



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday February 08, 2017

BONDS COMMENTARY

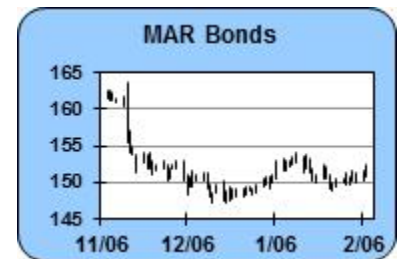
02/08/17

Buy Breaks as Washington battles and the consumer frets

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +60

While global equity markets were mostly higher overnight that doesn't appear to have prevented positive early action in Treasuries. Apparently the trade is starting to discount the prospect of a continuation of Trump optimism at the same time that hopes of ongoing reflation are moderating. In other words overall market optimism has waned and that has given bonds and notes a fresh bid and perhaps the capacity to reach back up to the highest levels since January 18th. With both sides of the travel ban issue promising to take the case to the Supreme Court it would not seem like geopolitical anxiety will moderate in the coming trading sessions. In conclusion as long as the focus in Washington remains on immigration issues and not on pro-growth efforts the path of least resistance in bonds and notes looks to remain up and an ultimate retest of 154-00 in March bonds is possible. With the US schedule report slate today relatively thin and charts favorable we can't rule out more hard-fought higher highs for the move. The North American session will start with a weekly reading on mortgage applications but will ultimately offer little information on the US economy. January Canadian housing starts are forecast to see a modest downtick from December's 207,000 annualized rate.



TODAY'S MARKET IDEAS:

As long as US equities chop around both sides of unchanged or show weakness the bull camp looks to retain the edge in treasuries. The most supportive argument for bonds and notes is talk that the Trump reflation play is waning. Apparently last week's stronger-than-expected US payrolls have been forgotten or discounted in favor of concerns of slowing in the wake of Washington bickering. Buying support in March bonds is seen at 151-22 with similar buying support in March notes seen at 124-30.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

BONDS (MAR) 02/08/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 153-180. The next area of resistance is around 152-290 and 153-180, while 1st support hits today at 151-070 and below there at 150-050.

10 YR TREASURY NOTES (MAR) 02/08/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive

short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 125-190. The next area of resistance is around 125-105 and 125-190, while 1st support hits today at 124-250 and below there at 124-155.

STOCKS COMMENTARY

02/08/17

Despite geopolitical angst charts still look bullish

OVERNIGHT CHANGES THROUGH 6:05 AM (CT): S&P 500 +50

Global equity markets were mostly higher overnight with the exceptions being the RTS Index and the MICEX. In looking at the charts this week equity markets appear to have lost some upside momentum from late last week. It goes without saying that Washington battles have dampened optimism and are now calling the reflation play into question. Furthermore slack sales figures from a Chinese restaurant chain and softer than expected Japanese economic data overnight has left sentiment somewhat off balance into the US trade. Without a key schedule data point from the US this morning attention in the marketplace might remain on the travel ban which clearly favors the bear camp. On the other hand most market measures have stood up to the potentially undermining news flow with charts that project more gains ahead! Earnings announcements will include Rio Tinto, Allergan, Time Warner and Exelon before the Wall Street opening while Suncor Energy and Prudential Financial reporting after the close.



S&P 500: While some will suggest the charts remain positive in the E-mini S&P, uptrend channel support off the last two month's rally is a long way down at 2273.50. In fact with a series of closes around 2285.75 the March E-mini S&P might be facing a critical pivot point in the early going today. Pushed into the market we favor the downward tilt as it appears that both parties to the travel ban fiasco are prepared to fight all the way to the Supreme Court regardless of the negative impact on US consumer and investment psychology. In order to throw off uncertainty and return to reflation requires a quick pivot by the administration back toward pro-growth, tax reform and infrastructure spending and for the time being that seems unlikely.

Other US Indexes: From a technical perspective the mini Dow remains fairly positive as another new high yesterday served to keep the bear camp off balance at the same time that action also tempers the anxiety flowing from Washington. With Mondelez shares showing weakness early this morning following their earnings yesterday news from the corporate arena has probably limited the early bid in prices. Critical support in the March mini Dow is seen at 19,957 and there might be little in the way of resistance until the all-time high of 20,086. From a technical perspective the Mini NASDAQ remains the most impressive of key market measures to start the Wednesday trade. With the new all-time high yesterday providing lingering support to prices it would appear this sector of the market is less sensitive to US political squabbles. It is also possible that the NASDAQ is anticipating a victory for those looking to put the President's ban on further hold as that in turn will prevent a disruption of skilled workers that drive the tech sector. Uptrend channel support to start today is seen at 5156.25 and there might be little in the way of resistance until the 5200.00 level.

