



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday May 10, 2017

### BONDS COMMENTARY

05/10/17

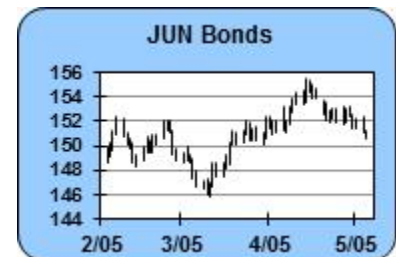
#### Renewed political uncertainty in the US offsets Chinese inflation

#### OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

BONDS +180

Treasuries prices this morning are seeing some lift from the surprise overnight firing of the FBI director but also because of renewed uncertainty toward North Korea and modest early weakness in US equities. With the US economic report slate today rather than one might suggest the fundamentally based selling of

Treasuries might moderate and a short covering bounce could be in the offing. In fact June bonds have regained their 50 day moving average early on while June notes have also recoiled from a test of their 50 day moving average yesterday. We are a little surprised to see a rise above the prior session's high given comments from the Fed yesterday which seemed to indicate the need for more rate hikes remains in place especially since the Fed's Mester cautioned against raising rates too slow in the face of improvements in the US job sector. However the trade probably benefits from the North Korean missile test threat overnight as the US has a carrier based force in the region supposedly to respond to fresh acts of aggression by North Korea. The North American session will be fairly quiet data-wise today and will feature the April export price index and April import price index that are both expected to come in at slightly above unchanged levels. The biggest reaction today in Treasury prices is likely to come off speeches from Boston Fed President Rosengren and Minneapolis Fed President Kashkari during afternoon US trading hours.



#### TODAY'S MARKET IDEAS:

While we leave the overall trend pointing downward in bonds the market probably reached an oversold condition into the lows yesterday and was in need of some technical balancing. Into the action today June bonds sits just above the 50 day moving average at 151-00 and it is possible the market will attempt to retest downtrend channel resistance up at 152-08. Other issues that might be lending support to US Treasuries is suggestions that euro zone unemployment levels might be higher than headline readings have suggested, that the Trump Administration moves overnight will serve to push pro-growth US policy initiatives even further into the future.

#### 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) 05/10/2017: Momentum studies are declining, but have fallen to oversold levels. 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 150-100. The next area of resistance is around 151-120 and 151-210, while 1st support hits today at 150-230 and below there at 150-100.

10 YR TREASURY NOTES (JUN) 05/10/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. 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 tilt is slightly negative with the close under the pivot. The next downside target is now at 124-200. The next area of resistance is around 125-030 and 125-075, while 1st support hits today at 124-255 and below there at 124-200.

## STOCKS COMMENTARY

05/10/17

### Nominal back and fill action expected off political issues

#### OVERNIGHT CHANGES THROUGH 6:06 AM (CT): S&P 500 -390

Global equity markets were mixed overnight but sentiment at times was undermined by rumors that North Korea was poised to launch another test. It also goes without saying that stocks were pushed off balance by the firing of the US FBI Director. As indicated in other coverage this morning the surprise firing of the FBI Director might distract Washington from attempts to implement pro-growth policies. In general equity markets don't like uncertainty and there are at least two situations facing the markets this morning. Earning announcements include Twenty-First Century Fox, NetEase, Snap and Symantec after the Wall Street close.



**S&P 500:** In addition to geopolitical uncertainty the June E-mini S&P was clearly overbought at this week's highs and deserving of some modest corrective action. However without a North Korean missile test and a strong response from the US we don't expect the current corrective slide to become aggressive. In fact we doubt the June E-mini S&P will fall below uptrend channel support which is located today down at 2382.80. Another more significant support point in the June E-mini S&P is seen down at 2375.50 and that could be a target for prices later today.

