



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Friday May 05, 2017

BONDS COMMENTARY

05/05/17

Part of a decent number has already been factored into prices

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +20

Global equity markets showed a "risk off" mood, the French Presidential election looms ahead and the markets are looking ahead to a very important US Non-farm payroll result. With a downside breakout yesterday and a general decline in prices this week one could suggest the Treasury market has factored in some form of a positive payroll reading. With the prior month's payroll result a shock on the downside the trade is looking for proof that the prior reading was a one off disappointment. However with prices into the report sitting nearly 1 point below this week's highs anything below +150,000 could catch a moderate number of shorts on the wrong side of the fence. While the nonfarm payroll report will be the feature of the trading session today there is an extremely long list of scheduled Fed speeches today with two Fed speeches in the morning and three Fed speeches in the afternoon. In retrospect US schedule data yesterday showed some improvement and that could make today's economic data even more incendiary. Given the price action over the past 36 hours the market appears to be embracing the idea that the Fed wants to notch up interest rates even if the pace of growth appears to be somewhat anemic. In fact a contraction in productivity readings earlier this week probably reduces the Fed's latitude in leaving interest rates low. Therefore it is possible that a payroll result near the 150,000 to 170,000 will still result in an extension of this week's mild selling trend. A moderating influence of the bear track might be seen with an uptick in the US unemployment rate. The North American session will start out with the highlight for global markets, the April employment situation report. April non-farm payrolls are expected to see a sizable improvement from March's 98,000 reading. The April unemployment rate is forecast to uptick from March's 4.5% reading while April average hourly earnings are expected to improve from March's 0.2% reading. The April Canadian unemployment rate is forecast to hold steady at 6.7% while they see modest improvement in their net employment reading. The April Canadian Ivey PMI is expected to uptick from March's 61.1 reading. March reading on US consumer credit will be released during afternoon trading hours. A busy day of Fed speakers will include Fed Vice Chair Fischer and San Francisco Fed President Williams during morning US trading hours while Fed Chair Yellen, St. Louis Fed President Bullard, Chicago Fed President Evans and Boston Fed President Rosengren will speak during the afternoon.



TODAY'S MARKET IDEAS:

While the bear camp would appear to have a slight edge in bonds and notes to start the last trading session of the week we don't get the sense the bear case is overly dominating. However the bear camp might have the advantage of a normal recovery bounce in payrolls following the decidedly anemic reading from March. On the other hand seeing another five digit gain in payrolls (below 100,000) could definitively rekindle ideas that growth has severely moderated and that could result in an upward explosion in bond and note prices today and into next week. On the other hand, given the anemic reading from last month and the downwardly revised economic growth expectations in the marketplace that could set a low bar for today's figures. While we note a general tide of mixed data over the last three weeks the ADP, challenger layoff report, initial claims and ongoing claims data all seem to point to a decent number today and a number that could leave bond and note prices under pressure. In conclusion we give the edge to the bear camp but a low risk way to play for a soft reading and an aggressive short covering bounce is to buy a June bond 154 call for 32 ticks.

NEW RECOMMENDATIONS:

Contrarian trade: Buy a June bond 154 call for 32 ticks looking for a fleeting bounce and an objective of 1-29. Use

a very tight stop of 24.

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) 05/05/2017: 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. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is 150-200. The next area of resistance is around 152-140 and 153-050, while 1st support hits today at 151-060 and below there at 150-200.

10 YR TREASURY NOTES (JUN) 05/05/2017: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 124-260. The next area of resistance is around 125-125 and 125-205, while 1st support hits today at 124-315 and below there at 124-260.

STOCKS COMMENTARY

05/05/17

The bull camp looks to shape data into its favor today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 +110

Global equity markets showed a "risk off" mood overnight with the majority of key markets trading lower. While the technical action this week has improved from the Wednesday low and prices remain within close proximity to this week's highs the markets are being held back by news that Warren Buffett sold one third of his stake in IBM and by the looming uncertainty of this weekend's French presidential election. However the markets did seem to garner a minimal lift from the House move to repeal and replace Obama care but political pundits suggest moving through the Senate with the new legislation might take six full months. As in the Treasury market the stock market is looking for signs that the March payroll gain of less than 90,000 was a one off aberration. However the markets this week have shown signs that an on hold Fed is more beneficial than good data. Earnings announcement will include TransCanada Corp, Cigna, Cognizant Technology Solutions, Welltower and Moody's Corp before the Wall Street opening.



S&P 500: With a series of higher lows and a return to the proximity of the late April high the technical structure in the June E-mini S&P is mostly positive. On the other hand it could be difficult to come away from the jobs sector news this morning with a distinctly bullish environment. As indicated in the introduction of the stocks section the trade has seemingly preferred information that reduces the prospect of a rate hike next month over evidence of growth in scheduled data. Therefore stocks might need a Goldilocks payroll gain where the gains are just enough to satisfy the label of ongoing growth without putting the Fed on a path to move next month. Unfortunately the June E-mini S&P must hold close-in support at 2379.00 and certainly 2376.00 or there could be a quick setback to 23685.25. In our opinion the nonfarm payroll gain within a range of +125,000 and +175,000 probably results in the highest trade since early March.

