



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday May 23, 2017

BONDS COMMENTARY

05/23/17

Waning bullish momentum in bonds and divergence with Notes!

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +60

While Treasuries caught a bid off the overnight terrorism incident the bullish tilt is clearly counter veiled by a series of strong data points flowing from Europe. In fact European equity markets were generally higher as those markets were emboldened by an improvement in euro zone business activity and news that a German IFO business morale reading hit a new all-time high. With a number of press outlets this morning touting the fact that stocks are up for the third day in a row and that the Dow has put together the longest winning streak since February it is clear that equity market action has turned slightly negative for bonds and notes. Another issue that might hold back US Treasuries today is an upward revision in German growth forecasts from a private source. In addition to resistance from a series of highs just above the current trade, the Treasury markets will be presented with a flurry of US scheduled data and a couple Fed speeches later today. However we suspect that April new home sales results will be the primary focus of the trade particularly with the prior housing starts and permits readings hinting at a softening of the US housing sector. The North American session will start out with a "flash" reading for the Markit manufacturing PMI which is expected to have a modest uptick from the previous 52.8 reading. However, April new home sales are forecast to have a modest downtick from March's 621,000 annualized rate. The May Richmond Fed's manufacturing index is expected to have a moderate downtick from April's 20 reading. Minneapolis Fed President Kashkari and Philadelphia Fed President Harker will speak during afternoon US trading hours.



TODAY'S MARKET IDEAS:

From our perspective the path of least resistance is pointing downward in Treasuries but as can be seen in the last four days action, the market has lacked definitive direction and has basically marked time on the charts. Therefore we think the onus is on the bull camp to prove that it can extend the rally off the May lows. Certainly Treasury bonds appear to have burned moderate volume to engineer the recent May rally but with open interest rising consistently over the last seven trading sessions we have to think that the Treasury market is getting closer to a topping zone. Another argument for a top in Treasuries comes from the diversions between bonds and notes prices over the last four trading sessions. On the other hand bonds and notes have held up impressively in the face of periodic bearish news over the past two weeks and that could set the stage for a fresh rally bid in the wake of April new home sales and the May Richmond Manufacturing report today both of which are expected to have a minor downtick. In short we think the market is poised to top but we also can't rule out a weak upside breakout in June Bonds early today in the wake of data flows but we still think the rally fails to hold. The Note market on the other hand is poised to breakout down on its charts in a move that disputes the bullish view toward bonds. Critical support in June notes today is seen at 126-04 with similar critical support in June bonds seen at 153-25.

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) 05/23/2017: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Momentum studies are trending higher but have entered overbought levels. 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 target is at 154-090. The next area of resistance is around 154-030 and 154-090, while 1st support hits today at 153-240 and below there at 153-180.

10 YR TREASURY NOTES (JUN) 05/23/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 126-115. The next area of resistance is around 126-075 and 126-115, while 1st support hits today at 126-010 and below there at 125-300.

STOCKS COMMENTARY

05/23/17

The bulls have guarded edge again today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 +340

Despite the terrorism incident and generally choppy to weak action in Asia, U.S. and European stocks have started out on a positive footing today. Clearly European equity market sentiment was improved because of favorable German and euro zone economic data released this morning. It should also be noted that the press has already picked up on the recent positive track in stock prices and that in of itself has contributed to a weak but initial bullish bias. While US new home sales figures later this morning promise to interject volatility into the market and expectations call for a slight decline, the markets do have an offset to any negative new home sales result from news that Toll Brothers quarterly profits jumped off an increase of sales that amounted to 26% relative to the prior quarter. In the end seeing positive US and European action in relative proximity to the terrorist incident further adds to initial bullish psychology. Earnings announcements today will include AutoZone before the Wall Street opening while Intuit reports after the close.



S&P 500: As indicated already the press is already touting the impressive nature of the gains over the prior four trading sessions and with prices returning to the vicinity of the all-time highs and managing that action in the aftermath of a potentially negative geopolitical incident it is clear that investors are upbeat toward the markets. With the E-mini S&P showing very heavy volume on last week's washout that could also suggest the correction was indeed a cleansing break from which the market can rebound definitively. Initial resistance in the June E-mini S&P today is seen at 2398.20 and slightly further out resistance is seen up at the old high of 2404.50. To throw the bull track back into question today requires a failure to hold 2388.00.

