



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday May 18, 2017

### BONDS COMMENTARY

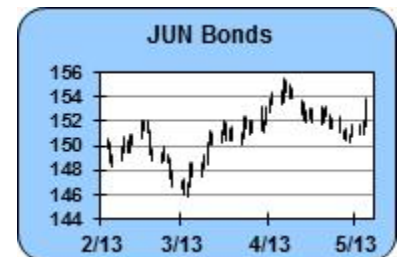
05/18/17

**There is no reason to take control away from the bulls yet**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**BONDS +110**

With global markets remaining under pressure overnight and US markets extending lower again this morning, the safe haven flow toward the Treasury markets should continue. Limiting the flow toward US Treasuries is generally positive economic readings from Australia and the UK overnight but the real focus of the Treasury trade will probably remain on the White House and US stocks weakness. With only 50 to 60 days left in the current legislative session and the emergence of a political situation that could easily chew up that entire period, one is right in assuming that the prospect of pro-growth legislation is waning quickly and that in turn should provide an ongoing bid to Treasuries. One should also view news that China boosted Treasury holdings by nearly \$28 billion in March as another factor serving to justify a portion of this week's gains. In the end the safe haven environment should be expected to pick up where it left off yesterday with the trade being presented with the appointment of a Special Counsel to investigate the Russian election tampering situation. With the North American session starting out with a weekly reading on initial jobless claims that are forecast to see a modest uptick from the previous 236,000 reading even the scheduled data looks to add to the bull case. Furthermore the May Philly Fed survey is also expected to have a modest downtick from April's 22.0 reading. Finally the Conference Board's April leading economic index is also forecast to have a minimal downtick from March's +0.4% reading. Given the recent events and evidence of weakness in US scheduled data the trade will be watching closely for signs that the Fed might acknowledge the presence of political headwinds that in turn could lower the prospect of a June hike. In short the markets will watch the Cleveland Fed President speech this afternoon for any acknowledgment that the current crisis is impacting the Fed's views on the US economy.



#### TODAY'S MARKET IDEAS:

With a moderate extension of the declines in equities today signaling ongoing economic and political angst, expectations of a clean sweep of negative scheduled economic reports and favorable technical action on the charts, the June bonds appear to be on track for a return to the April high up at 155-16. With the June T-Note market already breaking out to the highest level since last November it would appear that a portion of the Treasury market is expecting the political situation to reach chronic levels. While we leave the path of least resistance pointing upward traders should acknowledge the potential for a downshift in anxiety in the wake of an appointment of a special counsel to investigate the Russian election tampering situation. However many would accurately argue that the election tampering is one issue while potential pressure from the president on the FBI director to halt an investigation is another situation altogether. In the end fundamental, technical and political forces project even higher treasury prices ahead.

#### 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) 05/18/2017:** The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 155-130. The next area of resistance is around 154-230 and 155-130, while 1st support hits today at 152-160 and below there at 150-300.

**10 YR TREASURY NOTES (JUN) 05/18/2017:** Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 127-035. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 126-275 and 127-035, while 1st support hits today at 125-310 and below there at 125-100.

## STOCKS COMMENTARY

### 05/18/17

**Without a surprise headline development the bears control**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT): S&P 500 -890

Global markets remained under pressure in a reaction that more than likely followed the slide seen in the US markets on Wednesday. However, with US stocks showing renewed pressure again this morning the spiral looks to continue throughout the world. Clearly the markets were not supported in the face of mostly positive international scheduled economic data flows overnight. With US scheduled data later this morning projected to be soft and the Washington political rumor mill running at a very high rpm again there is no reason to call for an end to the selling carnage. While there might be some positive news flowing from corporate earnings due out today news from earlier in the week that Ford was cutting jobs combined with news this morning that GM will cut facilities in India and South Africa simply adds to the bear case. Earning announcements will include Alibaba Group and Wal-Mart before the Wall Street opening while Salesforce.com, Applied Materials, McKesson, Autodesk and Ross Stores report after the close. Positive comp sales from Walmart earnings provides a measure of support to prices but that internal bullish fundamental development might be lost in the cloud of anxiety from Washington.



