



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday February 20, 2024

BONDS COMMENTARY

2/20/2024

We think treasuries are cheap at the overnight lows

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

BONDS -0



With a chart breakdown overnight resulting in the lowest bond trade since December 4th, it appears the treasury trade is discounting recent evidence of slowing in the US and instead is embracing very minimal inflationary news from last week. In fact, given the slight uptick in inflation measures last week and a lack of concerning US data weakness over the last month the trade is justified in pushing yields higher as the inflation battle has been extended. It is likely that some pressure on US treasuries today is the result of the most aggressive Chinese mortgage reference rate cut in history as that probably prompts some flight to quality longs in treasuries to move to the sidelines. However, treasuries could find minimal support from a soft third tier Conference Board leading indicator reading this morning and perhaps from weakness in US equities. On the other hand, given a lack of key scheduled US data this morning, earnings from key bellwether companies like Home Depot and Walmart could have an impact on treasury prices. Today's trading will start out with January Canadian CPI which is expected to have a mild downtick from December's 3.4% year-over-year rate. The Conference Board's January reading on leading indicators is forecast to have a minimal downtick from December's -0.1% reading. Earnings announcements will include Walmart, Home Depot and Medtronic before the Wall Street opening while Palo Alto Networks, Public Storage and Diamondback Energy report after the close. Fortunately for the bull camp, spec and funds remain net short bonds which could moderate upcoming downside action. Bond positioning in the Commitments of Traders for the week ending February 13th showed Non-Commercial & Non-Reportable traders reduced their net short position by 16,267 contracts to a net short 48,027 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders are net short 665,412 contracts after net buying 37,890 contracts.

TODAY'S MARKET IDEAS:

The treasury markets are facing a conundrum with minimal inflation upticks last week favoring the bear camp, while a trend of softening data has only provided minimal support for the bull camp. However, market expectations for a rate cut next month remain very low at 8.5%, at only 34% for a May rate cut and at only 53% for a June cut. In conclusion, the near-term bias is down but without much stronger US data pressing the short side is perilous.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/6/2024 - 2/13/2024						
	Non-Commercial			Commercial	Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Financials						
Bonds	-105,932	+13,338	48,028	-16,265	57,905	+2,929
T-Notes	-746,629	+9,108	665,413	-37,890	81,217	+28,782

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) 02/20/2024: 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 setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 117-060. The next area of resistance is around 118-300 and 119-190, while 1st support hits today at 117-240 and below there at 117-060.

10 YR TREASURY NOTES (MAR) 02/20/2024: 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 setup is somewhat negative with the close under the 1st swing support. The next downside target is 109-025. The next area of resistance is around 110-060 and 110-190, while 1st support hits today at 109-140 and below there at 109-025.

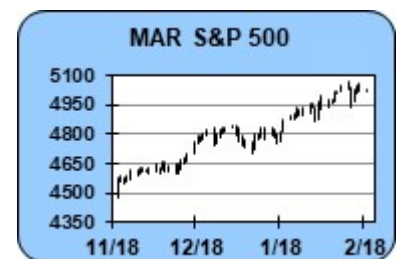
STOCKS COMMENTARY

2/20/2024

Vulnerable but investors are not anxious

OVERNIGHT CHANGES THROUGH 3:16 AM (CT): S&P 500 -10

Global equity markets overnight were mixed with Asian markets showing gains and European markets starting off under pressure. In fact, Chinese equity markets saw a six straight consecutive daily gain off hopes that lower mortgage rates will save the beleaguered Chinese property market. Critical economic news released overnight included better than expected Japanese machinery orders for December, the largest ever reduction in Chinese mortgage reference rates, and Swiss CPI increasing over the previous month. The North American trading session presents a very thin economic report slate with the only key readings Canadian Consumer Price Index readings for January (expectation call for a 0.4% gain) and Conference Board's January reading on leading indicators which is forecast to have a minimal downtick from December's -0.1% reading. It should be noted that the US will auction six-month, 52-week, and three-month bills in auctions today. Critical corporate earnings reports due out today include Walmart Inc., Home Depot, BHP group Limited, Palo Alto networks, Toll Brothers, Chesapeake Energy, and Intercontinental Hotels Group PLC. Public Storage, Barclays PLC. Energy report after the close.