**Other US Indexes:** With the mini Dow lagging behind the rest of the market on the early May rally it is not surprising to see the index make a three day low early today. While we give the edge to the bear camp we don't initially see a high level of anxiety and the need to pummel prices. Close in critical pivot point support is seen at 20,864 and again down at 20,774. In the event North Korea Stokes geopolitical anxiety with fresh actions that could target the 50 day moving average down at 20,733. The June mini NASDAQ was obviously overbought into the high yesterday and in need of a corrective balancing setback today. Some might suggest seeing Apple shares top 800 billion in market cap represents a temporarily overdone condition. Close in uptrend channel support in the June mini NASDAQ today is seen at 5655.05.

#### TODAY'S MARKET IDEAS:

We view the initial weakness today as a necessary corrective reaction to a minor political incident. However if rumors regarding a North Korean missile test, become reality and the US response aggressively that could transform a minor corrective slide into a moderate corrective washout. Therefore traders should expect a nominal corrective slide ahead unless the focus of the headlines shifts to the Pacific theater.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/10/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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 target is at 2404.93. The next area of resistance is around 2398.62 and 2404.93, while 1st support hits today at 2387.38 and below there at 2382.44.

MINI-DOW (JUN) 05/10/2017: 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 market's close below the pivot swing number is a mildly negative setup. The next upside target is 21028. The next area of resistance is around 20957 and 21028, while 1st support hits today at 20845 and below there at 20804.

E-MINI NASDAQ (JUN) 05/10/2017: The market made a new contract high on the rally. Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 5710.25. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5695.75 and 5710.25, while 1st support hits today at 5658.75 and below there at 5636.25.

MINI-RUSSELL 2000 (JUN) 05/10/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 1378.5. The next area of resistance is around 1394.5 and 1400.2, while 1st support hits today at 1383.7 and below there at 1378.5.

### 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	151-010	34.57	41.89	20.91	13.44	151.47	152.13	152.96	151.19	150.90
TYAAM7	124-300	36.47	44.05	26.80	18.01	125.10	125.39	125.67	124.81	124.62
SPAM7	2393.30	65.81	63.17	87.43	89.23	2392.88	2388.22	2370.78	2362.67	2361.25
EPM7	2393.00	64.22	62.07	86.68	87.87	2393.38	2388.36	2370.63	2362.58	2361.08
TFEM7	1389.1	49.58	51.48	61.03	53.28	1391.50	1397.03	1388.27	1375.14	1380.16
ENQM7	5677.25	81.36	77.23	94.33	96.19	5652.19	5626.81	5536.04	5454.47	5424.20
YMM7	20901	60.43	59.26	83.46	86.05	20923.75	20900.00	20744.11	20711.36	20707.63

Calculations based on previous session. Data collected 05/09/2017

Data sources can & 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	150-090	150-220	150-310	151-120	151-210
TYAAM7	10 Yr Treasury Notes	124-195	124-250	124-295	125-030	125-075
SPAM7	S&P 500	2383.27	2388.05	2393.77	2398.55	2404.27
EPM7	S&P E-Mini	2382.43	2387.37	2393.68	2398.62	2404.93
TFEM7	Mini-Russell 2000	1378.4	1383.6	1389.3	1394.5	1400.2
ENQM7	E-Mini NASDAQ	5636.25	5658.75	5673.25	5695.75	5710.25
YMM7	Mini-Dow	20804	20845	20916	20957	21028

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## CURRENCIES COMMENTARY

05/10/17

**Expect an increase in US Dollar volatility today**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**US DOLLAR -139, YEN +410, SWISS +22, CA DOLLAR +75**

### Upcoming International Reports (all times CT)

05/10 10-Yr note Auction  
05/10 Japan Index of Business Cond  
05/10 Japan Leading Indicators 12:00 AM  
05/10 France Industrial Production 1:45 AM  
05/10 France Trade Balance 1:45 AM  
05/10 EIA Energy Stocks 9:30 AM  
05/11 30-Yr Auction  
05/11 Swiss Consumer Price Index 2:15 AM  
05/11 UK Foreign Trade 3:30 AM  
05/11 UK Industrial Production 3:30 AM  
05/11 UK Monetary Policy 6:00 AM  
05/11 UK Monetary Policy Minutes 6:00 AM  
05/11 Canadian New Housing Price I 7:30 AM  
05/11 Initial Jobless Claims 7:30 AM  
05/11 PPI 7:30 AM  
05/11 EIA Gas Storage 9:30 AM