**S&P 500:** With another range down extension in the June E-mini S&P to start there might be little in the way of support until the 2340.50 level. As indicated already US scheduled data due out later today could facilitate even more declines. In fact with the June E-mini S&P overnight retesting its 50 day moving average at 2365.40 and then falling back away from that test it is clear that investors and traders lack resolve. It should also be noted that the June E-mini S&P has fallen below a four-month-old uptrend channel support line at 2351.70. At this point we aren't sure the political firestorm can culminate quickly.

**Other US Indexes:** News that the Republican leadership in Congress is set to open discussions on tax reform today might be lost in the shuffle of the carnage thrown off by this week's massive selloff. In fact the best hope of the bull camp is that the tax reform discussions combined with the appointment of a special counsel will allow the political storm to die down a bit. However the failure to hold 20,500 early today would seem to set the June E-mini Dow downside targeting at 20,394. With another downside extension in the June Mini NASDAQ overnight and the NASDAQ into the May high easily the most overbought technical measure within the marketplace more declines would appear to be difficult to avoid and next downside targeting in the June Mini NASDAQ contract is seen at 5534.25. In order to turn the tide back around might require a bid back above 5586.50.

#### TODAY'S MARKET IDEAS:

In conclusion we see no reason to call for an end to the slide in stock prices but it is possible that the rate of

decline might slow because of the appointment of a special counsel to investigate the Russian election tampering situation. Unfortunately US data today looks to be soft and it remains to be seen if the trade will see that information negatively or if the market will see that data as a factor that reduces the odds of the rate hike next month.

**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) 05/18/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 2324.88. The next area of resistance is around 2379.00 and 2408.87, while 1st support hits today at 2337.00 and below there at 2324.88.

MINI-DOW (JUN) 05/18/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 20330. The next area of resistance is around 20781 and 21035, while 1st support hits today at 20429 and below there at 20330.

E-MINI NASDAQ (JUN) 05/18/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 5468.25. The next area of resistance is around 5652.00 and 5761.25, while 1st support hits today at 5505.50 and below there at 5468.25.

MINI-RUSSELL 2000 (JUN) 05/18/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 1330.1. The next area of resistance is around 1371.0 and 1394.4, while 1st support hits today at 1338.8 and below there at 1330.1.

**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	153-190	66.85	61.07	31.59	51.69	151.98	151.44	152.02	151.75	151.08
TYAAM7	126-130	72.82	66.31	46.68	69.70	125.72	125.30	125.43	125.13	124.77
SPAM7	2357.50	32.70	40.94	70.77	48.51	2385.43	2390.46	2386.63	2365.72	2366.07
EPM7	2358.00	33.97	41.76	70.26	50.27	2386.19	2390.72	2386.67	2365.68	2365.91
TFEM7	1354.9	32.30	39.13	33.75	21.84	1381.20	1387.21	1394.78	1377.80	1378.82
ENQM7	5578.75	42.12	50.35	88.45	72.27	5674.63	5669.94	5626.43	5494.04	5461.40

YMM7 20605 32.49 40.46 66.05 47.25 20834.75 20877.44 20873.22 20712.98 20742.13

Calculations based on previous session. Data collected 05/17/2017

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	150-290	152-150	153-050	154-230	155-130
TYAAM7	10 Yr Treasury Notes	125-095	125-305	126-065	126-275	127-035
SPAM7	S&P 500	2330.07	2339.54	2365.97	2375.44	2401.87
EPM7	S&P E-Mini	2324.87	2337.00	2366.87	2379.00	2408.87
TFEM7	Mini-Russell 2000	1330.0	1338.8	1362.2	1371.0	1394.4
ENQM7	E-Mini NASDAQ	5468.25	5505.50	5614.75	5652.00	5761.25
YMM7	Mini-Dow	20329	20428	20682	20781	21035

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## CURRENCIES COMMENTARY

05/18/17

**Both Washington and US numbers leave the \$ out of favor**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**

**US DOLLAR -88, YEN +515, SWISS +15, CA DOLLAR -60**

### Upcoming International Reports (all times CT)

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  
 05/19 German Producer Price Index 1:00 AM  
 05/19 Euro-zone Balance of Payment 3:00 AM  
 05/19 Canadian Consumer Price Inde 7:30 AM  
 05/19 Canadian Retail Trade 7:30 AM



**DOLLAR:** With another lower low for the move in the June dollar index to start today and expectations for US scheduled data calling for weakness the June dollar index might be headed for 97.00. While the appointment of a special counsel to investigate the election tampering issue could dampen negative sentiment toward the dollar there is still the greater issue of undue influence from the president toward the FBI. Another headline and potential landmine for the Trump administration is reports overnight that the Trump campaign might have had more than a dozen undisclosed contracts with Russian entities. In the end soft US data and ongoing declines in US equities leaves the dollar in a downward spiral.

