



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday May 17, 2017

BONDS COMMENTARY

05/17/17

The path of least resistance is clearly pointing up today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
BONDS +190

Clearly the markets are set to be dominated by developments flowing from Washington but in the early going today that focus has yielded a three quarters point rally in Treasury Bonds. It is also likely that disappointment from yesterday's housing starts and permits data will be embraced by the trade over the favorable US industrial production and capacity utilization results. In short, sentiment in the marketplace looks to embrace bullish developments and discount bearish developments. With the US economic report slate today virtually empty there will be little distraction from the Washington circus which in turn will turn up the spotlight on US equities. With early significant losses in equities and both Democrats and Republicans in Congress poised to protect their interests from the Trump firestorm there will be significant doubt cast on anything fresh developing on the policy front. Once again political and economic uncertainty in the US serves to channel money toward US Treasuries and not away from US Treasuries. In fact developing weakness in the dollar has probably made US Treasuries even more attractive to foreign investors. The North American session will be fairly quiet for economic data and Fed speakers, and will only feature a weekly private survey on mortgage applications.



TODAY'S MARKET IDEAS:

Today's action looks to be all about the Washington headline machine, and that focus has already begun to lift bond and note prices. As suggested already the US economic report slate is nearly empty today with the exception of a weekly mortgage applications survey and that should leave politics and equity market action as the primary price catalyst. While we don't see a significant explosion on the upside it would not be surprising to see Treasuries end this week's trade at or above the May highs. Simple uptrend channel support in June bonds is seen today at 151-05 and that support level rises to 151-13 on Thursday. Near term upside targeting is seen at a key pivot point of 152-24 and then not until 153-03 in June bonds. Solid support in June notes this morning is seen at 125-23 and there might not be much in the way of resistance until the 126-12 level.

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) 05/17/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 152-230. The next area of resistance is around 152-070 and 152-230, while 1st support hits today at 151-030 and below there at 150-140.

10 YR TREASURY NOTES (JUN) 05/17/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 125-310. The next area of resistance is around 125-250 and 125-310, while 1st support hits today at 125-115 and below there at 125-035.

STOCKS COMMENTARY

05/17/17

The bears control as pro-growth policy efforts disappear

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 -910

Global equity markets were under noted pressure overnight off fears that the US political condition was poised for at least a partial meltdown. The European session started out with a UK unemployment rate reading that declined to a 42 year low but that news was offset by a decline in wage growth which economists noted was below the rate of inflation. While Target posted a beat on earnings today comp store sales declined and it could be difficult for any stock to trade its own fundamentals today in the face of the unfolding political feeding frenzy in Washington. Clearly accusations that the President crossed the line by asking the FBI Director to back off on its investigation of Mike Flynn has prompted both sides of the isle to attack and that means the pro-growth prospects are all but forgotten. The question is not if the coming action will be bullish or bearish, the question is will declines be modest or massive. Earnings announcements include Cisco Systems, L Brands and Synopsis after the close.



S&P 500: With a big range down washout an extension the path of least resistance is clearly down to start today. As hinted at in the introduction this morning the question today is not whether prices will fall but how far will they fall. While the political firestorm could eventually rest on he said/he said debate the president is likely to feel significant pressure from Democrats, Republicans and not surprisingly the entire press contingent in Washington. The market has already broken a 1 1/2 month old uptrend channel support line and it may be set to fill an old gap down at 2365.25 to 2358.25 basis the June E-mini S&P.

Other US Indexes: With the June mini Dow lagging behind the rest of the market over the last 2 1/2 months it could see less aggressive washout selling pressure in the days ahead. However given the potential broad problems for the White House it would appear highly unlikely that any pro-growth policy initiatives will be addressed for months and perhaps even quarters ahead. Initial downside targeting in the June mini Dow today is seen at 20,760 and then not until 20,702. With the June mini NASDAQ the leadership index over the last six months it should now become the leadership market on a downside swing. While the market has initially bounce from a range down probes overnight, the failure to hold above 5677.05 later today could still open up the floodgates for a slide all the way back down to 5600.00.

