



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday February 28, 2024

BONDS COMMENTARY

2/28/2024

We favor the downside off further deterioration of rate cut hope

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

Clearly, treasury prices have settled into a sideways chop over the last several weeks which in retrospect seems justified after good US data has been followed by disappointing US data. However, expectations for a rate cut next month are virtually nil with expectations for a May cut at only 20%. Furthermore, expectations for a June rate cut are currently below 50% thereby leaving treasuries without a "Fed bid". However, there will be three Fed speeches prior to midsession today with recent Fed dialogue favoring the Hawks, but traders might be hesitant to implement fresh positions ahead of the Fed's favorite inflation report PCE on Thursday. While yesterday's seven year note auction resulted in an initial rally of 14-ticks, that rally failed, and bonds made new lows for the day in the hours following the auction. On the other hand, most of this week's auctions presented record size to the trade and treasuries have exited this week's auction cycle without a decisive negative vibe. While we do not expect the US GDP report today will prompt a noted reaction, the trade expects good growth and a slight downside miss on GDP could lift March bonds up to 119-09. Unfortunately for the bull camp, we suspect the wave of Fed speeches starting at 11 AM central time will result in pressure with March bonds potentially drifting down to 117-25. The North American session will start out with a weekly private survey of mortgage applications followed by fourth quarter US gross domestic product which is expected to hold steady with the previous 3.3% annualized rate. The January US goods trade balance is forecast to have a minimal decrease from December's \$88.5 billion monthly deficit. January US wholesale trade is expected to have a modest downtick from the previous 0.4% reading. Atlanta Fed President Bostic, Boston Fed President Collins and New York Fed President Williams will speak during afternoon US trading hours.



TODAY'S MARKET IDEAS:

While we expect today's action will present mostly sideways chop within a tight range, distinctly hawkish dialogue from a wave of Fed speeches could serve to drain more rate cut expectations from treasury prices. From a trend perspective, the bias remains down with the ramping up of open interest and trading volume on last week's rally seemingly burning a significant amount of fuel without noted results. Downtrend channel resistance in March bonds today is 119-06 and without the PCE report tomorrow we would see that level as a fresh short entry price.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

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BONDS (JUN) 02/28/2024: The stochastics indicators are rising from oversold levels, which is bullish and should

support higher prices. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next upside objective is 119-200. The next area of resistance is around 118-290 and 119-200, while 1st support hits today at 117-270 and below there at 117-150.

10 YR TREASURY NOTES (JUN) 02/28/2024: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. 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 under the swing pivot. The near-term upside objective is at 110-175. The next area of resistance is around 110-085 and 110-175, while 1st support hits today at 109-275 and below there at 109-230.

STOCKS COMMENTARY

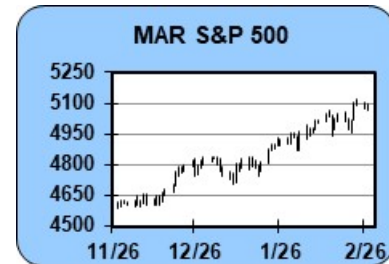
2/28/2024

Flaws in AI, bearish charts & hawkish Fed dialogue is bearish

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

S&P 500 -14

Global equity markets overnight were lower except for the Russian and German markets which traded fractions of a percent higher. The orderly setback from all-time highs continues today without significant momentum or wide participation. However, troubles at Google regarding problems with Gemini AI has temporarily undermined the bullish AI focus. In another blow to bullishness toward the tech laden NASDAQ, Apple has indicated they will stop work on their electric car. Earnings announcements will include Salesforce, Snowflake and Monster Beverage after the Wall Street close.



S&P 500: Even though the S&P has not shown bullish sensitivity to soft US data (which should have revived rate cut hopes slightly) traders and investors appear to be banking profits ahead of tomorrow's significant US inflation measure of PCE. While expectations for tomorrow's PCE call for an uptick from 0.2% to 0.3% and an as expected reading should only present modest and perhaps temporary selling. In fact, expectations for rate cuts in the next two Fed meetings are already almost fully deflated, we suspect a first half rate cut will be for all effective purposes eliminated! Given potential volatility over the coming 24 hours traders should be conservative with buy orders using the October through February uptrend channel support line, which is pegged at 5009.70 today, 5019.85 on Thursday and at 5030.00 on Friday.