**DOLLAR:** While the metals markets are touting a recovery potential in the dollar it does remain below this week's highs in the early going today. However the negative drag from US geopolitical developments might be more than offset by a North Korean missile test. US scheduled data today is restricted to import/export pricing and therefore the most likely driving force for the greenback will once again be Fed speak. Obviously the prior session's high of 99.56 is resistance and a critical pivot point today in the dollar and we are hesitant to suggest this week's action is anything other than a temporary corrective bounce.

**EURO:** The June euro did make a downside breakout bid in the early going today and sits just above this week's lows into the US trading session. The euro is probably under pressure as a result of an ECB study suggesting that EU unemployment in the region is actually higher than the numbers would suggest. Cushioning the euro against bad technical action and the ECB study is news that Italian industry output came in much above expectations for the month of March. Initial support in the June euro today is seen down at 1.0877 and then not until the top of an old gap at 1.0928. We just don't like the technical setup in the Euro!

**YEN:** Not surprisingly the events of the last 16 hours have rekindled safe haven interest in the Yen. In addition to the surprise firing of the US FBI director the Yen is also garnering some buying interest off of talk that North Korea is once again poised to launch a missile test. In our opinion the more important force for the Yen market is the North Korean situation as the US and Japan have moved assets into the region as if they are poised to respond to the next act of aggression. Therefore the 87.50 level in the June Yen is likely to be solid support in the near term and we can't rule out a two day bounce back up to 88.81.

**SWISS:** While the June Swiss is showing some initial recovery action this morning it would not appear as if the fundamentals have shifted in favor of the bull camp. Certainly the Swiss is oversold from the massive three day washout and it is possible that the market is poised to respect the early April consolidation lows around the 99.48 level. It is also possible that the Swiss is poised to see a nominal corrective bounce or retracement off the last four days slide and that would project to 1.002.

**POUND:** We are a little surprised in the strength in the June pound in the face of renewed geopolitical uncertainty on the global stage. In fact it would appear as if the June pound has now forged a triple high just above 1.30 and we suspect the currency could come under aggressive selling in the event that there is a fresh incident in North Korea. Initial support and a potential target in the June Pound today is seen down at 1.2904. We continue to think the pound is a recovery currency which means it needs favorable global economic expectations and surging



DXAM7	99.44	56.55	50.90	22.05	35.05	98.91	98.93	99.23	99.97	100.27
JYAM7	87.95	18.58	28.32	10.68	7.82	88.64	89.17	90.34	89.89	89.58
EU6M7	108.9600	51.13	54.14	83.63	76.93	109.67	109.42	108.66	107.87	107.50
BPAM7	129.48	64.50	64.95	88.31	86.12	129.57	129.43	128.59	125.95	125.58
CAAM7	72.86	29.19	30.17	12.32	15.07	72.94	73.06	73.71	74.37	74.75
SFAM7	99.47	29.45	36.06	61.97	38.25	100.71	100.83	100.68	100.47	100.34
DAAM7	73.37	26.92	31.85	19.47	12.35	0.74	0.74	0.75	0.75	0.76

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM7	US Dollar	98.74	99.13	99.35	99.74	99.95
JYAM7	Japanese Yen	87.07	87.49	88.00	88.41	88.92
EU6M7	Euro	108.3750	108.6100	109.0750	109.3100	109.7750
BPAM7	British Pound	128.89	129.19	129.47	129.77	130.05
CAAM7	Canadian Dollar	72.47	72.64	72.91	73.08	73.35
SFAM7	Swiss	98.54	98.90	99.68	100.04	100.82
DAAM7	Australian Dollar	72.78	73.02	73.47	73.71	74.16

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