



Daily Futures Market Commentary

Financial Forecast

Alan Bush

January 11, 2019

STOCK INDEX FUTURES

U.S. consumer price growth in December was the slowest since August 2017.

The U.S. consumer price index declined 0.1% in December, after November's unchanged reading. The data was in line with consensus estimates. For the year, headline inflation increased 1.9%.

Monthly core inflation, which takes out the volatile food and energy components, rose 0.2%, following a 0.2% increase in November. Economists were expecting to see a 0.2% gain.

U.S. officials expect China's top trade negotiator may visit Washington this month, suggesting higher level discussions are likely to follow this week's talks with mid-level officials in Beijing.

Large U.S. banks will kick off fourth quarter earnings next week. S&P 500 companies on average are expected to post 14.5% growth in earnings per share, according to IBES data from Refinitiv.

However, expectations for growth in 2019 are at 6.4%, which is down from an expectation of 7.3% growth on January 1.

It may take a while, but downward pressure on interest rates globally, but not from the Fed in the short term, will ultimately rescue this market.

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CURRENCY FUTURES

The U.S. dollar is lower as interest rate differential expectations are turning against the U.S. dollar.

The euro currency is higher and is headed for its biggest weekly gain in over four months, with the U.S. dollar weakening on cautious signals from the Federal Reserve about additional interest rate hikes.

The British pound is higher after a report that Brexit could be delayed beyond the March deadline before paring gains when the government ruled out an extension.

INTEREST RATE MARKET FUTURES

Prices are higher in light of lower prices for stock index futures.

Yesterday, at the Economic Club of Washington, Federal Reserve Chairman Jerome Powell reiterated the U.S. central bank will be patient about increasing interest rates.

Financial futures markets are predicting a 69% probability of the fed funds rate remaining unchanged at the current level of 2.25%-2.50% this year.

There is a 19% chance of an increase in the fed funds rate by 25 basis points and there is a 12% probability of a 25 basis point rate cut this year.

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

Gold and silver daily charts are forming a symmetrical triangle pattern. The rule of thumb is that prices break out of a congestion pattern in the same direction that they came into the pattern approximately 65% on the time.

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The long term trend for gold and silver is higher.

SUPPORT AND RESISTANCE

March 19 S&P 500

Support 2575.00 Resistance 2602.00

March 19 U.S. Dollar Index

Support 94.670 Resistance 95.190

March 19 Euro Currency

Support 1.15330 Resistance 1.16160

March 19 Japanese Yen

Support .92590 Resistance .93030

March 19 Canadian Dollar

Support .75450 Resistance .76050

March 19 Australian Dollar

Support .7181 Resistance .7249

March 19 Thirty Year Treasury Bonds

Support 145^0 Resistance 146^0

February 19 Gold

Support 1285.0 Resistance 1297.0

March 19 Copper

Support 2.6300 Resistance 2.6800

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February 19 Crude Oil

Support 51.63 Resistance 53.55

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