



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Tuesday May 16, 2017

BONDS COMMENTARY

05/16/17

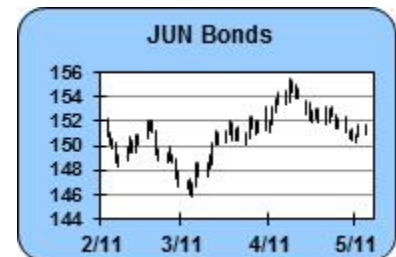
Decent US numbers & strength in equities is bearish to Bonds

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -30

While international equity markets were generally mixed overnight the flow of scheduled data outside US was generally upbeat and that could increase overhead resistance in US Treasuries to start today. In fact record euro zone trade surplus and export data would seem to suggest that growth outside of the US is surfacing and that could in turn cause the Fed to reduce their concerns of international headwinds.

Furthermore generally positive early trade action in certain US equity market measures again leaves the overall attitude positive despite the latest political flap regarding US intelligence leaks. Somehow the Washington Post obtained classified information that the president passed classified information to Russian officials and that has dominated the news cycle over the favorable international data flow. Expectations for the first scheduled data window this morning calls for positive Housing numbers while the second set of data is expected to show slightly less growth than the prior month. An issue that might lend some support to US Treasury bonds this morning is news that Ford will cut 10% of its workers in both North America and Asia. All things considered it is difficult to throw off the bearish trend in place since the April highs especially with US equities making periodic new all-time high moves. The North American session will start out with April readings for housing starts and building permits, both of which are forecast to see modest upticks in their March annualized readings. April industrial production is expected to have posted a gain of +.4% compared to March's +0.5% reading.



TODAY'S MARKET IDEAS:

With the recovery bounce at the end of last week and early in the Monday trade the oversold condition of bonds and notes into the May 11th low has probably been fully corrected. Downtrend channel resistance off the April and May slide is seen today at 151-24 in June bonds with significant close-in support not seen until 150-28. In the end the key pivot point news item today will probably be the April industrial production result as a gain in that index at or above +.2% should be enough to pressure bond and notes back toward last week's lows. From our perspective as long as equities are making new all-time highs or remaining within the vicinity of new all-time highs that leaves an edge with the bear camp. In the Treasury note market we would suggest the gains at the end of last week and into the highs in the prior trading session actually leave that market short-term overbought and technically vulnerable to a near term setback to 125-00.

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) 05/16/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A negative signal for trend short-term was given on a

close under the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 152-030. The next area of resistance is around 151-230 and 152-030, while 1st support hits today at 151-000 and below there at 150-200.

10 YR TREASURY NOTES (JUN) 05/16/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 125-240. The next area of resistance is around 125-180 and 125-240, while 1st support hits today at 125-090 and below there at 125-055.

STOCKS COMMENTARY

05/16/17

Expect more new all-highs in the Nasdaq later this morning

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 +100**

Global equity markets were generally higher overnight with weakness generally seen in European bourses. While sentiment is generally positive to start today the latest Washington political flap is detracting from the positive psychological benefits of the new all-time highs forged yesterday. In retrospect the markets performed impressively in the face of the latest cyber threat, and seeing US measures generally higher to start today suggests the market is discounting the latest "Washington" story. While stocks have shown some vulnerability to fears of a rate hike next month recent data would seem to be choppy enough to decrease the prospect of a hike next month. However relatively important housing data today will be followed by even more important industrial production results and the bull camp needs to see data that is positive but not so strong as to rekindle Fed fears. Given estimates on today's scheduled data it would appear that the data is expected to be not too hot and not too cold. Earnings announcement included Home Depot (favorable) and TJX Companies before the Wall Street opening.



S&P 500: While the June E-mini S&P has not forged a new all-time high in the early going today it does remain within close striking distance to the latest all-time high. At least in the early going the E-mini S&P has managed to discount the overnight political storm and it is probably benefiting somewhat from favorable European scheduled dataflow. In fact, favorable German sentiment readings seem to dovetail with recent positive action in stock prices for an environment that could extend the pattern of new all-time highs. An issue that should help to support equity markets in general is news that Home Depot's quarterly profits and customer traffic levels increased and that news was accompanied by increased spending and that might telegraph favorable US housing data later this morning. Uptrend channel support in the June E-mini S&P this morning comes in at 2386.80 with initial resistance at the prior session's high of 2402.25. As long as the June E-mini S&P manages to hold above 2390.50 we will remain bullish.

