



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday May 26, 2017

BONDS COMMENTARY

05/26/17

Notes testing highs this morning but may be too overbought

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +80

Treasuries are finding mild support this morning, but have stayed in a tight trading range near the middle of their recent consolidation. There were comments by the Fed's Bullard that the path of US inflation over the past 5 years was "worrisome", which may have provided modest support during what has been relatively quiet trading going into the holiday weekend. Bonds and Notes may be receiving some measure of safe-haven support, but risk concerns have calmed after the events earlier of this week. US economic data continues to post mixed results as Thursday's "good" numbers (jobless claims, wholesale inventories) were offset by "weak" numbers (goods trade balance, KC Fed manufacturing index), ultimately leaving some doubt whether the Fed will hike rates next month. US equities may have lost some steam this morning, but the 3 major stock indices are coming off of all-time highs on Thursday which should create some headwinds for Bonds and Notes. The North American session will start out with another look at first quarter gross domestic product that is expected to see a modest increase from the previous 0.7% annualized rate. April durable goods are forecast to see a notable downtick from March's 0.7% reading and fall into negative territory. A major private survey on May consumer sentiment is expected to have a minimal downtick from the previous 97.7 reading.



TODAY'S MARKET IDEAS:

June Treasury bonds are overbought and seem to need some very bullish news to extend the current rally. The May 23rd highs (rejection of the bull trend) should remain as key resistance at 154-12 with support back at 152-27 and 152-08. June T-Notes should see stiff resistance at the 126-14 and 126-23 zone. Support is back at 125-23 and 125-16.

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) 05/26/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 154-120. The next area of resistance is around 154-040 and 154-120, while 1st support hits today at 153-180 and below there at 153-070.

10 YR TREASURY NOTES (JUN) 05/26/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 next upside target is 126-110. The next area of resistance is around 126-080 and 126-110, while 1st support hits today at 126-020 and below there at 125-305.

STOCKS COMMENTARY

05/26/17

Positive news flow keeps trend up; consumer sentiment readings?

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 -300

The S&P has closed higher for six sessions in a row and surged to new all-time highs. Asian stocks were mixed overnight as the Nikkei posted a moderate loss while the Shanghai Composite finished the week near unchanged levels. Most European equities are finding moderate early pressure this morning, although the UK FTSE is grinding out a modest gain due to a weaker Pound. The North American session will start out with another look at first quarter gross domestic product that is expected to see a modest increase from the previous 0.7% annualized rate. April durable goods are forecast to see a notable downtick from March's 0.7% reading and fall into negative territory. A major private survey on May consumer sentiment is expected to have a minimal downtick from the previous 97.7 reading. Earning announcement will include Big Lots before the Wall Street opening.



The decision by major oil producing nations to extend their current output quotas for 9 more months at present levels led to a severe pullback in energy prices yesterday. In addition, better than expected results for jobless claims and wholesale inventories were balanced against weak results for the goods trade balance and KC Fed manufacturing index to leave some doubt over a potential June rate hike. US equity markets extended their upmove as all 3 major indices posted moderate gains and reached new all-time highs as retailers and tech stocks were well supported.

S&P 500: More confidence in the global economy and continued strong earnings and continued hopes for major tax policy changes this year are all factors which support the current bull trend. Improving consumer sentiment has also been a key supportive force since late last year and today's data may shed some light on spending expectations ahead. While we think it is premature to assume there will be no Fed action in June, a lack of movement on fiscal stimulus and potential geopolitical headwinds likely leaves the Fed on the sidelines which is seen as bullish. Close in support in the June E-mini S&P is seen at 2403.00 and there might be little in the way of resistance until 2427.40.

Other US Indexes: After six days straight up, the June mini Dow is somewhat overbought but a more positive tilt to the global economy has helped to provide underlying support. The market continues to struggle with the correlation between stocks and energy prices but seems to be leaning to a period ahead where a drop in energy is not bearish. Close-in support is at 21,010 with 21,215 as next upside target. The mini NASDAQ has reached an overbought level and has also reached a key upside target at 5794.70. Support is back at 5727.30.

