



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday August 10, 2017

BONDS COMMENTARY

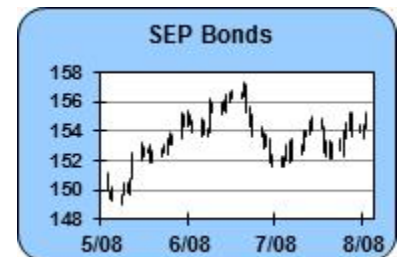
08/10/17

Safe haven buying is unimpressive but the bulls have an edge

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +40

In the early going today Treasury bonds sit just below the middle of the prior session's trading range and in negative territory which suggests they have not seen sustained safe haven interest in the wake of the latest North Korean missile test threat. In our opinion the inability to maintain September bonds above the 155-00 level yesterday and the lack of safe haven flow this morning in the wake of very specific and incendiary plans from North Korea, highlights the fact that US Treasuries are not consistently part of the safe haven market contingent. However Treasuries should be supported as a result of evidence of significant inflows into Japanese bond investments last month and to a lesser degree from modest inflows into German bonds overnight. On the other hand the bull camp in bonds and notes has to be partially undermined as a result of overnight comments from the Fed's Evans that it was reasonable to begin reducing the balance sheet next month. It should be noted that the Fed has recently suggested that a trimming of its balance sheet will result in increased supply in the regularly scheduled auctions. While this week has not presented much in the way of volatility off auction supply, the last auction wave of the week in the form of a \$15 billion offering of 30 year bonds could be the most telling in the wake of the comments from Evans. With very little change anticipated in US initial claims later this morning the key driving force from the US scheduled report slate could be inflationary measures. In fact estimates for the various PPI breakdown call for three measures to show upticks and one measure to be unchanged. The trade might also see a delayed reaction to a series of inflation measures from France, Germany, Italy and Russia after the inflation data from the United States is released. The most prevalent economic data point from the US would usually be initial claims but that report is expected to be unchanged and therefore the PPI measures are likely to dominate. Traders should also be aware that the New York Fed President Dudley is scheduled to speak at 2 PM central time today. The trade will also be presented with an auction of \$15 billion in 30 year bonds from the US.



TODAY'S MARKET IDEAS:

From the action this week it is clear that Treasuries are capable of periodically garnering safe haven buying interest but it is also clear that the bull camp is having difficulty maintaining prices above 155-00 in September bonds. While one has to expect some support from the ongoing North Korean saga the markets might take a temporary detour this morning from that driving force to factor in a slight uptick in US inflation measures at the producer level. However traders should not expect data to drive prices for long and the most likely driving force for Treasuries will be action in US equities and any response from the US President to the North Korean test details floated overnight. Initial resistance in September bonds today is seen at 154-31 and then again at 155-04. Initial resistance in September T notes today comes in at 126-14 and then again up at 126-19. Pushed into the market we favor an upward tilt but the longs will probably face temporary adversity from the schedule data window at 730 central.

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) 08/10/2017: The major trend could be turning up with the close back above the 60-day moving average. The daily stochastics have crossed over up which is a bullish indication. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 155-240. The next area of resistance is around 155-050 and 155-240, while 1st support hits today at 154-030 and below there at 153-190.

10 YR TREASURY NOTES (SEP) 08/10/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 125-290. The next area of resistance is around 126-155 and 126-235, while 1st support hits today at 126-025 and below there at 125-290.

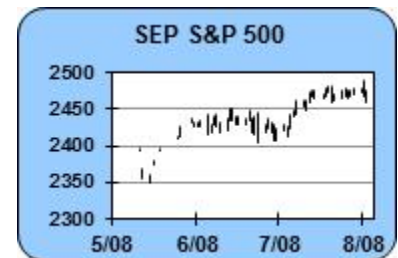
STOCKS COMMENTARY

08/10/17

The bears retain control as they wait for a Trump Tweet

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 -1030

Global equities were weaker overnight with the exception the RTS Index and the AT Com SHR which managed minimal gains. In the end the markets will now train their focus on Washington for its response to the "detailed plans" from North Korea and it would be atypical for that response to be long in coming. In addition to the latest North Korean/US political dialogue twist the trade was also presented with Japanese capital flows data which showed a large increase of inflows into Japanese Bonds from foreign investors but that news was offset by an outflow of foreign investment from Japanese stocks. Corporate earnings today include Coca-Cola Enterprises, blue apron holdings, Brinker international, Glenn core PLC, Khol's Corporation, Macy's Inc., Chicago Bridge and Iron and Zurich insurance group LTD.



S&P 500: While the September E-mini S&P made an attempt to climb above the Wednesday high overnight that rally attempt clearly faltered and prices this morning are sliding back toward this week's low. In our opinion the release of specific details on the next North Korean missile test escalates the situation and will clearly goad the US President into an aggressive response. While the markets might garner some minimal support from the US scheduled report window today regular fundamental storylines are relegated to a back burner and the September E-mini S&P should be expected to trade in a range this morning bound by 2465.00 and 2459.00. In conclusion the path of least resistance is down even if prices early today are not exhibiting a high level of bearish anxiety or panic.

