



## Daily Futures Market Commentary

## Financial Forecast

**Alan Bush**

**September 11, 2019**

### **STOCK INDEX FUTURES**

Global equity markets firmed ahead of the expected easing of credit conditions from the European Central Bank and after China exempted some U.S. products from tariffs. China said higher tariffs wouldn't be levied against a variety of U.S. imports for a year, beginning on September 17, and that it would review additional products for exemption.

The producer price index increased a seasonally adjusted 0.1% in August from the previous month, as expected. Excluding the volatile food and energy categories, producer prices advanced 0.3%, which compares to the anticipated 0.2% increase.

The 9:00 central time September Atlanta Federal Reserve business inflation expectation is 2.0% and the 9:00 July wholesale trade report is anticipated to unchanged.

My view remains that the global reflation scenario is on track and easier credit conditions from most of the world's central banks, including the Federal Reserve, are coming and will be the dominant fundamental that supports stock index futures in the long term.

### **CURRENCY FUTURES**

The European Central Bank will hold its policy meeting tomorrow. Traders have scaled back their estimates of how much the ECB will likely lower interest rates at that meeting.

Analysts expect the ECB will cut 10 basis points from benchmark interest rates. Previously the market had been pricing in a 20-basis-points reduction.

Canada's industrial capacity utilization increased in the second quarter. Industries in Canada operated at 83.3% of their production capacity in the second quarter, which is a 2.2 percentage point increase from the revised 81.1% level in the first quarter. Market expectations were for capacity utilization to be 82% in the second quarter.

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### INTEREST RATE MARKET FUTURES

Global bond yields increased due to growing caution over the extent to which the European Central Bank will add stimulus to boost its economy tomorrow. Also undermining futures is a more optimistic outlook for a U.S.-China trade deal.

Market participants believe there is an 89% probability that the Federal Open Market Committee will lower its fed funds rate by another 25 basis points at its next meeting on September 17-18. Currently, there is only a 51% probability of another rate cut at the October meeting.

U.S. Treasury Department will sell 10-year notes today.

In the longer term, higher prices are likely for futures, especially at the long end of the curve, as most major central banks, including the Federal Reserve, are likely to embark on a new round of easier credit policies.

### SUPPORT AND RESISTANCE

#### September 19 S&P 500

Support 2970.00    Resistance 2992.00

#### September 19 U.S. Dollar Index

Support 98.200    Resistance 98.710

#### September 19 Euro Currency

Support 1.09940    Resistance 1.10650

#### September 19 Japanese Yen

Support .92670    Resistance .93130

#### September 19 Canadian Dollar

Support .75900    Resistance .76180

#### September 19 Australian Dollar

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Support .6843      Resistance .6894

### **December 19 Thirty Year Treasury Bonds**

Support 160^8      Resistance 161^14

### **December 19 Gold**

Support 1492.0      Resistance 1505.0

### **December 19 Copper**

Support 2.6100      Resistance 2.6450

### **October 19 Crude Oil**

Support 57.34      Resistance 58.75

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