



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday May 25, 2017

BONDS COMMENTARY

05/25/17

The focus of the trade today might center on ongoing claims

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +90

Not surprisingly the Treasury market has rebounded off the lows forged in the prior trading session as the fresh revelations from the release of the FOMC meeting minutes were minuscule, even if they were longer term hawkish and largely old news. With the Fed indicating there adjustment decisions will be predicated on the recovery in the economy there is clearly less market moving information afoot than was anticipated ahead of the release but the end result is bearish in our opinion. Furthermore with US equities carving out another round of new all-time highs early today we have to think that the Treasury bears hold an edge to start today. However, with slightly weaker economic information from the UK and Italy overnight, fears that the terrorism incident was part of a network and generally soft US scheduled data from earlier in the week we can understand the rejection of lows yesterday and the weak attempt to recover today. However initial positive action in US equities and expectations for a fresh multi-decade low in ongoing claims could reignite selling pressure on bonds and notes. Fortunately for the bull camp the headline initial claims reading is expected to rise and the May KC Fed manufacturing index is expected to be flat. However we do expect the initial claims to be the main headline event of the data flow today and that could provide a temporary rise above the 154-00 level in June bonds and a return to 126-12 in June T notes. The North American session will start out with a weekly reading on initial jobless claims that are forecast to have a modest uptick from the previous 232,000 reading. However, they may be attention paid to ongoing jobless claims as the previous 1.898 million reading was a multi-decade low. April wholesale inventories are expected to hold steady with March's 0.2% reading. The April goods trade balance is forecast to see a modest downtick from March's \$64.8 billion monthly deficit. The May KC Fed manufacturing index is expected to hold steady with April's 12 reading. Fed Governor Brainard will speak during morning US trading hours while St. Louis Fed President Bullard will speak during the afternoon.



TODAY'S MARKET IDEAS:

From a technical perspective the Treasury-Note charts look bearish with a pattern of lower highs stretching back to the May 18th peak. While the Treasury bond contract chart also has a pattern of descending highs and lows the anticipated rate of decline ahead will be minimal unless initial claims later this morning surprise the trade with a decline. Certainly a new multi-decade low result in ongoing claims could increase the pressure on prices today and so far the market has not given much attention to the fact that the Fed desires to address its balance sheet in the second half of this year. Critical support in June bonds this morning comes in relatively close at 153-17 but a more important resistance point above the market might be seen today at 154-11. In conclusion pushed into the market we are a sell rallies trader.

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) 05/25/2017: 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. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 154-180. The next area of resistance is around 154-090 and 154-180, while 1st support hits today at 153-140 and below there at 152-270.

10 YR TREASURY NOTES (JUN) 05/25/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The upside daily closing price reversal gives the market a bullish tilt. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 126-170. The next area of resistance is around 126-125 and 126-170, while 1st support hits today at 125-305 and below there at 125-205.

STOCKS COMMENTARY

05/25/17

Expect a drive higher today unless claims are a surprise

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 +620

Global equity markets were once again mixed with Chinese and Asian stocks mostly higher, European market measures mostly trading weaker and certain US measures already plowing into fresh new all-time highs. With a lack of significant change in the Fed policy at the beginning of this month and the Fed indicating their policy will be predicated on the arrival of growth or the lack of growth the equity market should benefit from all things "Fed". Surprise assistance to the bull camp was seen from news that Sears posted a quarterly profit for the first time in 7 quarters. While the E-mini S&P sits in new all-time high ground early today the June mini Dow has yet to breakout into record territory. Not surprising is the fact that the June mini NASDAQ has also thrust into new all-time high ground and could be on a pace to reach 5800.00 in the near future. Earnings announcements will include Medtronic, Dollar Tree, Hormel Foods and Best Buy (were a beat) before the Wall Street opening while Costco Wholesale and Ulta Beauty report after the close.



S&P 500: For the June E-mini S&P to have forged a fresh new all-time high over the information of the last three trading sessions hints at investor resolve and a general consensus that the global economy is moving forward. Apparently terrorism threats are only a limited influence on prices and the trade came away from the Fed meeting minutes yesterday with the idea that rate hikes will be slow, measured and off into the future. While we think it is premature to assume there will be no Fed action in June recent scheduled data, a lack of movement on fiscal stimulus and potential geopolitical headwinds probably puts the Fed on the bench and the stock market is cheered by that prospect. Close in support in the June E-mini S&P is seen at 2404.00 and there might be little in the way of resistance until 2415.10.