TODAY'S MARKET IDEAS:

It will be very interesting to see if Trump can extract himself from a very precarious position and it also remains to be seen if stocks can avoid a moderately significant liquidation wave.

NEW RECOMMENDATIONS:

Looking to get short through June bear put spreads.

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) 05/17/2017: The market made a new contract high on the rally. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down puts the market on the defensive. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 2387.57. The next area of resistance is around 2402.87 and 2409.06, while 1st support hits today at 2392.13 and below there at 2387.57.

MINI-DOW (JUN) 05/17/2017: 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 market's short-term trend is positive on the close above the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 20840. The next area of resistance is around 20987 and 21041, while 1st support hits today at 20887 and below there at 20840.

E-MINI NASDAQ (JUN) 05/17/2017: The rally brought the market to a new contract high. 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. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside target is at 5748.87. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5739.50 and 5748.87, while 1st support hits today at 5708.50 and below there at 5686.88.

MINI-RUSSELL 2000 (JUN) 05/17/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. 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 next downside objective is 1377.3. The next area of resistance is around 1400.8 and 1406.0, while 1st support hits today at 1386.4 and below there at 1377.3.

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	151-210	48.63	48.80	21.75	30.11	151.25	151.24	152.06	151.60	151.02
TYAAM7	125-180	57.67	55.58	35.32	50.47	125.35	125.17	125.41	125.05	124.73
SPAM7	2397.10	64.35	62.69	81.90	79.12	2393.83	2393.57	2386.07	2365.84	2366.03
EPM7	2397.50	63.52	61.97	80.32	78.39	2394.31	2393.89	2385.96	2365.80	2365.87
TFEM7	1393.6	52.81	52.94	39.79	34.62	1389.25	1391.04	1396.15	1377.99	1379.67
ENQM7	5724.00	83.90	79.56	96.55	97.59	5697.44	5675.33	5618.46	5489.74	5457.45
YMM7	20937	62.08	60.14	75.55	72.80	20901.50	20907.78	20866.83	20717.56	20742.62

Calculations based on previous session. Data collected 05/16/2017

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	150-130	151-020	151-180	152-070	152-230
TYAAM7	10 Yr Treasury Notes	125-030	125-110	125-170	125-250	125-310
SPAM7	S&P 500	2388.44	2392.19	2398.25	2402.00	2408.05
EPM7	S&P E-Mini	2387.56	2392.12	2398.31	2402.87	2409.06
TFEM7	Mini-Russell 2000	1377.2	1386.4	1391.6	1400.8	1406.0

ENQM7	E-Mini NASDAQ	5686.87	5708.50	5717.87	5739.50	5748.87
YMM7	Mini-Dow	20839	20886	20940	20987	21041

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CURRENCIES COMMENTARY

05/17/17

Rate hike hopes are dying with the Trump Administration

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR -148, YEN +480, SWISS +11, CA DOLLAR -180

Upcoming International Reports (all times CT)

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
 05/18 10-Yr note Auction
 05/18 France Unemployment Situatio 12:30 AM
 05/18 UK Retail Sales 3:30 AM
 05/18 Initial Jobless Claims 7:30 AM
 05/18 EIA Gas Storage 9:30 AM



DOLLAR: As in the US equity markets the question today is not whether the Dollar will decline but just how much the Dollar will decline. In fact, with the US economic report slate today basically empty the focus of the Dollar market will be on the Washington news mill and the action in US equities both of which are difficult to shape into a positive for the Dollar. The biggest thing going for the bull camp in the Dollar is the developing oversold condition of the Greenback. Under the current track of political and economic headlines we could see the Dollar return to the 97.00 level ahead.

