



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday May 31, 2017

BONDS COMMENTARY

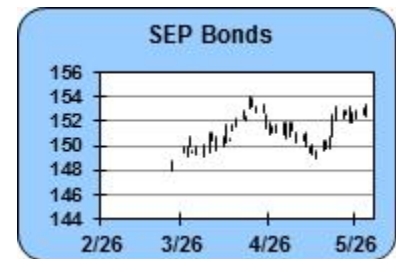
05/31/17

there is no reason to take control away from the bull camp

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -20

With a sharp range up extension in the prior trading session it is clear that the Treasury markets remain hypersensitive to weak economic data, minimal geopolitical concerns and modest weakness in global equities. In looking at the avalanche of international economic data that was released overnight one might have expected bonds and notes to have fallen back from the highs forged yesterday but instead prices remain pinned just under this week's highs. Even more surprising is the fact that US data recently has tilted the pendulum in favor of a rate hike next month and yet Treasury prices generally sit at the highest levels since April 18th and 19th. While the US will see an early mortgage application report and a series of same-store sales figures, the highlight of the US trading session will probably be April pending home sales which are expected to show an improvement. However given the bullish bias in Treasury prices it is likely that the pending home sales data will be ignored if it is positive and embraced if it depicts weakness. On the other, the trade should be on the lookout for Fed news as the Fed Beige book will be released this afternoon and it will be parsed intensely for any sign of hawkish dialogue. All things considered one has to leave the edge with the bull camp especially since the Asian session started out with an April reading on Japanese industrial production which posted a sizable uptick from March's -1.9%, a Chinese May manufacturing PMI that "held up" and with April Japanese housing starts managing an unexpected gain. However, the European session started out with April German retail sales report that posted an unexpected decline while a preliminary look at May French CPI posted an as expected moderate decline. May German unemployment was forecast to have a minimal downtick from April's reading and that was achieved. April Euro zone unemployment was expected to downtick from March's 9.5% reading but the figure came in at 9.3% which is the lowest reading since 2009! The North American session will start out with a private weekly survey on mortgage applications and same-store sales. First quarter Canadian GDP is expected to have a sizable increase from the previous 2.6% annualized rate. April US pending home sales are forecast to see a moderate improvement from March's -0.8% reading. The latest Fed Beige Book will be released during afternoon US trading hours and will be scrutinized for clues on upcoming Fed policy. Fed Governor Powell will speak during morning US trading hours.



TODAY'S MARKET IDEAS:

As indicated already the path of least resistance looks to favor the bull camp as prices have maintained upside sensitivity despite what appears to be growing expectations of a rate hike next month. Apparently the trade is discounting the prospect of tax reform and infrastructure spending anytime soon, it is also fearful of developing headwinds from UK political issues and it also seems as if the trade is seeing increased safe haven buying of Treasuries because of the mounting concerns toward the Trump administration. Initial resistance to start today is seen at the prior high of 153-15 and the bias looks to remain up even if the magnitude of gains is limited. Close in support in September bonds is seen at 153-01 and then again down at 152-26. The Treasury note market also remains in a bullish track with the market seemingly poised to consistently respect the 126-00 level and little in the way of resistance seen until the April 18th high of 126-10. With both bonds and notes discounting rising prospects of a June rate hike it is clear that the bull camp has control.

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 (SEP) 05/31/2017: 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. The outside day up is a positive signal. 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 near-term upside objective is at 154-050. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 153-290 and 154-050, while 1st support hits today at 152-300 and below there at 152-060.

10 YR TREASURY NOTES (SEP) 05/31/2017: 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. A positive signal was given by the outside day up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 126-165. The next area of resistance is around 126-125 and 126-165, while 1st support hits today at 125-305 and below there at 125-200.

STOCKS COMMENTARY

05/31/17

Bulls are saved by the Nasdaq but watch for Month-end action

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 +340

Global equity markets overnight were mixed again with Pacific Rim markets generally positive but European bourses mixed. Despite generally favorable international economic report flow overnight equity prices appear to be unimpressed and poised to drift lower. Clearly favorable economic news from China and the euro zone overnight has been discounted in favor of ongoing geopolitical concerns which remain glued to the eroding support for the British Prime Minister and to the declining hopes of pro-growth policy implementations by the Trump administration. Another issue that has apparently come down in favor of the bear camp in the market is a gradual rise in June US interest rate hike expectations. Fortunately for the bull camp anxiety and geopolitical fears aren't excessive and that might result in gradually lower lows in the days ahead.