TODAY'S MARKET IDEAS:

On one hand geopolitical anxiety is certainly risen this week but someone forgot to tell the NASDAQ and the Dow about such problems. In fact charts remain very impressive and geopolitical anxieties don't appear to be offering up much in the way of fresh headline fodder.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

S&P E-MINI (MAR) 02/08/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 2299.75. The next area of resistance is around 2293.50 and 2299.75, while 1st support hits today at 2282.50 and below there at 2277.75.

MINI-DOW (MAR) 02/08/2017: The rally brought the market to a new contract high. Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 20147. The next area of resistance is around 20080 and 20147, while 1st support hits today at 19952 and below there at 19890.

E-MINI NASDAQ (MAR) 02/08/2017: A new contract high was made on the rally. Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 5211.81. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 5193.87 and 5211.81, while 1st support hits today at 5156.13 and below there at 5136.32.

MINI-RUSSELL 2000 (MAR) 02/08/2017: The daily stochastics have crossed over down which is a bearish indication. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 1344.0. The next area of resistance is around 1367.9 and 1378.8, while 1st support hits today at 1350.5 and below there at 1344.0.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
FINANCIAL COMPLEX										
USAAH7	152-020	60.48	55.93	39.00	51.19	151.05	150.65	151.11	150.44	150.91
TYAAH7	125-015	64.32	58.61	50.27	63.14	124.66	124.42	124.48	124.17	124.45
SPAH7	2284.00	61.48	61.14	68.95	72.28	2285.33	2283.28	2276.26	2260.46	2240.86
EPH7	2288.00	60.40	60.44	68.08	70.73	2285.13	2283.64	2276.35	2260.47	2240.82
TFEH7	1359.2	48.01	49.52	49.92	49.51	1363.80	1363.02	1361.98	1365.17	1353.18
ENQH7	5175.00	71.82	69.84	87.88	88.95	5155.88	5149.11	5109.18	4994.57	4947.63
YMH7	20016	62.34	61.40	67.35	73.82	19946.75	19931.67	19859.33	19776.56	19557.22

Calculations based on previous session. Data collected 02/07/2017

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
FINANCIAL COMPLEX						
USAAH7	Bonds	150-040	151-060	151-270	152-290	153-180
TYAAH7	10 Yr Treasury Notes	124-150	124-245	125-010	125-105	125-190
SPAH7	S&P 500	2276.75	2279.00	2286.75	2289.00	2296.75
EPH7	S&P E-Mini	2277.75	2282.50	2288.75	2293.50	2299.75
TFEH7	Mini-Russell 2000	1344.0	1350.5	1361.4	1367.9	1378.8
ENQH7	E-Mini NASDAQ	5136.31	5156.12	5174.06	5193.87	5211.81
YMH7	Mini-Dow	19889	19951	20018	20080	20147

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CURRENCIES COMMENTARY

02/08/17

The edge stays with the Dollar bulls

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR +320, YEN -115, SWISS -25, CA DOLLAR +75

Upcoming International Reports (all times CT)

02/08 EIA Energy Stocks 9:30 AM
02/08 Japan Machinery Orders 5:50 PM
02/09 Swiss Employment 12:45 AM
02/09 German Foreign Trade 1:00 AM
02/09 Canadian New Housing 7:15 AM
02/09 Canadian New Housing Price I 7:30 AM
02/09 Initial Jobless Claims 7:30 AM
02/09 Wholesale Trade 7:30 AM
02/09 EIA Gas Storage 9:30 AM
02/09 Japan Wholesale Prices (CGPI) 5:50 PM



DOLLAR: In the early Wednesday trade the dollar retains a positive bias from the charts but a thin US schedule report slate today could leave the focus of the trade on non-economic issues. Apparently the currency trade views the French election and the British exit as more significant issues than the ebb and flow of the US travel ban fiasco. It should be noted that the March dollar index yesterday and again today has managed to climb above a one month old downtrend channel resistance line and that might leave little in the way of resistance until the 1.01 level. Sentiment in the foreign exchange markets clearly remains bullish toward the dollar but we would suggest sentiment toward the dollar has been bullish throughout the January and February slide in the greenback. It should also be noted that the dollar has failed to sustain spike up rallies consistently over the last 37 trading days.