Other US Indexes: With some analysts suggesting interest in small-cap stocks is expanding, we suspect the NASDAQ will hold up better than other sectors of the market in the coming 36 hours of trade. However, concern over flaws in AI technology have surfaced thereby injuring the primary theme of the bull camp. Therefore, as in the S&P commentary this morning we suggest traders wait for further declines toward uptrend channel support, which is 17,565 is the March Nasdaq, with that uptrend channel support line increasing to 17,604.30 tomorrow and to 17,642.90 on Friday.

TODAY'S MARKET IDEAS:

With the primary bullish catalyst historic profits from AI temporarily undermined by flaws in the logic of AI technology, evidence of slowing in the US economy and what could be the final removal of first half rate cut hopes, should leave the markets in a narrow downward track. In conclusion, we suggest would be buyers remain conservative with buy orders off the market at longer-term uptrend channel support levels previously mentioned.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 02/28/2024: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. 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 near-term upside objective is at 5112.37. The next area of resistance is around 5105.75 and 5112.37, while 1st support hits today at 5079.75 and below there at 5060.38.

MINI-DOW (MAR) 02/28/2024: 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. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 39261. The next area of resistance is around 39126 and 39261, while 1st support hits today at 38884 and below there at 38776.

E-MINI NASDAQ (MAR) 02/28/2024: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The upside closing price reversal on the daily chart is somewhat bullish. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 18130.50. The next area of resistance is around 18089.25 and 18130.50, while 1st support hits today at 17957.75 and below there at 17867.50.

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										
USAAM24	118-120	42.47	43.11	17.09	21.89	118.54	118.42	119.49	121.11	121.05
TYAAM24	110-020	37.03	39.11	11.46	12.24	110.16	110.31	110.98	111.97	111.95
EPH24	5092.75	65.83	65.40	79.78	80.77	5089.56	5049.89	5021.90	4907.86	4855.25
ENQH24	18023.50	61.07	60.85	70.78	75.33	17989.19	17866.58	17825.06	17385.14	17159.11
YMH24	39005	59.82	60.38	74.92	76.57	39088.75	38853.22	38754.28	38268.40	37956.90

Calculations based on previous session. Data collected 02/27/2024

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						
USAAM24	Bonds	117-140	117-260	118-170	118-290	119-200
TYAAM24	10 Yr Treasury Notes	109-225	109-270	110-040	110-085	110-175
EPH24	S&P E-Mini	5060.37	5079.75	5086.37	5105.75	5112.37
ENQH24	E-Mini NASDAQ	17867.50	17957.75	17999.00	18089.25	18130.50
YMH24	Mini-Dow	38775	38883	39018	39126	39261

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CURRENCIES COMMENTARY

2/28/2024

The \$ in control as slower US growth is stronger than other economies

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +351, YEN -11, SWISS -14, CA DOLLAR -265**

Upcoming International Reports (all times CT)

02/28 Swiss ZEW Investor Sentiment 3:00 AM
02/28 Euro-zone Business and Consu 4:00 AM
02/28 Canadian Economic Accounts 7:30 AM
02/28 GDP (Q4 '23) 7:30 AM
02/28 EIA Energy Stocks 9:30 AM
02/28 Japan Retail Sales 5:50 PM
02/28 Japan Housing Starts 11:00 PM
02/29 German Retail Sales 1:00 AM
02/29 France Consumer Spending 1:45 AM
02/29 France Producer Price Index 1:45 AM
02/29 Swiss GDP 2:00 AM
02/29 Swiss KOF Leading Indicator 2:00 AM
02/29 German Employment Situation 2:55 AM
02/29 Canadian GDP (By Industry) 7:30 AM
02/29 Jobless Claims 7:30 AM
02/29 Personal Income 7:30 AM
02/29 Chicago PMI 8:45 AM
02/29 EIA Gas Storage 9:30 AM
02/29 Japan Unemployment Rate 5:30 PM
02/29 Japan Manufacturing PMI 6:30 PM
02/29 Japan Consumer Confidence Su 11:00 PM



DOLLAR: Despite an extension of soft US data yesterday the US dollar has forged a six-day high in the early action today as the trade is anticipating a minimally hawkish spin from a bevy of Fed speeches ahead of midsession. It is also possible that speculative buying is underway ahead of tomorrow's key US inflation report (PCE). However, expectations for the PCE call for a very minimal uptick and given sharp declines in the probability of US rate cuts from the CME Fed watch tool, pressure on the dollar from potential rate cuts should be absent in the near-term. While there is not expected to be a revision in US GDP growth of 3.3% in today's report, merely posting a 3.3% gain clearly highlights US growth remains well above other growth rates especially in the euro zone where recession concerns linger. In the end, the bias is up in the dollar, but we are hesitant to chase the index higher as the bull camp will need to see US GDP revised higher and will need tomorrow's US PCE report to tick higher.

