



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday January 04, 2017

BONDS COMMENTARY

01/04/17

Technical signals are positive & US data might be weak

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +20

Overnight international data flows would seem to lean bearish toward Treasuries. In fact, Euro zone inflation reached up to the highest level in 3 years, UK Consumer Lending rose, Euro zone December Composite and Services PMI readings both bested expectations and perhaps most importantly Japanese December Manufacturing expanded at the fastest pace in a year and that suggests the need for safe haven purchases of US Treasuries might be set to wane ahead. With international headwinds seemingly abating, the Treasury markets must be under a wave of technical short covering that started in early December and now that the rally has resulted in a bounce of roughly 3 points it might be time to give the move some credence. In fact, expectations for this week's Non-farm payroll release call for a gain of only 165,000 to 180,000 (which is right on the prior month's range of expectations) and US data over the last 3 weeks has been soft and therefore we have to wonder if buying off the December lows has been forged on the back of talk that three rate hikes in 2017 might be overstated. In other words a lack of forward momentum in the US economy might give pause to those overtly hawkish views that were in place in the October through early December time frame. However, it is also possible that the sub-150-00 level is too cheap unless equities forge higher highs, vehicle sales are strong and this week's jobs data comes in better than expected. The North American session today will start out with the December ADP employment survey which is forecast to show a notable downtick from November's 216,000 reading. Furthermore December total vehicle sales are also expected to see a modest downtick from November's 17.9 million annualized rate and therefore the bull camp looks to benefit from today's scheduled data flows. During early afternoon US trading hours, the FOMC will release the meeting minutes of their December gathering which will be scrutinized for signs of upcoming Fed policy moves.



TODAY'S MARKET IDEAS:

Short term technical signals appear to favor the bull camp this morning. With the 150-00 level regained again and that level respected for the last three trading sessions it is possible that the market has a foundation to forge even more gains ahead. In looking at expectations for today's data we also have to think that the fundamentals will favor the bull camp. Close-in resistance for March T-bonds is at 151-09, with 149-23 and 149-02 as key support. T-note March resistance is at 124-10, with 123-27 as next support.

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) 01/04/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving

average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 152-030. The next area of resistance is around 151-160 and 152-030, while 1st support hits today at 149-230 and below there at 148-160.

10 YR TREASURY NOTES (MAR) 01/04/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 under the swing pivot. The near-term upside target is at 124-215. The next area of resistance is around 124-145 and 124-215, while 1st support hits today at 123-260 and below there at 123-120.

STOCKS COMMENTARY

01/04/17

The bulls maintain a slight edge as risk-on remains in place

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 +380

International equity markets were mixed to slightly higher overnight with the biggest gainer the Nikkei 225. Apparently there was a wave of positive international economic news flow overnight with notable improvement in data from Japan, the UK, France, Germany and the Euro zone and that might set the US trade up for some positive risk-on mentality. However, standing in the way of the bull track is the prospect for slack US scheduled data flows later this morning. At least to start today the path of least resistance from a technical perspective is pointing upward.



S&P 500: Favorable economic news overnight has set a positive tone to start and it would appear that the March E-Mini S&P is carving out a layer of chart support around the 2250 level. We are a little concerned about US scheduled data flow later this morning as slack data could dampen the initial risk-on vibe. Initial resistance in the March E-Mini S&P is seen up at 2260 and support today moves up to 2246.25.

Other US Indexes: The Mini-Dow showed some impressive action in the prior trading session and that positive momentum might help set up an initial rally this morning. The cash Dow showed a big range up extension in the prior trading session and that might set the stage for a push to the long awaited 20,000 level. However, as mentioned before the expectations for scheduled data this morning might have a dampening influence on stock prices. In order to turn the technical tide in the March Mini Dow back to the upside today probably requires an early bid back above 19,865.

TODAY'S MARKET IDEAS:

We have mixed feelings for the trade today as there appears to be a risk-on tilt in place early today off a string of favorable international data points but the trade is also expecting downticks in US data later this morning. However, US scheduled data is 3rd tier data and it is possible that the numbers will be mostly discounted!

