



Daily Futures Market Commentary

Financial Forecast

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May 16, 2018

STOCK INDEX FUTURES

Stock index futures are higher in spite of recent increases in interest rates, and even though there are growing doubts about next month's summit between President Donald Trump and Kim Jong Un

Housing starts fell 3.7% in April from the prior month to a seasonally adjusted annual rate of 1.287 million. Economists had expected a 1.4% decline for starts.

Residential building permits dropped 1.8% to an annual rate of 1.352 million last month. Economists had expected a .3% decline for permits in April.

April industrial production was up .7%, which compares to an anticipated gain of .6% and April capacity utilization was up .4% to 78%, when 78.4% was estimated.

The May Atlanta Fed Business inflation expectations report will be released at 9:00. The report in April showed 2.3%.

A second round of high level trade negotiations between the U.S. and China takes place in Washington through Saturday.

Even though the yield on 10 year Treasury notes has surpassed the 3% level, there is room for interest rates to work higher before rising rates materially hurt broader economic conditions.

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In the longer term, traders will probably gradually shift their focus of attention more toward corporate earnings and the still overall accommodative global interest rate policies and away from a variety of geopolitical worries, including global trade tensions and now the situation between the U.S. and Iran.

CURRENCY FUTURES

The U.S. dollar advanced and the euro currency fell due to reports that a possible future Italian government would seek to cancel 250 billion euros in Italian debt from European creditors.

The euro zone April consumer price index was up .3%, as expected.

The euro also fell sharply against the safe-haven Swiss franc.

The Japanese yen is higher even though a report showed Japan's economy contracted for the first time in nine quarters in January through March.

The Canadian dollar is higher on news that Canadian manufacturing sales increased at a faster pace than expected. Factory sales rose 1.4% in March. The estimate was for manufacturing sales to rise .9%.

The Canadian dollar and the Australian dollar are higher in spite of weaker crude oil prices.

INTEREST RATE MARKET FUTURES

Futures are mixed to higher in light of the weaker than expected housing starts and building permits numbers. In addition, there is some flight to quality buying in light of the possibility that a future Italian coalition government could ask for debt forgiveness from its European creditors.

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St. Louis Federal Reserve Bank President James Bullard will speak at 5:30 this afternoon.

The probability of a fed funds rate increase from the FOMC at the June 13 meeting is almost 100%, which is unchanged from yesterday.

While a June interest rate hike from the Federal Reserve appears to be almost fully priced in, the probability of an additional rate hike in December stands at 92%, which compares to 93% yesterday.

SUPPORT AND RESISTANCE

June 18 S&P 500

Support 2702.00 Resistance 2719.00

June 18 U.S. Dollar Index

Support 93.000 Resistance 93.550

June 18 Euro Currency

Support 1.17800 Resistance 1.18960

June 18 Japanese Yen

Support .90740 Resistance .91170

June 18 Canadian Dollar

Support .77650 Resistance .78160

June 18 Australian Dollar

Support .7437 Resistance .7515

June 18 Thirty Year Treasury Bonds

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Support 141^0 Resistance 141^24

June 18 Gold

Support 1283.0 Resistance 1301.0

July 18 Copper

Support 3.0400 Resistance 3.0800

June 18 Crude Oil

Support 70.55 Resistance 71.55

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