



ADM Investor
Services, Inc.



Daily Futures Market Commentary

Financial Forecast

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November 3, 2020

STOCK INDEX FUTURES

U.S. stock index futures are sharply higher on limited news.

The 9:00 September factory orders report is expected to show a 0.6% increase.

Increased volatility, in light of the uncertainties of the election, is a good reason to reduce trading size or stand aside.

Once the political uncertainties are reduced, it will be the globally low interest rate environment that will once again dominate.

CURRENCY FUTURES

Much of the recent trade was evening up, as investors remain cautious ahead of the U.S. presidential election. However, today there appears to be flight to quality long liquidation in the U.S. dollar.

The euro currency is higher. There is the ongoing belief that the European Central Bank will deliver more stimulus when it meets in December, after ECB President Christine Lagarde last week said the fourth quarter GDP is almost certain to be weak.

The British pound is higher on hopes for some kind of free trade deal between the U.K. and the E.U. this month, as talks continue in Brussels and after European Commission President Ursula von der Leyen said last week that negotiations were making good progress.

The Bank of England will meet Thursday. There are expectations that it will increase its asset buying program. In a survey last week, analysts predicted the BoE will increase its quantitative easing by 100 billion pounds to 845 billion pounds. That is almost double the level at the start of this year.

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The Japanese yen advanced on news that preliminary estimates showed Japan's real gross domestic product for the July to September period increased at an annual rate of 18.4% from the previous quarter.

The Canadian dollar and the Australian dollar are higher in light of stronger crude oil prices.

In addition, the Canadian dollar was supported by news that the latest PMI figures showed Canada's factory activity grew for the fourth consecutive month in October as output increased at the fastest rate in more than two years.

The Reserve Bank of Australia lowered its cash rate to an all-time low of 0.1% from 0.25% at its November meeting, as widely expected. Policymakers said they would purchase A\$100 billion of government bonds with maturities of around five to 10 years over the next six months, with the first auction scheduled for Thursday. The RBA also cut its target for three-year bond yields to 0.1%, from 0.25%.

INTEREST RATE MARKET FUTURES

Sharp declines last week for futures at the mid to longer end of the yield curve centered on news of a poorly received seven-year note auction.

Recently, we have not seen any significant safe-haven buying coming into the interest rate futures markets.

Interest rate market futures at the short end of the curve are likely to be supported by ideas that major central banks, including the Federal Reserve, will keep short term interest rates low for an extended period. Many analysts believe it will be several years before the Federal Reserve will be in a position to hike its fed funds rate.

However, futures at the long end of the curve, especially the 30-year Treasury bond futures may be undermined by the inflationary aspects of the Federal Reserve's "average inflation targeting" policy.

Financial futures markets are predicting there is 98.8% probability that the Federal Open Market Committee will keep its fed funds rate unchanged at the November 4-5 policy meeting.

Political markets are the most difficult to trade, which is a reason to reduce trading size.

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SUPPORT & RESISTANCE

December 20 S&P 500

Support 3300.00 Resistance 3360.00

December 20 U.S. Dollar Index

Support 93.400 Resistance 94.100

December 20 Euro Currency

Support 1.16450 Resistance 1.17400

December 20 Japanese Yen

Support .95420 Resistance .95850

December 20 Canadian Dollar

Support .75500 Resistance .76210

December 20 Australian Dollar

Support .7026 Resistance .7158

December 20 Thirty-Year Treasury Bonds

Support 171[^]12 Resistance 172[^]28

December 20 Gold

Support 1884.0 Resistance 1921.0

December 20 Copper

Support 3.0750 Resistance 3.1100

December 20 Crude Oil

Support 36.34 Resistance 38.67

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