TODAY'S MARKET IDEAS:

Some additional short-term gains may be seen for the S&P and Dow but the NASDAQ is a bit overbought. Watch for technical signals of a short-term top soon.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/26/2017: The rally brought the market to a new contract high. 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 market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 2426.93. The next area of resistance is around 2420.87 and 2426.93, while 1st support hits today at 2405.63 and below there at 2396.44.

MINI-DOW (JUN) 05/26/2017: 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 21158. The next area of resistance is around 21114 and 21158, while 1st support hits today at 21006 and below there at 20943.

E-MINI NASDAQ (JUN) 05/26/2017: The rally brought the market to a new contract high. 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. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 5836.68. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 5813.62 and 5836.68, while 1st support hits today at 5749.38 and below there at 5708.19.

MINI-RUSSELL 2000 (JUN) 05/26/2017: 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 market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 1397.3. The next area of resistance is around 1388.1 and 1397.3, while 1st support hits today at 1373.7 and below there at 1368.6.

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	64.93	60.79	73.30	80.25	153.61	153.19	152.36	152.37	151.37
TYAAM7	126-050	61.52	59.70	66.99	68.66	126.05	126.01	125.60	125.41	124.94
SPAM7	2413.40	67.12	63.79	74.33	86.25	2401.50	2389.34	2389.98	2369.30	2368.79
EPM7	2413.25	66.21	62.99	74.29	85.69	2402.00	2389.72	2390.10	2369.34	2368.65
TFEM7	1380.9	50.27	49.89	44.14	53.43	1379.38	1375.88	1383.28	1378.15	1376.55
ENQM7	5781.50	71.57	69.90	81.21	88.39	5732.06	5691.36	5672.43	5535.23	5496.77
YMM7	21060	65.66	62.04	71.30	83.72	20963.75	20862.33	20876.83	20725.56	20752.43

Calculations based on previous session. Data collected 05/25/2017

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	153-060	153-170	153-250	154-040	154-120
TYAAM7	10 Yr Treasury Notes	125-300	126-015	126-045	126-080	126-110
SPAM7	S&P 500	2399.85	2407.50	2411.65	2419.30	2423.45
EPM7	S&P E-Mini	2396.43	2405.62	2411.68	2420.87	2426.93
TFEM7	Mini-Russell 2000	1368.6	1373.7	1383.0	1388.1	1397.3
ENQM7	E-Mini NASDAQ	5708.18	5749.37	5772.43	5813.62	5836.68
YMM7	Mini-Dow	20942	21006	21050	21114	21158

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CURRENCIES COMMENTARY

05/26/17

Dollar needs positive US data to regain upside momentum

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR -147, YEN +740, SWISS +28, CA DOLLAR +230

Upcoming International Reports (all times CT)

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: The Dollar continues to have trouble sustaining a recovery move as it is finding moderate pressure coming into the final trading session of the week. US economic data has been posting mixed results with good numbers being offset by weak numbers. Comments by the Fed's Bullard that the past of US inflation over the past 5 years was "worrisome" is casting a shadow over the Dollar, as there is some mild but building doubt that the Fed will go ahead and hike rates next month. Today's US numbers are top-tier data points and could further shift the narrative for the Dollar if GDP, durable goods or a private survey on consumer sentiment come in below estimates. Near-term resistance continues to be at a critical pivot point of 97.37 as the Dollar needs to regain a mostly positive tone from US economic data to avoid going into the holiday weekend in close proximity to 6 1/2 month lows.

EURO: The Euro is finding mild support this morning as it has been consolidating above the key 1.1200 level. The market has been able to shake off weaker than expected business and consumer confidence readings from Italy this morning, as they are following a mostly positive set of data from across the region earlier this week. It may be difficult for to re-challenge Tuesday's high for the move going into the holiday weekend, but the Euro should remain fairly well supported even if today's US data is surprisingly positive. Near-term support is at 1.1205 as the Euro looks to be heading up into new high ground over the near future.