Other US Indexes: As indicated already the June mini Dow continues to be a laggard on upside moves with the rest of the market indices. Clearly concern toward Ford Motor Company prospects, layoff announcements from GM in Asia and initial weakness in oil patch shares this morning has kept gains in the mini Dow measured and hard-fought. However the market should see fairly solid support at 21,010 and there should probably be a quick approach of the old all-time high up at 21,106 today. Once again the mini NASDAQ has led the market into a higher trading range with higher highs and higher lows stretching consistently off the May spike low reversal. With the healthy corrective bounce seen last week that could project the mini NASDAQ up to the 5800 level before the end of this week. To throw off the bull case probably requires a failure of 5726.80.

TODAY'S MARKET IDEAS:

The bull camp retains control as Fed looks to remain on hold and momentum favors the bull camp for another trading session.

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) 05/25/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 2409.68. The next area of resistance is around 2406.12 and 2409.68, while 1st support hits today at 2396.88 and below there at 2391.19.

MINI-DOW (JUN) 05/25/2017: 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 21067. The next area of resistance is around 21036 and 21067, while 1st support hits today at 20934 and below there at 20863.

E-MINI NASDAQ (JUN) 05/25/2017: The market rallied to a new contract high. 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 next upside target is 5754.68. The next area of resistance is around 5745.62 and 5754.68, while 1st support hits today at 5716.38 and below there at 5696.19.

MINI-RUSSELL 2000 (JUN) 05/25/2017: 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. The close over the pivot swing is a somewhat positive setup. The next upside target is 1392.9. The next area of resistance is around 1387.0 and 1392.9, while 1st support hits today at 1374.8 and below there at 1368.4.

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	153-270	64.60	60.66	70.67	79.56	153.69	152.96	152.28	152.31	151.30
TYAAM7	126-055	61.60	59.80	66.79	68.89	126.09	125.95	125.57	125.38	124.90
SPAM7	2505.00	61.71	59.93	68.36	79.78	2393.53	2386.60	2388.51	2367.72	2368.40
EPM7	2401.50	60.88	59.22	68.20	79.35	2393.69	2386.81	2388.51	2367.72	2368.22
TFEM7	1380.9	50.18	49.84	39.54	49.25	1375.63	1376.17	1384.83	1377.29	1377.07
ENQM7	5731.00	65.87	65.90	77.47	84.07	5700.00	5680.92	5664.01	5525.93	5490.16
YMM7	20985	61.63	59.16	64.87	76.57	20894.75	20838.00	20865.72	20714.91	20751.83

Calculations based on previous session. Data collected 05/24/2017

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

DAILY SWING STATISTICS

Contract	Support 2	Support 1	Pivot	Resist 1	Resist 2
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FINANCIAL COMPLEX

USAAM7	Bonds	152-260	153-130	153-220	154-090	154-180
TYAAM7	10 Yr Treasury Notes	125-200	125-300	126-025	126-125	126-170
SPAM7	S&P 500	2444.50	2501.00	2452.50	2509.00	2460.50
EPM7	S&P E-Mini	2391.18	2396.87	2400.43	2406.12	2409.68
TFEM7	Mini-Russell 2000	1368.3	1374.7	1380.6	1387.0	1392.9
ENQM7	E-Mini NASDAQ	5696.18	5716.37	5725.43	5745.62	5754.68
YMM7	Mini-Dow	20863	20934	20965	21036	21067

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CURRENCIES COMMENTARY

05/25/17

If the Dollar can't rally on positive data - more down

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR -123, YEN -70, SWISS +30, CA DOLLAR +20

Upcoming International Reports (all times CT)

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
05/26 Japan Construction Orders 12:00 AM
05/26 Japan Housing Starts 12:00 AM
05/26 Adv Durable Goods 7:30 AM
05/26 GDP (Q1 '17) 7:30 AM
05/26 UK Consumer Confidence 6:01 PM



DOLLAR: In retrospect the Fed revelations this week are bearish to the dollar in the short term and "potentially" supportive at some point out in the future. In other words the Fed offered little information to alter the downtrend in the dollar. Economic information overnight showed weakness in the UK, improve financial conditions in Greece and a noted drop in the French jobless tally and that would seem to leave the economic differential in the favor of the dollar bears. However those that are short the dollar need to be on the lookout this morning for the ongoing claims reading as a decline in that measure could result in a headline touting a fresh multi-decade low in that measure. However offsetting the ongoing claims result is expectations that the headline initial claims reading would increase. As it stands we see a critical pivot point in the June dollar index up at 97.37 and will remain bearish to the index as long as that level is not pierced. Apparently the 97.00 level is some form of value around which the market might fluctuate for the rest of the week unless there is a surprise from this morning's US data.