Other US Indexes: Like other segments of the market the June mini Dow is also clawing its way back toward the recent highs. The Dow stocks should be cheered by European data, favorable homebuilder profit and sales news as well as favorable chart action. Initial resistance to start today is seen at 20,936 and close in support moves up to 20,837. The 50 day moving average in the June mini Dow today is seen down at 20,722 and to shift the bias in the mini Dow to the upside probably requires a trade this week back above 21,000. The June mini NASDAQ has once again forged a higher high for the move and appears to be poised to return to its all-time high up at 5727.25. News that Apple and Nokia have settled a patent dispute and inked a new deal going forward as well as news that Apple is poised to expand production in India leaves tech sector headlines in the bull's favor.

TODAY'S MARKET IDEAS:

The bull camp looks to maintain an edge as the markets cautiously climb back toward the old highs.

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) 05/23/2017: The daily stochastics have crossed over up which is a bullish indication. 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 is an indication the intermediate-term trend has turned positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 2405.50. The next area of resistance is around 2400.75 and 2405.50, while 1st support hits today at 2384.75 and below there at 2373.50.

MINI-DOW (JUN) 05/23/2017: The daily stochastics have crossed over up which is a bullish indication. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 20981. The next area of resistance is around 20943 and 20981, while 1st support hits today at 20817 and below there at 20728.

E-MINI NASDAQ (JUN) 05/23/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is now at 5633.57. The next area of resistance is around 5728.87 and 5744.06, while 1st support hits today at 5673.63 and below there at 5633.57.

MINI-RUSSELL 2000 (JUN) 05/23/2017: The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close below the 9-day moving average is a negative short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 1388.8. The next area of resistance is around 1383.6 and 1388.8, while 1st support hits today at 1367.8 and below there at 1357.3.

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	153-290	68.85	62.62	61.71	78.47	153.84	152.31	152.20	152.13	151.23
TYAAM7	126-040	63.27	60.62	65.17	72.30	126.25	125.69	125.53	125.30	124.85
SPAM7	2451.00	56.99	56.64	58.43	60.95	2373.83	2385.10	2386.66	2365.78	2367.11
EPM7	2392.75	56.48	56.17	58.17	60.80	2373.63	2385.14	2386.72	2365.73	2366.92
TFEM7	1375.7	46.97	47.86	30.42	34.49	1363.63	1378.72	1387.82	1376.56	1377.45
ENQM7	5701.25	61.92	63.21	72.67	69.71	5641.38	5670.06	5648.65	5510.56	5477.42
YMM7	20880	55.13	54.68	55.12	57.72	20725.75	20821.56	20859.72	20705.22	20745.20

Calculations based on previous session. Data collected 05/22/2017

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	153-170	153-230	153-290	154-030	154-090
TYAAM7	10 Yr Treasury Notes	125-295	126-005	126-045	126-075	126-115
SPAM7	S&P 500	2403.50	2443.50	2418.50	2458.50	2433.50
EPM7	S&P E-Mini	2373.50	2384.75	2389.50	2400.75	2405.50
TFEM7	Mini-Russell 2000	1357.2	1367.8	1373.0	1383.6	1388.8
ENQM7	E-Mini NASDAQ	5633.56	5673.62	5688.81	5728.87	5744.06
YMM7	Mini-Dow	20727	20816	20854	20943	20981

Calculations based on previous session. Data collected 05/22/2017

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CURRENCIES COMMENTARY

05/23/17

Strong European data leaves the Euro in vogue

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -26, YEN -75, SWISS +17, CA DOLLAR +235**

Upcoming International Reports (all times CT)

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
05/24 2-Yr note Auction
05/24 5-Yr note Auction
05/24 German GfK Consumer Confiden 1:00 AM
05/24 France Manufacturing PMI Fla 2:00 AM
05/24 France Services PMI Flash 2:00 AM
05/24 Swiss Industrial Production 2:15 AM
05/24 Existing Home Sales 9:00 AM
05/24 EIA Energy Stocks 9:30 AM
05/24 Canadian Monetary Policy 10:00 AM



DOLLAR: While the dollar has managed to forge a quasi-side double low this morning there would appear to be little reason to call for an end to the slide in the greenback. In fact very favorable Eurozone and German economic results should turn up the pressure on the dollar especially with expectations calling for a decline in US new home sales later this morning. Critical but thin support in the June dollar index is seen at 96.70 and to turn the tide around in the June dollar index might require a trade today back above 97.27. In retrospect the failure to see a recovery in the dollar in the wake of the uncertainty off the UK terrorism incident highlights the bearish attitude toward the dollar.

