



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday May 12, 2017

### BONDS COMMENTARY

05/12/17

**More minor short covering unless stocks really dive**

**OVERNIGHT CHANGES THROUGH 3:15 AM (CT):**  
**BONDS +110**

Ongoing weakness in many global equity market measures overnight has resulted in some safe haven buying of US Treasuries to start today. With the political angst in Washington distracting politicians from the effort to implement pro-growth policies and a sharp jump in Chinese lending overnight there would seem to be some level of ongoing anxiety boosting prices into the end of the week. Short-term technical indicators in Treasury bonds have become oversold and some measures are even signaling the potential of a modest short covering bounce. However US treasury bonds will face what is expected to be a fairly decent jump in US retail sales and it is also possible that today's CPI readings will offer something hotter than expected. The markets attention will be temporarily pulled away from the equity market focus and even the US scheduled data focus by a speech from the Chicago Fed Pres. Evans as the talk of a June rate hike dominates market sentiment. However the bull camp is not completely written off today as a noted downside extension of the early losses in equities could easily extend the short covering bounce seen early today into a more definitive safe haven buying wave. In order to transition the Treasury bond bounce this morning into a more significant safe haven rally probably requires a decline in the June E-mini S&P below the prior session's low of 2379.00. It is also possible that treasuries will recover from the likely setback from the 7:30 numbers in the wake of University of Michigan consumer sentiment readings as they are expected to post a minor down tick. The North American session will start out with the April consumer price index which is forecast to have a minimal uptick from March's 2.4% year-over-year reading. April retail sales are expected to see a sizable uptick from March's -0.2% reading and climb into positive territory. March business inventories are forecast to see a minimal downtick from February's 0.3% reading. A private survey of consumer sentiment is expected to hold steady or post a slight decline from the previous 97.0 reading. Chicago Fed President Evans will speak during morning US trading hours while Philadelphia Fed President Harker will speak during the afternoon. Earning announcements will include ArcelorMittal before the Wall Street opening.



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

While we can't argue with some minor upside action in Treasuries today in the event that equities come under more pressure throughout today's trade we continue to think the path of least resistance is pointing down due to a series of positive US data points this week but more specifically because of the looming expectation of a June rate hike. We really don't expect the Fed to move in June but we do expect the market to continue to factor in that possible outcome over the coming weeks. As for today's action we can't argue against a test of a downtrend channel resistance line that comes in today up at 151-10 in June Bonds with a similar downtrend channel resistance line in June Notes seen up at 125-09. In the morning action today we expect to see an early dip followed by a recovery into midsession. As declines in equities extend and the Michigan sentiment reading temper economic views later today we expect Treasury prices to make new highs for the day.

#### **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) 05/12/2017:** Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 150-000. The next area of resistance is around 151-010 and 151-090, while 1st support hits today at 150-130 and below there at 150-000.

**10 YR TREASURY NOTES (JUN) 05/12/2017:** 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 daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is now at 124-205. The next area of resistance is around 125-040 and 125-070, while 1st support hits today at 124-270 and below there at 124-205.

## STOCKS COMMENTARY

05/12/17

**A slow erosive pattern remains in place today**

### OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

**S&P 500 -600**

Global equity markets were mixed to slightly lower overnight. The general erosion in equity prices looks to be extended today as the overnight news flow failed to definitively improve sentiment. Surprisingly an uptick in German GDP results this morning failed to shift the market's away from a choppy to lower track, as that data points to a continued recovery in Europe. Clearly, ongoing carnage in the US retail sector is resulting in a risk off vibe and that risk off vibe is being accentuated by the political sniping in Washington. Fortunately the high tech sector is providing a cushion to the market but technical action overnight (even in the leadership mini NASDAQ) is negative and the path of least resistance is pointing down to start today. Earning announcements will include ArcelorMittal before the Wall Street opening.



**S&P 500:** As indicated already an extending pattern of lower highs on the charts and the inability to embrace positive economic results (because good data prompts chatter of a June hike by the Fed) leaves the path of least resistance today pointing downward. A downtrend channel resistance line in the June E-mini S&P is seen this morning at 2392.40 and a critical pivot point support zone is seen at 2379.00. In fact traders should watch the reaction in stocks to US retail sales closely to see if positive data results in a dip in prices as that will signal a trade focused on next month's Fed rate decision instead of a trade focused on growth and earnings. If good data has become bad for stock prices then equities might be expected to bounce later this morning off of the University of Michigan consumer sentiment readings.