EURO: Definitive damage on the euro chart from last week's high leaves the bear camp with an edge today. In fact an initial downside target is seen at the 50 day moving average of 1.0643 and perhaps not until the 1.0611 level. While some euro bears are hopeful that the Trump administration will pivot back toward pro-growth efforts we aren't sure that shift will take place until after the travel ban legal wrangling is complete. In conclusion we can't argue against more near term declines in the euro but 1.06 should be some form of technical value.

YEN: The Japanese Yen overnight has held up fairly well in the face of discouraging Japanese economic survey results. An issue that might lend some support to the Yen and help to extend what has become a fairly impressive uptrend pattern since the December lows is promises from the Japanese Prime Minister that Japan will work to create US jobs in an effort to extend a long-held positive US/Japan alliance. Buying support in the March Japanese Yen today is seen down at 88.68 and there might be little in the way of resistance seen until the 89.71 area.

SWISS: As in the euro the Swiss is facing damaged charts to start today. Residual favor toward the greenback and a shift away from global economic optimism has left the Swiss franc vulnerable. In the short-term we can't rule out at least a temporary decline below the parity level but another higher high for the move in the dollar could force the March Swiss to an even lower support point of 99.76.

POUND: With the UK House of Commons apparently set to pass a bill allowing the British exit to proceed and the US dollar showing signs of strength this week we have to leave the path of least resistance in the Pound pointing downward. In fact a potentially critical technical point at the 50 day moving average of 1.2462 sits just under the market to start today and the failure to hold that level could easily project the slide down to 1.2353 before the end of the week.

CANADIAN DOLLAR: While the Canadian appears to be significantly oversold from a short-term technical

perspective into yesterday's low, we doubt the currency is poised for a noted bounce ahead. In fact thick overhead resistance from the January and early February consolidation would seem to restrict upside action ahead especially if Canadian data is soft as expected later this morning. Close in support is seen at the early low of 75.78.

TODAY'S MARKET IDEAS:

While the chart leans positive toward the dollar we suspect gains will be hard-fought and difficult to sustain. With schedule data from the US extremely thin today the focus in the currency trade is likely to remain on political issues in the US France and UK and that apparently favors dollar bulls.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 02/08/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 101.10. Daily studies suggest buying dips today. The next area of resistance is around 100.72 and 101.10, while 1st support hits today at 99.95 and below there at 99.54.

EURO (MAR) 02/08/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 106.1425. The next area of resistance is around 107.4700 and 108.0225, while 1st support hits today at 106.5300 and below there at 106.1425.

JAPANESE YEN (MAR) 02/08/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 90.00. The next area of resistance is around 89.50 and 90.00, while 1st support hits today at 88.72 and below there at 88.42.

SWISS (MAR) 02/08/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 99.53. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 100.93 and 101.50, while 1st support hits today at 99.95 and below there at 99.53.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
CURRENCY COMPLEX										
DXAH7	100.33	47.39	45.26	21.54	28.21	99.94	100.02	100.34	101.38	101.28
JYAH7	89.10	60.16	57.76	78.00	81.47	89.03	88.47	88.21	87.11	88.02
EU6H7	107.0000	46.21	49.63	74.44	63.86	107.59	107.52	107.33	106.40	106.61
BPAH7	125.18	52.52	52.84	74.77	66.93	125.04	125.53	124.71	124.54	124.67

CAAH7	75.94	44.90	49.87	74.86	68.77	76.49	76.49	76.19	75.55	75.26
SFAH7	100.44	53.15	55.32	78.28	71.53	100.83	100.78	100.34	99.28	99.46
DAAH7	76.27	68.32	67.33	85.06	81.08	0.77	0.76	0.76	0.74	0.74

Calculations based on previous session. Data collected 02/07/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	99.53	99.94	100.31	100.72	101.10
JYAH7	Japanese Yen	88.41	88.71	89.21	89.50	90.00
EU6H7	Euro	106.1425	106.5300	107.0825	107.4700	108.0225
BPAH7	British Pound	122.84	124.17	124.85	126.18	126.86
CAAH7	Canadian Dollar	75.21	75.53	76.02	76.35	76.84
SFAH7	Swiss	99.52	99.94	100.51	100.93	101.50
DAAH7	Australian Dollar	75.56	75.89	76.31	76.64	77.06

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