YEN: The Yen has seen an abrupt change of fortune as it is posting sizable gains coming into this morning's trading. While the Japanese national CPI numbers for April were mostly in-line with forecast, there was a surprising jump in the Tokyo inflation numbers for May. This has helped the Yen to receive fresh safe-haven flows going into the holiday weekend, as well as lift prices back above their 50-day moving average. Near-term support is at 89.85 as the Yen looks to finish this week on a positive note.

SWISS: The Swiss has regained upside momentum this morning and is now within striking distance of reaching a new 6-month high later today. Safe-haven inflows have been a major source of support, but the Swiss has been acting "top-heavy" above the 1.0300 level and also has a central bank determined to weaken their "overvalued" currency. Near-term support is at 1.0290 as the Swiss should remain well supported going into the holiday weekend.

POUND: The Pound has fallen squarely on the defensive this morning and is in danger of posting a new monthly low later in the session. The latest political polls have tightened the lead of the Conservative Party to within single digits for next month's UK Parliamentary election, which follows yesterday's lukewarm reading on UK GDP. In addition, the UK terrorist watch remains on "critical" which could diminish travel and activity during their Bank Holiday weekend. Near-term resistance is at 1.2912 as the Pound is likely to finish this week under pressure.

CANADIAN DOLLAR: The Canadian has had a bumpy ride following the BOC meeting results but looks to have regained upside momentum early this morning. A rebound in crude oil prices has helped but with concerns over housing prices shadowing the market, the Canadian may need to see stronger data in order to sustain this

month's recovery move. Near-term support is at the 50-day moving average of 74.18 as the Canadian should remain well supported going into the weekend.

TODAY'S MARKET IDEAS:

While it may take consistent weakness in US data to shift the Fed away from a June rate hike, the Dollar needs to avoid sluggish economic reading this morning or it will go into the holiday weekend near the bottom of this month's downmove. The Pound is likely to remain on the defensive early today, and looks to be on-course for reaching a new 1-month low later in the session.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/26/2017: Daily stochastics are trending lower but have declined into oversold territory. 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 96.68. The next area of resistance is around 97.33 and 97.47, while 1st support hits today at 96.94 and below there at 96.68.

EURO (JUN) 05/26/2017: 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. The daily closing price reversal down puts the market on the defensive. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 112.8487. The next area of resistance is around 112.4975 and 112.8487, while 1st support hits today at 111.9225 and below there at 111.6988.

JAPANESE YEN (JUN) 05/26/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 89.87. The next area of resistance is around 89.66 and 89.87, while 1st support hits today at 89.31 and below there at 89.17.

SWISS (JUN) 05/26/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 103.35. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 103.08 and 103.35, while 1st support hits today at 102.68 and below there at 102.54.

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	97.14	32.13	33.54	15.52	14.35	97.12	97.50	98.29	99.22	99.66
JYAM7	89.48	51.77	49.97	57.93	61.41	89.66	89.46	88.97	90.05	89.63
EU6M7	112.2100	67.64	66.67	85.90	86.58	112.26	111.68	110.54	108.86	108.42
BPAM7	129.51	53.04	57.23	63.49	57.25	129.73	129.66	129.51	127.64	126.52
CAAM7	74.20	62.13	56.98	76.56	81.29	74.18	73.85	73.42	74.10	74.25
SFAM7	102.88	71.69	67.40	82.74	86.49	102.79	102.32	101.36	100.85	100.65
DAAM7	74.54	52.57	49.32	58.35	67.75	0.75	0.74	0.74	0.75	0.75

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM7	US Dollar	96.67	96.93	97.07	97.33	97.47
JYAM7	Japanese Yen	89.16	89.30	89.52	89.66	89.87
EU6M7	Euro	111.6987	111.9225	112.2737	112.4975	112.8487
BPAM7	British Pound	128.83	129.09	129.66	129.92	130.49
CAAM7	Canadian Dollar	73.73	73.91	74.31	74.49	74.90
SFAM7	Swiss	102.53	102.67	102.94	103.08	103.35
DAAM7	Australian Dollar	74.00	74.20	74.67	74.87	75.33

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