



Daily Futures Market Commentary

Financial Forecast

Alan Bush

July 11, 2018

STOCK INDEX FUTURES

Increased global trade tensions were not on the back burner for very long. Stock index futures are lower today, although well off the lows, after U.S. Trade Representative Robert Lighthizer said the U.S. would impose tariffs of 10% on additional Chinese imports worth \$200 billion.

The news of more possible tariffs came shortly after Washington imposed 25% tariffs on \$34 billion of Chinese imports. Beijing responded immediately with matching tariffs on the same amount of U.S. exports to China.

U.S. producer prices increased at the fastest rate since 2011. The producer price index increased a seasonally adjusted .3% in June from a month earlier, when up .2% was expected and the producer price index, excluding the food and energy categories, were also up .3% in June from the previous month, which compares to the anticipated gain of .2%.

The July Atlanta Fed's business inflation expectations survey will be released at 9:00 central time. Last month's figure was 2.1%.

The 9:00 May wholesale trade report is estimated to show an increase of .5%.

In spite of today's pressure, U.S. stock index futures are holding up relatively well in spite of the ongoing global trade uncertainties. It was just yesterday that S&P500 futures advanced to 17 week highs.

CURRENCY FUTURES

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The U.S. dollar is underperforming in light of the bullish U.S. producer price index report and the likely hike in the fed funds rate in September.

The euro currency is firmer on reports that the European Central Bank could increase its key interest rate in July 2019. Previously the consensus view was that the ECB could hike rates in the fall of next year.

Interest rate differential expectations continue to turn a little more supportive to the euro and less favorable to the U.S. dollar.

With China and Australia being major trading partners, the Australian dollar fell after the Trump administration threatened 10% tariffs on \$200 billion worth of Chinese imports in an escalating trade conflict.

INTEREST RATE MARKET FUTURES

Futures are higher in light of the escalating trade conflict. However, gains were limited by the bearish U.S. producer price index report.

The Treasury will auction ten year notes today.

New York Federal Reserve Bank President John Williams will speak at 3:30.

The probability of a fed funds rate hike at the Federal Open Market Committee's September 26 meeting is 87%, which is unchanged from yesterday.

Although flight to quality buying is likely to come in from time to time, the longer term trend for futures is lower.

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SUPPORT AND RESISTANCE

September 18 S&P 500

Support 2763.00 Resistance 2792.00

September 18 U.S. Dollar Index

Support 93.730 Resistance 94.290

September 18 Euro Currency

Support 1.17440 Resistance 1.18280

September 18 Japanese Yen

Support .90160 Resistance .90730

September 18 Canadian Dollar

Support .75890 Resistance .76340

September 18 Australian Dollar

Support .7372 Resistance .7443

September 18 Thirty Year Treasury Bonds

Support 145^0 Resistance 145^26

August 18 Gold

Support 1246.0 Resistance 1261.0

September 18 Copper

Support 2.7000 Resistance 2.8400

August 18 Crude Oil

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Support 73.01 Resistance 74.73

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