



Financial Forecast

Alan Bush

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STOCK INDEX FUTURES

Stock index futures traded sharply higher yesterday after President Donald Trump's budget announcement, which included a large infrastructure spending plan.

Futures traded lower overnight. However, there has been some recovery on news that the National Federation of Independent Business said its small business optimism index rose by a stronger than expected 2 percentage points to 106.9 in January, which is the third highest reading since the NFIB began the monthly surveys in 1973. Economists expected a January reading of 106.

In spite of the recent correction, I am not seeing the beginning of any new long term bear market for stock index futures.

CURRENCY FUTURES

The U.S. dollar is lower for a second day.

In the longer term, lower prices are likely for the greenback, as interest rate differential expectations are likely to undermine the U.S. dollar.

The euro currency is higher due to the belief that the European Central Bank will remove some of its accommodation later this year and may actually hike interest rates in the first quarter of next year.

The main trend for the currency of the euro zone is higher.

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The British pound advanced after data showed U.K. inflation unexpectedly stayed near its highest levels in six years in January. This reinforced expectations that the Bank of England will hike interest rates again in May.

The BoE surprised financial markets last week by suggesting that interest rates could move up faster than previously expected.

Financial futures markets are predicting there is as much as a 70% chance of a 25 basis point increase in interest rates by May and approximately a 50% probability of another hike in rates by the end of the year.

INTEREST RATE MARKET FUTURES

The thirty year Treasury bond futures are slightly higher today after yesterday trading at the lowest levels since April 2015.

Federal Reserve Bank of Cleveland President Mester said the Federal Reserve should push ahead with interest rate increases this year, while adding the recent increase of volatility in financial markets has not derailed the solid economic outlook for the U.S.

The probability of a fed funds rate increase at the FOMC's March 21 policy meeting is 77%, which compares to 75% yesterday.

The long term trend for futures is lower, especially for the thirty year Treasury bond futures.

SUPPORT AND RESISTANCE

March 18 S&P 500

Support 2632.00 Resistance 2663.00

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March 18 U.S. Dollar Index

Support 89.450 Resistance 90.110

March 18 Euro Currency

Support 1.23040 Resistance 1.23880

March 18 Japanese Yen

Support .92050 Resistance .93330

March 18 Canadian Dollar

Support .79310 Resistance .79760

March 18 Australian Dollar

Support .7827 Resistance .7887

March 18 Thirty Year Treasury Bonds

Support 144^0 Resistance 145^4

April 18 Gold

Support 1321.0 Resistance 1337.0

March 18 Copper

Support 3.0750 Resistance 3.1500

March 18 Crude Oil

Support 58.53 Resistance 60.01

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