



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday March 08, 2017

BONDS COMMENTARY

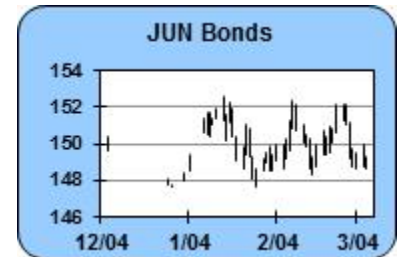
03/08/17

The bears control but key support levels are near

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -180

With a positive Japanese GDP result overnight, a jump in German industrial production and strength in equities outside of China we are not surprised to see US Treasuries start out under pressure. In fact, with a fresh downside break/extension in June Bonds to the lowest level since January 26th it would seem like the trade is ratcheting its US rate hike expectations higher at the same time that economic conditions seem to be improving outside of the US. In fact, the UK economy continues to show it is weathering the BREXIT flap better than expected while the Japanese economy is even starting to show signs of forward momentum in the wake of overnight news that corporate capital expenditures rose at the fastest rate in 3 years in the most recent quarter. However, a possible cushion to Bond and Note Prices early today is expectations that ADP employment figures will show less "gain" in jobs than in the prior months' result. While volume has fallen on the last two weeks slide in prices it could take US data that decidedly shifts the paradigm away from a hike next week just to prompt anything more than a 1/2 to 3/4 point bounce. While the 148-00 level might offer some initial support to March bonds the onus is on the bull camp to prove that there is cause to arrest the slide in Treasury prices quickly. The North American session will start out with the February ADP employment survey which is expected to show a sizable decline from January's 246,000 reading. Fourth quarter readings on unit labor costs and non-farm productivity is forecast to come in roughly in-line with their third quarter results. February Canadian housing starts are expected to show a modest decline from January, while February Canadian building permits are forecast to have a sizable increase from January's -6.6% reading and climb into positive territory. January wholesale inventories are expected to hold steady with December's -0.1% reading.



TODAY'S MARKET IDEAS:

The path of least resistance is pointing down but the markets have reached some semblance of chart support around even numbers of 148-00 which in turn has been some form of value to the market in the past. In fact in late January Treasury bond prices fell 5 points in three weeks, spiked down below 148-00 and then promptly rejected that probe with a key reversal. Pushed into the market we favor the downside but shorts with profits should probably implement tighter protective stops at 148-17 basis June bonds. Similar critical value zone support in June notes is seen down at 123-00.

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 (JUN) 03/08/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is

slightly negative with the close under the pivot. The next downside target is now at 148-070. The next area of resistance is around 149-010 and 149-140, while 1st support hits today at 148-140 and below there at 148-070.

10 YR TREASURY NOTES (JUN) 03/08/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 123-075. The next area of resistance is around 123-165 and 123-220, while 1st support hits today at 123-095 and below there at 123-075.

STOCKS COMMENTARY

03/08/17

No reason to take control away from the bear camp

OVERNIGHT CHANGES THROUGH 6:05 AM (CT): S&P 500 -130

Global equity markets were mixed overnight with Asian shares weak and the rest of the world trading higher. While US stocks are showing some positive action early today the prospect of infighting in Congress over the Obama care replacement will probably keep risk-on in a backseat. While it is difficult to determine traders should be on the lookout for a slight shift in the markets reaction to US schedule data. In other words given escalating US rate hike fears it is possible that slack data could now be beneficial to equity prices. However, private employment data later this morning is expected to be softer than the prior month but still in a growth position. Earnings announcements will include Valspar, Ciena and Tech Data before the Wall Street open while United Natural Foods reports after the close.



S&P 500: With yet another lower low for the move overnight and a return to a six day sideways consolidation zone from late February it is possible that the E-mini S&P has found a decent level of support or value on the charts. In fact a series of closes around 2365.50 could be a critical pivot point today once the ADP data is released. Those that get long the March E-mini S&P probably have to risk those positions to at least 2349.40. As indicated in the introduction this morning it will be interesting to see if the stock market needs soft data to rally off a tempering of rate hike fears.