Other US Indexes: Clearly the mini Dow has lagged behind other measures as it has failed to make a new all-time high since the March highs. In fact the June mini Dow has seen two attempts this month to breach the 21,000 level and has been unable to breakout to the upside which for some suggests a loss of momentum and perhaps even some form of a key top. Not surprisingly large-cap/old school type stocks continue to underperform the more fleet of foot Nasdaq and E-Mini S&P and it could take definitive upside extension in other measures of the market to drag the mini Dow into higher ground. Therefore in the near term significant resistance is seen at 21,010 with somewhat significant support seen today at 20,846. Once again the June mini NASDAQ has forged a new all-time high in the early going and looks poised for even more gains ahead. In our opinion even slightly positive US scheduled data today should allow the NASDAQ to carve higher highs. Uptrend channel support in the June mini NASDAQ today is seen at 5684.30.

TODAY'S MARKET IDEAS:

The bull camp retains enough control to mostly discount the latest Washington political headline disaster.

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) 05/16/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside objective is now at 2382.32. The next area of resistance is around 2405.12 and 2410.81, while 1st support hits today at 2390.88 and below there at 2382.32.

MINI-DOW (JUN) 05/16/2017: 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 close above the 9-day moving average suggests the short-term trend remains positive. The market's close above the 2nd swing resistance number is a bullish indication. The next downside objective is 20801. The next area of resistance is around 20987 and 21032, while 1st support hits today at 20871 and below there at 20801.

E-MINI NASDAQ (JUN) 05/16/2017: The market made a new contract high on the rally. 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. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 5721.50. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 5712.50 and 5721.50, while 1st support hits today at 5688.50 and below there at 5673.50.

MINI-RUSSELL 2000 (JUN) 05/16/2017: 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 positive on the close above the 9-day moving average. The market's close above the 2nd swing resistance number is a bullish indication. The next downside target is now at 1374.3. The next area of resistance is around 1401.5 and 1409.0, while 1st support hits today at 1384.1 and below there at 1374.3.

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	151-110	43.96	46.16	17.77	23.11	150.98	151.37	152.20	151.48	151.00
TYAAM7	125-135	53.84	53.25	27.47	38.48	125.16	125.16	125.43	124.99	124.71
SPAM7	2312.00	66.22	63.72	83.29	80.78	2393.38	2392.02	2383.57	2365.28	2365.14
EPM7	2398.00	65.35	62.90	80.84	77.60	2393.13	2391.97	2383.32	2365.17	2364.95
TFEM7	1392.8	52.30	52.64	42.25	33.99	1390.05	1390.40	1395.44	1377.44	1379.70
ENQM7	5700.50	81.24	77.61	95.84	96.49	5684.19	5662.19	5602.67	5482.43	5450.76
YMM7	20929	61.63	59.80	76.43	71.70	20884.25	20898.44	20843.39	20714.82	20735.48

Calculations based on previous session. Data collected 05/15/2017

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	150-310	151-110	151-230	152-030
TYAAM7	10 Yr Treasury Notes	125-050	125-085	125-145	125-180	125-240
SPAM7	S&P 500	2340.75	2305.50	2353.75	2318.50	2366.75
EPM7	S&P E-Mini	2382.31	2390.87	2396.56	2405.12	2410.81
TFEM7	Mini-Russell 2000	1374.2	1384.1	1391.6	1401.5	1409.0
ENQM7	E-Mini NASDAQ	5673.50	5688.50	5697.50	5712.50	5721.50
YMM7	Mini-Dow	20800	20871	20916	20987	21032

Calculations based on previous session. Data collected 05/15/2017

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CURRENCIES COMMENTARY

05/16/17

Growth in the Euro zone confirmed by record trade & exports

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -439, YEN +0, SWISS +65, CA DOLLAR +20

Upcoming International Reports (all times CT)

05/16 4-Week BILL Auction
05/16 France Consumer Price Index 1:45 AM
05/16 UK Consumer Price Index 3:30 AM
05/16 UK Producer Price Index 3:30 AM
05/16 Euro-zone Foreign Trade 4:00 AM
05/16 German ZEW Indicator of Econ 4:00 AM
05/16 Housing Starts and Pmts 7:30 AM
05/16 Capacity Utilization 8:15 AM
05/16 Industrial Production 8:15 AM
05/16 API Energy Stocks 3:30 PM
05/16 Japan Machinery Orders 6:50 PM
05/17 UK Employment Situation - Cl 3:30 AM
05/17 Euro-zone Consumer Price Ind 4:00 AM
05/17 Canadian Monthly Survey of M 7:30 AM
05/17 EIA Energy Stocks 9:30 AM
05/17 Japan GDP 6:50 PM



DOLLAR: With a huge range down extension in the dollar and the lowest trade since May 6th it is clear that slack data from the prior session and fresh political concern is weighing on the greenback. Given the distinct and aggressive liquidation in the dollar over the prior four trading sessions we aren't sure that positive US data later this morning will even serve to cushion the greenback against a downside breakout and the lowest price level since last November. In fact a Washington feeding frenzy has mostly eliminated any support for the dollar from the recent pattern of new all-time highs in certain US equity market measures. Initial support is seen very close-in at 98.35 and then not until the 98.00 level.