**Other US Indexes:** The mini Dow also remains within a very well defined pattern of lower highs and lower lows to start the last trading session of the week. Critical downtrend channel resistance in the June mini Dow today is seen at 20,918 and a close-in pivot point is seen today at 20,790. Fortunately for the bull camp today's action looks to present a slow erosion of prices instead of an aggressive spike down washout. While the June mini NASDAQ appears to be tracking lower with the rest of the market it should be given more respect than other measures due to its leadership capacity and its resiliency over the last month. Logical resistance this morning is seen at 5672.50 with an initial support level seen at 5649.00.

**TODAY'S MARKET IDEAS:**

Without some surprise change in the headline content today we leave the edge with the bear camp as political wrangling in Washington will probably dominate the headlines again. However the markets will have a critical decision point into and through the 7:30 numbers as economists expect some positive data flow and that in turn should present the market with a choice of buying off good data because of growth hopes or selling off good data from fears of a rate hike next month. All things considered. Pushed into the market today we favor a sell rallies mentality.

**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) 05/12/2017: The daily stochastics have crossed over down which is a bearish indication. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is 2372.82. The next area of resistance is around 2399.12 and 2405.31, while 1st support hits today at 2382.88 and below there at 2372.82.

MINI-DOW (JUN) 05/12/2017: A crossover down in the daily stochastics is a bearish signal. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 20711. The next area of resistance is around 20937 and 20986, while 1st support hits today at 20799 and below there at 20711.

E-MINI NASDAQ (JUN) 05/12/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is positive on the close above the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 5623.88. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 5691.50 and 5703.87, while 1st support hits today at 5651.50 and below there at 5623.88.

MINI-RUSSELL 2000 (JUN) 05/12/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 1365.0. The next area of resistance is around 1398.1 and 1409.1, while 1st support hits today at 1376.1 and below there at 1365.0.

**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
<b>FINANCIAL COMPLEX</b>										
USAAM7	150-230	34.05	40.76	14.21	10.14	150.83	151.60	152.60	151.28	150.92
TYAAM7	124-315	40.73	45.72	19.28	15.03	124.92	125.20	125.54	124.88	124.65
SPAM7	2391.10	61.38	60.85	87.16	85.37	2393.68	2390.42	2377.12	2364.05	2363.47
EPM7	2391.00	60.43	60.02	85.38	82.64	2393.31	2390.28	2376.88	2363.97	2363.29

TFEM7	1387.1	47.93	50.30	52.54	42.69	1390.88	1393.54	1392.52	1376.19	1379.99
ENQM7	5671.50	77.07	74.79	95.06	95.04	5670.44	5647.08	5569.08	5468.45	5437.80
YMM7	20868	55.91	56.69	81.78	78.99	20896.50	20893.44	20786.56	20712.67	20724.18

Calculations based on previous session. Data collected 05/11/2017

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	149-310	150-120	150-200	151-010	151-090
TYAAM7	10 Yr Treasury Notes	124-200	124-265	124-295	125-040	125-070
SPAM7	S&P 500	2374.12	2383.64	2389.02	2398.54	2403.92
EPM7	S&P E-Mini	2372.81	2382.87	2389.06	2399.12	2405.31
TFEM7	Mini-Russell 2000	1364.9	1376.0	1387.0	1398.1	1409.1
ENQM7	E-Mini NASDAQ	5623.87	5651.50	5663.87	5691.50	5703.87
YMM7	Mini-Dow	20710	20799	20848	20937	20986

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## CURRENCIES COMMENTARY

05/12/17

**The Dollar wins by default today**

**OVERNIGHT CHANGES THROUGH 3:15 AM (CT):**

**US DOLLAR +15, YEN +190, SWISS -4, CA DOLLAR +5**

**Upcoming International Reports (all times CT)**

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:** Given the gains in the dollar index this week it is clear that some measure of improved economic expectation is being factored into the greenback. In fact, expectations for a slightly hotter than expected CPI and noted strength in retail sales is more than likely going to offset a modest dip in the University of Michigan survey of consumer sentiment that will be released later today. Given the 150 point rally in the dollar index this week and the prospect of an extension following the first set of US scheduled data today we wouldn't be surprised to see a test of the 50 day moving average up at parity (1.00). However with the dollar closing in on a significant downtrend channel resistance line we will probably be recommending long dollar index put plays at some point next week.