Other US Indexes: The technical pattern in the June mini Dow is clearly bearish with a general pattern of lower lows in place since the April 26th high. Given the slow and gradual erosion in prices it would not appear as if the Dow stocks are overly anxious regarding the current situation but that might also mean the market isn't particularly oversold technically and that could limit the bounce in the face of a middle-of-the-road result in the

numbers today. In order to avoid a fresh low for the week probably requires an early hold of the 20,805 level in the June contract. Those looking for a long side play might consider the mini Dow over the E-mini S&P as the Dow is "more oversold". In looking at the charts the Mini NASDAQ appears to remain in an upward pattern and it might only take a "decent" payroll result to catapult prices into new all-time high territory. As long as the June mini NASDAQ manages to hold above 5610.25 the bull camp looks to remain in control.

TODAY'S MARKET IDEAS:

The bar for the bull camp on the US payroll report would seem to be somewhat low. As long as the trade can come away from the data with the idea that growth continues it is possible that prices will finish the week on a positive note. The bull bear line for equities today might be around the +125,000 level with respect to the nonfarm payroll reading.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/05/2017: 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 near-term upside objective is at 2399.18. The next area of resistance is around 2392.87 and 2399.18, while 1st support hits today at 2378.13 and below there at 2369.69.

MINI-DOW (JUN) 05/05/2017: Daily stochastics have risen into overbought territory which 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. The close over the pivot swing is a somewhat positive setup. The next upside target is 21035. The next area of resistance is around 20953 and 21035, while 1st support hits today at 20783 and below there at 20694.

E-MINI NASDAQ (JUN) 05/05/2017: 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 daily closing price reversal up on the daily chart is somewhat positive. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 5652.81. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5641.37 and 5652.81, while 1st support hits today at 5611.13 and below there at 5592.32.

MINI-RUSSELL 2000 (JUN) 05/05/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 1369.0. The next area of resistance is around 1398.3 and 1407.0, while 1st support hits today at 1379.3 and below there at 1369.0.

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									

USAAM7	151-260	40.87	46.59	34.38	24.87	152.34	152.62	153.17	151.04	150.89
TYAAM7	125-060	41.28	47.60	41.58	28.70	125.47	125.56	125.70	124.71	124.59
SPAM7	2398.00	64.32	61.58	82.23	85.43	2385.35	2382.80	2362.92	2361.38	2356.34
EPM7	2385.50	63.47	60.94	81.71	84.96	2384.88	2382.53	2362.71	2361.12	2356.15
TFEM7	1388.8	50.14	51.87	70.48	63.71	1395.33	1402.34	1383.99	1374.81	1379.66
ENQM7	5626.25	75.77	73.08	90.29	92.85	5622.81	5582.72	5492.63	5434.70	5401.61
YMM7	20868	62.04	59.51	77.24	79.75	20869.25	20868.33	20681.72	20710.42	20663.25

Calculations based on previous session. Data collected 05/04/2017

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	150-190	151-050	151-280	152-140	153-050
TYAAM7	10 Yr Treasury Notes	124-255	124-310	125-070	125-125	125-205
SPAM7	S&P 500	2378.12	2391.55	2391.02	2404.45	2403.92
EPM7	S&P E-Mini	2369.68	2378.12	2384.43	2392.87	2399.18
TFEM7	Mini-Russell 2000	1369.0	1379.3	1388.0	1398.3	1407.0
ENQM7	E-Mini NASDAQ	5592.31	5611.12	5622.56	5641.37	5652.81
YMM7	Mini-Dow	20693	20782	20864	20953	21035

Calculations based on previous session. Data collected 05/04/2017

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CURRENCIES COMMENTARY

05/05/17

The Dollar has to get very positive data to recover

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +107, YEN +0, SWISS -24, CA DOLLAR -85**

Upcoming International Reports (all times CT)

05/05 France ECRI Future Inflation 3:30 AM
 05/05 German ECRI Future Inflation 3:30 AM
 05/05 UK ECRI Future Inflation Gau 3:30 AM
 05/05 Euro-zone ECRI Future Inflat 4:00 AM
 05/05 Euro-zone Retail Trade 4:00 AM
 05/05 Canadian Labor Force Survey 7:30 AM
 05/05 Unemployment 7:30 AM
 05/05 Canadian PMI 9:00 AM
 05/05 Consumer Credit 2:00 PM



DOLLAR: In retrospect dollar bulls have to be extremely discouraged with the action in the dollar over the last 36 hours of trade. With a series of US data points coming in better than expectations and political uncertainty remaining in the European zone, one might've expected the dollar to have sustained the upside breakout seen yesterday morning. However the dollar failed and actually closed in a downside breakout zone yesterday. While it is difficult to ascertain the inflection point for the dollar through this morning's payrolls we suspect the bull camp in the greenback needs a gain in six digit territory to avoid a downside extension today. In fact it could take a nonfarm payroll gain above 150,000 to actually throw off the erosive pattern in the dollar.

