



# DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Monday May 08, 2017

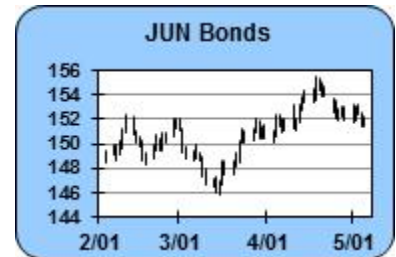
## BONDS COMMENTARY

05/08/17

**We think rallies should be sold following decent payroll data**

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

**BONDS +140**



The expected victory by centrist Emmanuel Macron, an uptick in German factory orders and strong German business morale readings leaves some fundamental resistance hanging over Bonds and Notes to start today. We continue to be surprised with the reaction in bond and note prices to the much better than expected US nonfarm payroll readings last Friday. Some will suggest a downward revision in a growth forecast from New York Fed and the price slide off the April highs served to temper the bearish reaction off the jobs report last week. However, we suspect the trade is poised to see a decline in euro zone political uncertainty following the French election and we also think there is a slight downward pressure on prices because of very strong euro zone and German morale readings overnight. As is usually the case the US economic report slate is thin following the monthly nonfarm payroll results but traders will begin to look for confirmation of a better economy following the April nonfarm payroll gain/unemployment rate decline. Pushed into the market today we would be a seller of rallies as the general tilt from the recent data track favors the bears. However, a partial risk off vibe in equities and slightly smaller than anticipated Chinese imports and exports seems to have given the bull camp an early slight edge. The North American session will be relatively quiet data wise and will be highlighted by an April reading for the Fed's labor market conditions index. Fed speakers will include St. Louis Fed President Bullard and Cleveland Fed President Mester during US morning trading hours. The Commitments of Traders Futures and Options report as of May 2nd for U.S. Treasury Bonds showed Non-Commercial and Non-reportable combined traders held a net short position of 4,176 contracts with these traders going from a net long to a net short position last week. The Commitments of Traders Futures and Options report as of May 2nd for US Treasury 10 Year Notes showed Non-Commercial and Non-reportable combined traders held a net long position of 31,458 contracts. This represents a decrease of 26,193 contracts in the net long position held by these traders.

### TODAY'S MARKET IDEAS:

While prices are showing some modest strength to start today we doubt that June bonds have the fundamental justification to take out last week's high of 153-07 with similar significant resistance in June notes hanging above the market at 125-26. With a somewhat thin US economic report slate today the markets will probably turn their focus to Fed speeches as Friday's data would seem to give credence to the prospect of a rate hike next month. A critical downside pivot point in June bonds is seen this morning at 151 - 23 with similar pivot point support in the note market seen at 125 - 06. Pushed into the market we are a seller of minor rallies using stops modestly above last week's highs.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

Long a June bond 154 call from 26. Hit a very tight stop of 24.

### Commitment of Traders - Futures and Options - 4/25/2017 - 5/2/2017

Non-Commercial		Commercial		Non-Reportable	
Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change

Financials						
Bonds	19,506	-10,078	4,177	+18,180	-23,682	-8,102
T-Notes	179,994	-41,848	-31,458	+26,192	-148,536	+15,655

## 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) 05/08/2017:** 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 151-000. The next area of resistance is around 152-040 and 152-190, while 1st support hits today at 151-110 and below there at 151-000.

**10 YR TREASURY NOTES (JUN) 05/08/2017:** 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. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 124-225. The next area of resistance is around 125-160 and 125-210, while 1st support hits today at 125-010 and below there at 124-225.

