



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday March 24, 2017

### BONDS COMMENTARY

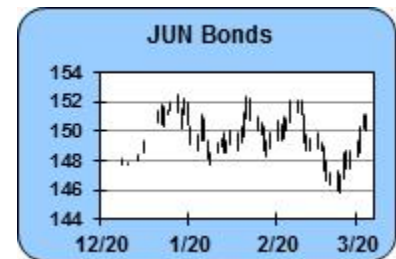
03/24/17

**Expect a flare up that fails to hold into the close today**

#### OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

**BONDS -70**

US equity markets are positive early, first quarter French GDP bested expectations with a +0.4% gain while German & European "flash" manufacturing PMI readings both came in above expectations and that fosters a slight negative environment for Treasury prices to start today. In fact seeing euro zone businesses growing at the fastest pace in 6 years is certainly an attention getting development. However, the bull camp is expecting to benefit from a slight downtick in US durable goods later this morning and they might also expect to garner some support from uncertainty flowing from the looming Health Care vote as many traders and analysts think the failure to get the legislation beyond the House will usher in further removal of even more Trump optimism. On the other hand suggestions from the President that the inability to get passage of the offered plan today will see the Administration move-on to other policy objectives and that could actually be a positive for stocks and therefore a negative for US Treasuries. However, the North American session will start with February durable goods report which is expected to see a moderate downtick from January's +2.0% reading and that might provide some fleeting early lift to bond and note prices. February Canadian CPI is forecast to hold steady at a 2.1% year-over-year rate. There will be a market focus on Washington later today to see if the health care reform bill will have a vote today with the President initially demanding a vote today. There will also be another busy day of Fed speakers which include Chicago Fed President Evans, San Francisco Fed President Williams and St. Louis Fed President Bullard speaking during morning US trading hours while New York Fed President Dudley speaks during the afternoon.



#### TODAY'S MARKET IDEAS:

Today looks to be an extremely critical juncture for Treasury prices as the markets are fresh off a three week rally where June bonds forged a low to high rally of almost 5 points and the trade has attached significant importance to the healthcare vote today. Apparently the markets are set to judge the Trump administration on this first legislative effort and with the markets already beginning to extract portions of the Trump premium the outcome from Washington should not be understated in its importance to financial markets. Critical support in June bonds early today is seen at 150-03 with similar close in support in June notes seen at 124-06. Given expectations of a slight decline in durable goods early on and current odds suggesting the healthcare plan won't pass we have to give the bull camp the initial edge. However on a June bond flare back up above 151-00 and given suggestions from the President that he is moving on to tax reform traders might be presented with a very favorable selling opportunity.

#### NEW RECOMMENDATIONS:

Sell June Bonds at 151-03 with an objective of 148-01. Risk the trade to 151-30.

#### 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) 03/24/2017:** Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 151-170. The next area of resistance is around 151-020 and 151-170, while 1st support hits today at 150-040 and below there at 149-200.

**10 YR TREASURY NOTES (JUN) 03/24/2017:** A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 124-270. The next area of resistance is around 124-205 and 124-270, while 1st support hits today at 124-070 and below there at 123-315.

## STOCKS COMMENTARY

03/24/17

**The bears control to start unless Trump pulls off a surprise**

### OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

**S&P 500 +240**

Global equity markets were mixed with Chinese, Australian and the Hang Seng higher and European stocks weaker. While Japanese leading indicators overnight were a bit soft those readings were counter veiled by favorable German and euro zone economic results. The bear camp will suggest that the failure to pass the healthcare reform package will result in a further removal of the Trump premium that was put in place on the hopes of tax reform, infrastructure spending and reduced regulation. The bull camp however has come up with the argument that a no-vote on the package today will result in the President quickly moving on to pro-growth policy initiatives. In other words it is possible that weak durable goods data and political turmoil will send equity prices down early but there is also a good a chance that a quick change of focus by the President could help pull stocks out of an early hole.



**S&P 500:** With the slide this week in the E-mini S&P it would appear that a portion of a failed attempt to reform healthcare was factored in. However the June E-mini S&P this morning sits just above this week's lows at 2332.25 and above the 50 day moving average at 2323.65 and therefore the market appears to be poised for a major test. With expectations of a down tick in US durable goods early and at least a moderate measure of anxiety and rancor flowing from Washington we suspect the early trade will be down. The big question is can Trump avert a major sustained selloff today by quickly shifting his focus back toward pro-growth efforts?

