



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Monday May 22, 2017

BONDS COMMENTARY

05/22/17

Minor tech leveling but support is just under the current market

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +0



US Treasuries remain pinned to their recent highs and the 154-00 level basis June Bonds. Limiting the Treasury markets to start the trading week is somewhat positive global equity market action overnight and reports that Japan managed a 5th straight monthly increase in exports. While we can justify a portion of the mid-May run up in prices due to some disjointed US economic data and rising geopolitical fears it could now take a steady diet of suspect data to sustain the bullish environment in place from May 11th to May 18th. With overall political sentiment to start this week somewhat moderated relative to its peak last week and global equity markets avoiding anxiety type action to start we have to think that the bear camp has a minor edge in Treasuries to start the new trading week. In fact, the bears might point to a loss of upside momentum from last week's high and they might also expect some modest help from US scheduled data later today. The North American session will be highlighted by a May reading on the Chicago Fed's national activity index which is forecast to see a moderate increase from April's 0.08% reading. Minneapolis Fed President Kashkari and Philadelphia Fed President Harker will speak during morning US trading hours while Fed Governor Brainard and Chicago Fed President Evans will speak during evening hours. The Commitments of Traders Futures and Options report as of May 16th for U.S. Treasury Bonds showed Non-Commercial and Non-reportable combined traders held a net short position of 18,546 contracts. The Commitments of Traders Futures and Options report as of May 16th for US Treasury 10 Year Notes showed Non-Commercial and Non-reportable combined traders held a net long position of 9,293 contracts and these traders have gone from a net short to a net long position.

TODAY'S MARKET IDEAS:

We think the bull camp will be tested to start this week as the magnitude of uncertainty facing the markets this morning feels like it has moderated somewhat. While the Chicago Fed National Activity Index isn't exactly a top tier reading it is expected to show minor improvement this morning and that might serve to thicken overhead resistance in June bonds up at the 154-05 to 154-13 range. With the Note market recently shifting from a net spec and fund short to a net spec and fund long it is clear that a portion of the Treasury market has already factored in suspect US economic conditions and the failure to see June Notes sustain last week's high and given the decline back toward 126-00 that would seem to indicate a key decision at 126-00 could be seen early today. We favor a modest setback in Bonds and Notes but it will take a couple days of positive data and higher equities to completely reverse the mid May recovery run.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017						
	Non-Commercial			Commercial		Non-Reportable
	Weekly			Weekly		Weekly
	Net Position	Net Change	Net Position	Net Change	Net Position	Net Change
Financials						

Bonds	-5,623	-22,001	18,545	+18,386	-12,923	+3,613
T-Notes	216,631	+6,691	-9,294	-16,178	-207,338	+9,486

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) 05/22/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 154-220. The next area of resistance is around 154-140 and 154-220, while 1st support hits today at 153-220 and below there at 153-050.

10 YR TREASURY NOTES (JUN) 05/22/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Rising stochastics at overbought levels warrant some caution for bulls. 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 126-175. The next area of resistance is around 126-135 and 126-175, while 1st support hits today at 126-040 and below there at 125-300.

STOCKS COMMENTARY

05/22/17

The bulls have a very weak edge to start today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 +10

Global equity markets were mixed overnight with gainers and losers distributed evenly around the globe. However, the US session is starting out by news that the Ford CEO was fired and investors are bracing for the resumption of political warfare from Washington lawmakers. An issue that might lend fresh support to stocks this morning is news that Huntsman is seeking a \$14 billion merger with "Clariant AG". The bull camp might see some minimal support from a Chicago Fed national activity Index release which is expected to post a minor gain. Earnings announcements include Agilent Technologies after the Wall Street close.



S&P 500: On one hand the President is not as easy of a target because he is on an international trip but on the other hand simply being out of the country doesn't permanently extricate him from the Russia/FBI incident. While the June E-Mini S&P fell below its 50 day moving average last week it did reject that failure and it starts this week moderately above the 50 day moving average at 2366.30 in the June E-Mini S&P. Critical support this morning is seen at 2375.00 and resistance is seen up at 2388.00. The Commitments of Traders Futures and Options report as of May 16th for E-Mini S&P 500 showed Non-Commercial and Non-reportable combined traders held a net long position of only 18,297 contracts and because this figure represents a decrease of 65,646 contracts in the net long position held by these traders, it is clear that the May break went a long way in balancing the technical condition of the E-Mini S&P.