## STOCKS COMMENTARY

05/08/17

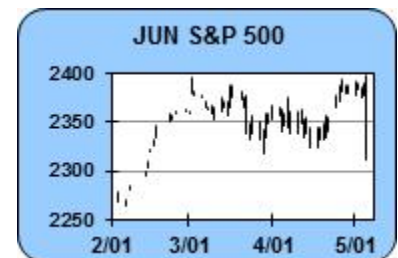
**There is no reason to take control away from the bull camp**

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

**S&P 500** -180

Global equity markets were evenly mixed with winners and losers geographically distributed. Over the weekend, the second round of the French Presidential election resulted in an expected victory by centrist Emmanuel Macron and that should lower risk concerns in Europe and around the globe.

With positive US payroll results, the April Sentix survey of Euro zone investor confidence posting a moderate uptick from March's 23.9 reading and German business morale readings also jumping up overnight we would have expected global equities to have started out on a much more positive footing. Fed speakers will include St. Louis Fed President Bullard and Cleveland Fed President Mester during US morning trading hours. Earnings announcements will include Sysco, Tyson Foods, Newell Brands and First Data before the Wall Street opening while EOG Resources and Marriot International report after the close.



**S&P 500:** With positive performance at the end of last week and yet another higher high for the move to start this morning the path of least resistance in the June E-mini S&P remains up. However the biggest threat to the bull camp might be emerging talk of a June rate hike. Uptrend channel support in the June E-mini S&P to start today is seen at 2383.20 with a closer in pivot point seen at 2390.75. The Commitments of Traders Futures and Options report as of May 2nd for E-Mini S&P 500 showed Non-Commercial and Non-reportable combined traders held a net long position of just 17,462 contracts. However, with a decrease of 49,636 contracts in the net long position held by these traders the market might be more balanced than one might expect for a market that is making new highs!

**Other US Indexes:** While the June mini Dow did manage a higher high for the move and the highest price since early March its recovery from last week's lows has been hard-fought. In looking at the charts we see a lack of definitive upside momentum and a very critical pivot point below the market at a series of closes around 20,871. However, with the Commitments of Traders Futures and Options report as of May 2nd for Dow Jones Index \$5 showing Non-Commercial and Non-reportable combined traders holding a net long position of 63,001 contracts the Dow continues to hold a rather lofty long positioning. We can't argue against more hard fought gains but the Mini Dow could easily run out of buying fuel on more gains. Not surprisingly the Mini NASDAQ has already forged

another new all-time high with this morning's early action. So far tech sector issues aren't concerned with the prospect of a US rate hike next month and the markets are certainly relieved with the political events in Europe. In fact US stocks this morning should be emboldened by strong business morale readings throughout Europe and they should also be emboldened by the better-than-expected US nonfarm payrolls at the end of last week. The Commitments of Traders Futures and Options report as of May 2nd for Nasdaq Mini showed Non-Commercial and Non-reportable combined traders held a net long position of 102,096 contracts. This represents a decrease of 9,313 contracts in the net long position held by these traders.

**TODAY'S MARKET IDEAS:**

At least to start we leave the edge with the bull camp as political and economic news flow last Friday and again this morning presents a positive environment. The biggest threat to the bull camp today might be offhanded hawkish hints from a couple Fed speeches but even that threat is partially factored with dialogue and trade action early last week.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 4/25/2017 - 5/2/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Financials</b>						
<b>S&amp;P 500</b>	-9,366	-3,823	1,489	+4,392	7,877	-570
<b>E-Mini S&amp;P</b>	98,392	-17,468	-17,462	+49,635	-80,930	-32,168

**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) 05/08/2017: The market rallied to a new contract high. 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 2412.00. The next area of resistance is around 2407.00 and 2412.00, while 1st support hits today at 2388.00 and below there at 2374.00.

MINI-DOW (JUN) 05/08/2017: 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. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 21063. The next area of resistance is around 21023 and 21063, while 1st support hits today at 20879 and below there at 20774.

E-MINI NASDAQ (JUN) 05/08/2017: 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. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 5675.81. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 5666.62 and 5675.81, while 1st support hits today at 5630.38 and below there at 5603.32.