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) 01/04/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The next downside target is now at 2231.13. The next area of resistance is around 2262.75 and 2271.12, while 1st support hits today at 2242.75 and below there at 2231.13.

MINI-DOW (MAR) 01/04/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 19621. The next area of resistance is around 19890 and 19972, while 1st support hits today at 19714 and below there at 19621.

E-MINI NASDAQ (MAR) 01/04/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 4853.57. The next area of resistance is around 4931.87 and 4955.06, while 1st support hits today at 4881.13 and below there at 4853.57.

MINI-RUSSELL 2000 (MAR) 01/04/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is 1341.8. The next area of resistance is around 1378.1 and 1389.9, while 1st support hits today at 1354.1 and below there at 1341.8.

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										
USAAH7	150-190	59.04	49.41	59.44	76.57	150.22	149.41	149.19	152.62	155.17
TYAAH7	124-040	56.22	47.39	52.32	67.75	123.99	123.58	123.66	125.33	126.37
SPAH7	2214.00	56.74	57.11	59.88	51.28	2244.80	2253.12	2252.81	2196.69	2179.98
EPH7	2252.75	56.26	59.24	62.07	51.38	2244.31	2253.31	2253.13	2196.86	2180.05
TFEH7	1366.1	54.38	57.83	45.61	34.05	1361.40	1366.76	1369.85	1312.02	1286.48
ENQH7	4906.50	50.53	52.64	64.61	49.85	4902.81	4927.72	4915.75	4837.64	4837.68
YMH7	19802	57.67	65.38	74.59	61.24	19749.50	19820.11	19774.39	19087.87	18824.47

Calculations based on previous session. Data collected 01/03/2017

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						
USAAH7	Bonds	148-150	149-220	150-090	151-160	152-030
TYAAH7	10 Yr Treasury Notes	123-115	123-255	124-005	124-145	124-215
SPAH7	S&P 500	2212.37	2204.35	2231.67	2223.65	2250.97
EPH7	S&P E-Mini	2231.12	2242.75	2251.12	2262.75	2271.12
TFEH7	Mini-Russell 2000	1341.7	1354.0	1365.8	1378.1	1389.9
ENQH7	E-Mini NASDAQ	4853.56	4881.12	4904.31	4931.87	4955.06
YMH7	Mini-Dow	19620	19714	19796	19890	19972

Calculations based on previous session. Data collected 01/03/2017

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

CURRENCIES COMMENTARY

01/04/17

Failure at a high yesterday hints at a technical top

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR -270, YEN +95, SWISS +5, CA DOLLAR +390

Upcoming International Reports (all times CT)

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
01/05 Swiss Consumer Price Index 2:15 AM
01/05 UK CIPS/NTC Research Service 3:30 AM
01/05 Euro-zone Industrial Produce 4:00 AM
01/05 Canadian Industrial Product 7:30 AM
01/05 Initial Jobless Claims 7:30 AM
01/05 ISM Non-Manufacturing Index 9:00 AM
01/05 EIA Energy Stocks 9:30 AM
01/05 EIA Gas Storage 9:30 AM
01/05 Japan Services PMI 6:35 PM



DOLLAR: The Dollar should be trading a little weaker in the wake of a wave of positive international data points. With US data later this morning expected to be a little soft and the Euro zone posting the hottest inflation reading in 3 years we are surprised that the Dollar isn't showing even more weakness to start the session. Cushioning the Dollar against the prospect of slack scheduled data is a private survey of employment from ADP which puts the December payroll gain at or slightly above the prior month's tally. Pushed into the market we favor the downward tilt with initial support seen down at a quasi-gap of 1.0262.

EURO: The Euro has posted a series of gaps recently in the wake of thin holiday conditions but scheduled data flows from the Euro zone and Germany overnight should serve to firm up support on the charts. In fact, hot Euro zone inflation is potentially a sign of a shift away from anemic economic conditions and given the sharp range down gap washout and rejection of the low overnight it is possible that the March Euro has found consolidation support around the 1.0420 level.