EURO: The Euro has a number of bullish issues in its court. The most significant bullish force for the Euro is the prospect of overt and persistent weakness in the Dollar but the Euro should also have some residual support from record Euro zone trade surplus readings and record Euro zone exports. The Euro might even be seen as a flight to quality instrument and that is quite a change in affairs considering the geopolitical issues impacting the Euro over the last year. Near term support in the Euro moves up to 1.1095 and there might be little in the way of resistance until the 1.12 level.

YEN: Not surprisingly the Yen is back in vogue as a safe haven instrument. With US political fires burning and the Yen fresh off a noted technical balancing last week the fundamental and technical edge is clearly with the bull camp. While we don't want to be caught chasing a rising market there might not be much in the way of resistance in the June Yen until the 90.00 level.

SWISS: While there might be more upside gains in the Swiss ahead in the event that Trump impeachment talk is seen from non-partisan Congressmen we think the risk of being long the Swiss now outweighs the rewards. In fact, from the May lows the June Swiss has already posted a gain of 219 ticks!

POUND: While some might point to a UK unemployment rate reading that declined to a 42 year low that news was offset by a decline in wage growth which economists have noted was below the rate of inflation. However, the Pound surprisingly remains well-bid and potentially capable of breaking out to the upside. In other words it would appear that the Pound is capable of shaking off its need for positive global economic growth prospects and instead it is benefiting at the expense of the Dollar. At least in the near term initial resistance is seen up at the 1.30 level and support is seen down at 1.2890 and that in turn points to the prospect of significant volatility ahead.

CANADIAN DOLLAR: Clearly the Canadian is overbought technically but it could also be set to suffer because of

its close-proximity to the US "situation". It might also be vulnerable in the event there is a quasi-macro-economic meltdown arising from weakness in equities and commodities. A very critical pivot point support level in the June Canadian Dollar this morning is seen down at 73.33.

TODAY'S MARKET IDEAS:

The Dollar is set to extend its erosion on the charts.

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) 05/17/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 97.41. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 98.45 and 99.01, while 1st support hits today at 97.65 and below there at 97.41.

EURO (JUN) 05/17/2017: The crossover up in the daily stochastics is a bullish signal. 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. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 111.9987. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 111.6425 and 111.9987, while 1st support hits today at 110.4375 and below there at 109.5888.

JAPANESE YEN (JUN) 05/17/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 89.10. Consider buying pull-backs since daily studies are bullish. The next area of resistance is around 88.90 and 89.10, while 1st support hits today at 88.26 and below there at 87.80.

SWISS (JUN) 05/17/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside target is 102.60. The next area of resistance is around 102.27 and 102.60, while 1st support hits today at 101.07 and below there at 100.21.

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	98.05	29.45	33.79	41.74	32.27	98.87	98.97	98.99	99.69	100.12
JYAM7	88.58	42.95	41.80	12.67	19.23	88.22	88.30	89.21	89.93	89.54
EU6M7	111.0400	72.72	68.34	68.12	74.08	109.82	109.65	109.35	108.22	107.74
BPAM7	129.30	59.07	61.13	68.36	59.79	129.08	129.34	129.11	126.72	125.92
CAAM7	73.60	56.06	48.68	30.05	43.58	73.23	73.10	73.28	74.25	74.48

SFAM7	101.67	66.32	61.83	41.89	57.13	100.44	100.44	100.65	100.55	100.33
DAAM7	74.25	48.70	45.30	23.09	30.87	0.74	0.74	0.74	0.75	0.75

Calculations based on previous session. Data collected 05/16/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM7	US Dollar	97.41	97.65	98.21	98.45	99.01
JYAM7	Japanese Yen	87.79	88.25	88.45	88.90	89.10
EU6M7	Euro	109.5887	110.4375	110.7937	111.6425	111.9987
BPAM7	British Pound	128.33	128.83	129.27	129.77	130.21
CAAM7	Canadian Dollar	73.08	73.37	73.53	73.82	73.99
SFAM7	Swiss	100.20	101.07	101.40	102.27	102.60
DAAM7	Australian Dollar	73.75	74.03	74.18	74.46	74.61

Calculations based on previous session. Data collected 05/16/2017

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