



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday April 28, 2017

### BONDS COMMENTARY

04/28/17

**The bulls should have a modest edge today**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**BONDS -90**

In addition to strong demand for a seven-year auction earlier this week, the treasury market looks to derive some support from generally anemic US GDP readings. The markets might also garner fresh support from rising concerns toward North Korea ahead of the coming weekend as comments from Japanese and Russian leaders suggest the situation has entered an extremely dangerous phase. With treasury prices earlier this week showing some respect for this week's lows with a consolidation effort, it is clear that buyers are starting to see value again. With some analysts expecting GDP to come in around 1%, and that reading less than half the fourth quarter reading, it is possible that the disappointment in the economy since the beginning of the year has been justified.



Adding into the potential bull case today is news that Chicago PMI readings will also decline from the March results. The big question for the treasury market today is will geopolitical issues dominate the trade over classic economic information. The trade has been well aware of the potential flashpoint in North Korea and without fresh provocations we suspect the focus of the treasury trade will sit firmly on the GDP result. In our opinion a reading right on trade expectations of 1% will ultimately be supportive of prices while a reading below that level could result in a sharp range up extension. The North American session will start out with a preliminary reading on first quarter gross domestic product which is forecast to have a sizable downtick from the fourth quarter's 2.1% annualized rate. February Canadian GDP is expected to downtick from January's 0.6% reading but remain in positive territory. The April Chicago PMI is forecast to downtick from March's 57.7 reading. A key private survey of April consumer sentiment is expected to hold steady at the previous 98 reading. Fed Governor Brainard and Philadelphia Fed President Harker will speak during afternoon US trading hours.

#### TODAY'S MARKET IDEAS:

While the longer-term impact of a significant income tax cut is likely bearish for the bond market, that prospect is a long way from reality and the timing is still highly suspect. In fact we suspect that the trade will take a diversion today away from politics and toward the actual US economic condition in the wake of a backward look at US GDP. In fact if US growth was anemic at the start of the year and one considers the tailing off of numbers since then, Treasuries might have found a significant near term low this week. However for a solid low to remain in place probably requires a GDP reading close to 1%.

#### 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) 04/28/2017:** Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 151-290. The next area of resistance is around 153-050 and 153-160, while 1st support hits today at 152-120 and below there at 151-290.

**10 YR TREASURY NOTES (JUN) 04/28/2017:** Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 125-095. The next area of resistance is around 125-260 and 125-310, while 1st support hits today at 125-155 and below there at 125-095.

## STOCKS COMMENTARY

04/28/17

**1% or even 1.2% growth should be a little discouraging**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**S&P 500 +150**

Global markets were weaker overnight off slack Japanese retail sales readings and residual doubt over the prospects and timing of US tax reform. The Asian session was clearly undermined by misses on Japanese Core inflation and manufacturing readings. However, there were some positives sprinkled within the Japanese data that moderated economic sentiment. The trade is hopeful that the White House would take a more "conciliatory" stance towards NAFTA after Wednesday's threat to exit that agreement provided underlying support that fueled a positive tone late in the day for stocks. Earnings announcements will include Exxon Mobil, Chevron, Colgate-Palmolive and General Motors before the Wall Street opening.



**S&P 500:** While action in Nasdaq stocks leaves sentiment toward the E-Mini S&P generally positive into the last trading session of the week, the trade could be disappointed with today's US GDP result as that number might remind the market of the generally slack pattern of US data that has been seen since the beginning of the year. While the initial tax reform offer sparked gains in stocks, the trade has slowly reduced its expectations on what might be and when the final result might be seen. The trade should take moderate direction from GM earnings and perhaps more importantly from GM sales figures as those readings might offer a fresher view on the economy than the GDP result. Critical uptrend channel support in the June E-mini S&P today is seen at 2380.00 with a potentially critical overhead resistance/pivot point of 2388.75.

**Other US Indexes:** While the mini Dow forged an impressive run up off last week's lows, the market clearly lost traction this week and is showing some erosive action into the last trading session of the week. GM earnings this morning will be a significant telltale signal for market in need of persistently positive headlines. Initial support in the June mini Dow is seen at 20,871 and then again down at 20,828. Critical resistance and a pivot point on the upside is seen at 20,949. The reaction to GM results and the GDP release should set the tone for the entire trading session. The bias is up in the June Mini NASDAQ to end the trading week but critical support at 5562.50 needs to be respected early on. In fact in order to finish the week on a strong note probably requires a trade above 5599.00.

