



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday June 01, 2017

BONDS COMMENTARY

06/01/17

The bull camp retains control unless all #'s are strong today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -100

With global equity markets positive overnight, a May Japanese manufacturing PMI number that made a minimal gain, Euro zone manufacturing surprisingly strong and generally positive UK PMI activity it is not surprising to see Treasury prices under early pressure to start today. However, news that the May Caixin Chinese manufacturing PMI number posted a modest decline counters some of the early selling. On the other hand bear camp would seem to have a measure of control to start today in the wake of a hawkish interpretation of the Fed Beige book release yesterday afternoon and also from Fed commentary overnight that one can't rule out the prospect of 4 interest rate hikes this year. The main focal point of the Fed Beige book interpretation was tightening of the labor situation in the US and therefore today's flurry of employment related data (Challenger, ADP and claims) should set the stage for a key decision in Treasuries but the market will also be presented with a flurry economic reports from North America in the form of ISM manufacturing and April construction spending. However in looking at market action over the last two weeks the bull camp retains an edge as minimally supportive data has resulted in higher highs while negative data has not been able to pull prices lower. The North American session will start out with the May Challenger survey of job cuts, followed by the May ADP Employment survey which is expected to have a modest uptick from April's 177,000 reading. A weekly reading on initial jobless claims is forecast to show a minimal increase from the previous 234,000 reading. Following the Markit manufacturing PMI readings for the US and Canada, the May ISM manufacturing survey is expected to have a modest downtick from April's 54.8 reading. April construction spending is forecast to see a sizable uptick from March's -0.2% reading and climb into positive territory. Fed Governor Powell will speak during morning US trading hours.



TODAY'S MARKET IDEAS:

As indicated in coverage this morning the bull camp seems to maintain control despite data and developments that might be construed as definitively bearish. In fact talk of developing tightness in the labor market yesterday would normally have the impact of offsetting most other data points as the Fed guards against an inflation spark from that portion of the economy. However the Fed has acknowledged inflation readings that have yet to reach up to targets and the inflation data of late has not indicated inflation is gaining a definitive foothold. Therefore the May run-up in Treasury prices is probably the result of the trade at its heart factoring in an on-hold Fed in the June 13th/14th meeting. On the other hand as prices near the April highs and if payroll readings on Friday show an expansion near 200,000 we have to think September bond prices near 154-02 will be found to be too expensive. Similarly the path of least resistance in Notes remains up but a return to 126-13 should put the market at an extreme level. In order to see a sweeping and sustained reversal in September bonds today probably requires a clean sweep of positive data and a setback below a key pivot point of 153-07.

NEW RECOMMENDATIONS:

Sell September Bonds on a rally to 154-05. Use an objective of 151-02. Risk the trade to 154-23.

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) 06/01/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. 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 154-130. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 154-030 and 154-130, while 1st support hits today at 153-090 and below there at 152-240.

10 YR TREASURY NOTES (SEP) 06/01/2017: 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 close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 126-165. The next area of resistance is around 126-125 and 126-165, while 1st support hits today at 126-025 and below there at 125-280.

STOCKS COMMENTARY

06/01/17

The path of least resistance to return to the bull case today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 +250

Global equity markets were positive overnight with some isolated weakness in the Shanghai Composite and the RTS Index. A weak erosive pattern in prices this week has been partially ushered in by a notch higher in rate hike fears but also because of weakness in certain energy patch shares in the wake of the threat that the US will leave the Paris Accord. It is also likely that part of this week's loss of upside momentum is the result of month-end profit-taking and repositioning. In looking forward the market will be presented with a firestorm of scheduled US data points today and again on Friday. Prices are leaning negative this morning because of hawkish Fed fears in the wake of the release of the Fed Beige book yesterday which in turn increases the focus on scheduled data directly ahead. Earnings announcement will include Dollar General before the Wall Street opening while Broadcom Limited and VMware report after the close.



S&P 500: As indicated already the June E-mini S&P has clearly lost momentum over the last four trading sessions in a move that is partially profit-taking. However the focus of the trade this morning probably shifts temporarily toward US scheduled data which the bull camp needs to be "Goldilocks" or not too hot and not too cold. It is possible that the sharp flush in prices yesterday and the respect of the 2400.00 level in the June E-mini S&P has corrected the overbought condition of the market and that in turn might provide a base for prices today. Since we think the odds are high of offsetting data the trade could come away with a positive mix of progression in the economy without a distinct rate hike threat. We doubt that critical support of 2408.00 will hold definitively but a secondary support point of 2405.50 might hold.