Other US Indexes: Like the E-mini S&P the mini Dow this morning has also forged a modest downside breakout on its charts but ranges over the last five days have been extremely narrow. With the correction feeling hard-fought it could be difficult to sustain but in a strange twist the bull camp might need to see US data that challenges the widely held expectation of rising rates next week. As in the E-mini S&P those that get long the mini Dow probably have to risk those positions to 20,667. The Mini NASDAQ has also forged a fresh lower low but it has managed to reject the brunt of that overnight selling. With the prospect of political wrangling in Washington on the healthcare issue the focus on pro-growth has been pushed to a back burner again and that might allow equity prices further erosion on their charts. We see value in the March Mini NASDAQ down at 5331.50 but those that get long probably have to risk those positions to at least 5289.80.

TODAY'S MARKET IDEAS:

It is difficult to call for an end to the slow erosion pattern of the last five trading sessions given the focus in Washington, looming Fed fears and mostly bearish charts. Those that decide to get long probably have to risk those positions to levels below the February 24th lows.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 03/08/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 2357.25. The next area of resistance is around 2372.00 and 2379.25, while 1st support hits today at 2361.00 and below there at 2357.25.

MINI-DOW (MAR) 03/08/2017: 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 positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 20849. The next area of resistance is around 20948 and 20992, while 1st support hits today at 20876 and below there at 20849.

E-MINI NASDAQ (MAR) 03/08/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 5321.07. The next area of resistance is around 5366.12 and 5386.56, while 1st support hits today at 5333.38 and below there at 5321.07.

MINI-RUSSELL 2000 (MAR) 03/08/2017: The major trend has turned down with the cross over back below the 60-day moving average. Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 1363.8. The next area of resistance is around 1379.0 and 1387.9, while 1st support hits today at 1367.0 and below there at 1363.8.

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										
USAAM7	148-230	37.72	42.31	38.09	25.89	149.03	150.13	150.04	150.09	149.53
TYAAM7	123-130	36.95	41.76	36.00	23.36	123.52	124.06	124.04	123.99	123.73
SPAH7	2440.00	58.64	63.99	82.87	72.76	2376.25	2373.03	2355.69	2305.63	2293.19
EPH7	2366.50	60.20	65.34	81.12	70.68	2374.63	2372.08	2355.35	2305.43	2293.05
TFEH7	1373.0	40.33	45.37	49.75	28.53	1383.95	1391.30	1395.07	1376.34	1374.25
ENQH7	5349.75	62.58	67.19	83.85	77.02	5359.13	5352.94	5321.92	5171.57	5109.86
YMH7	20912	69.38	71.91	85.65	77.91	20951.50	20900.44	20700.06	20191.87	20094.42

Calculations based on previous session. Data collected 03/07/2017

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						
USAAM7	Bonds	148-060	148-130	148-260	149-010	149-140
TYAAM7	10 Yr Treasury Notes	123-070	123-090	123-145	123-165	123-220
SPAH7	S&P 500	2395.00	2435.00	2405.00	2445.00	2415.00
EPH7	S&P E-Mini	2357.25	2361.00	2368.25	2372.00	2379.25

TFEH7	Mini-Russell 2000	1363.7	1366.9	1375.8	1379.0	1387.9
ENQH7	E-Mini NASDAQ	5321.06	5333.37	5353.81	5366.12	5386.56
YMH7	Mini-Dow	20848	20876	20920	20948	20992

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CURRENCIES COMMENTARY

03/08/17

There is no reason to take control away from \$ bulls

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +100, YEN +15, SWISS +6, CA DOLLAR -115**

Upcoming International Reports (all times CT)

03/08 Japan Index of Business Cond
03/08 German Industrial Production 1:00 AM
03/08 France Trade Balance 1:45 AM
03/08 Swiss Consumer Price Index 2:15 AM
03/08 Canadian Building Permits 7:30 AM
03/08 Wholesale Trade 7:30 AM
03/08 EIA Energy Stocks 9:30 AM
03/09 Swiss Employment 12:45 AM
03/09 Euro-zone Monetary Policy 6:45 AM
03/09 Canadian Industrial Capacity 7:30 AM
03/09 Canadian New Housing 7:30 AM
03/09 Canadian New Housing Price I 7:30 AM
03/09 Initial Jobless Claims 7:30 AM
03/09 EIA Gas Storage 9:30 AM



DOLLAR: Even though the rate of gain in the dollar this week has been narrow the path of least resistance is pointing upward. However the bull case in the greenback will be tested with private data on employment which is expected to be positive but perhaps less positive than the prior month. On the other hand it is impressive to see the dollar index making new highs for the week in the face of generally positive international economic data flow overnight. With the rejection of the 50 day moving average earlier this week and the approach of the 1.02 level on the charts a major trend decision could be in the offing into Friday's data. With the pattern in the dollar over the last three months showing significant dollar spikes that failed to hold off key data points we predict a spike up to the highest levels since January 11th in the coming three sessions followed by a weak close on Friday.