S&P 500: Despite some positive Asian equity market action overnight and significant Chinese stimulus from a historically large cut in mortgage reference rates, the US markets are starting off under pressure. It is likely that the overnight downside breakout in treasury bonds to the lowest level since December 4th (therefore the highest yields since December 4th) and the fear that tomorrow's Fed meeting minutes release will reduce hopes for a first half US rate cut even more is prompting some investors to bank profits from last week's aggressive low to high rally of 123 index points. We suspect the most important earnings reports today will be from Palo Alto Networks, Walmart Inc., and Home Depot as those readings provide news on the tech sector and the status of the US consumer. The Commitments of Traders report for the week ending February 13th showed E-Mini S&P Non-Commercial & Non-Reportable traders were net short 148,070 contracts after decreasing their short position by 12,914 contracts. The 5000 level becomes a key pivot point with likely corrective targeting in the March S&P projected down at 4980.75. However, uptrend channel support from a line drawn off the October and February lows provides similar support at 4978.60.

Other US Indexes: Fortunately for the bull camp in Dow futures, the charts in the Dow show better structure than in the S&P, but earnings news from Home Depot and Walmart failed to lift prices off their early lows. In the end, the trend is up but we suggest traders trade conservatively with buy orders placed down at 38,380. Unfortunately

for the bull camp in the Dow, the net spec and fund long in the index is near the highest levels since the beginning of the pandemic. Therefore, traders should not rule out a significant volatility event especially following tomorrow's US Federal Reserve meeting minutes release. The Commitments of Traders report for the week ending February 13th showed Dow Jones \$5 Non-Commercial & Non-Reportable traders are net long 23,109 contracts after net selling 596 contracts. It goes without saying that today's earnings from Palo Alto Networks presents a key pivoting point for big tech. However, Nvidia earnings will be released tomorrow, and Palo Alto news today may be temporarily discounted. In our opinion, the NASDAQ charts are the most negative of the actively traded index markets especially with the March contract this morning near a downside breakout point at an uptrend channel support line drawn from last October's low. The Commitments of Traders report for the week ending February 13th showed Nasdaq Mini Non-Commercial & Non-Reportable traders net sold 699 contracts and are now net long 37,733 contracts.

TODAY'S MARKET IDEAS:

While the bear camp appears to have an edge to start the holiday shortened trading week, interest rate markets are undermining sentiment early and the bull camp did not find buyers from early earnings reports. However, we do not detect anxiety in the marketplace which should create a buying opportunity this week on further modest corrective action.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/6/2024 - 2/13/2024						
	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	-201,643	+22,512	148,070	-12,914	53,573	-9,598

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) 02/20/2024: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 4979.63. The next area of resistance is around 5039.50 and 5072.62, while 1st support hits today at 4993.00 and below there at 4979.63.

MINI-DOW (MAR) 02/20/2024: 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 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 now at 38473. The next area of resistance is around 38805 and 38985, while 1st support hits today at 38549 and below there at 38473.

E-MINI NASDAQ (MAR) 02/20/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The outside day down is a negative signal. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 17486.13. The next area of resistance is around 17879.25 and 18108.12, while 1st support hits today at 17568.25 and below there at 17486.13.

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	118-110	37.49	40.64	15.28	11.22	118.43	119.41	120.19	121.76	120.76
TYAAH24	109-260	35.69	38.97	12.65	11.49	109.91	110.46	111.01	111.72	111.32
EPH24	5016.25	58.48	60.97	81.94	79.76	5014.38	5015.28	4973.24	4869.93	4810.30
ENQH24	17723.75	51.51	55.52	76.27	69.84	17812.88	17842.89	17708.54	17247.71	16994.20
YMH24	38677	54.77	57.03	70.49	67.21	38591.00	38679.89	38539.33	38094.53	37633.60

Calculations based on previous session. Data collected 02/16/2024

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	117-050	117-230	118-120	118-300	119-190
TYAAH24	10 Yr Treasury Notes	109-020	109-135	109-265	110-060	110-190
EPH24	S&P E-Mini	4979.62	4993.00	5026.12	5039.50	5072.62
ENQH24	E-Mini NASDAQ	17486.12	17568.25	17797.12	17879.25	18108.12
YMH24	Mini-Dow	38473	38549	38729	38805	38985

Calculations based on previous session. Data collected 02/16/2024

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

CURRENCIES COMMENTARY

2/20/2024

We give the edge to the euro from upcoming US Fed news

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +3, YEN -7, SWISS -24, CA DOLLAR -30**

Upcoming International Reports (all times CT)

02/20 Swiss Trade Balance 1:00 AM
 02/20 Euro-zone Balance of Payment 3:00 AM
 02/20 Canadian Consumer Price Inde 7:30 AM
 02/20 Japan Trade Balance 5:50 PM
 02/21 API Energy Stocks 3:30 PM