MINI-RUSSELL 2000 (JUN) 05/08/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. 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 1377.5. The next area of resistance is around 1404.2 and 1408.6, while 1st support hits today at 1388.7 and below there at 1377.5.

## 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	151-230	40.13	46.04	29.09	19.01	152.25	152.42	153.16	151.10	150.88
TYAAM7	125-085	44.03	49.12	36.62	26.70	125.42	125.50	125.72	124.75	124.60
SPAM7	2397.70	71.20	66.22	84.86	90.13	2388.05	2385.88	2365.43	2361.81	2358.22
EPM7	2397.50	69.87	65.26	84.53	89.93	2387.81	2385.69	2365.17	2361.59	2358.04
TFEM7	1396.5	54.41	54.46	68.01	63.04	1392.33	1402.26	1385.71	1374.89	1380.07
ENQM7	5648.50	78.34	74.97	92.02	95.34	5627.44	5599.06	5505.07	5441.12	5409.27
YMM7	20951	68.11	63.37	79.59	84.10	20891.75	20897.00	20701.44	20710.60	20680.28

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

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	150-310	151-100	151-250	152-040	152-190
TYAAM7	10 Yr Treasury Notes	124-220	125-005	125-055	125-160	125-210
SPAM7	S&P 500	2374.82	2388.54	2393.12	2406.85	2411.42
EPM7	S&P E-Mini	2374.00	2388.00	2393.00	2407.00	2412.00
TFEM7	Mini-Russell 2000	1377.5	1388.6	1393.1	1404.2	1408.6
ENQM7	E-Mini NASDAQ	5603.31	5630.37	5639.56	5666.62	5675.81
YMM7	Mini-Dow	20773	20878	20918	21023	21063

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

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## CURRENCIES COMMENTARY

05/08/17

**A lack of residual \$ strength off payrolls is bearish**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
US DOLLAR +229, YEN +50, SWISS -58, CA DOLLAR +25**

### Upcoming International Reports (all times CT)

05/08 13 and 26 Week Bill Auction  
 05/08 Japan Consumer Confidence Su 12:00 AM  
 05/08 German Manufacturing Orders 1:00 AM  
 05/08 German Manufacturing Turnove 1:00 AM  
 05/08 UK Halifax Housing Price Ind 2:30 AM  
 05/08 Canadian New Housing 7:15 AM  
 05/09 3-Yr note Auction  
 05/09 4-Week BILL Auction  
 05/09 Swiss Employment 12:45 AM  
 05/09 German Foreign Trade 1:00 AM  
 05/09 German Industrial Production 1:00 AM  
 05/09 Canadian Building Permits 7:30 AM  
 05/09 Wholesale Trade 7:30 AM  
 05/09 API Energy Stocks 3:30 PM



**DOLLAR:** All things considered the US dollar has performed very poorly considering the upside surprise in the

jobs report. While the June dollar index has rejected the initial slide this morning we think the charts remain bearish and the trade somewhat skeptical of the pace of growth in the US economy. While it would be a little surprising the trade seems to have embraced a downwardly revised growth projection from the New York Fed over the positive monthly US payroll result. Downtrend channel resistance in the June dollar index today is seen at 99.11 with key consolidation low support seen at 98.56. Pushed into the market we favor a sell rallies posture. The Commitments of Traders Futures and Options report as of May 2nd for US Dollar showed Non-Commercial and Non-reportable combined traders held a net long position of 45,490 contracts. This represents a decrease of 3,524 contracts in the net long position held by these traders.

**EURO:** Clearly the euro benefited early today from economic data and sentiment readings overnight and it goes without saying that the euro is managing some gains off relief from the end of the French election. The euro might garner some additional support from news of an eight month high in a European real estate index and from comments from the German Foreign Ministry imploring the new French administration to embrace and implement economic reform. Uptrend channel support in the June euro today is seen down at 1.0924 and initial resistance is seen at an old quasi-side double high of 1.0978. The Commitments of Traders Futures and Options report as of May 2nd for Euro showed Non-Commercial and Non-reportable combined traders held a net short position of 7,549 contracts.

