



# DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday June 02, 2017

## BONDS COMMENTARY

06/02/17

**The bulls have control unless payrolls print above 211,000**

### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**BONDS +50**

Apparently the bull camp in the Treasury market is not discouraged by a fresh all-time high in the FTSE and strength in other global equity market measures to start today as prices sit just under yesterday's high. In fact the market also discounted favorable Japanese and UK economic readings overnight. Even more surprising is the Treasury market's discounting of a hotter than expected euro zone PPI result. In the end the bull camp will point to weakness in US construction spending, a rise in US initial claims and generally soft US auto sales figures. The bear camp will point to a strong jump in the ADP numbers yesterday and the uptick of the employment component of the ISM as evidence of forward movement in the economy. With expectations for today's payroll report technically lower than the prior month, one could argue that the economic bar for growth is set somewhat low. However "action" in bonds and Notes continues to show noted strength on minimally supportive data at the same time they manage to discount data that would typically pressure prices. Therefore the bias in the Treasury markets remains up unless today's set of data definitively fosters rate hike fears. The North American session will start out with the highlight for global markets, the May employment situation report. May non-farm payrolls are forecast to come in around the 180,000 to 190,000 level which compares to April's 211,000 reading, but the report may be vulnerable to an upside surprise after the strong ADP employment survey. May unemployment is expected to hold steady at 4.4% while May average hourly earnings are forecast to see a minimal downtick from April's 0.3% reading. The April international trade balance is expected to show a moderate increase to the monthly deficit. April Canadian international merchandise trade is forecast to have a modest downtick in their monthly deficit. Philadelphia Fed President Harker will speak during morning US trading hours while Dallas Fed President Kaplan will speak during the afternoon.



### TODAY'S MARKET IDEAS:

When the trend is pointing upward in Treasuries and the trade is discounting potentially bearish news flow it will probably take something north of 211,000 jobs gained or a decline in the unemployment rate just to stem the tide of gains in bonds and notes today. In fact we would be surprised if the September bonds failed to regain the 154-00 level in the post report volatility. Similarly we would be surprised if September notes failed to reach 126-16 at some point early today. In conclusion the trade seems to be rushing to factor in an on-hold Fed ahead and to alter that psychology might require a nonfarm payroll gain in excess of 220,000. On the other hand it might not be as difficult as the market perceives to register a hot number today as the ADP report was strong and global equities are sensing a more positive economy than the Treasury complex.

### NEW RECOMMENDATIONS:

Sell September Bonds on a rally to 154-15. 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) 06/02/2017:** Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 154-030. The next area of resistance is around 153-270 and 154-030, while 1st support hits today at 153-080 and below there at 152-280.

**10 YR TREASURY NOTES (SEP) 06/02/2017:** 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 126-140. The next area of resistance is around 126-105 and 126-140, while 1st support hits today at 126-015 and below there at 125-275.

## STOCKS COMMENTARY

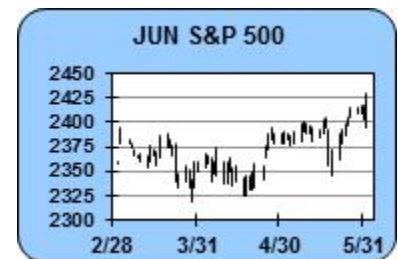
06/02/17

**There is no reason to take control away from the bull camp**

### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**S&P 500 +680**

Global equity markets were higher overnight with the CSI, MICEX, Hang Seng and RTS bucking the trend and trading lower. In fact the FTSE forged a new all-time high and the Nikkei climbed above the 20,000 level in a move that speaks of renewed optimism in Japan. Apparently equity markets have basically ignored the US exit from the Paris Accord and they have also accepted/ignored the rising prospects of a June US rate hike. One might suggest a bull market is defined as a market that embraces the positives and discounts the negatives. Therefore it is possible that a middle-of-the-road or slightly above the middle-of-the-road gain in US nonfarm payrolls will allow the upward bias to extend.



**S&P 500:** With another new all-time high in the early going it would appear as if the June E-mini S&P is happy with this week's mixed data flow. In fact one could argue that mixed data point to forward motion in the economy but not so much forward motion as to bring the Fed off the bench later this month. On the other hand with a 36 point 21/2 day rise probably puts the E-Mini S&P in a short-term technically overbought condition. However, the bias is pointing up with uptrend channel support today coming in at 2417.85 but traders should brace for a volatility event following the payroll release today. Like Treasuries the June E-mini S&P would benefit greatly in the face of a nonfarm payroll gain between 160,000 and 195,000. While we think the market could be undermined in the wake of a much stronger-than-expected reading that type of reaction isn't guaranteed.