DOLLAR: With the dollar violating even number support at 104.00 early today, expectations for a first half rate cut continue to fall and have not provided support for the dollar. In fact, the markets have been presented with recent hawkish (perhaps neutral) dialogue from the Minneapolis Fed views that months of soft inflation data will be needed to cut rates and yet the dollar is testing a critical uptrend channel support line early today at 103.84. Furthermore, with the US Federal Reserve releasing its meeting notes tomorrow dollar bears might expect further declines and a test of consolidation low support down at 103.20. The Commitments of Traders report for the week ending February 13th showed Dollar Non-Commercial & Non-Reportable traders added 527 contracts to their already long position and are now net long 3,170.

Other Currencies: With the euro hooking up on the charts early today, EU construction output for December improving significantly, and the dollar faltering on its charts, the bull camp has the edge. In fact, the euro has already violated a three-month downtrend channel resistance line and would violate a second two-month-old

downtrend channel resistance line with a trade above 1.0826. Lastly, the euro appears poised to win by default in the coming 48 hours. Euro positioning in the Commitments of Traders for the week ending February 13th showed Non-Commercial & Non-Reportable traders net sold 13,607 contracts and are now net long 70,316 contracts. In addition to a faltering US dollar, the pound is drafting support from strength in Barclays shares, and the Pound has seen a general improvement in trade views toward the currency all of which could allow for a test of downtrend channel resistance up at 1.2656. With the euro and pound seemingly benefiting from a faltering US dollar, the lack of upside action in the Canadian early today should disappoint the bull camp. Furthermore, seeing Canadian January producer prices fall 0.1% following a 0.7% decline in Canadian December factory sales suggests selling a rally in the Canadian to 74.37.

TODAY'S MARKET IDEAS:

The dollar starts the week out-of-favor with the euro seemingly the leadership currency especially with the euro zone current account widening along with an expansion of EU construction output from December.

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) 02/20/2024: 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's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 103.75. The next area of resistance is around 104.44 and 104.77, while 1st support hits today at 103.94 and below there at 103.75.

EURO (MAR) 02/20/2024: 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 market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 108.3637. The next area of resistance is around 108.1725 and 108.3637, while 1st support hits today at 107.6175 and below there at 107.2538.

JAPANESE YEN (MAR) 02/20/2024: The daily stochastics gave a bullish indicator with a crossover up. 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 short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 67.26. The next area of resistance is around 67.08 and 67.26, while 1st support hits today at 66.69 and below there at 66.48.

SWISS (MAR) 02/20/2024: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 114.36. The next area of resistance is around 114.12 and 114.36, while 1st support hits today at 113.57 and below there at 113.24.

CANADIAN DOLLAR (MAR) 02/20/2024: Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 74.44. The next area of resistance is around 74.30 and 74.44, while 1st support hits today at 74.04 and below there at 73.92.

BRITISH POUND (MAR) 02/20/2024: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 125.22. The next area of resistance is around 126.41 and 126.71, while 1st support hits today at 125.67 and below there at 125.22.

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	104.19	57.27	58.28	79.65	75.94	104.46	104.21	103.79	102.77	102.86
JYAH24	66.88	32.12	34.10	9.49	9.64	66.82	67.24	67.75	69.18	69.17
EU6H24	107.8950	45.16	43.37	22.61	28.15	107.60	107.76	108.14	109.16	109.16
BPAH24	126.04	44.62	45.59	31.33	29.88	125.85	126.05	126.46	126.83	126.65
CAAH24	74.17	47.39	47.10	33.58	35.60	73.98	74.16	74.28	74.64	74.40
SFAH24	113.84	34.41	35.96	12.45	15.27	113.53	114.27	115.31	116.65	116.32
DAAH24	65.39	49.06	45.98	27.73	35.18	0.65	0.65	0.65	0.67	0.66

Calculations based on previous session. Data collected 02/16/2024

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	103.74	103.93	104.25	104.44	104.77
JYAH24	Japanese Yen	66.48	66.69	66.87	67.08	67.26
EU6H24	Euro	107.2537	107.6175	107.8087	108.1725	108.3637
BPAH24	British Pound	125.21	125.66	125.96	126.41	126.71
CAAH24	Canadian Dollar	73.91	74.03	74.17	74.30	74.44
SFAH24	Swiss	113.24	113.56	113.80	114.12	114.36
DAAH24	Australian Dollar	64.84	65.15	65.32	65.63	65.80

Calculations based on previous session. Data collected 02/16/2024

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.