S&P 500: As indicated already the path of least resistance looks to be pointing downward but declines are likely to be slow and measured. Downtrend channel resistance in the June E-mini S&P today is seen at 2416.65 and initial support in the market is seen at 2408.00. Therefore the initial range of trade today looks to be tight and it doesn't appear as if it will take much of a move in either direction to result in follow-through technical buying/technical selling. The problem for the bear camp is that there doesn't appear to be a primary high-profile anxiety theme and that might leave a quasi-double low zone of 2407.75 - 2408.00 as fairly strong support. On the other hand if the markets come away from today's scheduled US data with another notch higher in June rate hike expectations that could result in the lowest price in three days.

Other US Indexes: Like the E-mini S&P, the mini Dow this morning shows an erosive weak track on its charts. The bull camp might cite even number support at 21,000 as a psychological level that could hold up prices while the bear camp will point out the fact that level was breached overnight. It is also possible that month ending profit-taking will result in a poor finish to the month of May but we still doubt the selling will become aggressive. On the other hand the June mini NASDAQ has forged a fresh upside breakout and another new all-time high and that might serve to check up the weaker patterns in the June e-Mini S&P and the June mini Dow. Initial support in the June Mini NASDAQ this morning is seen at 5800.00 and there isn't a specific resistance point close-in given the latest new high! All the bull camp in the NASDAQ might need is Goldilocks US data and a noncommittal Fed

Beige book to drag the rest of the market higher later today. The fate of the entire market place sits on the shoulders of the June E-Mini NASDAQ today.

TODAY'S MARKET IDEAS:

If the June E-mini S&P in the June mini Dow were trading in a vacuum both markets would be poised for declines today but another new all-time high in the many NASDAQ could save the bull camp. On the other hand traders need to be on the lookout for a catalyst that prompts a portion of the trade/investors to bank profits for the month and move to the sidelines late in the day.

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) 05/31/2017: 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside target is 2420.81. The next area of resistance is around 2415.37 and 2420.81, while 1st support hits today at 2406.13 and below there at 2402.32.

MINI-DOW (JUN) 05/31/2017: 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 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 21124. The next area of resistance is around 21064 and 21124, while 1st support hits today at 20972 and below there at 20939.

E-MINI NASDAQ (JUN) 05/31/2017: 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 downside closing price reversal on the daily chart is somewhat negative. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 5816.56. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 5804.37 and 5816.56, while 1st support hits today at 5779.13 and below there at 5766.07.

MINI-RUSSELL 2000 (JUN) 05/31/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. 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 negative as the close remains below the 9-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The near-term upside target is at 1384.7. The next area of resistance is around 1376.7 and 1384.7, while 1st support hits today at 1364.3 and below there at 1359.8.

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 | | | | | | | | | | |
| USAAU7 | 153-130 | 71.50 | 65.04 | 80.21 | 87.70 | 152.70 | 152.56 | 151.28 | 151.29 | 150.35 |

| | | | | | | | | | | |
|--------|---------|-------|-------|-------|-------|----------|----------|----------|----------|----------|
| TYAAU7 | 126-055 | 68.61 | 64.41 | 72.02 | 77.25 | 125.92 | 125.90 | 125.37 | 125.14 | 124.64 |
| SPAM7 | 2410.70 | 64.22 | 62.06 | 83.34 | 90.76 | 2409.95 | 2392.57 | 2393.07 | 2372.40 | 2369.93 |
| EPM7 | 2410.75 | 63.37 | 61.36 | 82.93 | 89.98 | 2410.69 | 2392.89 | 2393.38 | 2372.50 | 2369.85 |
| TFEM7 | 1370.5 | 41.50 | 44.99 | 52.78 | 54.97 | 1377.45 | 1374.57 | 1380.84 | 1379.58 | 1376.00 |
| ENQM7 | 5791.75 | 72.01 | 70.31 | 88.05 | 93.81 | 5776.06 | 5709.19 | 5692.25 | 5554.33 | 5510.98 |
| YMM7 | 21018 | 60.22 | 58.82 | 80.47 | 87.66 | 21034.75 | 20884.56 | 20896.00 | 20745.78 | 20755.65 |