EURO: The Eurodollar currency appears to pausing its uptrend action around the 1.12 level, as if a critical decision is in the offing. News that French jobless numbers declined last month to the lowest level in in eight months and the stellar German consumer morale readings from earlier in the week that should leave the currency underpinned above the recent potentially critical low of 1.1180. With news headlines overnight suggesting that Portugal is seeing faster growth than expected off of rising exports it is clear that the euro zone in general has benefited from the favorable exchange rates that have in place from November to early May. Therefore the fundamental trend looks to remain up and the technical trend also remains up but is perhaps somewhat more vulnerable.

YEN: With global equities and in particular US stocks showing consistent strength and euro zone economic expectations improving as well as views that the US Fed will remain on hold next month it is not surprising to see the Yen under liquidation pressure from waning safe haven interest. Adding into the negative bias in the Yen today is a call from Japanese politicians to impose a previously agreed-upon sales tax hike in an effort to balance the Japanese budget as increased taxes are usually seen as a drag on growth. Near term downside targeting in the June Yen is seen at 89.10 and it could take a rise today back above 89.78 to shift the bias away from the downside.

SWISS: The bull camp has to be little concerned with the lack of upside extension in the Swiss franc this week. The bull camp might also fret over the fact that the 1.03 level looks to be some form of expensive level as it faces thick overhead resistance from the summer and fall 2016 consolidation pattern. We think the June Swiss could see a temporary slide down to 1.0250 in the wake of this morning's US economic data.

POUND: With the UK terrorism threat remaining at the critical level and UK first quarter GDP revised lower the path of least resistance in the Pound looks to be down. Adding into the pressure in the Pound today is the fact that economic data in the euro zone and potentially in the US looks to be strong enough to keep the erosion in the Pound this week in motion. Obviously support is seen at a quasi-double low of 1.2936 but we can't rule out a post US report washout down to the 1.2900 level.

CANADIAN DOLLAR: As long as the outlook for the dollar remains suspect it could be difficult to throw off the upward pattern in the Canadian. However given the May low to high rally of 200 points, predictions of a leveling of the Toronto housing market and developing weakness in oil prices the 74.50 level could be a temporarily overvalued level. It should also be noted that the rally off the May low has now put the Canadian back into the midst of the late October to early April consolidation and that brings about a certain measure of overhead resistance.

TODAY'S MARKET IDEAS:

Obviously the tone of the day will be set by the initial and ongoing claims data. At this point trade expectations see those numbers as offsetting with the potential swing interpretation coming from the prospect of a multi-decade downside breakout in ongoing claims. However we doubt the dollar will be able to throw off the downtrend pattern even with supportive data.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/25/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative 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 96.66. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 97.18 and 97.49, while 1st support hits today at 96.77 and below there at 96.66.

EURO (JUN) 05/25/2017: 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. The upside closing price reversal on the daily chart is somewhat bullish. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 112.7337. The next area of resistance is around 112.5774 and 112.7337, while 1st support hits today at 112.0425 and below there at 111.6638.

JAPANESE YEN (JUN) 05/25/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. 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 upside closing price reversal on the daily chart is somewhat bullish. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 90.12. The next area of resistance is around 89.97 and 90.12, while 1st support hits today at 89.46 and below there at 89.11.

SWISS (JUN) 05/25/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day 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 next upside objective is 103.25. The next area of resistance is around 103.12 and 103.25, while 1st support hits today at 102.64 and below there at 102.28.

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	96.98	29.75	31.90	15.46	11.75	97.04	97.70	98.38	99.27	99.73
JYAM7	89.71	55.47	52.31	56.74	64.14	89.80	89.34	88.99	90.08	89.61
EU6M7	112.3100	69.29	67.72	85.55	87.11	112.26	111.38	110.37	108.77	108.32
BPAM7	129.76	57.68	60.11	67.58	65.41	130.00	129.61	129.50	127.55	126.41
CAAM7	74.57	72.46	63.55	75.07	87.57	74.16	73.72	73.37	74.12	74.26
SFAM7	102.88	69.35	65.72	80.86	85.08	102.79	102.00	101.24	100.82	100.60
DAAM7	74.98	64.93	56.20	54.62	70.28	0.75	0.74	0.74	0.75	0.75

Calculations based on previous session. Data collected 05/24/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM7	US Dollar	96.65	96.76	97.07	97.18	97.49
JYAM7	Japanese Yen	89.10	89.46	89.61	89.97	90.12
EU6M7	Euro	111.6637	112.0424	112.1987	112.5774	112.7337
BPAM7	British Pound	129.02	129.40	129.74	130.12	130.46
CAAM7	Canadian Dollar	73.69	74.21	74.40	74.93	75.12
SFAM7	Swiss	102.27	102.63	102.76	103.12	103.25
DAAM7	Australian Dollar	74.21	74.67	74.84	75.30	75.47

Calculations based on previous session. Data collected 05/24/2017

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