Other Currencies: With the euro posting a six-day low and temporarily failing at its 21-day moving average, we see further declines in the euro below 1.08. In fact, with today's US GDP report likely to confirm a significant US economic differential edge with Europe and generally negative overnight data from Italian business confidence and European economic sentiment and industrial confidence, the bear camp has control. As usual, a tide of strength in the dollar results in a opposite reaction in the Pound which violated close in moving average support early today. Additional pressure on the Pound is likely after today's US GDP release with US growth around 3.3% head and shoulders above GBP growth. Initial downside targeting in the Pound today is 1.2613 with the only likely reprieve from pressure a disappointing US GDP report. With the massive range down breakout in the Canadian to the lowest level since early December, it is clear the bear camp has many bearish fundamental themes at its disposal. In addition to disappointing profits Canadian banks and warnings of bigger loan losses and tomorrow's expected Canadian GDP gain of only 0.2% (which obviously pales in comparison to US growth above 3.0%) we see downside targeting in the Canadian below 73.50.

TODAY'S MARKET IDEAS:

The bias in the dollar has shifted upward despite recent disappointing US scheduled data perhaps because today's US GDP reading is likely to reconfirm a massive US economic growth differential with all actively traded currencies. If there is a caveat against the dollar bull case it is the index lack of strength early last week in the wake of solid US data.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 02/28/2024: The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 103.40. The next area of resistance is around 103.89 and 104.03, while 1st support hits today at 103.58 and below there at 103.40.

EURO (MAR) 02/28/2024: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. 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 is a negative indicator for prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 108.8925. The next area of resistance is around 108.7100 and 108.8925, while 1st support hits today at 108.3800 and below there at 108.2325.

JAPANESE YEN (MAR) 02/28/2024: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 66.41. The next area of resistance is around 66.80 and 66.96, while 1st support hits today at 66.52 and below there at 66.41.

SWISS (MAR) 02/28/2024: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is positive on the close above the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 114.29. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 114.18 and 114.29, while 1st support hits today at 113.86 and below there at 113.63.

CANADIAN DOLLAR (MAR) 02/28/2024: A crossover down in the daily stochastics is a bearish signal. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. 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 objective is now at 73.69. The next area of resistance is around 74.10 and 74.29, while 1st support hits today at 73.81 and below there at 73.69.

BRITISH POUND (MAR) 02/28/2024: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 127.20. The next area of resistance is around 127.05 and 127.20, while 1st support hits today at 126.69 and below there at 126.47.

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	103.73	44.42	50.48	52.66	43.69	103.81	103.96	104.07	103.10	102.99
JYAH24	66.66	33.19	34.18	7.44	6.80	66.64	66.77	67.22	68.61	68.98
EU6H24	108.5450	59.09	52.65	55.36	66.86	108.45	108.16	108.04	108.98	109.00
BPAH24	126.87	61.34	55.38	55.05	67.95	126.77	126.37	126.30	126.79	126.69
CAAH24	73.95	41.86	43.69	37.86	37.78	74.05	74.06	74.15	74.54	74.45
SFAH24	114.02	42.12	40.21	22.64	28.42	113.82	113.79	114.44	116.28	116.20
DAAH24	65.47	49.47	47.19	56.27	62.29	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	103.39	103.57	103.71	103.89	104.03
JYAH24	Japanese Yen	66.40	66.52	66.68	66.80	66.96
EU6H24	Euro	108.2325	108.3800	108.5625	108.7100	108.8925
BPAH24	British Pound	126.46	126.68	126.83	127.05	127.20
CAAH24	Canadian Dollar	73.68	73.80	73.99	74.10	74.29
SFAH24	Swiss	113.62	113.85	113.96	114.18	114.29
DAAH24	Australian Dollar	65.13	65.30	65.46	65.63	65.79

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