EURO: While the German economic pendulum has shifted back toward growth overnight the euro has been unable to benefit from that news because of residual strength in the dollar, expectations for rising US rates and fresh technical damage on the March euro chart. With strength in the Yen, dollar and Swiss the brunt of the selling interest in the currency markets is split between the pound and the euro. Near term downside targeting in the March euro is seen at 1.0533.

YEN: A February reading on the Japanese Eco Watchers survey showed an unexpected decline GDP figures were revised upward but that news has not resulted in a significant reaction. While some might suggest that the short-term trend in the Yen is pointing up over the last four trading sessions the currency this morning sits right on its 50 day moving average of 87.66 and that could point to a major trend decision in the wake of Friday's US data.

SWISS: Apparently seeing Swiss CPI on a year-over-year basis come in at twice the level seen in the prior reading has provided only marginal support for the currency. While we doubt domestic data from Switzerland will dictate exchange rate levels the CPI reading at some point should help to cushion the currency. Those that get short the March Swiss should sell a bounce to 98.96 using a risk at the downtrend channel resistance line of 99.42.

POUND: Despite upbeat budget talk from the UK Finance Minister overnight the view toward the pound remains

distinctly negative. In fact with fresh technical damage and the lowest price since January 17th there might not be much in the way of support in the pound until an old low of 1.2119. In order to turn the bias around probably requires a close back above 1.2179.

CANADIAN DOLLAR: With another fresh downside break out overnight it is clear that residual US dollar strength has set the stage for a Canadian dollar return to the November and December consolidation lows around the 74.00 level. While there will be a flurry of schedule data released from Canada it is unlikely that domestic economic information will alter an extremely negative chart pattern.

TODAY'S MARKET IDEAS:

Unless US private employment data is extremely disappointing the dollar looks to continue to buy the rumor of favorable monthly payroll's and a March rate hike.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 03/08/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 101.38. The next area of resistance is around 101.99 and 102.14, while 1st support hits today at 101.62 and below there at 101.38.

EURO (MAR) 03/08/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 106.2050. The next area of resistance is around 105.9100 and 106.2050, while 1st support hits today at 105.4600 and below there at 105.3050.

JAPANESE YEN (MAR) 03/08/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is 87.42. The next area of resistance is around 87.88 and 88.07, while 1st support hits today at 87.56 and below there at 87.42.

SWISS (MAR) 03/08/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 98.05. The next area of resistance is around 99.02 and 99.30, while 1st support hits today at 98.40 and below there at 98.05.

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	101.80	61.58	58.85	73.01	72.82	101.80	101.49	101.24	100.95	101.37
JYAH7	87.72	43.81	46.36	40.02	32.00	87.62	88.26	88.21	87.86	87.40
EU6H7	105.6850	45.14	45.32	33.58	37.82	105.73	105.75	105.95	106.47	106.18

BPAH7	122.02	27.85	35.02	17.40	11.19	122.47	123.48	124.13	124.15	124.25
CAAH7	74.53	20.71	29.94	13.44	7.09	74.60	75.24	75.79	75.87	75.64
SFAH7	98.71	37.80	40.84	21.25	18.95	98.83	99.10	99.38	99.65	99.30
DAAH7	75.84	38.15	45.58	35.20	24.96	0.76	0.76	0.77	0.76	0.75

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	101.37	101.61	101.75	101.99	102.14
JYAH7	Japanese Yen	87.41	87.55	87.74	87.88	88.07
EU6H7	Euro	105.3050	105.4600	105.7550	105.9100	106.2050
BPAH7	British Pound	121.23	121.60	122.07	122.44	122.91
CAAH7	Canadian Dollar	74.26	74.38	74.55	74.67	74.84
SFAH7	Swiss	98.04	98.39	98.67	99.02	99.30
DAAH7	Australian Dollar	75.38	75.56	75.94	76.12	76.50

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