YEN: The March Yen is showing only modest strength to start today despite news that Japanese December Manufacturing expanded at the fastest pace in a year! While the Yen is showing signs of reversing a 5 month old down trend pattern on its charts, we think the risk to shorts is now set to rise. Critical consolidation support in the March Yen is seen down at 84.84 and resistance is seen up at 85.76.

SWISS: With several large ranges over the last 5 trading sessions it would appear that the Swiss is buckling under signs of economic improvement in the Euro zone. In fact, one might also fret over the prospect of further declines in safe haven interest in the Swiss. Initial consolidation low support in the March Swiss is seen at 97.55 but the bear camp looks to hold an edge.

POUND: Mostly favorable UK borrowing activity overnight has failed to provide the Pound with definitive strength on its charts. Down trend channel resistance off the December spike highs is seen today up at 1.2345 and the failure to hold above 1.2217 today could pave the way for a quick decline back to the October low of 1.2119.

CANADIAN DOLLAR: The Canadian appears to have found a major value zone above the 74.00 level. We also think that the Dollar is poised to lose its dominating position in the face of modest improvement in economic activity outside of the US. Down trend channel resistance in the Canadian is seen up at 75.08 and support today is seen at 74.69.

TODAY'S MARKET IDEAS:

We think the Dollar is vulnerable to data and to a shrinking macro-economic differential with Euro, Japan and the UK!

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) 01/04/2017: The market rallied to a new contract high. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside target is 102.05. The next area of resistance is around 103.84 and 104.42, while 1st support hits today at 102.66 and below there at 102.05.

EURO (MAR) 01/04/2017: The market made a new contract low on the break. Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 1st swing support could weigh on the market. The near-term upside objective is at 105.9412. The next area of resistance is around 105.1375 and 105.9412, while 1st support hits today at 103.6325 and below there at 102.9313.

JAPANESE YEN (MAR) 01/04/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is somewhat negative with the close under the 1st swing support. The next upside objective is 86.27. The next area of resistance is around 85.76 and 86.27, while 1st support hits today at 84.65 and below there at 84.03.

SWISS (MAR) 01/04/2017: The market made a new contract low on the break. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The intermediate trend has turned down with the cross over back below the 18-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 98.92. The next area of resistance is around 98.31 and 98.92, while 1st support hits today at 97.11 and below there at 96.52.

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	103.25	62.12	62.92	80.31	77.07	102.86	102.98	102.35	100.81	100.12
JYAH7	85.20	30.98	28.53	26.14	29.43	85.72	85.55	86.11	89.87	91.59
EU6H7	104.3850	36.73	36.98	22.35	25.18	104.94	104.85	105.44	107.31	108.12
BPAH7	122.52	33.77	37.04	12.18	11.28	122.83	123.13	124.50	124.76	124.26
CAAH7	74.48	48.32	46.97	18.65	22.44	74.24	74.27	74.93	74.74	74.95
SFAH7	97.71	39.42	38.33	26.83	27.95	98.06	97.96	98.33	99.91	100.40
DAAH7	72.08	34.35	34.44	11.54	13.30	0.72	0.72	0.73	0.74	0.75

Calculations based on previous session. Data collected 01/03/2017

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						
DXAH7	US Dollar	102.04	102.65	103.23	103.84	104.42
JYAH7	Japanese Yen	84.02	84.64	85.15	85.76	86.27
EU6H7	Euro	102.9312	103.6325	104.4362	105.1375	105.9412
BPAH7	British Pound	121.53	121.98	122.61	123.06	123.69
CAAH7	Canadian Dollar	74.15	74.31	74.50	74.65	74.84
SFAH7	Swiss	96.52	97.11	97.72	98.31	98.92
DAAH7	Australian Dollar	71.57	71.83	72.06	72.32	72.55

Calculations based on previous session. Data collected 01/03/2017

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.