



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Monday February 26, 2024

BONDS COMMENTARY

2/26/2024

Short covering bias with positive economic views in place

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

With global equities faltering overnight, a veritable avalanche of US scheduled data directly ahead and another wave of expanded US treasury auctions (starting today with two year and five-year notes) we suspect shorts are banking profits and moving to the sidelines. Clearly, US data continues to reduce the prospects of rate cuts in the next three US Fed meetings, with record gains in equities, favorable data seemingly outnumbering weak data and recent evidence of sticky inflation lingering in the marketplace and in turn consistently extracting rate cut hope. While the trade is tracking higher early today, credit spreads and junk rated corporate bond yields have narrowed significantly which can signal confidence in the economy. According to Reuters, the Bank of America US corporate index of high-grade debt reached its lowest level since November 2020 last week! In other words, investors and fund managers are confident enough in the economy to increase risk in turn for incrementally higher rates of return. While the significant jump in open interest and trading volume in Bonds at the end of last week could be attributable to contract roll, open interest has reached the highest level since the initial Covid outbreak headline was released in January 2020. Even positioning reports have leveled the net spec and fund short positions in bonds and notes which could mean further short covering gains will be limited. The February 20th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 31,914 contracts after net buying 16,113 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders reduced their net short position by 51,763 contracts to a net short 613,649 contracts. The North American session will start out with January Canadian manufacturing sales which are expected to have a moderate uptick from December's -0.7% reading. January US new home sales are forecast to have a minimal uptick from December's 664,000 annualized rate. The Dallas Fed's February manufacturing business index is expected to have a moderate uptick from January's -27.4 reading. Kansas City Fed President Schmid will speak during morning US trading hours. Earnings announcements will include Workday, ONEOK, and Zoom Video Communications after the Wall Street close.



TODAY'S MARKET IDEAS:

While we think the trend remains down, significant trading volume and open interest gains on the reversal up last week suggest bargain hunting buying and or simple short profit-taking is now surfacing. However, this week's economic report scheduled is laden with top-tier readings which are likely to completely snuff out first half rate cut hopes unless disappointing readings outnumber positive readings. At least to start treasuries could see pressure from January US new home sales and from a favorable Dallas Fed manufacturing business index. We suggest traders take a conservative approach in reentering the short side of treasuries with sell orders today at the 200-day moving average up at 120-17 in March Bonds. However, traders should be shifting their trade to the June contract later this week.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/13/2024 - 2/20/2024						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Financials						
Bonds	-86,845	+19,087	31,913	-16,115	54,931	-2,974
T-Notes	-683,550	+63,079	613,650	-51,763	69,901	-11,316

BONDS TECHNICAL OUTLOOK:

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BONDS (MAR) 02/26/2024: A bullish signal was given with an upside crossover of the daily stochastics. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 120-090. The next area of resistance is around 119-280 and 120-090, while 1st support hits today at 118-140 and below there at 117-120.

10 YR TREASURY NOTES (MAR) 02/26/2024: A bullish signal was given with an upside crossover of the daily stochastics. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is positive on the close above the 9-day moving average. The outside day up is somewhat positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 110-145. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 110-085 and 110-145, while 1st support hits today at 109-190 and below there at 109-030.

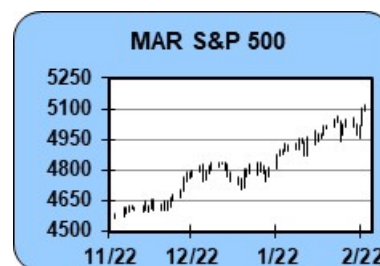
STOCKS COMMENTARY

2/26/2024

Overdone and in need of a temporary dip buy breaks

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 -9

Global equity markets overnight were mostly lower with Chinese markets reversing a recent trend of gains with moderate losses. While it appears the global equity markets have become temporarily overdone with overvaluation talk on Nvidia surfacing, we see the overall uptrend remaining in place. However, earnings reports will begin to slow, and this week is likely to bring even more clarity on the state of the US economy. Earnings announcements will include Workday, ONEOK, and Zoom Video Communications after the Wall Street close.