Other US Indexes: Like the E-Mini S&P the E-Mini Dow has carved out a pattern of lower highs and lower lows which leave the technical condition in favor of the bear camp. However we expect the market to reject a washout today down to the 20,929 level unless claims fall and private job sector reports are surprisingly strong. On the other hand the stock market in general has not definitively exhibited a "good news is bad" posture. Not surprisingly the E-Mini NASDAQ has avoided the erosive action seen in other sectors of the market and it sits this morning just under all-time highs. Since we think scheduled data will be mixed and the threat of rate hike fears will remain in check we suggest that traders be buyers of a setback in the June E-Mini NASDAQ to the 5778.25 area.

TODAY'S MARKET IDEAS:

While we can't rule out some knee-jerk volatility to a veritable avalanche of US scheduled data today and Friday positive action in the NASDAQ and perhaps doubt on the rate hike threat later this month will leave the path of

least resistance pointing upward. However we do think the NASDAQ will perform better on rallies and avoid weakness better than Dow and S&P Index measures.

NEW RECOMMENDATIONS:

Buy the June E-Mini Nasdaq at 5775.30 with an objective of 5823.95. Use a risk on the trade of 5763.20

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) 06/01/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. 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 daily closing price reversal up is a positive indicator that could support higher prices. The close over the pivot swing is a somewhat positive setup. The next upside target is 2425.87. The next area of resistance is around 2421.00 and 2425.87, while 1st support hits today at 2407.00 and below there at 2397.88.

MINI-DOW (JUN) 06/01/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. 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 daily closing price reversal up is a positive indicator that could support higher prices. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 21143. The next area of resistance is around 21096 and 21143, while 1st support hits today at 20966 and below there at 20882.

E-MINI NASDAQ (JUN) 06/01/2017: A new contract high was made on the rally. Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The outside day up and close above the previous day's high is a positive signal. The close over the pivot swing is a somewhat positive setup. The next upside target is 5854.00. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5833.25 and 5854.00, while 1st support hits today at 5777.75 and below there at 5743.00.

MINI-RUSSELL 2000 (JUN) 06/01/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 1392.1. The next area of resistance is around 1383.1 and 1392.1, while 1st support hits today at 1358.5 and below there at 1342.8.

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	153-220	74.40	67.17	83.64	90.66	153.05	152.69	151.46	151.37	150.43
TYAAU7	126-075	69.84	65.23	75.25	81.88	126.04	125.91	125.44	125.19	124.69
SPAM7	2414.00	66.08	63.28	86.46	92.68	2412.98	2398.84	2394.65	2374.08	2370.63
EPM7	2414.00	65.05	62.44	85.91	91.72	2413.38	2399.33	2394.92	2374.15	2370.63
TFEM7	1370.8	41.69	45.11	52.96	53.08	1375.08	1375.94	1379.42	1379.72	1375.97
ENQM7	5805.50	73.94	71.61	90.23	94.39	5794.56	5734.86	5702.22	5563.77	5518.50
YMM7	21031	61.65	59.71	83.30	88.66	21045.50	20934.67	20905.11	20757.36	20758.05

Calculations based on previous session. Data collected 05/31/2017

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	152-230	153-080	153-180	154-030	154-130
TYAAU7	10 Yr Treasury Notes	125-275	126-020	126-060	126-125	126-165
SPAM7	S&P 500	2398.44	2407.29	2411.85	2420.69	2425.25
EPM7	S&P E-Mini	2397.87	2407.00	2411.87	2421.00	2425.87
TFEM7	Mini-Russell 2000	1342.7	1358.4	1367.4	1383.1	1392.1
ENQM7	E-Mini NASDAQ	5743.00	5777.75	5798.50	5833.25	5854.00
YMM7	Mini-Dow	20881	20965	21012	21096	21143

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CURRENCIES COMMENTARY

06/01/17

The Dollar probably displays some temporary strength

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +211, YEN -490, SWISS -25, CA DOLLAR +45**

Upcoming International Reports (all times CT)

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
06/02 Japan Consumer Confidence Su 12:00 AM
06/02 France ECRI Future Inflation 3:30 AM
06/02 German ECRI Future Inflation 3:30 AM
06/02 UK ECRI Future Inflation Gau 3:30 AM
06/02 Euro-zone ECRI Future Inflat 4:00 AM
06/02 Euro-zone Industrial Produce 4:00 AM
06/02 Canadian International Merch 7:30 AM
06/02 Unemployment 7:30 AM
06/02 US Trade Balance 7:30 AM



DOLLAR: It is little surprising to see the dollar showing some recovery action today in the wake of mostly favorable euro zone/UK manufacturing news overnight. However disappointing to soft Chinese manufacturing news probably saved the dollar from another new low for the move this morning. With the US Dollar throughout the December through May washout failing to show definitive and sustained strength following positive data, it could take something stellar from some of the impending data points to make the last two week's consolidation pattern a key low. In fact seeing progressive recovery in the euro zone and any confusion from the avalanche of US data over the coming 36 hours could usher in a fresh downside \$ breakout. However it would appear as if the September dollar index will have key support today at 96.64 and we can't rule out a temporary pulse up to 97.25 through the 7:30 AM numbers on Friday.