EURO: Overt weakness in the dollar, stronger-than-expected German sentiment readings and record trade surplus and export data from the euro zone justifies the significant range up extension in the euro over the last four trading sessions. In fact record trade surplus and export data combined with the political travails in the US should allow the euro to extend to perhaps as high as 1.1200. Support is seen at the old high of 1.1036 and first resistance is seen today at 1.11.

YEN: A lack of definitive direction in the Japanese Yen over the last three trading sessions is well-deserved. With a series of conflicting Japanese economic data points overnight and a recent and perhaps ongoing pattern of new all-time highs in certain US equity market measures that suggests the need for safe haven instruments like the Yen is lacking. Japanese economic data overnight was offsetting with a decline in a Japanese Tertiary industry index somewhat countervailed by strength in Japanese machine tool orders. Therefore the direction of the Yen looks to remain on external/safe haven sentiment ebb and flow. Pushed into the market we favor the downward

tilt because of the strength in the US NASDAQ.

SWISS: Apparently the Swiss franc is fully benefiting from weakness in the Dollar and spillover support from an upside breakout in the euro. One could also suggest that strength in a German sentiment reading and record euro zone exports highlights an improving continental Europe economy which in turn benefits the Swiss and the Swiss economy. There might be little in the way of resistance in the June Swiss until 1.0148 and support today moves up to the 1.0088 level.

POUND: Clearly the Pound is out-of-favor as it has failed to benefit from overt weakness in the dollar and a very heavy flow of UK scheduled data overnight. In fact one might've expected the Pound to have benefited from UK April CPI inflation information but and the Pound should also have benefited from a much better-than-expected UK April input PPI result but instead the Pound is showing the potential for a downside move. Initial support and a target for today's trade is 1.2857.

CANADIAN DOLLAR: While the Canadian dollar sits moderately above last week's low in the early going today it has been unable to add to the big range up extension efforts in the prior trading session. Even more damaging to the bull case is the fact that the US dollar is showing significant weakness this morning and yet the Canadian is also trading in negative territory. Therefore we expect the June Canadian to chop in a range bound by 73.60 and 73.21.

TODAY'S MARKET IDEAS:

The Dollar is lost in a perpetual wave of Washington political headline disasters which in turn leaves the American economic recovery as collateral damage.

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) 05/16/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The near-term upside objective is at 99.32. The next area of resistance is around 99.03 and 99.32, while 1st support hits today at 98.57 and below there at 98.39.

EURO (JUN) 05/16/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 109.1638. The next area of resistance is around 110.2725 and 110.5137, while 1st support hits today at 109.5975 and below there at 109.1638.

JAPANESE YEN (JUN) 05/16/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. 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 near-term upside objective is at 88.61. The next area of resistance is around 88.27 and 88.61, while 1st support hits today at 87.76 and below there at 87.60.

SWISS (JUN) 05/16/2017: The major trend could be turning up with the close back above the 60-day moving average. The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are rising from

mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 101.05. The next area of resistance is around 100.86 and 101.05, while 1st support hits today at 100.24 and below there at 99.81.

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	98.80	39.93	41.14	46.48	48.89	99.25	99.08	99.08	99.76	100.16
JYAM7	88.01	31.51	34.69	9.20	11.63	87.95	88.33	89.38	89.91	89.55
EU6M7	109.9350	63.53	61.69	65.18	61.81	109.28	109.43	109.15	108.13	107.67
BPAM7	129.11	56.19	59.66	72.84	62.66	129.16	129.32	129.06	126.58	125.84
CAAM7	73.37	49.66	43.99	23.59	32.29	73.14	73.04	73.32	74.27	74.52
SFAM7	100.55	53.45	51.89	34.26	34.61	99.84	100.35	100.58	100.51	100.31
DAAM7	74.08	44.92	42.89	19.15	24.07	0.74	0.74	0.74	0.75	0.76

Calculations based on previous session. Data collected 05/15/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM7	US Dollar	98.38	98.56	98.85	99.03	99.32
JYAM7	Japanese Yen	87.59	87.76	88.10	88.27	88.61
EU6M7	Euro	109.1637	109.5975	109.8387	110.2725	110.5137
BPAM7	British Pound	128.58	128.81	129.17	129.40	129.76
CAAM7	Canadian Dollar	72.65	73.04	73.30	73.69	73.95
SFAM7	Swiss	99.81	100.24	100.43	100.86	101.05
DAAM7	Australian Dollar	73.48	73.77	74.09	74.38	74.70

Calculations based on previous session. Data collected 05/15/2017

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