



# DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday January 03, 2017

## BONDS COMMENTARY

01/03/17

**Strong dollar, re-inflation theme, strong China data; weak**

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

**BONDS -1140**

After spending most of last week in recovery mode and reaching a new 3-week high, Treasuries have started the new year squarely back on the defensive as they already are posting sizable losses this morning. A much better than expected Caixin Chinese manufacturing PMI reading has helped to fuel a "risk on" mood across global markets, which has been felt mainly in major equity indices and crude oil while at the expense of Treasuries. In addition, the Dollar's revival coming into the New Year may squelch bargain-hunting buying of Treasuries by foreign customers. US economic data had a lukewarm finish to 2016, but today's set of numbers are expected to post decent results which in turn could apply more pressure on Treasuries. The North American session will start out with a private survey of same-store sales that may see extra scrutiny as it will reflect post-holiday shopping levels. The December ISM manufacturing index is expected to uptick from November's 53.2 reading. November construction spending is expected to hold steady with October's 0.5% reading.



The Commitments of Traders reports as of December 27th showed Non-Commercial traders were net short 15,131 contracts, an increase of 1,165 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 53,617 contracts, up 11,588 contracts for the week. For US Treasury 10Yr Notes, Non-Commercial traders were net short 361,517 contracts, an increase of 35,970 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 571,166 contracts, up 52,133 contracts for the week.

### TODAY'S MARKET IDEAS:

The short-term fundamentals seem to have shifted clearly to the bear camp and the market is threatening a resumption of the overall downtrend. Close-in resistance for March T-bonds is at 149-29 and 150-07, with 148-30 and 148-16 as key support. Longer-term, if support gives way, don't rule out a break to 145-24. T-note March resistance is at 123-31, with 123-12 and 123-05 as next support.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### Commitment of Traders - Futures and Options - 12/20/2016 - 12/27/2016

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Financials</b>						
<b>Bonds</b>	-15,131	-1,165	53,617	+11,587	-38,486	-10,423
<b>T-Notes</b>	-361,517	-35,970	571,166	+52,133	-209,649	-16,163

## 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) 01/03/2017:** The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Momentum studies are trending higher from mid-range, which should support 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 151-080. The next area of resistance is around 150-240 and 151-080, while 1st support hits today at 149-240 and below there at 149-070.

**10 YR TREASURY NOTES (MAR) 01/03/2017:** Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 near-term upside objective is at 124-185. The next area of resistance is around 124-115 and 124-185, while 1st support hits today at 123-290 and below there at 123-210.

## STOCKS COMMENTARY

01/03/17

**Start year with strong rally; global growth/re-inflation theme**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**S&P 500 +1810**

The market looks to start off sharply higher this morning. Global markets reflected end-of-year rebalancing late last week as US equities saw a sizable selloff. Over the weekend, both "official" Chinese PMI numbers were released. One came in slightly below market forecasts while the December Caixin

Chinese manufacturing PMI number came in at 51.9, which was a stronger than expected increase. While most of the world was still out on holiday on Monday, several European stock markets opened up the year with decent gains. However, a terrorist incident in Istanbul may cast a shadow over risk sentiment. The Dollar put together a sizable gain to start out the New Year, mostly at the expense of the Euro. European manufacturing PMI readings were mostly in-line with forecasts with a sizable jump for Italy a notable exception. A December reading on German unemployment held steady with November's 6.0% reading. December German CPI is expected to see a sizable increase from November's 0.7% year-over-year reading. The North American session will start out with a private survey of same-store sales that will see extra scrutiny as it will reflect post-holiday shopping levels. The December ISM manufacturing index is expected to uptick from November's 53.2 reading. November construction spending is expected to hold steady with October's 0.5% reading.



**S&P 500:** Strong economic news from China plus strong global growth expectations for 2017 and a re-inflation theme are all strong forces to start the session today. Short-term traders should consider buying calls on any minor set-back. The latest COT positioning report showed the E-Mini S&P to be holding a net spec and fund positioning that was still net short near 63,000 contracts from 97,000 contracts the previous week. Look for the buying trend to continue. The Commitments of Traders reports as of December 27th showed Non-Commercial traders were net long 14,254 contracts, an increase of 43,670 contracts for the week and the aggressive buying trend is supportive. Non-Commercial and Nonreportable combined traders held a net short position of 63,076 contracts, down a significant 34,314 contracts in just one week. Close-in support for March E-Mini S&P is at 2240.75 and retracement support looks solid at 2235.30. Look for a resumption of the uptrend with 2273.00 and 2290.10 as next upside targets.

**Other US Indexes:** The Mini-Dow pulled back less than other indices in the last 10 days of the year and looks poised for another upside break-out today. Again, the outlook for pro-growth policy shift in the US and a re-inflation theme are bullish forces and the global economic growth theme could re-emerge when the market figures out that the Trump foreign policy bark is louder than its bite. A recovery in Europe pulled up by improving economies in the US and China are bullish forces. Aggressive short-term traders can buy the March E-Mini Dow

near the 19,797-19,757 zone looking for 19,933 and 20,036 as next upside targets.