**YEN:** Clearly, favorable US schedule data from last week, the end of the French election and positive European business morale readings serves to extract safe haven premium from the Yen. In short there is no reason to call for an end to the erosion in the Japanese Yen in the coming trading sessions. Initial support and a key pivot point this morning is seen at 88.69 and to turn the downtrend around probably requires a trade back above 90.07.

**SWISS:** Like the Yen the Swiss franc appears to be under pressure as a result of the passing of the French election but also because of improved sentiment readings throughout the EU. Near term downside targeting in the June Swiss is seen at an uptrend channel support line of 1.006 and there would seem to be heavy resistance at 1.0118.

**POUND:** On one hand the Pound should be emboldened by the relief of the passing of the French election but the currency might be held back because of softness in a UK house price index for April. We are also concerned that the Pound is short-term overbought from the rally at the end of last week. Uptrend channel support in the June Pound this morning is seen at 1.2899 and resistance is seen at a close in quasi-side double high of 1.300.

**CANADIAN DOLLAR:** Clearly the Canadian dollar was extensively oversold into the lows last week but some might suggest the jobs data was mixed with growth in jobs disappointing and unemployment falling to the lowest level since 2008. Initial resistance is seen at a quasi-double top of 73.34 and support isn't seen until 72.78. In order for the Canadian to reject last week's lows and trend higher clearly requires yet another downside breakout in the US dollar.

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

A lack of clear leadership favors the Euro and the Pound at the expense of the Yen and Dollar.

#### **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) 05/08/2017: 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 tilt is slightly negative with the close under the pivot. The next downside target is now at 98.07. The next area of resistance is

around 98.67 and 99.02, while 1st support hits today at 98.19 and below there at 98.07.

EURO (JUN) 05/08/2017: 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. The close over the pivot swing is a somewhat positive setup. The next upside objective is 110.6012. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 110.4524 and 110.6012, while 1st support hits today at 109.9175 and below there at 109.5313.

JAPANESE YEN (JUN) 05/08/2017: 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 could take on a defensive posture with the daily closing price reversal down. The market tilt is slightly negative with the close under the pivot. The next downside objective is 88.48. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 89.25 and 89.58, while 1st support hits today at 88.70 and below there at 88.48.

SWISS (JUN) 05/08/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 101.98. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 101.81 and 101.98, while 1st support hits today at 101.35 and below there at 101.05.

## 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
<b>CURRENCY COMPLEX</b>										
DXAM7	98.43	31.48	34.86	14.13	11.24	98.77	98.83	99.39	100.07	100.32
JYAM7	88.97	27.37	35.88	14.32	9.95	89.11	89.58	90.69	89.89	89.59
EU6M7	110.1850	71.91	67.60	87.22	92.64	109.72	109.46	108.37	107.75	107.42
BPAM7	129.97	72.44	69.65	89.82	92.33	129.46	129.23	128.10	125.66	125.44
CAAM7	73.26	38.57	36.46	9.62	12.97	72.97	73.22	73.95	74.45	74.87
SFAM7	101.58	71.96	65.33	79.15	85.69	101.29	101.07	100.65	100.45	100.36
DAAM7	74.20	37.26	39.16	26.91	22.44	0.74	0.75	0.75	0.76	0.76

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

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM7	US Dollar	98.06	98.19	98.54	98.67	99.02
JYAM7	Japanese Yen	88.47	88.69	89.02	89.25	89.58
EU6M7	Euro	109.5312	109.9174	110.0662	110.4524	110.6012
BPAM7	British Pound	128.91	129.54	129.76	130.39	130.61
CAAM7	Canadian Dollar	72.30	72.86	73.09	73.65	73.88
SFAM7	Swiss	101.04	101.34	101.51	101.81	101.98
DAAM7	Australian Dollar	73.46	73.90	74.05	74.49	74.64

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