in the first half of this year and therefore the market needs to extract further rate cut premium from bond and note prices. While the 118-00 level in March bonds offers psychological and technical support, the fundamental picture favors the bear camp and suggests a sell rallies approach. The North American session will start out with a weekly private survey on mortgage applications, but it will have no top-tier US or Canadian economic data on the schedule. Chicago Fed President Goolsbee will speak during morning US trading hours while Fed Vice Chair Barr will speak during the afternoon. Earnings announcements will include CME Group, Kraft Heinz, Williams, and Barrick Gold before the Wall Street opening while Cisco Systems, Equinix and Occidental Petroleum report after the close.



TODAY'S MARKET IDEAS:

As indicated already, the path of least resistance is down in treasury prices with March bonds finding temporary support at a quasi-double low of 117-29. In fact, with the Fed's Goolsbee a very staunch supporter of the current administration (he was appointed to the Fed by the Biden administration) he has become the most dovish member of the Fed and therefore will likely tamp down revived inflation fears from the US CPI report yesterday. Therefore, we suggest aggressive traders sell March bonds on a rally to 118-19, while conservative traders should wait for a trade above 118-28 to enter fresh short positions.

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) 02/14/2024: 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 outside day down is somewhat negative. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 115-250. The next area of resistance is around 119-150 and 121-200, while 1st support hits today at 116-180 and below there at 115-250.

10 YR TREASURY NOTES (MAR) 02/14/2024: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. 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 objective is 108-115. The next area of resistance is around 110-125 and 111-200, while 1st support hits today at 108-245 and below there at 108-115.

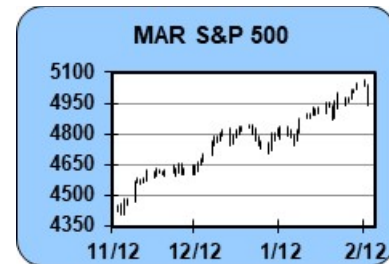
STOCKS COMMENTARY

2/14/2024

Today is a critical junction the trend is your friend

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 +17**

Global equity markets overnight were mixed with more markets trading higher than lower. With yesterday's aggressive washout, the largest decline since last March, investor sentiment is obviously wounded primarily because of the pushing back of anticipated US rate cut timing. On the other hand, the equity markets have been very resilient and there are some economists beginning to consider the prospects of avoiding a soft landing in the US economy. Unfortunately for the bull camp, weaning the market from its lower rate outlook will not be easy. Earnings announcements will include CME Group, Kraft Heinz, Williams, and Barrick Gold before the Wall Street opening while Cisco Systems, Equinix and Occidental Petroleum report after the close.



S&P 500: While the S&P did not regain 50% of the range of the massive washout yesterday before the close, the index has regained the 50% level of yesterday's washout in the early going today. Therefore, the potential for resiliency among the bull camp has improved despite yesterday's rout and some dovish dialogue from the Feds Goolsbee early today could add to the early upward bias. The uptrend channel support line in the March S&P contract (drawn from the October and February lows) is at 4947.00 today with a key pivot point and failure price seen at 4967. In conclusion, the bull camp retains a thin measure of control.

Other US Indexes: While the Dow failed to post an impressive recovery off yesterday's massive spike down move like the S&P, seeing a higher trade this morning serves to temper what was extremely bearish sentiment yesterday from a pushing back of US rate cut timing. Therefore, the Dow is likely to lag on broad market rallies with key support today at 38,293 and critical uptrend channel buying support at 38,168. The NASDAQ should see less residual pressure from the hawkish shift in market interest rate expectations, especially with Nvidia showing leadership action with capitalization expanding and potentially leaving the company with the third-largest capitalization. Given the resiliency in equity markets since the October lows, yesterday's dip is likely a buying opportunity. Uptrend channel buying support in the NASDAQ today is far below the market at 17,468, with buying support for aggressive traders today at 17,660.

TODAY'S MARKET IDEAS:

Today is a very critical junction for investors as the market has consistently tied its fortunes to the prospect of US rate cuts in the first half of this year! However, the markets have also displayed resiliency in the face of adversity and disappointment from the rate cut front could be offset by ideas the US will avoid a soft-landing recession.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS 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.

S&P E-MINI (MAR) 02/14/2024: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. 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 4876.25. The next area of resistance is around 5023.00 and 5083.25, while 1st support hits today at 4919.50 and below there at 4876.25.

MINI-DOW (MAR) 02/14/2024: A bearish signal was triggered on a crossover down in the daily stochastics. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 37604. The next area of resistance is around 38716 and 39207, while 1st support hits today at 37914 and below there at 37604.