**Other US Indexes:** Like the E-mini S&P the E-mini Dow also sits just above two recent closes and also just above this week's lows in the early going. Therefore the market looks vulnerable to geopolitical turmoil but we don't detect a high level of anxiety and that could moderate declines today. In addition to critical support at 20,561 this week's low of 20,525 also looms under the early trade. With the President giving the GOP House members an out by suggesting he will quickly move on to other initiatives if this bill fails, the odds of a no vote have probably increased. While we doubt the June mini Dow will fall to its 50 day moving average of 20,357 we can't rule out a spike down washout and recovery later today. Once again the Mini NASDAQ has a relatively stronger chart pattern than other measures and it sits well above this week's lows into a critical political decision today. While initial support is seen at 5347.25, lower uptrend channel support in the June mini NASDAQ today is seen at 5328.20 and that would be our pick for a spike low before prices recover into the close.

### TODAY'S MARKET IDEAS:

From this early vantage point it would appear that the healthcare package is doomed but the Trump administration has already laid the groundwork to shift their focus to other legislative efforts and that could truncate the initial negative reaction to a "no" vote. As suggested in each of the market sectors this morning we expect to see slow erosive action early, a noted spike down failure and then a recovery in the late afternoon trade.

**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 (JUN) 03/24/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 2325.94. The next area of resistance is around 2349.12 and 2361.43, while 1st support hits today at 2331.38 and below there at 2325.94.

MINI-DOW (JUN) 03/24/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal down is a negative indicator for prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 20469. The next area of resistance is around 20658 and 20750, while 1st support hits today at 20518 and below there at 20469.

E-MINI NASDAQ (JUN) 03/24/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 5327.69. The next area of resistance is around 5370.62 and 5390.18, while 1st support hits today at 5339.38 and below there at 5327.69.

MINI-RUSSELL 2000 (JUN) 03/24/2017: 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. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is 1329.9. The next area of resistance is around 1361.3 and 1371.9, while 1st support hits today at 1340.3 and below there at 1329.9.

**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
<b>FINANCIAL COMPLEX</b>										
USAAM7	150-190	65.14	58.66	56.37	74.41	150.07	148.68	148.72	149.44	149.64
TYAAM7	124-135	64.43	58.76	59.68	75.82	124.31	123.78	123.63	123.86	123.85
SPAM7	2340.00	34.88	44.69	33.53	22.08	2348.78	2362.77	2366.55	2328.89	2310.31
EPM7	2340.25	34.78	44.69	35.31	23.42	2348.19	2362.39	2366.04	2328.80	2310.21
TFEM7	1350.8	38.67	41.94	30.97	27.46	1355.20	1367.63	1373.43	1374.50	1371.06
ENQM7	5355.00	46.69	53.62	58.31	43.76	5368.06	5388.92	5377.68	5274.87	5202.10
YMM7	20588	32.88	45.89	31.29	20.37	20662.25	20770.89	20827.11	20408.71	20242.60

Calculations based on previous session. Data collected 03/23/2017

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

**DAILY SWING STATISTICS**

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>FINANCIAL COMPLEX</b>						
USAAM7	Bonds	149-190	150-030	150-180	151-020	151-170
TYAAM7	10 Yr Treasury Notes	123-310	124-065	124-130	124-205	124-270
SPAM7	S&P 500	2326.75	2331.50	2343.75	2348.50	2360.75
EPM7	S&P E-Mini	2325.93	2331.37	2343.68	2349.12	2361.43
TFEM7	Mini-Russell 2000	1329.9	1340.3	1350.9	1361.3	1371.9
ENQM7	E-Mini NASDAQ	5327.68	5339.37	5358.93	5370.62	5390.18
YMM7	Mini-Dow	20468	20517	20609	20658	20750

Calculations based on previous session. Data collected 03/23/2017

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## CURRENCIES COMMENTARY

03/24/17

**The Dollar bias is down unless Trump catches a hail Mary**

**OVERNIGHT CHANGES THROUGH 3:15 AM (CT):**  
**US DOLLAR +64, YEN -160, SWISS +1, CA DOLLAR -130**

### Upcoming International Reports (all times CT)

03/24 France Manufacturing PMI Fla 3:00 AM  
03/24 France Services PMI Flash 3:00 AM  
03/24 Adv Durable Goods 7:30 AM  
03/24 Canadian Consumer Price Inde 7:30 AM



**DOLLAR:** Surprisingly the US dollar showed a noted upside attempt overnight but it was unable to hold those gains and is starting the session off under pressure. With US durable goods expected to be soft and negative vibes expected to flow from Washington for most of the session the path of least resistance looks to remain down in the Dollar. As of this writing the June Dollar index sits just above the first critical support level of 99.43 and that level might be seen as some sort of bull/bear pivot point throughout the trading session. An even more critical support level is seen at 99.34 and pushed into the market today we favor the bearish case.