S&P 500: Fortunately for the bull camp initial corrective action is very shallow and there is not an obvious concerning headline weighing on the market early today. Obviously, the markets have impressively traversed the steady removal of expectations for an early US rate cut but that is heavily dependent on further signs the US economy does not "need" a rate cut. Traders should be aware of the beginning of a cycle of US treasury debt auctions today (two- and five-year notes) and realize shorter-term maturities have shown better demand than longer-term maturities. Therefore, without a good auction result from the short end today, treasury prices could resume their track lower thereby creating a corrective force for equities. Critical support in the S&P is 5066.50 with uptrend channel buying support for conservative traders well below the market today at 4989.40 with that trendline support rising to 5030.00 on Friday. In a very amazing development, the net spec and fund short in S&P futures remains large, indicating stop loss buying could continue to feed prices higher. The Commitments of Traders report for the week ending February 20th showed E-Mini S&P Non-Commercial & Non-Reportable

traders added 7,760 contracts to their already short position and are now net short 155,830.

Other US Indexes: While the Dow has shown very little corrective action this morning (despite weakness in global shares), early signs of lower treasury yields, and confidence building news from Berkshire Hathaway the bias is still up unless Fed news shifts from neutral to slightly hawkish. Aggressive long entry pricing in the Dow is 38,979 with more conservative buy pricing at 38,886. The Commitments of Traders report for the week ending February 20th showed Dow Jones \$5 Non-Commercial & Non-Reportable traders are net long 18,891 contracts after net selling 4,218 contracts. While some traders will point out the new high and lower close reversal last Friday in the NASDAQ and continuing concerns of a significantly overvalued Nvidia's shares, the NASDAQ should continue to be seen as the engine of the bull camp. Nonetheless, the NASDAQ could be temporarily vulnerable to positive US data suggesting conservative long entry pricing be place down at 17,802. The Commitments of Traders report for the week ending February 20th showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 34,358 contracts after net selling 3,375 contracts.

TODAY'S MARKET IDEAS:

The trend remains up, but the bull camp will be tested with what could be a full discounting of a June US rate cut. On the other hand, trade expectations for US durable goods tomorrow call for a massive decline and therefore traders might consider purchasing bull call spreads on weakness today.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/13/2024 - 2/20/2024						
	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	-220,337	-18,694	155,830	+7,760	64,507	+10,934

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 02/26/2024: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 5134.50. The next area of resistance is around 5114.00 and 5134.50, while 1st support hits today at 5082.50 and below there at 5071.50.

MINI-DOW (MAR) 02/26/2024: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 39449. The next area of resistance is around 39299 and 39449, while 1st support hits today at 39043 and below there at 38937.

E-MINI NASDAQ (MAR) 02/26/2024: The daily stochastics have crossed over up which is a bullish indication. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 18202.31. The next area of resistance is around 18061.12 and 18202.31, while 1st support hits today at 17862.38 and below there at 17804.82.

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	119-050	48.60	46.81	12.19	16.07	118.31	118.52	119.86	121.34	120.94
TYAAH24	109-295	42.13	42.36	10.81	12.51	109.75	109.92	110.69	111.49	111.36
EPH24	5098.25	68.40	67.10	79.43	81.91	5049.88	5032.33	5001.81	4894.62	4839.56
ENQH24	17961.75	58.99	59.57	67.27	69.33	17819.38	17828.53	17756.38	17337.34	17101.24
YMH24	39171	66.46	64.52	72.03	78.14	38894.75	38754.67	38688.22	38208.51	37850.35

Calculations based on previous session. Data collected 02/23/2024

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	117-110	118-130	118-260	119-280	120-090
TYAAH24	10 Yr Treasury Notes	109-025	109-185	109-245	110-085	110-145
EPH24	S&P E-Mini	5071.50	5082.50	5103.00	5114.00	5134.50
ENQH24	E-Mini NASDAQ	17804.81	17862.37	18003.56	18061.12	18202.31
YMH24	Mini-Dow	38937	39043	39193	39299	39449

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CURRENCIES COMMENTARY

2/26/2024

Positive US data expected today sell a dollar rally

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR -49, YEN -8, SWISS +0, CA DOLLAR -135**

Upcoming International Reports (all times CT)

02/26 UK Nationwide Housing Price 1:00 AM
 02/26 New Home Sales 9:00 AM
 02/26 Japan Consumer Price Index 5:30 PM
 02/27 German GfK Consumer Confiden 1:00 AM
 02/27 France Consumer Confidence 1:45 AM
 02/27 Adv Durable Goods 7:30 AM
 02/27 Consumer Confidence 9:00 AM
 02/27 API Energy Stocks 3:30 PM



