



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday December 29, 2016

BONDS COMMENTARY

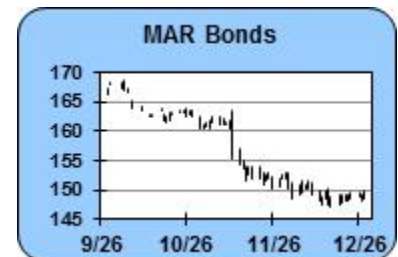
12/29/16

The bulls look to benefit from ongoing short covering buying

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

BONDS +90

The noted reversal in Treasuries found a foundation in the wake of the softer than expected pending home sales result yesterday morning but that shift was given added credence in the wake of a solid auction. In retrospect the Treasury market has probably seen a moderate measure of short covering in the wake of this week's higher high pattern. As in gold, Treasuries are coming off a number of months of aggressive selling and some measure of technical short covering is not surprising to end the trading year. However, we would suggest that the gains are not exclusively short covering as a portion of the trade is clearly disappointed with the lack of forward progression of the US economy over the last month. An issue that might temper the upward track in Treasuries this morning is news that China intends to increase fiscal spending and cut taxes in 2017. In looking ahead to the North American economic calendar today the markets will be presented with a weekly reading on initial jobless claims that are forecast to downtick from the previous 275,000 reading. November wholesale inventories are expected to see a moderate increase from October's -0.4% reading and climb into positive territory. The November goods/trade balance is expected to see a decrease from October's \$62 billion deficit. The Treasury will also announce the details for the January 3rd T-Bill and Note auctions.



TODAY'S MARKET IDEAS:

Short covering is in motion for what appears to be a year-end position balancing rally. With US data coming in soft this week the short covering action would seem to have some fundamental justification. Therefore the initial claims result later this morning might carry significance and it might also set the tone for the remainder of the week. Seeing March bonds rise above the 150-00 level could make that level support today. There might be little in the way of resistance in March bonds until the cluster of closes up around 150-18.

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 (MAR) 12/29/2016: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 150-200. The next area of resistance is around 150-070 and 150-200, while 1st support hits today at 148-310 and below there at 148-030.

10 YR TREASURY NOTES (MAR) 12/29/2016: Momentum studies are rising from mid-range, which could

accelerate 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. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 124-015. The next area of resistance is around 123-280 and 124-015, while 1st support hits today at 123-115 and below there at 123-000.

STOCKS COMMENTARY

12/29/16

The path of least resistance is pointing down to end the year

OVERNIGHT CHANGES THROUGH 3:15 AM (CT): S&P 500 -40

Global equity markets continue to appear as if they are running out of steam with the month-end and year-end on the horizon. A weaker than expected reading for US pending home sales may have been the catalyst for the turnaround in sentiment as thin post-holiday markets may have exaggerated the impact of US pending home sales yesterday. Issues that might attempt to check up developing weakness in equities is the promise of increased Chinese fiscal spending and lower taxes in 2017. Another issue that might lend some support to equities today is a Reuter's poll that pegs bullish sentiment toward stocks to be at the highest levels since 2014.



S&P 500: Technical damage on the charts is hard to ignore especially in the wake of disappointing US scheduled data yesterday. In fact, the stock market is coming off six months of significant gains and that could justify a moderate measure of year end long liquidation book squaring. In fact some players might have temporarily given up on the 20,000 trade in the Dow and others might look to US claims data later this morning as a signpost for the remainder of 2016! Near term downside targeting might be seen at 2239.75.

Other US Indexes: The Mini-Dow starts the Thursday trade with significant technical damage from the prior trading session hanging over the trade. As suggested already a portion of the trade seems to have temporarily given up the prospect of a 20,000 Dow print this year and others might simply decide to move to the sidelines because of disappointing US data of late. Near term downside targeting in the March Mini-Dow is seen at 19,812. The March E-Mini NASDAQ forged an initial lower low for the move and that combined with technical damage in other equity market leadership measures leaves the bear camp with an edge. Up-trend channel support is seen down at 4913.00 but the century market of 4900 might be more significant support.