Calculations based on previous session. Data collected 05/30/2017

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 | | | | | | |
| USAAU7 | Bonds | 152-050 | 152-290 | 153-050 | 153-290 | 154-050 |
| TYAAU7 | 10 Yr Treasury Notes | 125-195 | 125-300 | 126-020 | 126-125 | 126-165 |
| SPAM7 | S&P 500 | 2403.57 | 2406.65 | 2411.67 | 2414.75 | 2419.77 |
| EPM7 | S&P E-Mini | 2402.31 | 2406.12 | 2411.56 | 2415.37 | 2420.81 |
| TFEM7 | Mini-Russell 2000 | 1359.7 | 1364.2 | 1372.2 | 1376.7 | 1384.7 |
| ENQM7 | E-Mini NASDAQ | 5766.06 | 5779.12 | 5791.31 | 5804.37 | 5816.56 |
| YMM7 | Mini-Dow | 20938 | 20971 | 21031 | 21064 | 21124 |

Calculations based on previous session. Data collected 05/30/2017

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CURRENCIES COMMENTARY

05/31/17

The Dollar looks to come back under pressure today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR -146, YEN +25, SWISS +38, CA DOLLAR +110

Upcoming International Reports (all times CT)

05/31 German Retail Sales 1:00 AM
 05/31 France Producer Price Index 1:45 AM
 05/31 German Employment Situation 3:00 AM
 05/31 Swiss ZEW Investor Sentiment 3:00 AM
 05/31 Euro-zone Unemployment Rate 4:00 AM
 05/31 Canadian GDP (By Industry) 7:30 AM
 05/31 Chicago PMI 9:00 AM
 05/31 API Energy Stocks 3:30 PM
 06/01 Swiss GDP 12:45 AM
 06/01 Swiss Retail Sales 2:15 AM
 06/01 Swiss PMI 2:30 AM
 06/01 France Manufacturing PMI 2:50 AM
 06/01 German Manufacturing PMI 2:55 AM
 06/01 Euro-Zone Manufacturing PMI 3:00 AM
 06/01 UK CIPS/NTC Research Manufac 3:30 AM
 06/01 Initial Jobless Claims 7:30 AM
 06/01 Construction Spending 9:00 AM
 06/01 ISM Manufacturing Index 9:00 AM
 06/01 EIA Gas Storage 9:30 AM
 06/01 EIA Energy Stocks 10:00 AM
 06/01 Japan Manufacturing PMI 6:35 PM



DOLLAR: A lower start today combined with mostly favorable international economic data overnight with an ongoing measure of disdain for the Trump administration from foreign heads and domestic press outlets leaves the path of least resistance down in the dollar. In fact one might've expected recent strength in US Treasuries to have pulled in foreign investors but the dollar has failed to hold gains on its charts and has made a fresh three day low in the early going today. Unless US economic data depicts strength and or the Fed Beige book posts

hawkish news the September Dollar should find it difficult to avoid a return to the May low of 96.50. Aggressive traders should look to be sellers of 20 point rallies.

EURO: The euro has apparently parsed the avalanche of economic data flows from its members overnight and has come away with a positive economic tilt. Apparently the euro trade has discounted news of an unchanged German retail sales result perhaps because of a downtick in the May German unemployment reading. Furthermore April euro zone unemployment down ticked and saw the lowest reading since 2009 and that largely discounted a weaker euro zone CPI reading. In short the market is embracing positives and discounting negatives and that leaves the prospect of a near term return to the high of 1.13355 as a likely outcome. Uptrend channel support in the September euro is seen today at 1.1199 which is effectively 1.12.

YEN: As in the euro currency the Japanese Yen today starts out on a positive chart path with the main reason behind that set up residual global political uncertainty and safe haven interest in the currency. In fact the Japanese Yen has basically discounted a series of favorable economic readings from Asia and Europe overnight. With April Japanese housing starts expected to decline and managing an unexpected gain and Japanese industrial production posting a sizable improvement, even domestic Japanese information is supportive of the bull case in the Yen. Critical support is seen at 90.40 and there might be little in the way of significant resistance until the 91.15 level

SWISS: Not surprisingly the Swiss franc has settled in with the upward track in the euro and the Japanese Yen in a reaction that looks to throw the currency through initial resistance of 1.0379. Critical pivot point support is seen at 1.0335 but a breakout to the highest level since early November 2016 is probably in the cards.