EURO: As indicated in other coverage this morning euro zone manufacturing figures were positive (with the

exception of French readings) and that should help to underpin the euro near the recent highs. However the euro is short-term overbought and it appears to have lost upside momentum following the May 23rd peak and that probably makes the 1.1320 level a resistance point today, and it could set the table for a near term decline to 1.1228. In conclusion the euro should be underpinned by its data but the focus of the trade today clearly shifts to the US side of the pond.

YEN: While the Yen garnered some safe haven support overnight following the Chinese manufacturing news, favorable data from the euro zone and generally positive global equity market action overnight has shifted the currency into a bearish track. Furthermore, May Japanese manufacturing PMI made a minimal gain overnight and that also increases the safe haven liquidation threat. Near term downside targeting is seen today at 90.20 and we can't rule out a near term slide down to 89.78 and or 89.64.

SWISS: We are a little surprised that the Swiss isn't under more pressure this morning in the wake of disappointing growth figures from Switzerland but also because of minimal recovery action in the US dollar. However the Swiss currency and the Swiss economy are probably cushioned as a result of the growth pattern from the euro zone. The Swiss is short-term overbought from the prior two session's bounce and that could leave the market facing some volatility and a temporary probe back down to the 1.033 level in the coming 36 hours of trade.

POUND: It is difficult to throw off the downward bias in the British Pound that has been in place since the May highs particularly with the deterioration of the UK political condition again and also because of the month over month downtick in UK manufacturing readings overnight. Near term downside targeting in the June Pound is seen at 1.2830 over the coming 36 hours of trade.

CANADIAN DOLLAR: While the Canadian dollar has showed some corrective action off its late May high, positive GDP results and fomenting hopes of a BOC rate hike should serve to thicken consolidation low support around the 74.00 level. However as in other non-dollar currencies the potential for volatility over the coming 36 hours of trade is high and we can't rule out a temporary spike down to the 73.82 level.

TODAY'S MARKET IDEAS:

As indicated in several markets today the prospect of extensive volatility over the coming 36 hours a trade is very high with the dollar potentially mounting a rally that fails to hold into the close of trade this week.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 06/01/2017: A crossover down in the daily stochastics is a bearish signal. Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside objective is 96.39. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 97.24 and 97.64, while 1st support hits today at 96.61 and below there at 96.39.

EURO (JUN) 06/01/2017: A bullish signal was given with an upside crossover of the daily stochastics. 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 near-term upside objective is at 113.2212. The next area of resistance is around 112.9325 and 113.2212, while 1st support hits today at 112.0475 and below there at 111.4513.

JAPANESE YEN (JUN) 06/01/2017: 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 close over the pivot swing is a somewhat positive setup. The next upside target is 90.91. The next area of resistance is around 90.65 and 90.91, while 1st support hits today at 90.06 and below there at 89.71.

SWISS (JUN) 06/01/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 104.19. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 103.88 and 104.19, while 1st support hits today at 102.92 and below there at 102.26.

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	96.92	29.17	31.76	16.06	13.84	97.20	97.14	97.94	99.03	99.36
JYAM7	90.35	65.16	58.84	68.09	76.27	90.02	89.88	89.15	90.03	89.74
EU6M7	112.4900	68.50	67.11	84.80	85.81	112.15	112.09	110.96	109.09	108.71
BPAM7	128.93	47.34	51.29	44.07	36.90	128.77	129.38	129.38	127.84	126.80
CAAM7	74.03	54.56	52.82	77.19	75.12	74.19	74.09	73.64	74.05	74.22
SFAM7	103.40	75.88	70.72	86.54	90.50	102.97	102.81	101.67	100.94	100.83
DAAM7	74.27	44.98	45.41	62.87	62.60	0.74	0.75	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	96.38	96.61	97.01	97.24	97.64
JYAM7	Japanese Yen	89.70	90.05	90.31	90.65	90.91
EU6M7	Euro	111.4512	112.0475	112.3362	112.9325	113.2212
BPAM7	British Pound	127.18	128.16	128.72	129.70	130.26
CAAM7	Canadian Dollar	73.61	73.77	74.12	74.28	74.63
SFAM7	Swiss	102.25	102.91	103.22	103.88	104.19
DAAM7	Australian Dollar	73.86	74.01	74.37	74.52	74.88

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