Other US Indexes: Like other measures of the market the recent washout at least partially injured the bull camp in the Mini Dow but the washout last week in the Mini-Dow clearly extends a pattern that appears to be a massive broadening top. In other words the 21,000 level has become a very thick level of resistance and the lack of upside momentum is becoming more prevalent. The 50 day moving average in the June Mini-Dow is seen just under the market at 20,718 and there would appear to be a massive amount of consolidation resistance hanging just above the market up at 20,869 and we aren't convinced that the market will be able to pierce that level without signs that Congress is showing signs of kick-starting tax reform efforts. The Commitments of Traders Futures and Options report as of May 16th for Dow Jones Index \$5 showed Non-Commercial and Non-reportable combined traders held a net long position of 48,734 contracts. The Mini-Nasdaq has climbed back into an up-trend channel but seems to lack bullish fodder to climb back toward the 5700.00 level straight away. In fact, after a slight pulse up

attempt in the wake of US scheduled data we would expect the market to run out of bullish steam. The Commitments of Traders Futures and Options report as of May 16th for Nasdaq Mini showed Non-Commercial and Non-reportable combined traders held a net long position of 72,550 contracts. This represents a decrease of 17,339 contracts in the net long position held by these traders.

TODAY'S MARKET IDEAS:

A very weak edge by the bull camp to start but we expect a choppy two sided trade once the only US scheduled data point today is released.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Financials						
S&P 500	-10,200	+1,486	10,398	-1,939	-198	+453
E-Mini S&P	41,677	-54,583	-18,298	+65,645	-23,380	-11,063

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) 05/22/2017: The major trend could be turning up with the close back above the 60-day moving average. The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The next downside target is now at 2350.88. The next area of resistance is around 2394.75 and 2404.87, while 1st support hits today at 2367.75 and below there at 2350.88.

MINI-DOW (JUN) 05/22/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 20545. The next area of resistance is around 20897 and 20974, while 1st support hits today at 20683 and below there at 20545.

E-MINI NASDAQ (JUN) 05/22/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The close over the pivot swing is a somewhat positive setup. The next downside objective is 5596.88. The next area of resistance is around 5680.75 and 5705.87, while 1st support hits today at 5626.25 and below there at 5596.88.

MINI-RUSSELL 2000 (JUN) 05/22/2017: 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 market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 1347.8. The next area of resistance is around 1374.8 and 1383.0, while 1st support hits today at 1357.2 and below there at 1347.8.

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	154-020	69.82	63.38	53.96	75.15	153.31	151.99	152.15	152.01	151.20
TYAAM7	126-085	67.91	63.40	62.11	74.95	126.13	125.56	125.51	125.24	124.84
SPAM7	2381.50	50.75	52.35	57.17	49.44	2374.93	2385.17	2386.08	2365.39	2366.58
EPM7	2381.25	50.72	52.21	56.76	49.42	2374.75	2385.11	2386.08	2365.33	2366.36
TFEM7	1366.0	40.49	43.92	28.42	25.71	1368.05	1380.12	1390.10	1376.86	1377.66
ENQM7	5653.50	55.27	58.72	74.05	61.98	5646.88	5667.61	5639.35	5504.04	5471.41
YMM7	20790	49.14	50.63	53.65	46.98	20738.25	20821.56	20860.50	20704.84	20742.05

Calculations based on previous session. Data collected 05/19/2017

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	153-040	153-210	153-290	154-140	154-220
TYAAM7	10 Yr Treasury Notes	125-295	126-035	126-075	126-135	126-175
SPAM7	S&P 500	2352.25	2368.50	2378.25	2394.50	2404.25
EPM7	S&P E-Mini	2350.87	2367.75	2377.87	2394.75	2404.87
TFEM7	Mini-Russell 2000	1347.8	1357.2	1365.4	1374.8	1383.0
ENQM7	E-Mini NASDAQ	5596.87	5626.25	5651.37	5680.75	5705.87
YMM7	Mini-Dow	20544	20682	20759	20897	20974

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CURRENCIES COMMENTARY

05/22/17

Fresh upside breakout in the Euro speaks of follow through

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -88, YEN -45, SWISS +27, CA DOLLAR +0**

Upcoming International Reports (all times CT)

05/22 13 and 26 Week Bill Auction
 05/23 2-Yr note Auction
 05/23 4-Week BILL Auction
 05/23 German GDP - Detailed 1:00 AM
 05/23 Swiss Trade Balance 1:00 AM
 05/23 France Business Climate Surv 1:45 AM
 05/23 German IFO Business Climate 3:00 AM
 05/23 Canadian Wholesale Trade 7:30 AM
 05/23 New Home Sales 9:00 AM
 05/23 API Energy Stocks 3:30 PM



DOLLAR: The trend in the Dollar from the charts remains down while the fundamental/economic trend for the Dollar also looks to favor the bears. However, the Dollar might see a temporary bounce off the Chicago Fed National Activity Index release but at this point we see no reason to call for an end to the slide in the Dollar. Some players might suggest the June Dollar has returned to a minor support level of 97.00 as that level was some form of support last November. However, the Commitments of Traders Futures and Options report as of May 16th for US Dollar showed Non-Commercial and Non-reportable combined traders held a net long position of 40,400

contracts and while that reading is probably overstated due to the washout late last week that would seem to suggest the Dollar retains some long liquidation capacity.