**Other US Indexes:** In a slight change of pace the June mini Dow has scored a new all-time high in sync with the rest of the market. One almost gets the feeling that stocks are going to shape today's data into a positive with just enough favorable data to facilitate growth optimism, without so much strength that the prospect of Fed action is increased. Uptrend channel support today in the June mini Dow is seen at 21,042 and there might not be much in the way of resistance until even numbers of 22,000. Uptrend channel support in the June Mini NASDAQ today is seen at 5806.05 and near term upside targeting is seen at 5821.95. Clearly the flap over the Paris Accord, soft US auto sales, weak construction spending and a rise in US initial claims has tamped down the rate hike threat for the equity market.

### TODAY'S MARKET IDEAS:

Despite the short-term overbought condition of the market the "Goldilocks" flow of data is just right for the bull camp.

### 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) 06/02/2017: The market rallied to a new contract high. 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. The market's close above the 2nd swing resistance number is a bullish indication. The next upside objective is 2445.12. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 2439.75 and 2445.12, while 1st support hits today at 2419.75 and below there at 2405.13.

MINI-DOW (JUN) 06/02/2017: The market rallied to a new contract high. Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 21250. The next area of resistance is around 21207 and 21250, while 1st support hits today at 21053 and below there at 20943.

E-MINI NASDAQ (JUN) 06/02/2017: The rally brought the market to a new contract high. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 5854.50. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 5843.50 and 5854.50, while 1st support hits today at 5801.00 and below there at 5769.50.

MINI-RUSSELL 2000 (JUN) 06/02/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market's close above the 2nd swing resistance number is a bullish indication. The next upside objective is 1420.6. The next area of resistance is around 1412.0 and 1420.6, while 1st support hits today at 1381.3 and below there at 1359.1.

**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
<b>FINANCIAL COMPLEX</b>										
USAAU7	153-170	69.47	64.70	86.54	91.70	153.32	152.81	151.63	151.46	150.53
TYAAU7	126-060	66.16	63.36	78.48	84.26	126.13	125.94	125.52	125.24	124.74
SPAM7	2429.60	73.55	68.53	88.81	94.44	2416.30	2405.86	2396.26	2375.75	2371.69
EPM7	2429.75	72.54	67.63	88.89	94.69	2417.56	2406.72	2396.65	2375.88	2371.76
TFEM7	1396.7	62.98	57.52	57.80	67.25	1379.43	1379.46	1379.78	1380.29	1376.53
ENQM7	5822.25	75.87	72.93	92.20	96.21	5804.06	5755.78	5711.79	5572.97	5526.30
YMM7	21130	68.10	63.97	86.23	92.13	21062.75	20988.89	20913.83	20768.44	20762.38

Calculations based on previous session. Data collected 06/01/2017

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

**DAILY SWING STATISTICS**

Contract	Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>FINANCIAL COMPLEX</b>					

USAAU7	Bonds	152-270	153-070	153-150	153-270	154-030
TYAAU7	10 Yr Treasury Notes	125-270	126-010	126-045	126-105	126-140
SPAM7	S&P 500	2406.79	2420.39	2425.19	2438.79	2443.60
EPM7	S&P E-Mini	2405.12	2419.75	2425.12	2439.75	2445.12
TFEM7	Mini-Russell 2000	1359.0	1381.2	1389.8	1412.0	1420.6
ENQM7	E-Mini NASDAQ	5769.50	5801.00	5812.00	5843.50	5854.50
YMM7	Mini-Dow	20942	21053	21096	21207	21250

Calculations based on previous session. Data collected 06/01/2017

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## CURRENCIES COMMENTARY

06/02/17

**The Dollar bulls "need" a strong payroll result today**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
US DOLLAR +38, YEN -160, SWISS +2, CA DOLLAR -85**

### Upcoming International Reports (all times CT)

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:** In retrospect US scheduled data has been disappointing to the dollar this week. In fact while the dollar has rejected the low posted on Wednesday the dollar this morning is still trading lower on the week! While other currencies have seemingly benefited from "positive" data from outside the US this week the dollar has correctly seen a mixed to slightly disappointing flow of economic information as a hindrance. The hope of the bull camp in the dollar is that the Fed is looking through weak data and is concerning itself exclusively with the prospect of wage strength. However expectations call for a downtick in wages today and a nonfarm payroll gain less than what was seen in the prior month should eventually undermine the Dollar. Therefore the bull camp in the dollar needs a better-than-expected reading just to post even a fleeting rally attempt.