E-MINI NASDAQ (MAR) 02/14/2024: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. 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 target is now at 17301.07. The next area of resistance is around 17902.62 and 18143.56, while 1st support hits today at 17481.38 and below there at 17301.07.

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 |
|--------------------------|----------|-----------|------------|---------------------|---------------------|-------------|-------------|--------------|--------------|--------------|
| FINANCIAL COMPLEX | | | | | | | | | | |
| USAAH24 | 118-000 | 32.91 | 38.06 | 23.22 | 12.94 | 119.29 | 120.56 | 120.46 | 121.80 | 120.61 |
| TYAAH24 | 109-185 | 30.06 | 35.62 | 14.93 | 6.51 | 110.41 | 111.05 | 111.22 | 111.74 | 111.28 |
| EPH24 | 4971.25 | 54.25 | 58.66 | 86.45 | 77.72 | 5015.88 | 4993.69 | 4949.08 | 4846.63 | 4788.24 |
| ENQH24 | 17692.00 | 53.24 | 57.21 | 83.73 | 75.46 | 17880.06 | 17782.69 | 17648.07 | 17154.30 | 16909.38 |
| YMH24 | 38315 | 45.97 | 51.78 | 79.13 | 69.09 | 38675.00 | 38653.89 | 38444.17 | 37969.93 | 37469.43 |

Calculations based on previous session. Data collected 02/13/2024

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 | 115-240 | 116-170 | 118-220 | 119-150 | 121-200 |
| TYAAH24 | 10 Yr Treasury Notes | 108-110 | 108-240 | 109-315 | 110-125 | 111-200 |
| EPH24 | S&P E-Mini | 4876.25 | 4919.50 | 4979.75 | 5023.00 | 5083.25 |
| ENQH24 | E-Mini NASDAQ | 17301.06 | 17481.37 | 17722.31 | 17902.62 | 18143.56 |
| YMH24 | Mini-Dow | 37603 | 37914 | 38405 | 38716 | 39207 |

Calculations based on previous session. Data collected 02/13/2024

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

CURRENCIES COMMENTARY

2/14/2024

\$ trend is up but yesterday's rally temporarily overdone

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR -30, YEN +11, SWISS -3, CA DOLLAR +185**

Upcoming International Reports (all times CT)

02/14 UK Consumer Price Index 1:00 AM
02/14 UK Industrial Production 1:00 AM
02/14 UK Producer Price Index 1:00 AM
02/14 Euro-zone Industrial Product 4:00 AM
02/14 EIA Energy Stocks 9:30 AM
02/14 Japan GDP 5:50 PM
02/14 Japan Industrial Production 10:30 PM
02/15 UK Foreign Trade 1:00 AM
02/15 Swiss Producer Price Index 1:30 AM
02/15 Swiss Consumer Confidence 2:00 AM
02/15 Euro-zone Foreign Trade 4:00 AM
02/15 Canadian Housing Starts 7:15 AM
02/15 Business Inventories 7:30 AM
02/15 Canadian Monthly Survey of M 7:30 AM
02/15 Canadian New Motor Vehicle S 7:30 AM
02/15 Jobless Claims 7:30 AM
02/15 Retail Sales 7:30 AM
02/15 Capacity Utilization 8:15 AM
02/15 Industrial Production 8:15 AM
02/15 EIA Gas Storage 9:30 AM



DOLLAR: While the upside explosion in the dollar from a mere 0.1% month over month increase in US CPI could be overdone, it is clear the US rate cut balloon continues to deflate. However, growing confidence the US will avoid a soft landing should leave the December through present uptrend in the dollar in place. On the other hand, the Fed's Goolsbee this morning will very likely favor dollar doves, with an attempt to discount inflation concerns following yesterday's uptick in CPI. From a short-term technical perspective, the dollar is significantly overbought and therefore traders should be conservative with long entry prices restricted to levels below 104.45.

Other Currencies: With the euro posting a lower low this morning, the dollar retaining yesterday's surprisingly strong rally, the path of least resistance remains down. Fortunately for the bull camp in the euro, euro zone employment, and industrial production readings overnight were positive which should "slow" the slide in the euro. After seeing the Pound hold up against a massive dollar rally yesterday, aggressive traders are apparently hesitant to attack the Pound, especially with the Pound nearing three-month consolidation low support just above 1.250. Adding to the potential respect of the 1.250 level are favorable GBP jobs related readings released this morning. Initial support and targeting is 1.2535 with resistance today seen at 1.2619. While the Canadian dollar has mounted an impressive early/overnight bounce, seeing the currency close on its spike lows yesterday suggests more downside is ahead. In fact, support from the January and early February consolidation lows becomes resistance around 73.92 with downside targeting projected at 73.53.