EURO: In addition to an upward revision in a German GDP forecast the trade was also presented with a significant leap in a German Ifo sentiment reading. While the euro is probably short-term overbought with the steep gains forged since the May 11th low it is telling that the euro forged a fresh higher high and remains in positive territory despite the terrorist incident. Critical support in the June euro this morning is seen at 1.12275 and there might be little in the way of resistance seen until 1.12785. In the event that US new home sales come in lower as expected that could set the stage for higher highs in the euro.

YEN: While the Yen was unable to hold the brunt of the gains in the wake of the terrorism anxiety event last night the majority of the trade in the Yen over the past 12 hours has been in positive territory and the Yen has now forged three days of higher highs and higher lows. An issue that might lend support to the Yen is news from a

cybersecurity company that North Korea was probably behind a cyber-attack earlier this month as that increases uncertainty toward North Korea and that area of the Pacific. Critical support in the June Yen to start today is seen at 89.84 and resistance today is seen at 90.29.

SWISS: While the June Swiss has forged an inside range in the early going today and has failed to make a higher high it did spend most of the last 12 hours trading in positive territory. Typically ultra-strong euro zone data and strength in the euro currency undermines the Swiss but in the current environment the Swiss economy is expected to benefit from the brisk improvement in European economic activity. Therefore we see critical support at 1.029 and little in the way of resistance this morning until 1.0323.

POUND: All things considered the magnitude of the weakness in the Pound today hints at some residual interest in the Pound as the Pound has not ranged down sharply in the wake of the terrorist incident and also in the face of slack schedule data flows from the UK. With a noted decline in UK public sector borrowing and a miss on CBI sales the Pound could have ranged down sharply to start today. However we still see a near term downside target of only 1.2943 and perhaps 1.2874 in the coming days.

CANADIAN DOLLAR: With a definitive range up extension and the highest Canadian trade since April 24th it would appear as if the Canadian is poised to play catch-up to other non-dollar currency gains of the past two weeks. It would appear as if the trade is expecting to see favorable Canadian wholesale trade figures and it also appears as if the Canadian is poised to move up closer to the top of the last 2 1/2 months trade around the 75.00 level.

TODAY'S MARKET IDEAS:

With sloppy new homes sales results later this morning the Dollar looks to extend its pattern of failures.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/23/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 96.31. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 97.17 and 97.57, while 1st support hits today at 96.55 and below there at 96.31.

EURO (JUN) 05/23/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 113.4312. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 113.0524 and 113.4312, while 1st support hits today at 112.0275 and below there at 111.3813.

JAPANESE YEN (JUN) 05/23/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 90.53. The next area of resistance is around 90.27 and 90.53, while 1st support hits today at 89.73 and below there at 89.43.

SWISS (JUN) 05/23/2017: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 103.72. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 103.31 and 103.72, while 1st support hits today at 102.53 and below there at 102.16.

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	96.86	23.73	28.16	19.36	10.12	97.29	98.24	98.58	99.39	99.86
JYAM7	90.00	61.11	55.47	47.95	63.43	89.95	88.92	89.02	90.07	89.60
EU6M7	112.5400	75.44	71.70	83.85	90.89	111.93	110.65	110.03	108.60	108.12
BPAM7	130.07	63.78	63.83	68.82	72.77	129.93	129.51	129.47	127.31	126.24
CAAM7	74.11	65.76	57.44	63.46	81.28	73.76	73.47	73.27	74.15	74.31
SFAM7	102.92	74.22	68.78	75.17	87.15	102.59	101.27	101.05	100.74	100.51
DAAM7	74.72	59.61	52.52	39.92	51.29	0.74	0.74	0.74	0.75	0.75

Calculations based on previous session. Data collected 05/22/2017

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM7	US Dollar	96.30	96.54	96.93	97.17	97.57
JYAM7	Japanese Yen	89.42	89.72	89.97	90.27	90.53
EU6M7	Euro	111.3812	112.0275	112.4062	113.0524	113.4312
BPAM7	British Pound	129.34	129.69	130.11	130.46	130.88
CAAM7	Canadian Dollar	73.77	73.96	74.07	74.26	74.37
SFAM7	Swiss	102.16	102.53	102.94	103.31	103.72
DAAM7	Australian Dollar	74.11	74.45	74.65	74.99	75.19

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