Other US Indexes: After the record-breaking higher pattern of prices in the mini Dow recently the corrective action from the Tuesday high is to be expected and the prospect of even more declines is high. We see thin support at the prior session's low of 21,961 and a possible slide to 21,928 or lower if the US announces detailed plans to shoot down the next NK missile test. With the United Nations warning North Korean leadership of the prospect of their actions leading to their "destruction" the dialogue is not isolated between the US and North Korea. While the Mini-NASDAQ is not as technically vulnerable as other sectors of the market the prospect of a decline to the bottom of the last two weeks consolidation down at 5861.75 is high. An even lower downside targeting (in the event of a US show of support from the Navy in the region) is seen down at 5850.00.

TODAY'S MARKET IDEAS:

While some of the panic/anxiety is missing in the market this morning in the wake of the latest round of incendiary commentary from North Korea the path of least resistance in stocks should remain down. The question of the day will be the rate of descent and whether anxiety will rise during the slide in prices?

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 (SEP) 08/10/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 2454.88. The next area of resistance is around 2480.75 and 2484.87, while 1st support hits today at 2465.75 and below there at 2454.88.

MINI-DOW (SEP) 08/10/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. 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 next downside objective is 21940. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 22051 and 22072, while 1st support hits today at 21985 and below there at 21940.

E-MINI NASDAQ (SEP) 08/10/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The upside closing price reversal on the daily chart is somewhat bullish. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 5845.07. The next area of resistance is around 5953.87 and 5970.56, while 1st support hits today at 5891.13 and below there at 5845.07.

MINI-RUSSELL 2000 (SEP) 08/10/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 1382.5. The next area of resistance is around 1404.8 and 1413.3, while 1st support hits today at 1389.4 and below there at 1382.5.

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	154-200	57.60	55.42	64.25	67.49	154.19	154.02	153.79	154.11	153.83
TYAAU7	126-090	57.11	55.22	69.84	68.45	126.14	126.12	126.05	126.05	126.05
SPAU7	2459.90	61.42	62.75	74.69	65.57	2473.83	2472.34	2470.40	2446.98	2435.80
EPU7	2473.25	59.45	60.99	73.52	64.12	2473.44	2472.33	2470.81	2447.24	2436.08
TFEU7	1397.1	31.45	38.50	26.76	18.17	1407.90	1414.32	1425.87	1419.28	1409.84
ENQU7	5922.50	57.56	57.96	59.43	54.25	5917.75	5911.42	5913.89	5807.94	5796.76
YMU7	22018	76.91	73.82	91.20	88.62	22032.75	21959.89	21771.11	21517.20	21368.62

Calculations based on previous session. Data collected 08/09/2017
 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	153-180	154-020	154-210	155-050	155-240
TYAAU7	10 Yr Treasury Notes	125-285	126-020	126-100	126-155	126-235
SPAU7	S&P 500	2449.07	2452.85	2463.17	2466.95	2477.27
EPU7	S&P E-Mini	2454.87	2465.75	2469.87	2480.75	2484.87
TFEU7	Mini-Russell 2000	1382.5	1389.4	1397.9	1404.8	1413.3
ENQU7	E-Mini NASDAQ	5845.06	5891.12	5907.81	5953.87	5970.56
YMU7	Mini-Dow	21940	21985	22006	22051	22072

Calculations based on previous session. Data collected 08/09/2017
 Data sources can & do produce bad ticks. Verify before use.

CURRENCIES COMMENTARY

08/10/17

Political football with the US comments expected this AM

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
 US DOLLAR +135, YEN +55, SWISS -26, CA DOLLAR -145**

Upcoming International Reports (all times CT)

- 08/10 30-Yr Auction
- 08/10 France Industrial Production 1:45 AM
- 08/10 UK Foreign Trade 3:30 AM
- 08/10 UK Industrial Production 3:30 AM
- 08/10 Canadian New Housing Price I 7:30 AM
- 08/10 Initial Jobless Claims 7:30 AM
- 08/10 PPI 7:30 AM
- 08/10 EIA Gas Storage 9:30 AM
- 08/11 German Consumer Price Index 1:00 AM
- 08/11 France Consumer Price Index 1:45 AM
- 08/11 CPI 7:30 AM
- 08/11 Real Earnings 7:30 AM



DOLLAR: While the Dollar has managed to consolidate the early August bounce and it is receiving some safe haven inflow it is clear that the dollar is being held back by fears that its' actions toward North Korea might differ with those of the UN and other key global players ahead. While the dollar is showing some early strength today we would have expected the currency to have garnered more lift from comments from the Fed's Evans who suggested it was appropriate to think the US Fed would begin to reduce its balance sheet next month as that is a form of tightening. However some traders suggest that reducing the US balance sheet is disappointing to the dollar bulls as that action might take the place of or delay hikes in rates by the US. Unfortunately for dollar bulls the anticipated change in initial claims later this morning is expected to be small but the bull camp should expect some lift from US inflation readings. Therefore we can't rule out a temporary early retest of the 93.77 level but the failure to hold 93.36 could open up a wave of fresh selling today.