TODAY'S MARKET IDEAS:

Disappointing US data of late is prompting longs to bank profits and move to the sidelines. Therefore we expect to see even more aggressive selling if the markets are presented with a rise in US claims.

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 (MAR) 12/29/2016: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 2nd swing support number puts the market on the defensive. The

next downside target is 2226.50. The next area of resistance is around 2257.50 and 2274.50, while 1st support hits today at 2233.50 and below there at 2226.50.

MINI-DOW (MAR) 12/29/2016: 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 negative as the close remains below the 9-day moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 19659. The next area of resistance is around 19850 and 19960, while 1st support hits today at 19700 and below there at 19659.

E-MINI NASDAQ (MAR) 12/29/2016: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 4878.00. Daily studies pointing down suggests selling minor rallies. The next area of resistance is around 4953.75 and 4996.00, while 1st support hits today at 4894.75 and below there at 4878.00.

MINI-RUSSELL 2000 (MAR) 12/29/2016: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 1342.0. The next area of resistance is around 1371.2 and 1386.1, while 1st support hits today at 1349.2 and below there at 1342.0.

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										
USAAH7	149-190	50.72	43.48	35.64	42.77	149.02	148.73	149.20	153.41	155.86
TYAAH7	123-195	46.41	39.19	31.37	36.53	123.36	123.21	123.72	125.68	126.65
SPAH7	2355.00	51.32	58.29	82.09	74.22	2256.23	2258.40	2245.26	2188.98	2175.17
EPH7	2245.50	51.54	58.14	82.25	74.94	2255.69	2258.25	2245.33	2189.06	2175.14
TFEH7	1360.2	50.40	56.22	64.98	54.47	1365.88	1369.76	1364.94	1300.18	1280.26
ENQH7	4924.25	54.13	55.70	85.64	79.98	4939.88	4939.67	4894.54	4834.66	4836.03
YMH7	19775	62.51	69.40	90.68	87.10	19844.25	19845.44	19674.39	18972.93	18741.43

Calculations based on previous session. Data collected 12/28/2016

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						
USAAH7	Bonds	148-020	148-300	149-110	150-070	150-200
TYAAH7	10 Yr Treasury Notes	122-315	123-110	123-165	123-280	124-015
SPAH7	S&P 500	2282.02	2343.34	2305.32	2366.64	2328.62
EPH7	S&P E-Mini	2226.50	2233.50	2250.50	2257.50	2274.50
TFEH7	Mini-Russell 2000	1341.9	1349.1	1364.0	1371.2	1386.1
ENQH7	E-Mini NASDAQ	4878.00	4894.75	4937.00	4953.75	4996.00
YMH7	Mini-Dow	19658	19699	19809	19850	19960

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CURRENCIES COMMENTARY

12/29/16

Year-end short covering benefiting Non-Dollar currencies

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

US DOLLAR -440, YEN +400, SWISS +21, CA DOLLAR +225

Upcoming International Reports (all times CT)

12/29 EIA Gas Storage 9:30 AM
12/29 EIA Energy Stocks 10:00 AM
12/29 Japan Industrial Production 5:50 PM
12/30 German Employment Situation 2:55 AM
12/30 Initial Jobless Claims 7:30 AM
12/30 Chicago PMI 9:00 AM



DOLLAR: The Dollar is showing definitive weakness to start today as the slack US Pending Home sales reading yesterday continues to undermine US economic sentiment. Therefore we would suggest that the US initial claims release will set the stage for the remainder of 2016. As in a number of other markets the Dollar is coming off 6 months of outsized gains and therefore a moderate measure of year end long profit taking is not surprising. Initial downside targeting in the March Dollar index is seen down at 1.0259.

EURO: In addition to long liquidation in the Dollar, the Euro is garnering some fundamental support from news that November Euro zone corporate borrowing reached up to the highest level since 2009 while lending to households rose by 1.9% over the prior month! Therefore the macro-economic differential edge has shifted toward the Euro and away from the Dollar over the last 24 hours. Near term upside targeting in the March Euro is seen up at 1.0543.