**EURO:** Despite making a three day low overnight the euro has recovered impressively in the wake of better-than-expected French GDP readings and positive German and European manufacturing PMI results. It goes without saying that the euro is probably set to benefit today at the expense of the dollar and the US political condition. Uptrend channel support in the June euro today is seen at 1.0792 and initial resistance seen at 1.0872. With expectations of a weak US durable goods result early on and the Washington rumor mill expected to reach a fever pitch early today the odds of a upside breakout in the euro look very good.

**YEN:** While the Japanese leading economic index posted a slight decline overnight the June Yen managed to respect the 90.00 level on its charts to start today. With the Yen's capacity to benefit from safe haven/geopolitical anxiety it is possible that the June Yen will see an upside breakout and the highest trade since an old gap on the charts from last November. As in other financial market coverage we think early anxiety and uncertainty will be reversed later in the session with the Trump administration discounting their healthcare failure and quickly shifting toward tax reform efforts. In conclusion we would buy early weakness in the Yen but be prepared to bank profits in the early afternoon action.

**SWISS:** With a rather robust initial trading range in the June Swiss franc it is clear that today could be a major trend decision day. With the June Swiss sitting within close proximity to this week's high in the early going and US durable goods expected to be a touch weak we have to think the initial path of least resistance is pointing upward in the Swiss. However the inability to hold above 1.0135 later in the trading session could be a signal of a temporary top.

**POUND:** All things considered the British pound has held up fairly impressively this week in the face of the terrorist incident and in the face of news that UK mortgage approvals fell last month and that consumer lending in

the UK slowed. However the main take away for the British Pound this week could be the fact that UK inflation managed to post its highest level in 3 1/2 years as that might be a sign that the economy is doing better than classic data is suggesting. However given the impressive gains of the last two weeks the currency is short-term overbought and it has returned to the middle of the last six months trading range and that could make it difficult to carve out more gains.

**CANADIAN DOLLAR:** The charts in the Canadian dollar this morning look to be damaged and without significant weakness in the US dollar we suspect the June Canadian will see a slide back to this week's low of 74.66. In the Bears favor is the fact that volume and open interest have consistently declined on the last two weeks' rally as that might suggest the brunt of the March bounce was merely short covering.

**TODAY'S MARKET IDEAS:**

We have to think the path of least resistance is pointing down in the dollar today unless the Trump administration can engineer a very impressive change of focus and fashion that as a positive for the US economy. However the dollar looks to be faced with a negative impact from US durable goods and from the potential failure to pass healthcare reform.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CURRENCIES 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.

US DOLLAR (JUN) 03/24/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is now at 99.32. The next area of resistance is around 99.65 and 99.77, while 1st support hits today at 99.43 and below there at 99.32.

EURO (JUN) 03/24/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 108.6937. The next area of resistance is around 108.5174 and 108.6937, while 1st support hits today at 108.1525 and below there at 107.9638.

JAPANESE YEN (JUN) 03/24/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 91.10. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 90.76 and 91.10, while 1st support hits today at 90.03 and below there at 89.62.

SWISS (JUN) 03/24/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 101.57. The next area of resistance is around 101.42 and 101.57, while 1st support hits today at 101.12 and below there at 100.96.

**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
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**CURRENCY COMPLEX**

DXAM7	99.54	30.06	35.70	16.50	9.34	99.72	100.28	100.93	100.65	100.91
JYAM7	90.39	74.82	66.30	70.99	85.68	89.94	89.01	88.54	88.67	88.24
EU6M7	108.3350	63.83	60.15	85.00	88.74	108.31	107.85	107.07	107.23	107.00
BPAM7	125.52	68.35	61.06	67.57	85.06	124.88	123.93	123.34	124.56	124.19
CAAM7	74.98	49.22	46.19	48.32	58.97	75.00	74.89	74.76	75.70	75.61
SFAM7	101.27	65.88	60.91	76.99	82.35	101.08	100.67	100.11	100.47	100.19
DAAM7	76.15	47.40	50.05	68.95	68.55	0.77	0.76	0.76	0.76	0.75

Calculations based on previous session. Data collected 03/23/2017

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**DAILY SWING STATISTICS**

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM7	US Dollar	99.31	99.42	99.54	99.65	99.77
JYAM7	Japanese Yen	89.61	90.02	90.35	90.76	91.10
EU6M7	Euro	107.9637	108.1525	108.3287	108.5174	108.6937
BPAM7	British Pound	124.69	125.17	125.38	125.86	126.07
CAAM7	Canadian Dollar	74.80	74.87	75.03	75.10	75.26
SFAM7	Swiss	100.95	101.11	101.26	101.42	101.57
DAAM7	Australian Dollar	75.72	75.88	76.26	76.42	76.80

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