**EURO:** While the higher high for the move in the June euro this morning was modest the path of least resistance looks to remain up. Adding into the bullish track in the euro this morning is press coverage suggesting that the ECB is poised to move away from quantitative easing by the third quarter. The June euro is short-term overbought with the gains of the last five trading sessions but significant support might be seen at 1.10975 and the bulls look to remain in control.

**YEN:** At least in the near term the Japanese Yen looks to remain inversely correlated with global equity markets as it retains a definitive safe haven distinction. Next upside targeting in the June Yen might be an old gap that starts at 91.38. Close in pivot point support in the June Yen today is seen at 90.36 but it is possible that the ultimate destination for the June Yen will result in a trade above 92.00.

**SWISS:** With a fresh upside breakout and the highest trade since last November the Swiss appears to be

garnering fresh buying interest off the latest Washington news story suggesting that the Trump administration failed to disclose business interactions with the Russians. Critical pivot point support in the June Swiss today comes in at 1.023.

**POUND:** With April UK retail sales besting expectations and registering a gain of +2.3% the Pound gets an added lift in addition to the apparent safe haven flow angle. It is a little surprising to see the Pound as a safe haven beneficiary given the fear of lingering BREXIT headwinds but the exodus from the Dollar is apparently lifting all boats. Near term upside targeting is seen up at 1.3148.

**CANADIAN DOLLAR:** A reversal in the Canadian this morning would seem to suggest that it is now being pulled back down into North American economic muck off the US political firestorm. Therefore the stage would appear to be poised for the Canadian to slide back down to the early May consolidation zone around the 73.00 level.

**TODAY'S MARKET IDEAS:**

With fresh Trump issues surfacing overnight and US data expected to be soft the path of least resistance in the Dollar should remain down.

**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) 05/18/2017:** 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 defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 96.88. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 97.69 and 98.17, while 1st support hits today at 97.04 and below there at 96.88.

**EURO (JUN) 05/18/2017:** Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 112.3662. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 112.1675 and 112.3662, while 1st support hits today at 111.3725 and below there at 110.7763.

**JAPANESE YEN (JUN) 05/18/2017:** The major trend could be turning up with the close back above the 60-day moving average. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 91.57. The next area of resistance is around 91.08 and 91.57, while 1st support hits today at 89.32 and below there at 88.03.

**SWISS (JUN) 05/18/2017:** 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. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 103.09. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 102.81 and 103.09, while 1st support hits today at 101.95 and below there at 101.36.

## 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	97.36	23.24	28.76	33.55	17.90	98.32	98.82	98.85	99.60	100.05
JYAM7	90.20	64.03	57.27	22.43	41.91	88.78	88.42	89.13	89.99	89.57
EU6M7	111.7700	76.99	71.78	73.36	84.17	110.55	109.84	109.58	108.33	107.84
BPAM7	129.82	65.77	64.83	68.24	67.57	129.29	129.40	129.21	126.90	126.00
CAAM7	73.52	53.15	47.35	38.67	54.99	73.37	73.20	73.25	74.23	74.43
SFAM7	102.38	71.09	65.86	52.06	72.40	101.16	100.52	100.75	100.61	100.37
DAAM7	74.26	48.98	45.47	27.13	35.40	0.74	0.74	0.74	0.75	0.75

Calculations based on previous session. Data collected 05/17/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM7	US Dollar	96.87	97.04	97.52	97.69	98.17
JYAM7	Japanese Yen	88.02	89.31	89.79	91.08	91.57
EU6M7	Euro	110.7762	111.3725	111.5712	112.1675	112.3662
BPAM7	British Pound	128.85	129.38	129.70	130.24	130.57
CAAM7	Canadian Dollar	73.14	73.33	73.52	73.71	73.90
SFAM7	Swiss	101.35	101.94	102.22	102.81	103.09
DAAM7	Australian Dollar	73.63	73.98	74.18	74.53	74.73

Calculations based on previous session. Data collected 05/17/2017

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