



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Wednesday May 24, 2017

BONDS COMMENTARY

05/24/17

Some international uncertainty could combine with Auction lift

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +50

While the June bond contract has managed to respect the prior session's low in the early trade today the damage inflicted on the charts yesterday leaves the bear camp with a minor technical edge. However overnight the market saw mixed equity market action and a credit rating agency downgrade of China due to regional and municipal debt levels. The credit rating agency also suggested the level of debt was made more critical by the suspect recovery pace in China. Therefore international developments probably lent some support to bond and note prices but yet they remained off-balance and weak. On the other hand it is possible that the increase in the UK terrorism threat level could result in other terrorism threat upgrades and that should probably lend some safe haven support to Treasuries. Cushioning the Treasury market against further declines is expectations that today's 5 year note auction will meet with the same strong bid to cover ratio level as yesterday's two year note auction. However the two year note auction was helped by higher yields in that instrument in eight years and that might suggest a minimal increase in yields this morning into the Treasury auction later on. Another issue that might lend some support to bonds and notes today is expectations for a decline in US April existing home sales. The trade comes about the weaker existing home sales forecast honestly as housing starts, housing permits and new home sales figures have recently shown weakness. The North American session will start out with the FHFA house price index, followed by April existing home sales that are expected to have a modest downtick from March's 5.71 million annualized rate and lastly the trade will be presented with the 2nd leg of the current Treasury auction cycle. The Bank of Canada will have the results of their latest monetary policy meeting which is forecast to have no changes to either rates or policy. During the early afternoon, the FOMC will release the meeting minutes of their last monetary policy gathering which will be scrutinized for clues to their upcoming policy moves. Dallas Fed President Kaplan and Minneapolis Fed President Kashkari will speak during late afternoon US trading hours.



TODAY'S MARKET IDEAS:

All things considered we have to give the edge to the bull camp today as the threat of terrorism hangs in the background, US data has settled into a slightly weaker pattern and we suspect there will be moderate interest in today's 10 year note auction. Other issues that might lend some support to Treasuries is comments from a European official that they must be cautious about withdrawing stimulus and that European wages are not recovering as they would like as well as news that Australian building construction/residential building contracted sharply in the first quarter relative to the fourth quarter 2016. It is also possible that commentary from the Fed's Harker, that ambiguity on fiscal policy direction in the US leaves the Fed flat-footed could be seen as supportive to prices. Key support in June bonds is seen close in at the prior session's low of 153-05 with slightly lower support seen down at 152-29. Initial support in June T notes is seen at 125-26 and then again down at 125-09. Pressed into the market we favor a buy dips mentality.

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) 05/24/2017: 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 outside day down is somewhat negative. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The near-term upside objective is at 154-230. The next area of resistance is around 153-280 and 154-230, while 1st support hits today at 152-220 and below there at 152-100.

10 YR TREASURY NOTES (JUN) 05/24/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The outside day down and close below the previous day's low is a negative signal. The close below the 2nd swing support number puts the market on the defensive. The next upside target is 126-165. The next area of resistance is around 126-050 and 126-165, while 1st support hits today at 125-205 and below there at 125-150.

STOCKS COMMENTARY

05/24/17

A weak upward bias but momentum favors the bull camp

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 -50

Global equity markets were once again mixed even within geographical areas overnight! However, the European session was highlighted by a June reading on the Gfk survey of German consumer climate which managed an uptick of +0.2 compared with May's 10.2 reading. In addition to fear of additional terrorist attacks in the wake of the UK incident the equity market this morning is put slightly off balance because Lowe's quarterly comparable sales were weaker than expectations. Another issue that might put some minimal pressure on prices is a denial from Bunge that they are not in talks to undertake a friendly merger. A further issue that might temporarily push prices down today is the expectation for a decline in April existing home sales as that data follows weak signals from other areas of the housing/real estate sector. A final development that might produce some temporary volatility today is the early afternoon release of the Fed meeting minutes from earlier in the month. Earnings announcements included Lowe's before the Wall Street opening with Hewitt-Packard and Copart reporting after the close.



S&P 500: At least in the early going today the June E-mini S&P appears to be poised to retest its all-time high of 2404.50 that was registered on May 16th. Despite slightly negative overnight news the June E-mini S&P appears to be showing signs that investors have few alternatives than equity investments. While we hesitate to pay up for fresh longs with the market sitting 54 points above the May lows the pattern of the prior four trading sessions favors the bull camp. Critical buying support is seen at 2387.25 and resistance is obviously at the old high of 2404.50.

