



Daily Futures Market Commentary

Financial Forecast

**Alan Bush**

**October 25, 2018**

**STOCK INDEX FUTURES**

U.S. stock index futures were sharply lower yesterday as investors contend with a range of uncertainties, including rising interest rates, concerns that earnings might have peaked, Saudi Arabia's diplomatic isolation, the ongoing rift over Italy's finances and the possibility that rising trade tensions have weakened Chinese and global economic growth.

However, prices are higher today with corporate earnings coming in better than expected.

Of the companies that have reported third-quarter earnings, approximately 81% of companies in the S&P 500 have reported results that were above analysts' expectations. This puts companies in the index on track to increase their earnings by approximately 22%, according to Refinitiv.

Initial jobless claims increased by 5,000 to a seasonally adjusted 215,000 in the week ended October 20. Economists expected 214,000 new claims last week.

Orders for durable goods, which are manufactured products that are intended to last at least three years, increased a seasonally adjusted 0.8% in September from the prior month. Economists expected a 1.7% decline.

The 9:00 October pending homes sales index is expected to be zero and the 10:00 October Kansas City Federal Reserve manufacturing index is anticipated to be 13.

The next advance for stock index futures will take place when central banks around the world that are hawkish, such as the Federal Reserve, realize they need to be less aggressive

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in hiking interest rates and those central banks that are still accommodative will need to remain accommodative longer.

### CURRENCY FUTURES

The euro currency is higher after the European Central Bank left interest rates unchanged and continued to say it will end its monthly asset purchases at the end of the year.

The ECB's Governing Council left the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility at 0.00%, 0.25% and minus 0.40%, respectively.

The Governing Council expects the key ECB interest rates to remain at their current levels at least through the summer of 2019, and for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to 2% over the medium term.

European Central Bank President Mario Draghi said higher Italian borrowing costs will weaken growth.

### INTEREST RATE MARKET FUTURES

Federal Reserve speakers today Federal Reserve Board of Governors Vice Chairman Richard Clarida at 11:15 and Cleveland Federal Reserve Bank President Loretta Mester at 6:00 this evening.

The Treasury will auction seven year notes today.

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 77%, which compares to 78% yesterday.

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After being bearish on the interest rate futures markets for a long time, I am now only neutral, as it appears that the global economy is slowing and central banks that are hawkish, such as the Federal Reserve, will become less hawkish next year and those central banks that are accommodative will have to remain accommodative longer.

### SUPPORT AND RESISTANCE

#### December 18 S&P 500

Support 2655.00 Resistance 2696.00

#### December 18 U.S. Dollar Index

Support 95.840 Resistance 96.210

#### December 18 Euro Currency

Support 1.14330 Resistance 1.14870

#### December 18 Japanese Yen

Support .89210 Resistance .89850

#### December 18 Canadian Dollar

Support .76350 Resistance .76980

#### December 18 Australian Dollar

Support .7073 Resistance .7114

#### December 18 Thirty Year Treasury Bonds

Support 138<sup>^6</sup> Resistance 139<sup>^12</sup>

#### December 18 Gold

Support 1230.0 Resistance 1247.0

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### December 18 Copper

Support 2.7100      Resistance 2.7850

### December 18 Crude Oil

Support 65.79      Resistance 67.77

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