EURO: All things considered the action in the euro into the close yesterday and again this morning is fairly impressive considering the residual uncertainty flowing from the French presidential election and given the generally better-than-expected US data released yesterday morning. The bull camp might suggest the leading candidate being elected results in much less uncertainty for the euro zone but we would suggest that poor action in the dollar is a larger function of the recovery efforts in the euro over the last 36 hours of trade. We see a critical bull bear pivot point in the June euro today at 1.0931.

YEN: Reports that the Chinese financial minister missed a meeting in Japan due to an emergency meeting in China provides a fresh wrinkle in the trade today and we are surprised that has not provided the dollar and the Yen with some measure of support. Despite a holiday in Japan the June Yen appears to have found some measure of support around the 88.81 level but to sustain the bounce off this week's lows probably requires an anemic US payroll result below +125,000.

SWISS: From a technical perspective the Swiss remains in an upward bias but a volatile reaction to data from the US might be expected. Unfortunately uptrend channel support in the June Swiss is seen all the way down at 1.0075 and critical resistance is close in at 1.0138.

POUND: Reports that UK Conservatives are making headway in local vote counts would seem to add to the generally bullish condition in the Pound. In an indirect way seeing the French election pass without a threat of France leaving the EU could make it easier for the UK to exit. We continue to think that the pound is a recovery currency in that it needs to see positive global growth information to help its economy through the BREXIT process. Therefore seeing a decent US nonfarm payroll result could easily catapult the June pound toward the 1.30 level.

CANADIAN DOLLAR: The April Canadian unemployment rate is forecast to hold steady at 6.7% while they expect to see modest improvement in their net employment reading. The April Canadian Ivey PMI is also expected to uptick from March's 61.1 reading but it is unclear if the Canadian data will be over shadowed by US readings. However the Canadian is extensively oversold from the beating of the last month and the dollar hasn't exactly behaved well in the face of clearly supportive economic data over the last 24 hours. Unfortunately it could take an "event" from the US payrolls to take extreme pressure off the Canadian dollar. It is possible that support on the weekly charts at 72.50 could offer some measure of technical support today.

TODAY'S MARKET IDEAS:

It could take a very strong nonfarm payroll result (above +170,000) to arrest the downward bias in the dollar today.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/05/2017: A crossover down in the daily stochastics is a bearish signal. Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down and close below the previous day's low is a negative signal. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 97.99. The next area of resistance is around 98.97 and 99.54, while 1st support hits today at 98.20 and below there at 97.99.

EURO (JUN) 05/05/2017: 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 outside day up is a positive signal. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside target is at 110.9362. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 110.6475 and 110.9362, while 1st support hits today at 109.5225 and below there at 108.6863.

JAPANESE YEN (JUN) 05/05/2017: 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 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 downside objective is 88.42. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 89.39 and 89.57, while 1st support hits today at 88.82 and below there at 88.42.

SWISS (JUN) 05/05/2017: 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. A positive signal was given by the outside day up. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 102.35. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 102.11 and 102.35, while 1st support hits today at 101.16 and below there at 100.44.

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										
DXAM7	98.58	33.35	36.08	15.58	13.56	98.87	98.88	99.52	100.15	100.36
JYAM7	89.10	29.04	37.08	16.57	10.30	89.26	89.84	90.77	89.86	89.60
EU6M7	110.0850	71.08	66.99	84.59	89.69	109.49	109.32	108.16	107.65	107.38
BPAM7	129.40	68.03	66.83	88.68	89.22	129.28	129.02	127.79	125.50	125.37
CAAM7	72.74	15.76	21.99	8.13	6.54	72.97	73.31	74.06	74.49	74.91
SFAM7	101.64	71.35	64.87	75.94	81.82	101.07	100.97	100.54	100.40	100.35
DAAM7	74.06	32.74	36.46	29.85	22.62	0.75	0.75	0.75	0.76	0.76

Calculations based on previous session. Data collected 05/04/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM7	US Dollar	97.98	98.19	98.76	98.97	99.54
JYAM7	Japanese Yen	88.41	88.81	88.99	89.39	89.57
EU6M7	Euro	108.6862	109.5225	109.8112	110.6475	110.9362
BPAM7	British Pound	128.16	128.89	129.18	129.91	130.20
CAAM7	Canadian Dollar	72.37	72.53	72.78	72.94	73.18
SFAM7	Swiss	100.44	101.16	101.40	102.11	102.35
DAAM7	Australian Dollar	73.55	73.82	74.03	74.30	74.51

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