



Daily Futures Market Commentary

Financial Forecast

Alan Bush

December 6, 2018

STOCK INDEX FUTURES

Stock index futures declined as the arrest of a top executive of Chinese tech giant Huawei for extradition to the U.S. from Canada triggered new doubts over the prospects of Washington and Beijing striking a deal in their 90 day truce period.

The November Automatic Data Processing employment change report showed a 179,000 increase, which compared to expectations of 175,000.

In the week ended December 1, initial weekly U.S. jobless claims declined 4,000 to 231,000. Consensus expectations called for initial claims to be 226,000.

U.S. worker productivity increased at a faster rate in the third quarter than initially estimated. The productivity of nonfarm workers rose 2.3% in the third quarter from the prior three months. That was an upward revision from last month's first estimate of up 2.2%.

The 8:45 November U.S. services purchasing managers' index is expected to be 54.4.

Two 9:00 central time reports are scheduled. The October factory orders report is anticipated to show a 2% decline and the November Institute for Supply Management nonmanufacturing index is estimated to be 59.

It will may take a while, but falling interest rates globally will ultimately rescue this market.

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CURRENCY FUTURES

The U.S. dollar was higher in the overnight trade due to flight to quality buying after the arrest in Canada of a top executive of Chinese tech giant, which prompted fears of a flare-up in U.S.-China trade tensions.

The greenback weakened recently as traders assess the impact of falling U.S. interest rates. A less hawkish Federal Reserve is likely to put a cap on the greenback.

The Canadian dollar is lower after Bank of Canada Governor Stephen Poloz said the benchmark interest rate will need to move higher, but the pace of future interest rate increases “will remain decidedly data dependent” given global risks and lower energy prices.

The Australian dollar fell due to its vulnerability to a worsening U.S.-China trade conflict.

There was additional pressure on the Australian dollar when the Reserve Bank of Australia’s deputy governor said a rapid economic policy easing would remain a weapon if it is needed. He said, while the central bank is indicating that interest rates will probably increase, that could change if economic conditions weaken.

INTEREST RATE MARKET FUTURES

Futures are higher across the board as traders seek safety in Treasuries.

Federal Reserve speakers today are Atlanta Federal Reserve Bank President Raphael Bostic at 11:15, New York Federal Reserve Bank President John Williams at 5:30 and Federal Reserve Bank Chairman Jerome Powell at 5:45.

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According to the financial futures markets, the probability of a fed funds rate hike at the Federal Open Market Committee's December 19 policy meeting is 71%, which compares to 78% yesterday.

Financial futures markets suggest the FOMC will increase its fed funds rate only one time in 2019

I expect the interest rate futures market will likely trend higher in the longer term, led by the thirty year Treasury bond futures.

Also, the gold market is likely to be a beneficiary of falling interest rates

SUPPORT AND RESISTANCE

December 18 S&P 500

Support 2645.00 Resistance 2718.00

December 18 U.S. Dollar Index

Support 96.550 Resistance 97.180

December 18 Euro Currency

Support 1.13250 Resistance 1.14170

December 18 Japanese Yen

Support .88410 Resistance .89120

December 18 Canadian Dollar

Support .74310 Resistance .75010

December 18 Australian Dollar

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Support .7179 Resistance .7276

March 19 Thirty Year Treasury Bonds

Support 142^0 Resistance 143^16

February 19 Gold

Support 1238.0 Resistance 1255.0

March 19 Copper

Support 2.7100 Resistance 2.7800

January 19 Crude Oil

Support 50.02 Resistance 53.45

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