### TODAY'S MARKET IDEAS:

We get the sense that the markets have generally embraced positive prospects over the last two weeks but the retrenchment from this week's highs has effectively presented the trade with a key decision today. There are positives in the form of the renewed focus on tax reform but doubt on the timing and magnitude of the tax reductions looms large in a contentious political environment. With the CBO throwing water on the initial tax offering projections and the Democrats either poised to delay and or prevent tax cuts reality is less beneficial than the hope seen earlier this week. Therefore the focus of the stock market today probably shifts to the US GDP result and what it telegraphs on the state of the economy. From a bigger picture perspective anything below 2% growth might be too slow for current P/E measures and a reading down around expectations of 1% should be

discouraging.

**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) 04/28/2017: 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 upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 2394.87. The next area of resistance is around 2391.00 and 2394.87, while 1st support hits today at 2381.00 and below there at 2374.88.

MINI-DOW (JUN) 04/28/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. 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 lower than the pivot swing number. The next upside target is 20981. The next area of resistance is around 20936 and 20981, while 1st support hits today at 20858 and below there at 20826.

E-MINI NASDAQ (JUN) 04/28/2017: A new contract high was made on the rally. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive signal was given by the outside day up. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 5643.31. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5622.87 and 5643.31, while 1st support hits today at 5558.13 and below there at 5513.82.

MINI-RUSSELL 2000 (JUN) 04/28/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 1432.4. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 1425.6 and 1432.4, while 1st support hits today at 1412.4 and below there at 1405.9.

**DAILY TECHNICAL STATISTICS**

|                          | CLOSE   | 9 DAY<br>RSI | 14 DAY<br>RSI | 14 DAY<br>SLOW<br>STOCH D | 14 DAY<br>SLOW<br>STOCH K | 4 DAY<br>M AVG | 9 DAY<br>M AVG | 18 DAY<br>M AVG | 45 DAY<br>M AVG | 60 DAY<br>M AVG |
|--------------------------|---------|--------------|---------------|---------------------------|---------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| <b>FINANCIAL COMPLEX</b> |         |              |               |                           |                           |                |                |                 |                 |                 |
| USAAM7                   | 152-240 | 49.31        | 53.51         | 59.05                     | 47.10                     | 152.81         | 153.66         | 152.93          | 150.88          | 150.66          |
| TYAAM7                   | 125-205 | 53.29        | 56.19         | 62.94                     | 54.88                     | 125.60         | 125.90         | 125.56          | 124.59          | 124.47          |
| SPAM7                    | 2386.10 | 68.58        | 63.79         | 67.58                     | 80.23                     | 2380.83        | 2359.87        | 2354.21         | 2359.37         | 2347.47         |
| EPM7                     | 2386.00 | 67.66        | 63.16         | 66.86                     | 79.47                     | 2380.38        | 2359.42        | 2354.14         | 2359.08         | 2347.29         |
| TFEM7                    | 1419.0  | 72.51        | 65.51         | 78.11                     | 87.16                     | 1410.98        | 1387.78        | 1374.84         | 1374.82         | 1376.64         |
| ENQM7                    | 5590.50 | 79.08        | 74.29         | 76.35                     | 88.66                     | 5544.31        | 5471.28        | 5441.15         | 5405.17         | 5363.28         |
| YMM7                     | 20897   | 65.21        | 61.39         | 61.54                     | 76.58                     | 20859.25       | 20642.56       | 20606.50        | 20701.04        | 20578.53        |

Calculations based on previous session. Data collected 04/27/2017

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                | 151-280   | 152-110   | 152-220 | 153-050  | 153-160  |
| TYAAM7                   | 10 Yr Treasury Notes | 125-090   | 125-150   | 125-200 | 125-260  | 125-310  |
| SPAM7                    | S&P 500              | 2375.80   | 2381.60   | 2384.80 | 2390.60  | 2393.80  |
| EPM7                     | S&P E-Mini           | 2374.87   | 2381.00   | 2384.87 | 2391.00  | 2394.87  |
| TFEM7                    | Mini-Russell 2000    | 1405.8    | 1412.3    | 1419.1  | 1425.6   | 1432.4   |
| ENQM7                    | E-Mini NASDAQ        | 5513.81   | 5558.12   | 5578.56 | 5622.87  | 5643.31  |
| YMM7                     | Mini-Dow             | 20825     | 20858     | 20903   | 20936    | 20981    |