Other US Indexes: Despite the somewhat bullish outlook toward the E-mini S&P the mini Dow is showing less upside momentum and has failed to throw off a pattern of lower highs in place since the beginning of March. Therefore regaining the 21,000 level could be an important feat. Downtrend channel resistance from the March and May highs produces a key pivot point today up at 20,985. While we see a weak upward bias today the inability to hold above 20,886 could freshly damage the charts in the June mini Dow. With its position as market leader and the index sitting just below its May 16th all-time high of 5727.25 the potential for a fresh high looks likely in today's action as long as the June Mini NASDAQ manages to hold above 5688.50 we leave the bias pointing upward in the index.

TODAY'S MARKET IDEAS:

The bull camp starts with a thin edge despite lingering terrorism concerns and a downgrade of China by a private agency.

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) 05/24/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 2408.18. The next area of resistance is around 2404.12 and 2408.18, while 1st support hits today at 2391.38 and below there at 2382.69.

MINI-DOW (JUN) 05/24/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 next upside objective is 21005. The next area of resistance is around 20966 and 21005, while 1st support hits today at 20862 and below there at 20798.

E-MINI NASDAQ (JUN) 05/24/2017: The daily stochastics have crossed over up which is a bullish indication. 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. The close over the pivot swing is a somewhat positive setup. The next upside objective is 5737.62. The next area of resistance is around 5726.75 and 5737.62, while 1st support hits today at 5696.75 and below there at 5677.63.

MINI-RUSSELL 2000 (JUN) 05/24/2017: The major trend could be turning up with the close back above the 60-day moving average. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 1392.0. The next area of resistance is around 1386.9 and 1392.0, while 1st support hits today at 1373.1 and below there at 1364.4.

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	153-090	59.20	57.14	66.22	75.94	153.68	152.60	152.23	152.22	151.26
TYAAM7	125-285	55.65	56.04	65.92	67.44	126.12	125.81	125.55	125.34	124.87
SPAM7	2398.00	59.70	58.54	62.66	71.11	2383.95	2385.40	2387.32	2366.40	2367.68
EPM7	2397.75	59.00	57.93	62.68	71.18	2384.31	2385.61	2387.38	2366.38	2367.55
TFEM7	1380.0	49.64	49.52	34.70	43.11	1370.20	1376.83	1385.63	1376.50	1377.11
ENQM7	5711.75	63.35	64.20	74.24	77.11	5675.81	5674.36	5655.75	5517.16	5483.59
YMM7	20914	57.28	56.16	59.07	66.65	20809.00	20825.22	20860.33	20706.60	20748.25

Calculations based on previous session. Data collected 05/23/2017

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	152-090	152-210	153-160	153-280	154-230
TYAAM7	10 Yr Treasury Notes	125-145	125-200	125-315	126-050	126-165
SPAM7	S&P 500	2383.72	2392.04	2395.62	2403.94	2407.52
EPM7	S&P E-Mini	2382.68	2391.37	2395.43	2404.12	2408.18
TFEM7	Mini-Russell 2000	1364.4	1373.1	1378.2	1386.9	1392.0
ENQM7	E-Mini NASDAQ	5677.62	5696.75	5707.62	5726.75	5737.62
YMM7	Mini-Dow	20797	20862	20901	20966	21005

Calculations based on previous session. Data collected 05/23/2017

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

CURRENCIES COMMENTARY

05/24/17

While the \$ has the early edge there is little leadership

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -10, YEN -60, SWISS -17, CA DOLLAR +80**

Upcoming International Reports (all times CT)

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
05/25 7-Yr note Auction
05/25 Initial Jobless Claims 7:30 AM
05/25 EIA Gas Storage 9:30 AM
05/25 Japan Consumer Price Index 6:30 PM



DOLLAR: Not surprisingly the dollar is showing some follow-through strength in the wake of a quasi-double bottom low on the charts earlier in the week. Some will also suggest that the dollar is benefiting from the Chinese credit downgrade and from relatively higher terrorism threats in Europe. Unfortunately for the bull camp scheduled US data later today could be undermining and Fed dialogue yesterday also seems to be limiting the greenback. However with the Fed releasing its meeting minutes from earlier in the month it is possible that their dialogue will be seen as a positive to the dollar today. Therefore we favor a setback this morning perhaps down to 96.95 before the market bids the dollar back up into the FOMC meeting minutes release.

EURO: While a German GfK leading sentiment reading registered a positive result overnight the euro should be expected to operate underneath a cloud from the UK terrorism incident earlier in the week. While a Fed official overnight indicated the economic situation had improved it was also suggested that the central bank was disappointed in wage growth and he suggested it was best to air on the side of easing. Therefore it is not surprising to see the euro trading off balance this morning. Critical support in the June euro currency is seen down at 1.1176 but a normal correction off the May recovery could allow for a moderate dip back down to 1.1120. We think traders should look to sell an US existing home sales bounce in the euro currency.