EURO: Not surprisingly the Euro has ranged up and forged yet another higher high and the highest price print since last November as confidence in the Euro zone recovery is enhanced by the idea that the US has a number of issues set to hold back their economic recovery. However, the Euro is becoming extensively overbought but there might not be significant resistance until the 1.1266 level. The Commitments of Traders Futures and Options report as of May 16th for Euro showed Non-Commercial and Non-reportable combined traders held a net long position of 48,841 contracts. This represents an increase of 13,255 contracts in the net long position held by these traders.

YEN: Despite seeing a 5th straight increase in monthly Japanese exports overnight the Yen is starting the new trading week out weaker and with an extremely narrow trading range. Perhaps the Yen is being held back by talk that the BOJ is poised to scale back its bond purchases or perhaps the Yen players simply see less safe haven need in the early going this week. Near term support is seen in the June Yen at 89.59 to start today.

SWISS: The Swiss has forged an early upside breakout again and in turn has reached up to the highest level since last November. In fact, with the Swiss clearly leaving the last 7 month's consolidation pattern to the upside and the Dollar showing overt weakness, the next upside targeting in the June Swiss might be 1.04.

POUND: While the bias in the Pound looks to have remained up to start the trading week there are some political clouds forming in the UK government where the Prime Minister has seemingly lost some ground in Polls in the wake of calls for a quick BREXIT. Therefore the path of least resistance remains up in the Pound but the path to more gains in the Pound is now suspect and the market might have already found some measure of resistance around the 1.3050 level.

CANADIAN DOLLAR: The weakness in the Dollar leaves the Canadian Dollar in a positive position but now that the 74.00 level has been regained and the market has climbed into rather significant overhead resistance from the underside of the November through early April consolidation more gains might be difficult to engineer. However, ongoing strength in oil and gold might help the Canadian hold around the psychologically important pivot point of 74.00.

TODAY'S MARKET IDEAS:

There doesn't appear to be a reason to call for a low in the Dollar off current conditions!

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) 05/22/2017: 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 market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 96.42. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 97.41 and 97.96, while 1st support hits today at 96.64 and below there at 96.42.

EURO (JUN) 05/22/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 113.0862. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is

around 112.7625 and 113.0862, while 1st support hits today at 111.6275 and below there at 110.8163.

JAPANESE YEN (JUN) 05/22/2017: 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. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 90.47. The next area of resistance is around 90.25 and 90.47, while 1st support hits today at 89.73 and below there at 89.41.

SWISS (JUN) 05/22/2017: 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 103.57. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 103.32 and 103.57, while 1st support hits today at 102.50 and below there at 101.92.

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	97.02	24.87	29.08	23.98	12.90	97.57	98.53	98.70	99.47	99.93
JYAM7	89.99	60.84	55.31	40.63	58.80	89.63	88.67	89.03	90.05	89.60
EU6M7	112.1950	73.61	70.25	80.20	88.19	111.54	110.25	109.85	108.50	108.02
BPAM7	130.43	71.14	68.12	66.84	71.05	129.74	129.44	129.39	127.18	126.15
CAAM7	74.01	64.08	56.05	54.48	73.03	73.64	73.33	73.23	74.17	74.35
SFAM7	102.91	74.22	68.78	69.18	85.89	102.30	100.88	100.94	100.69	100.46
DAAM7	74.52	55.55	49.77	34.19	42.82	0.74	0.74	0.74	0.75	0.75

Calculations based on previous session. Data collected 05/19/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM7	US Dollar	96.41	96.63	97.18	97.41	97.96
JYAM7	Japanese Yen	89.40	89.72	89.93	90.25	90.47
EU6M7	Euro	110.8162	111.6275	111.9512	112.7625	113.0862
BPAM7	British Pound	129.12	129.88	130.20	130.97	131.28
CAAM7	Canadian Dollar	73.35	73.74	73.89	74.28	74.44
SFAM7	Swiss	101.91	102.49	102.74	103.32	103.57
DAAM7	Australian Dollar	73.81	74.21	74.43	74.83	75.05

Calculations based on previous session. Data collected 05/19/2017

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