



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday May 11, 2017

BONDS COMMENTARY

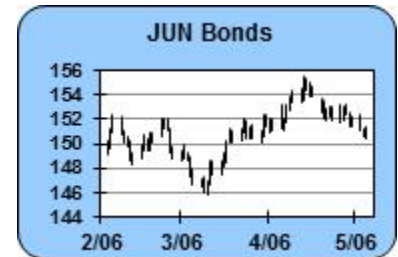
05/11/17

The bias remains in the bear camp despite today's potential claims jump

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +60

With the April Eco Watchers survey posting an uptick from March's 47.4 reading in Japan and generally positive equity market action in Asia and ongoing gains in crude oil prices one might have expected a partial risk-on mood in the US markets. However, news that March UK industrial and manufacturing production saw modest downticks and ongoing political bashing in Washington looks to keep pro-growth efforts in the US on a back burner. The markets will face the results of a Bank of England monetary policy meeting but the trade doesn't expect changes to rates or policy. In looking at the charts in the Bonds it would seem like the bear camp has an edge from a slow erosive pattern of lower lows. An issue that is probably hanging over the Treasury market is comments from a Fed official yesterday suggesting that it was possible to see "three" more rate hikes this year as that is above recent general consensus that expected "three" total hikes in 2017. An issue that might lend some support to prices today is the April PPI report from the US which is forecast to see a downtick. However, we think the trade needs to watch for a surprise uptick in the "excluding food and Energy" component of the PPI report. On the other hand, if the headline reading from the PPI report happens to show a gain that combined with slightly hotter US and Chinese inflation measures earlier in the week could set the stage for a fresh downside breakout in Bonds and Notes. The North American session will start out with a weekly reading on initial jobless claims which are forecast to see a modest increase from the previous 238,000 level. The April producer price index is expected to see a minimal downtick from March's 2.3% year-over-year rate. New York Fed President Dudley will speak during morning US trading hours.



TODAY'S MARKET IDEAS:

With a generally negative chart pattern remaining in place since the April highs and a Fed member this week cautioning against being too complacent with rate hikes because of the employment situation we have to leave the path of least resistance pointing downward today. Initial and potentially critical pivot point support in June bonds is seen at 150-13 with similar critical pivot point support in June treasury notes seen at 124-24. The trend remains down until a downtrend channel resistance line at 151-19 is taken out. Initial downside targeting in June bonds today is seen at 150-05 with similar downside targeting in June notes seen at 124-24.

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) 05/11/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 now at 149-260. The next area of resistance is around 151-070 and 151-270, while 1st support hits today at 150-070 and below there at 149-260.

10 YR TREASURY NOTES (JUN) 05/11/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 124-170. The next area of resistance is around 125-015 and 125-095, while 1st support hits today at 124-215 and below there at 124-170.

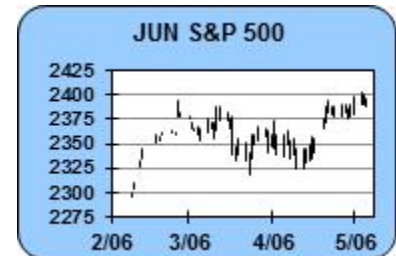
STOCKS COMMENTARY

05/11/17

The bear case is starting to get stale

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 -370**

Global equity markets were mixed overnight with more markets trading higher than lower. Clearly this week's US political flap has served to erode interest in equities but it does not appear as if the markets are facing high anxiety or concern today and that could set the stage for a low and a recovery into the end of this week. While the market probably hasn't shifted into a "good news is bad posture" yet (good news might bring the Fed off the bench again) we will be watching for that reaction in the wake of this morning's scheduled data. US markets are under some initial pressure today because of significant weakness in Snapchat shares and news of a possible price war between Aldi and Walmart. Stocks might also be temporarily roiled by this morning's Bank of England statement but the real test of the bull's resolve will probably be Washington's capacity to shift back toward pro-growth policies and away from political sniping. Earnings announcements will include Enbridge and BT Group before the Wall Street opening.



S&P 500: The Washington distraction combined with a slight glimmer of June rate hike fears and an overbought condition earlier in the week leaves the bear camp in the June E-mini S&P with an edge this morning. However with the Fed's Rosengren yesterday suggesting fiscal stimulus could result in a more aggressive Fed reaction and the June E-mini S&P is still respecting a pattern of lower highs and lower lows this week and that probably leaves the 2387.50 level as an extremely critical in today's trade. In order to turn the tide away from the bear track today probably requires an early rise back above 2395.30. Putting faith in Washington and predicting a quick end to the erosive slide this week is a little risky.