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## CURRENCIES COMMENTARY

04/28/17

**No leadership except for the Pound**

### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**US DOLLAR -279, YEN -150, SWISS +30, CA DOLLAR -160**

### Upcoming International Reports (all times CT)

04/28 Japan Construction Orders 12:00 AM  
04/28 Japan Housing Starts 12:00 AM  
04/28 France GDP 12:30 AM  
04/28 German Retail Sales 1:00 AM  
04/28 France Household Consumption 1:45 AM  
04/28 France Producer Price Index 1:45 AM  
04/28 Swiss KOF Leading Indicator 2:00 AM  
04/28 UK Nationwide Housing Price 2:00 AM  
04/28 France Consumer Spending 2:45 AM  
04/28 German Employment Situation 3:00 AM  
04/28 Canadian GDP (By Industry) 7:30 AM  
04/28 Canadian Industrial Product 7:30 AM  
04/28 Employment Cost Index 7:30 AM  
04/28 GDP (Q1 '17) 7:30 AM  
04/28 Chicago PMI 9:00 AM  
04/28 UK Consumer Confidence 6:01 PM



**DOLLAR:** French and Japanese economic data overnight should provide the dollar with an added measure of support from the fundamental perspective. It also appears as if the June dollar index has built a modestly impressive consolidation pattern support zone with this week's trade. However the dollar will face a potentially undermining US GDP and Chicago PMI data window later today. From a big picture perspective dollar bulls will probably be disappointed as a result of the rate of growth in the US in the first quarter but that disappointment might be counter veiled by a reading that comes in better than the anemic forecast. On the other hand competition for the dollar on the growth angle is muted in the wake of overnight data. Through the US schedule data we can't rule out a temporary dip back below a critical pivot point of 98.90 but a move above 99.20 could result in a follow-through extension up. To maintain a generally upbeat vibe to end the trading week probably requires respect for 98.69.

**EURO:** French economic readings overnight were discouraging but there were components within the data that showed some promise. However traders and economist might fear additional headwinds in the period following the growth period covered by this morning's data set and that could portend even weaker data ahead (French election influences). With the next and final stage of the French election looming ahead on May 7th it could be difficult to avoid further declines in the euro directly ahead. Therefore the bias appears to be down with an initial pivot point below the market at 1.0877 and an even more critical pivot point support level of 1.08485. In order to turn the tide away from the bear tilt probably requires a trade back above 1.0925.

**YEN:** The Yen is facing countervailing forces to start the last trading session of the week. While the market is garnering some support from ongoing uncertainty Japanese economic data overnight was obviously discouraging to the bull camp. However in a perverse argument slack Japanese data combined with disappointing French data would seem to foster a measure of global macroeconomic uncertainty. It is also possible that slack US GDP data could add to that storyline later this morning. We also suspect the Yen could catch a bid late in the session off ideas that the North Korean situation could produce fresh safe haven buying early next week. In order to keep the charts positive requires respect of 89.77 while a trade above 90.37 could shift sentiment definitively to the upside.

**SWISS:** The Swiss franc would appear to be coiling on its charts as if a key decision lies ahead. With the action in the euro weak and expectations for US data later this morning also weak that could leave the Swiss with a measure of support. Initial support today is seen at 1.0066 with resistance at 1.0109. Traders should use the support and resistance points today as some form of a breakout system.

**POUND:** The action in the Pound on the charts would seem to suggest it could be a leadership currency in the coming trading sessions. One might reason that the Pound has for the time being seen the worst of the BREXIT situation and one might also suggest that disappointing euro zone and US data provides the Pound with a relative edge today. It is also possible that the Pound with its recovery currency standing is deriving residual benefits from hopes of US tax reform stimulus. We would remain bullish toward the Pound as long as it respects 1.2887 and we suspect that support in the June Pound early next week will become 1.2935.

**CANADIAN DOLLAR:** The bull camp in the Canadian dollar has to be discouraged with this week's action as the Canadian has declined in the face of almost no competition from the dollar and in the face of weakness in the euro. In fact with the downside breakout on the charts and little in the way of historical support close in it is difficult to call for an end to the slide.