**EURO:** While the euro is simply waffling around the prior session's close in the early going today it should be underpinned as a result of a hotter than expected April euro zone PPI. The market expected a minor increase of 3.9% but instead the figure weighed in at a 4.3% level. We see no reason to call for an end to the upward bias in the euro with uptrend channel support today seen at 1.1243. To put the euro down and keep it down probably requires a nonfarm payroll print above 220,000 today.

**YEN:** With another round of new all-time highs in several global equity market measures it is clear that safe haven psychology is on the wane today and that has logically put the Yen under pressure. In fact seeing the Nikkei trade back above 20,000 and new all-time highs in several US equity market measures it is logical to extract safe haven premium from the Yen. Apparently seeing an as expected improvement in Japanese consumer confidence in May is simply unable to support the Yen. Near term downside targeting in the Yen is seen down at 89.84.

**SWISS:** Clearly the Swiss was overbought into the high on Wednesday and some measure of back and fill action was needed. Given the anticipated volatility from US data today we can't rule out at least a temporary return to 1.0333 but closer in uptrend channel support is seen at 1.0349.

**POUND:** The bull camp in the British Pound has to be extremely disappointed with the action in the currency following a much stronger than expected May UK construction PMI result this morning. In fact the economic reading should have inspired an upside breakout for the week but instead the Pound is languishing in the shadow

of UK politics. Significant resistance is seen today at 1.2964 and we can't rule out a slide back down to 1.2840 later today.

**CANADIAN DOLLAR:** Clearly the Canadian dollar is set to remain under pressure as a minimal recovery bounce in the US dollar has left the Canadian with an extending pattern of lower lows. While the September Canadian might garner some fleeting support at 74.00 we can't rule out at least a temporary spike down thrust to 73.79 this morning.

**TODAY'S MARKET IDEAS:**

We suspect the dollar will continue to exhibit a pattern where favorable data elicits an initial rally before the gains are reversed. In fact without a much above expected nonfarm payroll gain we think the dollar is a cell on rallies today.

**NEW RECOMMENDATIONS:**

Sell a September Dollar Index on a rally to 97.55 using an objective of 96.20. Risk the trade to a close above 98.00.

**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) 06/02/2017: Momentum studies are declining, but have fallen to oversold levels. 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 next downside target is 96.69. The next area of resistance is around 97.36 and 97.52, while 1st support hits today at 96.95 and below there at 96.69.

EURO (JUN) 06/02/2017: 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 downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 112.8575. The next area of resistance is around 112.5000 and 112.8575, while 1st support hits today at 111.9400 and below there at 111.7375.

JAPANESE YEN (JUN) 06/02/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The near-term upside target is at 90.58. The next area of resistance is around 90.17 and 90.58, while 1st support hits today at 89.54 and below there at 89.33.

SWISS (JUN) 06/02/2017: 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 market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 103.64. The next area of resistance is around 103.28 and 103.64, while 1st support hits today at 102.76 and below there at 102.61.

**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
<b>CURRENCY COMPLEX</b>										
DXAM7	97.16	37.82	36.91	15.73	15.07	97.14	97.16	97.84	98.97	99.28

JYAM7	89.85	53.21	52.21	70.64	74.67	90.14	89.90	89.21	90.02	89.77
EU6M7	112.2200	62.99	63.77	85.26	85.90	112.17	112.21	111.08	109.18	108.82
BPAM7	128.88	46.70	50.77	42.42	38.51	128.64	129.32	129.33	127.93	126.91
CAAM7	73.95	52.09	51.34	75.14	70.64	74.15	74.15	73.69	74.03	74.21
SFAM7	103.02	64.63	63.89	87.59	89.67	103.01	102.90	101.75	100.98	100.89
DAAM7	73.72	34.15	38.44	57.79	47.04	0.74	0.74	0.74	0.75	0.75

Calculations based on previous session. Data collected 06/01/2017

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM7	US Dollar	96.69	96.95	97.11	97.36	97.52
JYAM7	Japanese Yen	89.32	89.54	89.95	90.17	90.58
EU6M7	Euro	111.7375	111.9400	112.2975	112.5000	112.8575
BPAM7	British Pound	127.97	128.44	128.83	129.31	129.69
CAAM7	Canadian Dollar	73.71	73.79	74.03	74.11	74.34
SFAM7	Swiss	102.60	102.76	103.12	103.28	103.64
DAAM7	Australian Dollar	73.08	73.30	73.91	74.13	74.74

Calculations based on previous session. Data collected 06/01/2017

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