**EURO:** The market all but discounted improved EU economic forecasts earlier this week and it has also discounted a series of better-than-expected economic forecasts over the last week. Unfortunately for the bull camp in the euro the euro zone March industrial output showed a contraction this morning off of estimates calling for a +0.4% gain and that could leave the euro vulnerable to any fresh strength in the dollar. While we doubt today's US scheduled data will result in a pummeling of the euro, we continue to see a critical pivot point support level down at 1.0840 which is the top of an old gap forged in late April. We can't rule out a possible retest of the 50 day moving average next week which should come in around the 1.0825 level.

**YEN:** The slow erosive pattern in equities, unexciting global data flows overnight and ongoing US geopolitical angst has given the June Yen the fundamental capacity to carve out a decent consolidation low support zone

above the 87.50 level. While we don't expect US equities to come under aggressive liquidation, just seeing the markets remain off balance could result in the Yen making a three day high. Initial resistance for the June Yen is seen today at 89.10.

**SWISS:** While the declines in the Swiss seem to have slowed this week the pattern of lower lows has continued and that could leave little in the way of support until the 99.00 level. In fact the market looks to have settled in below the early April consolidation low level of 99.48 and that could establish a range in the Swiss in the week ahead of 99.00 to 99.48. However the Swiss might see some minimal support from disappointing euro zone data and from a minor increase in safe haven interest in the wake of a poor global equity market finish to the trading week.

**POUND:** Even in a market with no clear winners the British pound appears to be under ongoing pressure and poised to fall down to the lowest level since May 4th. Clearly yesterday's industrial production readings have left the British pound in a downward washout motion. Initial downside targeting on the current break is seen at 1.2846. In fact if European and US equities finish the week on a back foot that could facilitate even more declines in the British pound.

**CANADIAN DOLLAR:** In looking back the June Canadian dollar has clearly found some form of value around the 73.00 level on the charts. Unfortunately a recent pattern of positive/strong US economic data points has rekindled talk of a June US rate hike and that mentality leaves thick fundamental resistance hanging over the Canadian dollar. The top of the current anticipated trading range is seen at an old double high of 73.34 with the bottom of the consolidation zone seen at 72.72.

**TODAY'S MARKET IDEAS:**

Little domination expected but the Dollar should have a slight edge because of US Retail sales.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CURRENCIES TECHNICAL OUTLOOK:**

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US DOLLAR (JUN) 05/12/2017: 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 daily closing price reversal down puts the market on the defensive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 99.92. The next area of resistance is around 99.69 and 99.92, while 1st support hits today at 99.31 and below there at 99.15.

EURO (JUN) 05/12/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 108.3113. The next area of resistance is around 109.1125 and 109.3812, while 1st support hits today at 108.5775 and below there at 108.3113.

JAPANESE YEN (JUN) 05/12/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside closing price reversal on the daily chart is somewhat bullish. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 87.21. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 88.27 and 88.61, while 1st support hits today at 87.58 and below there at 87.21.

SWISS (JUN) 05/12/2017: Momentum studies are still bearish but are now at oversold levels and 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 upside closing price reversal on the daily chart is somewhat bullish. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is now at 99.01. The next area of resistance is around 99.69 and 99.89, while 1st support hits today at 99.25 and below there at 99.01.

### 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	99.50	55.41	50.31	39.54	57.48	99.39	99.06	99.14	99.87	100.22
JYAM7	87.92	26.08	31.70	7.05	5.58	87.93	88.63	89.85	89.88	89.56
EU6M7	108.8450	49.43	52.98	72.11	58.49	109.03	109.37	108.91	108.00	107.58
BPAM7	129.05	55.52	59.56	83.05	75.92	129.40	129.39	128.99	126.27	125.71
CAAM7	73.06	37.37	35.60	17.40	21.84	73.06	73.02	73.47	74.32	74.64
SFAM7	99.47	33.04	38.20	39.28	19.16	99.65	100.49	100.62	100.48	100.31
DAAM7	73.74	36.76	37.84	16.25	15.01	0.74	0.74	0.75	0.75	0.76

Calculations based on previous session. Data collected 05/11/2017

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### DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM7	US Dollar	99.14	99.30	99.53	99.69	99.92
JYAM7	Japanese Yen	87.20	87.57	87.91	88.27	88.61
EU6M7	Euro	108.3112	108.5775	108.8462	109.1125	109.3812
BPAM7	British Pound	128.09	128.55	129.08	129.54	130.07
CAAM7	Canadian Dollar	72.45	72.79	72.99	73.33	73.54
SFAM7	Swiss	99.01	99.25	99.45	99.69	99.89
DAAM7	Australian Dollar	73.20	73.52	73.64	73.96	74.08

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