YEN: Like other non-dollar currencies the Yen appears to be in the midst of a year-end short covering bounce that is potentially significant when one considers the magnitude of the slide in the Yen exchange rate over the last five months. Assisting the recovery in the Yen this morning is a forecast from the BOJ that the Japanese economy will see an extension of recovery action in 2017. Near term upside targeting in the March Yen is seen up at 86.50 as the sharp compacted washout on December 14th and 15th has left little in the way of close-in resistance on the charts.

SWISS: The March Swiss is showing signs of short covering and as in other currencies the significant declines of the last two months suggest that the magnitude of the short covering action could be outsized. Near term upside short covering targeting is seen at 98.36.

POUND: The Pound has not seen recovery action in the wake of noted Dollar weakness and that would seem to highlight the bearish prevailing tide in the Pound. In fact the Pound was presented with predictions that the pattern of house price gains will slow in 2017. However, December UK house prices did rise more than expected and even that failed to give the currency a noted lift. Down trend channel resistance early today is seen at 1.2323 and the best the bulls might hope for is a minor Dollar weakness inspired blip up.

CANADIAN DOLLAR: The Canadian is also coming off an extended down trend pattern for most of 2016 and some measure of year-end short covering is not surprising. With the added benefit of slack US data yesterday, fresh chart damage in the Dollar and the prospect of non-descript US scheduled data later this morning we can't rule out a very minor upside extension to next resistance in the March Canadian at 74.26.

TODAY'S MARKET IDEAS:

Unless the US sees a decline in US claims later this morning it could be difficult to alter developing weakness 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 (MAR) 12/29/2016: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The outside day up and close above the previous day's high is a positive signal. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 103.92. The next area of resistance is around 103.56 and 103.92, while 1st support hits today at 102.86 and below there at 102.50.

EURO (MAR) 12/29/2016: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is somewhat negative. The close below the 1st swing support could weigh on the market. The next downside target is now at 103.6463. The next area of resistance is around 105.1575 and 105.7162, while 1st support hits today at 104.1225 and below there at 103.6463.

JAPANESE YEN (MAR) 12/29/2016: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's short-term trend is positive on the close above the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 86.14. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 85.96 and 86.14, while 1st support hits today at 85.40 and below there at 85.02.

SWISS (MAR) 12/29/2016: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 97.17. The next area of resistance is around 98.04 and 98.26, while 1st support hits today at 97.50 and below there at 97.17.

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										
DXAH7	103.21	69.73	68.11	86.02	87.74	103.08	103.07	101.95	100.53	99.80
JYAH7	85.68	33.71	28.95	18.15	21.07	85.53	85.39	86.53	90.56	92.17
EU6H7	104.6400	35.05	35.49	15.75	15.43	104.86	104.73	105.88	107.62	108.50
BPAH7	122.48	24.43	32.73	13.97	7.92	122.90	123.70	125.23	124.71	124.47
CAAH7	73.84	29.52	35.60	17.88	9.22	73.94	74.44	75.09	74.77	75.02
SFAH7	97.77	32.12	33.30	22.48	20.97	97.86	97.84	98.58	100.13	100.65
DAAH7	71.70	22.70	28.00	10.83	6.86	0.72	0.72	0.73	0.74	0.75

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	102.49	102.85	103.21	103.56	103.92
JYAH7	Japanese Yen	85.01	85.39	85.58	85.96	86.14
EU6H7	Euro	103.6462	104.1225	104.6812	105.1575	105.7162
BPAH7	British Pound	121.65	122.00	122.61	122.96	123.57

CAAH7	Canadian Dollar	73.47	73.68	73.80	74.00	74.13
SFAH7	Swiss	97.16	97.49	97.71	98.04	98.26
DAAH7	Australian Dollar	71.17	71.41	71.74	71.98	72.31

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