POUND: The main force pressing the Pound lower this morning is clearly reports that the UK Prime Minister continues to lose ground and that in turn could result in a hung parliament. In short the Pound looks to remain under pressure as a result of ongoing negative BREXIT fears. In fact the Pound looks to be under pressure as a result of macroeconomic slowing fears as the Bank of England released April readings on UK mortgage approvals overnight and those readings fell to a 7 month low and furthermore consumer credit showed a rise from the prior month. While support is close-in at 1.2840 there extending pattern of lower highs that could eventually result in a test of 1.2750.

CANADIAN DOLLAR: The Canadian appears to be benefiting as a result of the renewed weakness in the dollar but the bull camp will be tested by a series of Canadian GDP results. Expectations call for an uptick in Q1 quarter over quarter annualized GDP gains. However the main catalyst behind the Canadian today will probably be the dollar. Close in uptrend channel support in the September Canadian is seen today at 74.31 and there is the prospect of an early upside breakout above close-in resistance of 74.60.

TODAY'S MARKET IDEAS:

In the best case the US dollar looks to see and a slow erosive pattern but the lack of favorable economic news and the lack of a hawkish Fed spend from the Beige book could easily set the stage for a quick return to the May lows in the dollar.

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) 05/31/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is a negative signal. The close below the 1st swing support could

weigh on the market. The next upside target is 97.85. The next area of resistance is around 97.45 and 97.85, while 1st support hits today at 96.91 and below there at 96.75.

EURO (JUN) 05/31/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 110.8888. The next area of resistance is around 112.5074 and 112.8187, while 1st support hits today at 111.5425 and below there at 110.8888.

JAPANESE YEN (JUN) 05/31/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. 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. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 90.87. The next area of resistance is around 90.65 and 90.87, while 1st support hits today at 90.01 and below there at 89.57.

SWISS (JUN) 05/31/2017: 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. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 103.40. The next area of resistance is around 103.13 and 103.40, while 1st support hits today at 102.33 and below there at 101.81.

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 | 97.18 | 34.48 | 35.07 | 17.17 | 17.89 | 97.28 | 97.25 | 98.04 | 99.09 | 99.44 |
| JYAM7 | 90.33 | 64.74 | 58.55 | 64.05 | 71.57 | 89.82 | 89.85 | 89.08 | 90.04 | 89.70 |
| EU6M7 | 112.0250 | 64.12 | 64.40 | 84.41 | 82.94 | 112.12 | 112.02 | 110.83 | 109.02 | 108.61 |
| BPAM7 | 128.65 | 43.36 | 48.93 | 47.65 | 34.21 | 128.93 | 129.46 | 129.41 | 127.77 | 126.69 |
| CAAM7 | 74.31 | 63.72 | 58.33 | 78.37 | 80.04 | 74.31 | 74.02 | 73.57 | 74.07 | 74.23 |
| SFAM7 | 102.73 | 67.89 | 65.16 | 84.56 | 85.94 | 102.77 | 102.68 | 101.56 | 100.91 | 100.76 |
| DAAM7 | 74.62 | 54.78 | 50.83 | 62.94 | 67.44 | 0.75 | 0.75 | 0.74 | 0.75 | 0.75 |

Calculations based on previous session. Data collected 05/30/2017

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 | 96.74 | 96.90 | 97.30 | 97.45 | 97.85 |
| JYAM7 | Japanese Yen | 89.56 | 90.00 | 90.21 | 90.65 | 90.87 |
| EU6M7 | Euro | 110.8887 | 111.5425 | 111.8537 | 112.5074 | 112.8187 |
| BPAM7 | British Pound | 127.61 | 128.17 | 128.56 | 129.12 | 129.51 |
| CAAM7 | Canadian Dollar | 73.85 | 74.09 | 74.29 | 74.52 | 74.72 |
| SFAM7 | Swiss | 101.80 | 102.33 | 102.60 | 103.13 | 103.40 |
| DAAM7 | Australian Dollar | 73.99 | 74.36 | 74.51 | 74.88 | 75.03 |

Calculations based on previous session. Data collected 05/30/2017

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