YEN: Despite residual anxiety from the terrorist incident earlier in the week the Yen is off balance this morning in the wake of a downgrade of Chinese credit. Others will suggest the Yen is vulnerable because of its inability to sustain above the 50 day moving average which comes in today at 89.97. There might be little in the way of support in the June Japanese Yen until the 89.10 level. As in other currencies the Yen might see a temporary bounce off US existing home sales but the path of least resistance overall looks to remain down.

SWISS: Like other non-dollar currencies this morning the Swiss franc has shown fresh chart damage and a range down probe to start the trading session. However, a normal retracement of the May low to high rally in the June Swiss could allow for a corrective dip back down to 1.0176. On the other hand it is possible that the Swiss will garner some spillover support from weakness in the euro and from favorable German Gfk sentiment readings overnight. Close in support in the June Swiss today is seen at 1.0163.

POUND: With a recent pattern of lower highs and lower lows and the residual negative influence of the Manchester attack the path of least resistance in the Pound looks to remain down. In addition to the terrorism discount a narrowing of the Prime Minister's lead into the upcoming election probably adds to the downward tilt. Initial downside targeting in the June Pound is seen at 1.2943. However the UK has temporarily suspended campaigning for the June election and that might serve to halt the flow of impacting political headlines.

CANADIAN DOLLAR: Strength in the US dollar resulted in some modest damage on the Canadian charts overnight and the June Canadian would appear to have somewhat noted overhead resistance from the 50 day moving average at 74.20. Minimal weakness in gold and crude oil combined with a decline in open interest throughout the May recovery bounce would seem to suggest the Canadian found an equilibrium price at the 74.00 level. While the bull camp will suggest the late April and early May action was unjustified it remains unclear whether or not the Canadian will be able to climb up deeper into the bottom half of the October 2016 to April 2017 trading range that was bound by 74.00 and 77.00.

TODAY'S MARKET IDEAS:

While the US dollar appears to be in the midst of a corrective bounce, to extend that action into the close today, will probably require something hawkish from the FOMC meeting minutes later today. In fact with some of the Dollar's strength over the prior 48 hours the result of the terrorism incident in the UK it will need a fresh catalyst to extend the overnight gains.

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) 05/24/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is 96.54. The next area of resistance is around 97.58 and 97.76, while 1st support hits today at 96.98 and below there at 96.54.

EURO (JUN) 05/24/2017: 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. The daily closing price reversal down puts the market on the defensive. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside target is at 113.0900. The next area of resistance is around 112.4250 and 113.0900, while 1st support hits today at 111.4950 and below there at 111.2300.

JAPANESE YEN (JUN) 05/24/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. 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. The outside day down is somewhat negative. The market's close below the 1st swing support number

suggests a moderately negative setup for today. The next upside objective is 90.52. The next area of resistance is around 89.94 and 90.52, while 1st support hits today at 89.14 and below there at 88.91.

SWISS (JUN) 05/24/2017: 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 lower than the pivot swing number. The near-term upside objective is at 103.41. The next area of resistance is around 102.95 and 103.41, while 1st support hits today at 102.31 and below there at 102.13.

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	97.28	32.89	34.11	17.36	13.35	97.24	97.98	98.49	99.33	99.80
JYAM7	89.54	52.90	50.61	52.92	62.72	89.82	89.14	89.00	90.08	89.61
EU6M7	111.9600	66.76	65.96	84.72	86.55	111.98	110.99	110.20	108.69	108.22
BPAM7	129.72	57.00	59.67	68.45	67.92	129.93	129.53	129.50	127.44	126.32
CAAM7	74.02	63.59	55.99	69.05	80.98	73.89	73.56	73.30	74.13	74.27
SFAM7	102.63	68.59	65.22	78.61	85.47	102.67	101.64	101.14	100.78	100.56
DAAM7	74.74	60.02	52.80	46.47	59.57	0.75	0.74	0.74	0.75	0.75

Calculations based on previous session. Data collected 05/23/2017

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	96.53	96.97	97.14	97.58	97.76
JYAM7	Japanese Yen	88.90	89.13	89.71	89.94	90.52
EU6M7	Euro	111.2300	111.4950	112.1600	112.4250	113.0900
BPAM7	British Pound	129.06	129.31	129.87	130.12	130.68
CAAM7	Canadian Dollar	73.69	73.83	74.08	74.22	74.47
SFAM7	Swiss	102.13	102.31	102.77	102.95	103.41
DAAM7	Australian Dollar	74.30	74.48	74.81	74.99	75.32

Calculations based on previous session. Data collected 05/23/2017

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.