DOLLAR: Clearly, the dollar has eroded in value because of the persistent erosion of an early 2020 US rate cut. However, seeing US data improve should ultimately be supportive of the dollar. Unfortunately for the bull camp, US durable goods on Tuesday are expected to fall by a blistering 4.8% and a decline of that magnitude could throw the dollar down to last week's low around 103.11 which also generally coincides with the 200-day moving average down at 103.09. The February 20th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders net sold 53 contracts and are now net long 3,117 contracts.

Other Currencies: Fortunately for the bull camp in the euro German export sentiment has improved this month thereby countervailing a portion of the euro bearish contraction in German GDP readings last week. However, without Euro specific data released overnight, the euro will be in a knee-jerk reaction mode to the dollar following

US data today. With strong housing data from the US last week, new home sales today expected to increase and therefore a slight and temporary back and fill action should be seen in the euro. Quasi consolidation low support at 1.0820 should be considered a long entry level. The February 20th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 91,914 contracts after net buying 21,598 contracts. With an extending pattern of higher lows and prices entrenching above the 200 and 20-day moving averages, bearish fundamentals from a 15% decline in UK job vacancies last month are tempered. Close in buying support is 1.2640 with uptrend channel buying support today at 1.260. With a damaging three-day low in the Canadian early today combined with a significant jump in the Canadian deficit over the first three quarters of 2023/2024, the Canadian looks to slide to and perhaps fail at first support today down at 73.90.

TODAY'S MARKET IDEAS:

Stubbornly bearish action in the dollar could signal a sharp declines in the dollar this week without positive US data surprises! However, today's US data looks supportive while tomorrow's US data looks very damaging.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 02/26/2024: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 103.57. The next area of resistance is around 104.01 and 104.13, while 1st support hits today at 103.74 and below there at 103.57.

EURO (MAR) 02/26/2024: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 108.6087. The next area of resistance is around 108.4525 and 108.6087, while 1st support hits today at 108.1775 and below there at 108.0588.

JAPANESE YEN (MAR) 02/26/2024: 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 daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 66.47. The next area of resistance is around 66.79 and 66.89, while 1st support hits today at 66.58 and below there at 66.47.

SWISS (MAR) 02/26/2024: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 114.31. The next area of resistance is around 113.99 and 114.31, while 1st support hits today at 113.50 and below there at 113.33.

CANADIAN DOLLAR (MAR) 02/26/2024: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 74.43. The next area of resistance is around 74.23 and 74.43, while 1st support hits today at 73.93 and below there at 73.81.

BRITISH POUND (MAR) 02/26/2024: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. 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 target is 127.27. The next area of resistance is around 126.97 and 127.27, while 1st support hits today at 126.45 and below there at 126.22.

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	103.87	48.85	53.09	61.99	53.23	103.91	104.19	103.99	102.99	102.96
JYAH24	66.68	30.53	32.98	8.52	7.53	66.78	66.85	67.43	68.78	69.06
EU6H24	108.3150	54.39	49.31	43.30	53.73	108.28	107.93	108.03	109.04	109.06
BPAH24	126.71	58.23	53.49	42.10	52.58	126.47	126.18	126.32	126.79	126.70
CAAH24	74.08	46.44	46.46	36.49	39.92	74.08	74.06	74.23	74.59	74.45
SFAH24	113.74	35.28	36.41	17.85	20.82	113.80	113.77	114.75	116.43	116.25
DAAH24	65.67	55.82	50.62	49.27	61.50	0.66	0.65	0.65	0.66	0.66

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH24	US Dollar	103.56	103.73	103.85	104.01	104.13
JYAH24	Japanese Yen	66.46	66.57	66.67	66.79	66.89
EU6H24	Euro	108.0587	108.1775	108.3337	108.4525	108.6087
BPAH24	British Pound	126.21	126.44	126.74	126.97	127.27
CAAH24	Canadian Dollar	73.80	73.92	74.11	74.23	74.43
SFAH24	Swiss	113.32	113.49	113.81	113.99	114.31
DAAH24	Australian Dollar	65.37	65.51	65.68	65.82	65.99

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