#### **TODAY'S MARKET IDEAS:**

It would appear as if no currency is willing to take definitive control and that is the result of a lack of a macroeconomic edge throughout the actively traded currencies. If there is a leadership currency it has become the Pound which is probably deriving its strength from a lull in and political concerns and hopes that US tax reform will provide a fresh lift to global economic sentiment.

#### **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) 04/28/2017:** Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 98.46. The next area of resistance is around 99.25 and 99.49, while 1st support hits today at 98.74 and below there at 98.46.

**EURO (JUN) 04/28/2017:** Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 109.9150. The next area of resistance is around 109.4200 and 109.9150, while 1st support hits today at 108.6000 and below there at 108.2750.

**JAPANESE YEN (JUN) 04/28/2017:** 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 close over the pivot swing is a somewhat positive setup. The next downside objective is 89.60. The

next area of resistance is around 90.34 and 90.51, while 1st support hits today at 89.88 and below there at 89.60.

SWISS (JUN) 04/28/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next upside objective is 101.31. The next area of resistance is around 101.11 and 101.31, while 1st support hits today at 100.69 and below there at 100.46.

## DAILY TECHNICAL STATISTICS

|                         | CLOSE    | 9 DAY<br>RSI | 14 DAY<br>RSI | 14 DAY<br>SLOW<br>STOCH D | 14 DAY<br>SLOW<br>STOCH K | 4 DAY<br>M AVG | 9 DAY<br>M AVG | 18 DAY<br>M AVG | 45 DAY<br>M AVG | 60 DAY<br>M AVG |
|-------------------------|----------|--------------|---------------|---------------------------|---------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| <b>CURRENCY COMPLEX</b> |          |              |               |                           |                           |                |                |                 |                 |                 |
| DXAM7                   | 98.99    | 34.62        | 37.40         | 21.71                     | 14.86                     | 98.87          | 99.37          | 100.00          | 100.40          | 100.45          |
| JYAM7                   | 90.11    | 37.38        | 44.77         | 47.63                     | 29.23                     | 90.39          | 91.32          | 91.06           | 89.84           | 89.60           |
| EU6M7                   | 109.0100 | 66.20        | 62.43         | 72.09                     | 81.28                     | 109.20         | 108.18         | 107.44          | 107.30          | 107.27          |
| BPAM7                   | 129.29   | 76.51        | 71.18         | 82.00                     | 88.52                     | 128.62         | 128.17         | 126.52          | 124.97          | 125.06          |
| CAAM7                   | 73.45    | 20.52        | 27.33         | 14.18                     | 9.16                      | 73.68          | 74.14          | 74.51           | 74.80           | 75.21           |
| SFAM7                   | 100.90   | 64.14        | 58.85         | 65.31                     | 75.47                     | 100.90         | 100.65         | 100.24          | 100.28          | 100.39          |
| DAAM7                   | 74.63    | 36.68        | 39.58         | 32.05                     | 26.70                     | 0.75           | 0.75           | 0.75            | 0.76            | 0.76            |

Calculations based on previous session. Data collected 04/27/2017

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## DAILY SWING STATISTICS

| Contract                |                   | Support 2 | Support 1 | Pivot    | Resist 1 | Resist 2 |
|-------------------------|-------------------|-----------|-----------|----------|----------|----------|
| <b>CURRENCY COMPLEX</b> |                   |           |           |          |          |          |
| DXAM7                   | US Dollar         | 98.45     | 98.73     | 98.97    | 99.25    | 99.49    |
| JYAM7                   | Japanese Yen      | 89.59     | 89.88     | 90.05    | 90.34    | 90.51    |
| EU6M7                   | Euro              | 108.2750  | 108.6000  | 109.0950 | 109.4200 | 109.9150 |
| BPAM7                   | British Pound     | 128.34    | 128.90    | 129.12   | 129.68   | 129.90   |
| CAAM7                   | Canadian Dollar   | 72.75     | 73.07     | 73.51    | 73.83    | 74.28    |
| SFAM7                   | Swiss             | 100.45    | 100.68    | 100.88   | 101.11   | 101.31   |
| DAAM7                   | Australian Dollar | 74.08     | 74.36     | 74.61    | 74.89    | 75.14    |

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