Other US Indexes: With the Mini-Dow Jones futures this week showing general erosion in prices and geopolitical conditions weighing on market sentiment it wouldn't be surprising to see a fresh lower low for the move and a decline below initial support at 20,841 early today. In order to shift control away from the bear camp today probably requires an early recovery back above 21,010 and we aren't sure where the market will find a catalyst for that type of recovery. While the weak price action in Snapchat shares is weighing on the Mini NASDAQ early today the ability to respect close in support of 5658.25 could set the stage for a recovery. Clearly the Mini NASDAQ has been the leadership market in stocks and therefore traders should watch its action this morning for signs of a preemptive low.

TODAY'S MARKET IDEAS:

The good news is that the negatives overnight aren't of a caliber to elicit significant downside action in the marketplace. In fact strength in oil prices should promote strength in energy patch shares and that could help to start the process of bottoming. With most of the weakness in share prices this week coming from the geopolitical flap associated with the firing of the FBI director it is possible geopolitical forces could drift into the background before the end of this week.

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) 05/11/2017: 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. The upside closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 2403.12. The next area of resistance is around 2399.75 and 2403.12, while 1st support hits today at 2390.25 and below there at 2384.13.

MINI-DOW (JUN) 05/11/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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 upside objective is 20983. The next area of resistance is around 20937 and 20983, while 1st support hits today at 20843 and below there at 20795.

E-MINI NASDAQ (JUN) 05/11/2017: 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. The market tilt is slightly negative with the close under the pivot. The next upside target is 5693.37. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 5685.50 and 5693.37, while 1st support hits today at 5664.00 and below there at 5650.38.

MINI-RUSSELL 2000 (JUN) 05/11/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. A positive signal was given by the outside day up. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is 1377.4. The next area of resistance is around 1406.3 and 1411.8, while 1st support hits today at 1389.2 and below there at 1377.4.

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	150-230	32.27	40.14	16.74	9.86	151.15	151.87	152.76	151.23	150.90
TYAAM7	124-275	35.57	43.12	21.73	13.08	124.99	125.29	125.59	124.84	124.63
SPAM7	2395.30	67.17	64.02	88.05	89.29	2395.33	2389.24	2374.56	2363.38	2362.48
EPM7	2395.00	65.30	62.76	86.84	87.30	2395.44	2389.19	2374.36	2363.30	2362.30
TFEM7	1397.8	55.17	54.70	57.53	50.82	1393.45	1394.48	1391.17	1375.68	1380.22
ENQM7	5674.75	79.25	76.05	95.05	96.17	5664.94	5637.08	5553.90	5461.69	5431.19
YMM7	20890	58.70	58.24	83.22	83.35	20923.00	20895.78	20769.94	20711.42	20716.83

Calculations based on previous session. Data collected 05/10/2017

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	149-250	150-060	150-260	151-070	151-270
TYAAM7	10 Yr Treasury Notes	124-165	124-210	124-290	125-015	125-095
SPAM7	S&P 500	2385.05	2390.90	2393.85	2399.70	2402.65

EPM7	S&P E-Mini	2384.12	2390.25	2393.62	2399.75	2403.12
TFEM7	Mini-Russell 2000	1377.3	1389.1	1394.6	1406.3	1411.8
ENQM7	E-Mini NASDAQ	5650.37	5664.00	5671.87	5685.50	5693.37
YMM7	Mini-Dow	20795	20843	20889	20937	20983

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CURRENCIES COMMENTARY

05/11/17

A rise in claims might extend \$ early losses

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR -26, YEN +190, SWISS +11, CA DOLLAR -185

Upcoming International Reports (all times CT)

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
 05/12 German Consumer Price Index 1:00 AM
 05/12 German GDP - Flash 1:00 AM
 05/12 Euro-zone Industrial Product 4:00 AM
 05/12 Business Inventories 7:30 AM
 05/12 Canadian New Motor Vehicle S 7:30 AM
 05/12 CPI 7:30 AM
 05/12 Real Earnings 7:30 AM
 05/12 Retail Sales 7:30 AM



DOLLAR: While the US dollar has started the Thursday trade out on a weaker footing it remains near the recent highs. However an as expected rise in US claims combined with an upward revision in EU growth forecast will probably add to a minimal downward bias today. Cushioning the dollar against a wholesale washout is comments from Fed officials this week that three more hikes could be seen this year and that any fiscal stimulus implementation will be offset by more aggressive Fed action. We think the dollar remains in a downtrend and that the June dollar index should be sold on trades above 99.50 looking for a return to the middle of the current downtrend channel around the 98.89 level.