TODAY'S MARKET IDEAS:

While the currency markets are temporarily overdone from yesterday's aggressive volatility, the prospects of US rate cut in the near term continue to dissipate thereby providing the dollar with a firm fundamental underpin. However, given yesterday's volatility those trading trends in the currency markets should be conservative with buy orders in the dollar and sell orders in the pound.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES 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.

US DOLLAR (MAR) 02/14/2024: The daily stochastics have crossed over up which is a bullish indication. 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 outside day up is somewhat positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 105.92. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 105.51 and 105.92, while 1st support hits today at 104.02 and below there at 102.95.

EURO (MAR) 02/14/2024: The daily stochastics have crossed over down which is a bearish indication. 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 outside day down is somewhat negative. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 106.3238. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 107.8125 and 108.6337, while 1st support hits today at 106.6575 and below there at 106.3238.

JAPANESE YEN (MAR) 02/14/2024: 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 market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 66.02. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 67.09 and 67.71, while 1st support hits today at 66.25 and below there at 66.02.

SWISS (MAR) 02/14/2024: 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 close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 111.82. More downside action may be limited by the RSI under 20 putting the market in extremely oversold territory. The next area of resistance is around 113.90 and 115.07, while 1st support hits today at 112.28 and below there at 111.82.

CANADIAN DOLLAR (MAR) 02/14/2024: The market back below the 60-day moving average suggests the longer-term trend could be turning down. A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. The daily stochastics have crossed over down which is a bearish indication. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 73.05. The next area of resistance is around 74.17 and 74.75, while 1st support hits today at 73.32 and below there at 73.05.

BRITISH POUND (MAR) 02/14/2024: The daily stochastics gave a bearish indicator with a crossover down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is a negative signal. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 124.90. The next area of resistance is around 126.54 and 127.39, while 1st support hits today at 125.30 and below there at 124.90.

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 | 104.76 | 74.59 | 68.97 | 80.27 | 85.36 | 104.23 | 103.99 | 103.60 | 102.70 | 102.80 |
| JYAH24 | 66.67 | 23.50 | 29.27 | 11.73 | 6.23 | 67.15 | 67.66 | 67.95 | 69.38 | 69.23 |
| EU6H24 | 107.2350 | 27.90 | 33.08 | 19.34 | 16.52 | 107.76 | 107.92 | 108.36 | 109.20 | 109.25 |
| BPAH24 | 125.92 | 37.59 | 41.84 | 36.86 | 33.38 | 126.13 | 126.24 | 126.64 | 126.81 | 126.59 |
| CAAH24 | 73.74 | 32.45 | 37.71 | 37.87 | 30.17 | 74.19 | 74.25 | 74.32 | 74.61 | 74.34 |
| SFAH24 | 113.09 | 17.69 | 25.92 | 12.47 | 6.21 | 114.28 | 115.09 | 115.64 | 116.74 | 116.35 |
| DAAH24 | 64.59 | 28.01 | 31.83 | 22.48 | 17.98 | 0.65 | 0.65 | 0.66 | 0.67 | 0.66 |

Calculations based on previous session. Data collected 02/13/2024

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

DAILY SWING STATISTICS

| Contract | | Support 2 | Support 1 | Pivot | Resist 1 | Resist 2 |
|-------------------------|-------------------|-----------|-----------|----------|----------|----------|
| CURRENCY COMPLEX | | | | | | |
| DXAH24 | US Dollar | 102.94 | 104.02 | 104.43 | 105.51 | 105.92 |
| JYAH24 | Japanese Yen | 66.01 | 66.25 | 66.86 | 67.09 | 67.71 |
| EU6H24 | Euro | 106.3237 | 106.6575 | 107.4787 | 107.8125 | 108.6337 |
| BPAH24 | British Pound | 124.89 | 125.29 | 126.14 | 126.54 | 127.39 |
| CAAH24 | Canadian Dollar | 73.05 | 73.32 | 73.90 | 74.17 | 74.75 |
| SFAH24 | Swiss | 111.81 | 112.27 | 113.44 | 113.90 | 115.07 |
| DAAH24 | Australian Dollar | 63.78 | 64.09 | 64.79 | 65.10 | 65.80 |

Calculations based on previous session. Data collected 02/13/2024

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.