EURO: The September euro starts out on a weaker footing and potentially poised to forge a fresh downside breakout for the week. While Italy showed an expansion of its trade surplus for June France it did show a decline in consumer sentiment with Germany showing an improvement in consumer sentiment. Therefore economic information flow from the euro zone fails to definitively support the euro and the potential for US data inspired selling of the euro increases over the coming two hours of trade. However in the event the US dialogue toward North Korea maintains its "harsh" status the dollar could weaken later in the session. In the near term a retest and possible failure of the 1.1712 level is likely.

YEN: Obviously the flight to quality flow towards the Yen off the North Korean situation is enhanced by the North Korean "details" and the Yen might also be supported as a result of news that foreign investment flowing into Japanese bonds increased on the month. However tempering the foreign Bond investment windfall for the Yen is news that foreign money flowed out of Japanese stocks in the latest monthly report. Uptrend channel support in the September Yen today is seen at 90.86 and there is little resistance in the currency until 91.42.

SWISS: Given the massive spike up move yesterday in the Swiss we suspect that a large measure of the short covering potential has been removed from the currency. On the other hand one should not discount the potential of renewed fresh safe haven buying of the Swiss as political dialogue drifts toward physical and specific military action around the North Korean Peninsula. However given increased volatility potential we would suggest that buyers wait for a break down to 1.0317 to get long the September Swiss.

POUND: With a fresh lower low for the move overnight in the September Pound and further lower high and lower low action on the charts the path of least resistance remains down. In fact it does appear as if the Pound has returned to a macro-economically sensitive currency that is pressured by deterioration in global sentiment. UK construction output on a month over month basis improved but remained in negative territory while the year-over-year change in construction output improved and was better than expected and that could help the September Pound temporarily respect the 1.30 level.

CANADIAN DOLLAR: Like the British Pound the Canadian Collar appears to be negatively impacted by the threat against global economic sentiment. With the Canadian dollar considered a "commodity currency" traders should expect a tight correlation with the global equity markets. The Canadian will be presented with a new housing price index that is expected to remain in positive territory but below the prior month's tally. While the September Canadian has found some measure of support at the 70.52 area recently, big picture conditions would seem to favor a continuation of the slide and a possible retest of 78.37 ahead.

TODAY'S MARKET IDEAS:

The currency markets are facing a highly uncertain mix of conditions with the dollar at times capable of benefiting as a safe haven currency but at other times it might be punished by what the world perceives to be overly aggressive threats toward the North Korean peninsula.

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 (SEP) 08/10/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 93.91. The next area of resistance is around 93.61 and 93.91, while 1st support hits today at 93.20 and below there at 93.08.

EURO (SEP) 08/10/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal up on the daily chart is somewhat positive. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 116.9088. The next area of resistance is around 118.2024 and 118.4187, while 1st support hits today at 117.4475 and below there at 116.9088.

JAPANESE YEN (SEP) 08/10/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is 90.44. The next area of resistance is around 91.37 and 91.72, while 1st support hits today at 90.73 and below there at 90.44.

SWISS (SEP) 08/10/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. The daily stochastics gave a bullish indicator with a crossover up. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 105.19. The next area of resistance is around 104.71 and 105.19, while 1st support hits today at 103.35 and below there at 102.46.

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										
DXAU7	93.41	44.25	39.46	26.44	37.27	93.42	93.09	93.58	95.21	95.62
JYAU7	91.05	64.62	61.41	80.26	78.61	90.68	90.75	90.27	89.96	90.07
EU6U7	117.8250	56.38	60.31	76.72	67.18	117.96	118.27	117.39	115.01	114.43
BPAU7	130.21	41.92	47.59	49.56	31.91	130.32	131.28	130.96	129.61	129.61
CAAU7	78.79	40.41	50.20	42.01	24.16	78.95	79.53	79.60	77.66	76.79
SFAU7	104.03	52.04	50.32	18.45	20.27	103.23	103.43	104.34	104.12	103.97
DAAU7	78.84	46.24	56.01	53.82	37.96	0.79	0.79	0.79	0.77	0.77

Calculations based on previous session. Data collected 08/09/2017

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						
DXAU7	US Dollar	93.07	93.19	93.49	93.61	93.91
JYAU7	Japanese Yen	90.43	90.72	91.07	91.37	91.72
EU6U7	Euro	116.9087	117.4475	117.6637	118.2024	118.4187
BPAU7	British Pound	129.58	129.91	130.18	130.51	130.78
CAAU7	Canadian Dollar	78.45	78.61	78.81	78.96	79.16
SFAU7	Swiss	102.45	103.34	103.82	104.71	105.19
DAAU7	Australian Dollar	78.23	78.54	78.82	79.13	79.41

Calculations based on previous session. Data collected 08/09/2017

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.