The Commitments of Traders reports as of December 27th for Dow Jones Index \$5 showed Non-Commercial traders were net long 60,969 contracts, a decrease of 739 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 62,052 contracts, up 173 for the week. For Nasdaq Mini, Non-Commercial traders were net long 83,344 contracts, an increase of 7,972 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 92,680 contracts, up 9,404 contracts for the week.

#### **TODAY'S MARKET IDEAS:**

The market looks set to start the year with a strong rally. Aggressive short-term traders consider buying the March E-Mini S&P near 2240.75 with 2273.00 and 2290.10 as next upside targets.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 12/20/2016 - 12/27/2016						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Financials</b>						
<b>S&amp;P 500</b>	-11,231	-1,097	-1,296	-1,426	12,528	+2,524
<b>E-Mini S&amp;P</b>	14,254	+43,670	63,077	-34,312	-77,330	-9,356

#### **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) 01/03/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The outside day down is a negative signal. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 2212.69. The next area of resistance is around 2246.87 and 2262.18, while 1st support hits today at 2222.13 and below there at 2212.69.

MINI-DOW (MAR) 01/03/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The close below the 1st swing support could weigh on the market. The next downside objective is now at 19568. The next area of resistance is around 19786 and 19879, while 1st support hits today at 19630 and below there at 19568.

E-MINI NASDAQ (MAR) 01/03/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. A negative signal was given by the outside day down. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 4790.13. The next area of resistance is around 4910.25 and 4970.12, while 1st support hits today at 4820.25 and below there at 4790.13.

MINI-RUSSELL 2000 (MAR) 01/03/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 1342.6. The next area of resistance is around 1364.6 and 1374.6, while 1st support hits today at 1348.7 and below there at 1342.6.

## 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>										
USAAH7	150-080	56.60	47.60	49.73	64.62	149.61	149.18	149.15	152.85	155.38
TYAAH7	124-040	58.06	47.55	43.82	58.16	123.73	123.47	123.67	125.43	126.45
SPAH7	2234.50	42.56	52.37	66.50	48.28	2246.45	2254.61	2250.48	2193.83	2178.38
EPH7	2234.50	43.27	52.36	67.67	50.64	2246.56	2254.33	2250.61	2193.99	2178.35
TFEH7	1356.7	47.65	54.35	51.47	36.42	1363.25	1368.09	1368.79	1307.89	1284.22
ENQH7	4865.25	40.24	46.93	72.18	54.74	4916.94	4931.83	4909.36	4835.82	4837.06
YMH7	19708	53.74	63.78	81.41	69.44	19783.00	19830.56	19743.06	19049.69	18797.55

Calculations based on previous session. Data collected 12/30/2016

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>						
USAAH7	Bonds	149-060	149-230	150-070	150-240	151-080
TYAAH7	10 Yr Treasury Notes	123-205	123-285	124-035	124-115	124-185
SPAH7	S&P 500	2215.02	2223.34	2237.32	2245.64	2259.62
EPH7	S&P E-Mini	2212.68	2222.12	2237.43	2246.87	2262.18
TFEH7	Mini-Russell 2000	1342.6	1348.6	1358.6	1364.6	1374.6
ENQH7	E-Mini NASDAQ	4790.12	4820.25	4880.12	4910.25	4970.12
YMH7	Mini-Dow	19567	19630	19723	19786	19879

Calculations based on previous session. Data collected 12/30/2016

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## CURRENCIES COMMENTARY

01/03/17

**Dollar making a strong start to the New Year**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**US DOLLAR +1160, YEN -1150, SWISS -114, CA DOLLAR -25**

### Upcoming International Reports (all times CT)

01/03 Swiss PMI 2:30 AM  
 01/03 German Employment Situation 2:55 AM  
 01/03 UK CIPS/NTC Research Manufac 3:30 AM  
 01/03 Construction Spending 9:00 AM  
 01/03 ISM Manufacturing Index 9:00 AM  
 01/04 France Consumer Confidence 1:45 AM  
 01/04 France Services PMI 2:50 AM  
 01/04 German Service PMI 2:55 AM  
 01/04 Euro-Zone Services PMI 3:00 AM  
 01/04 Euro-zone Consumer Price Ind 4:00 AM  
 01/04 API Energy Stocks 3:30 PM  
 01/04 Japan Manufacturing PMI 6:35 PM



**DOLLAR:** After a lackluster finish to 2016, the Dollar has regained upside momentum in a big way as it is posting a sizable gain today and has quickly returned to within striking distance of its late December highs. Although recent US data has been lukewarm at best, there is clearly some underlying optimism towards the US economy

early this year. Today's US data will be highlighted by an ISM manufacturing reading expected to show a modest uptick, but construction spending could also provide a notable boost as it comes from a sector that has been a recent source of strength for the US economy. Near-term resistance will be at 1.0357 as the Dollar should continue to hold the upper hand on most major currencies this morning. The Commitments of Traders Futures and Options report as of December 27th for US Dollar showed Non-Commercial traders were net long 52,650 contracts, an increase of 276 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 60,098 contracts. This represents an increase of 1,000 contracts in the net long position held by these traders.