EURO: The initial action in the euro is very discouraging from the bull's perspective as the dollar is weaker, the EU raised growth forecasts and the new French president is suggesting that the debate over exiting the euro zone is over. Countervailing the somewhat positive fundamental news flow for the euro is fresh concerns from the ECB regarding a "bubble risk" from the banking sector. It goes without saying that the prior low of 1.0873 is a very critical pivot point today with the top of a large gap down at 1.08485 a major technical inflection point. Pushed into the market we favor the downward track today.

YEN: While the Japanese April ECO watchers survey posted a modest uptick from March's reading overnight and the June Yen has found some measure of support on the charts just above the 87.50 level there doesn't appear to be enough safe haven fuel in the market to shut off the April and May slide. With a calmer headline flow from Washington and any recovery action in US stocks that could set the stage for a slide down to the next key support level in the June Yen at 87.41.

SWISS: Like other safe haven currencies and instruments it would appear as if interest in the Swiss is moderating. Therefore there is no reason at this time to call for an end to the erosion in the Swiss. Near term

downside targeting is seen logically at the 99.00 level and it could take a trade back above 99.652 to call for an end to the slide.

POUND: The Pound appears to be under initial pressure as a result of a decline in March industrial production and manufacturing output reading for the month of March. In fact a downward revision to prior month's data, a looming BOE meeting and statement and concerning action on the charts gives the bear camp plenty of ammunition. However a recovery back above this week's low of 1.2918 could take some of the control away from the bear camp. As indicated a number of times the bull camp in the Pound needs definitively positive risk-on psychology to maintain the upward tilt in place since the March low.

CANADIAN DOLLAR: The best thing going for the bull camp in the Canadian dollar is the recent consolidation pattern that is building around the 73.00 level. However a recovery in both gold and crude oil this morning should thicken up support in the June Canadian down around the 72.85 level. As is usually the case the Canadian bulls need a reversal in the dollar uptrend in order to shut off the selling and bounce above the May highs up at 73.335.

TODAY'S MARKET IDEAS:

Little domination seen in the currency markets as growth readings this week have been few and far between.

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) 05/11/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 99.82. The next area of resistance is around 99.68 and 99.82, while 1st support hits today at 99.34 and below there at 99.12.

EURO (JUN) 05/11/2017: Momentum studies trending lower at mid-range should accelerate a move lower 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's close below the pivot swing number is a mildly negative setup. The next downside target is 108.4600. The next area of resistance is around 109.0900 and 109.3600, while 1st support hits today at 108.6400 and below there at 108.4600.

JAPANESE YEN (JUN) 05/11/2017: Momentum studies are declining, but have fallen to oversold levels. 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 objective is 87.17. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 87.93 and 88.31, while 1st support hits today at 87.37 and below there at 87.17.

SWISS (JUN) 05/11/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies are declining, but have fallen to oversold levels. 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 now at 98.96. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 99.57 and 99.89, while 1st support hits today at 99.11 and below there at 98.96.

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
CURRENCY COMPLEX										
DXAM7	99.51	56.83	51.10	30.58	47.63	99.14	98.99	99.18	99.92	100.25
JYAM7	87.65	17.19	26.78	7.96	4.17	88.20	88.86	90.09	89.88	89.56
EU6M7	108.8650	49.83	53.24	78.87	69.42	109.37	109.40	108.79	107.93	107.53
BPAM7	129.57	64.92	65.15	86.65	83.85	129.61	129.46	128.82	126.11	125.64
CAAM7	73.27	43.15	39.36	15.66	21.73	73.10	73.05	73.60	74.34	74.70
SFAM7	99.34	28.99	35.65	49.34	24.08	100.16	100.64	100.65	100.47	100.32
DAAM7	73.61	33.65	35.91	17.02	12.71	0.74	0.74	0.75	0.75	0.76

Calculations based on previous session. Data collected 05/10/2017

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM7	US Dollar	99.11	99.33	99.46	99.68	99.82
JYAM7	Japanese Yen	87.16	87.36	87.74	87.93	88.31
EU6M7	Euro	108.4600	108.6400	108.9100	109.0900	109.3600
BPAM7	British Pound	129.04	129.27	129.64	129.87	130.24
CAAM7	Canadian Dollar	72.72	73.04	73.17	73.49	73.63
SFAM7	Swiss	98.95	99.10	99.42	99.57	99.89
DAAM7	Australian Dollar	73.03	73.32	73.60	73.89	74.17

Calculations based on previous session. Data collected 05/10/2017

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