**EURO:** The Euro has fallen back on the defensive early this week and is over 2.50 cents below last Friday's spike high. Outside of Italy, there were few surprises with Euro zone manufacturing PMI readings while German jobless held steady as well. Unless today's German CPI reading shows a stronger than expected increase, it may be difficult for the Euro to regain upside momentum. Critical near-term support is at 1.0398 as the Euro may start off 2017 with a fresh multi-year low. The Commitments of Traders Futures and Options report as of December 27th for Euro showed Non-Commercial traders were net short 64,133 contracts, a decrease of 7,609 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 74,040 contracts. This represents a decrease of 8,656 contracts in the net short position held by these traders.

**YEN:** The Yen is finding significant pressure at the start of this week as it broke below uptrend channel support and looks to be heading down into new low ground fairly soon. It will be difficult for Yen to overcome ongoing BOJ easing measures and the loss of safe-haven support while the US is looking at multiple Fed rate hikes this year. Close-in support is at 84.61 as the Yen is likely to remain under pressure early this week.

**SWISS:** The Swiss is finding significant pressure this morning and looks to be heading towards a retest of its mid-December lows. A surprisingly sluggish Swiss PMI reading this morning was in contrast to other European nations which either held steady or posted a decent increase, which in turn will keep the SNB trying to weaken their "overvalued" currency. Near-term support is at 97.23 as the Swiss is likely to remain on the defensive early this week.

**POUND:** While the Pound is under pressure this morning, it is holding up fairly well and has managed to stay within a relatively small trading range despite the turbulence seen in other major currencies. A much better than expected UK manufacturing PMI number has given a clear boost to the Pound which has been unable to fully shake off ongoing Brexit concerns. Near-term support is at 1.2268 as the Pound should stay clear of its recent lows as long as global risk sentiment continues to improve.

**CANADIAN DOLLAR:** The Canadian could not hold onto overnight strength, but is managing to hold its ground near unchanged levels coming into this morning's trading. A strong start to 2017 for crude oil prices has clearly given the Canadian a boost, but the market may be waiting on critical Canadian data later this week before it can make a strong extension to its recovery move. Near-term resistance is at 74.68 as the Canadian should benefit from a sustained "risk on" mood.

#### **TODAY'S MARKET IDEAS:**

The Dollar should remain well supported early in today's trading, but will need to avoid any negative surprises from US data in order to challenge the mid-December highs. The Yen and Swiss look to be heading towards new lows for the move, while the Euro needs a fairly strong German CPI number later this morning to avoid reaching a new multi-year low to start out 2017.

#### **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) 01/03/2017:** Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The gap lower price action on the day session chart is a bearish indicator for trend. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 101.67. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 102.74 and 103.02, while 1st support hits today at 102.07 and below there at 101.67.

**EURO (MAR) 01/03/2017:** 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 107.5537. The next area of resistance is around 106.4375 and 107.5537, while 1st support hits today at 104.7025 and below there at 104.0838.

**JAPANESE YEN (MAR) 01/03/2017:** Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 86.74. The next area of resistance is around 86.18 and 86.74, while 1st support hits today at 85.34 and below there at 85.04.

**SWISS (MAR) 01/03/2017:** Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 101.03. The next area of resistance is around 99.61 and 101.03, while 1st support hits today at 97.45 and below there at 96.70.

## 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>										
DXAH7	102.41	51.28	56.88	82.34	76.67	102.84	102.99	102.20	100.70	100.01
JYAH7	85.76	37.35	31.67	23.86	29.85	85.72	85.56	86.25	90.09	91.78
EU6H7	105.5700	50.45	45.05	21.16	28.55	105.11	104.87	105.63	107.43	108.25
BPAH7	123.42	40.85	41.71	12.30	12.77	122.91	123.31	124.74	124.74	124.32
CAAH7	74.45	46.39	45.77	16.89	18.29	74.06	74.28	74.97	74.75	74.97
SFAH7	98.53	55.13	47.19	26.28	32.56	98.07	97.98	98.43	100.00	100.49
DAAH7	71.98	31.50	32.87	10.57	11.07	0.72	0.72	0.73	0.74	0.75

Calculations based on previous session. Data collected 12/30/2016

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH7	US Dollar	101.67	102.07	102.35	102.74	103.02
JYAH7	Japanese Yen	85.04	85.33	85.89	86.18	86.74
EU6H7	Euro	104.0837	104.7025	105.8187	106.4375	107.5537
BPAH7	British Pound	121.95	122.70	123.39	124.14	124.83
CAAH7	Canadian Dollar	73.82	74.15	74.41	74.74	75.01
SFAH7	Swiss	96.69	97.44	98.86	99.61	101.03
DAAH7	Australian Dollar	71.70	71.80	72.07	72.17	72.44

Calculations based on previous session. Data collected 12/30/2016

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