



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday January 10, 2017

BONDS COMMENTARY

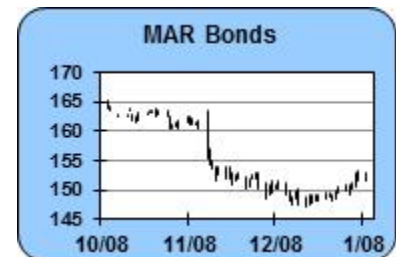
01/10/17

Some resistance is seen off the 50 day moving average in Bonds

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -20

We are not surprised to see Treasuries trading a touch weaker to start today as scheduled data from China and France gave off a measure of fresh economic optimism overnight. In fact December Chinese inflation showed a larger than expected increase (the highest reading in five years) which puts deflationary fears in that region in the rearview mirror while the European session started out a large jump in November French industrial output and therefore the flow of economic news to start today should dampen safe haven interest in Treasuries. In looking ahead to scheduled data later today it should be noted that Treasuries reacted sharply to a 3rd or 4th tier Conference Board Employment situation report yesterday and therefore the JOLTS release this morning might produce some volatility. The bear camp might suggest that the market is short term overbought after the 1 1/2 month rally and they might also point out the markets inability to sustain above the 50 day moving average over the prior three trading sessions. Cushioning Treasuries near the recent highs is mixed to slightly disappointing equity market action and the inability to transverse the 20,000 Dow level. The North American session will start out with Canadian housing data as December housing starts are expected to see decent improvement on November's reading. The November job openings and labor turnover (JOLTS) survey from the US is forecast to see a modest uptick from October while November US wholesale inventories are expected to hold steady with October's +0.9% reading.



TODAY'S MARKET IDEAS:

While it is difficult to take control of Treasuries away from the bull camp the market has seemingly lost upside momentum over the last three trading sessions and there would seem to be a developing pattern of lower highs on the charts. While we doubted the markets capacity to show a noted reaction to lower tier economic results yesterday the Treasury market seems to be very sensitive to nearly any news from the economic front. However, the bull camp probably retains an edge given the choppy nature of scheduled data over the prior three weeks but the March bond contract is closing in on the potential critical 154-00 level and we think that level represents a full corrective adjustment of the October through December washout and we also think that level holds fundamental credence as a growth/no growth price distinction. In other words, to extend the rally above the 154-00 level in the weeks ahead probably requires definitive doubt on the "direction" of the US economy. In conclusion we think prices are a little expensive but we can't rule out more hard fought gains in the event that US data is the slightest bit soft. Critical downside pricing/pivot point in March Bonds is seen today at 152-12.

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) 01/10/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 153-280. The next area of resistance is around 153-150 and 153-280, while 1st support hits today at 152-040 and below there at 151-050.

10 YR TREASURY NOTES (MAR) 01/10/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. 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 daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 125-090. The next area of resistance is around 125-035 and 125-090, while 1st support hits today at 124-165 and below there at 124-025.

STOCKS COMMENTARY

01/10/17

A slight erosive bias but anxiety remains very low

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 -20

Global equity markets were mixed overnight with stock prices not showing much in the way of geographical consistency. We are a little surprised that global equities weren't able to forge more definitive gains in the wake of a smart up-tick in Chinese inflation readings and we are also surprised that the markets weren't cheered more by a sharp jump in French industrial production. In fact, seeing Chinese prices reach the highest level in 5 years overnight should have provided some measure of macro-economic optimism but instead US stocks look to waffle around and mostly below the prior session's lows. We get the sense that the markets are poised for a near term slide as the Trump Administration confirmation hearings probably serve to rekindle political fighting again and that should discourage investors until the focus of the media returns to the potential policy actions put forth by Trump.



S&P 500: With an initial downside breakout below the prior session's low and the failure to embrace a global risk-on vibe in the wake of very positive Chinese and French data we get the sense that the bias is pointing downward. However, the market isn't facing a particularly worrisome environment today especially if the JOLTS results come in slightly positive. As mentioned already it is possible that uncertainty will rise now as the Trump nominees come under fire as that will show "old Washington ways" are hard to put in the rearview mirror. In conclusion we see a slow erosion of prices with near term downside targeting of 2258.25.

Other US Indexes: The Mini Dow has started today's action on a back foot with prices forging a lower low for the move. However, the overnight range was narrow and one must be careful assuming initial chart action is overly telling. Down trend channel resistance in the March Mini-Dow today comes in up at 19,872 and we can't argue against a near term erosion back down to 19,733. The Mini-Nasdaq continues to show definitive leadership in the equity market space and that is clearly a change of pace from the second half of 2016. Up-trend channel support in the March contract is seen today at 4973 and that support line rises to 4990 on Wednesday. Limiting the Nasdaq today is sluggish sentiment toward the E-Mini S&P and the Mini-Dow.

TODAY'S MARKET IDEAS:

We get the sense that the bear camp has a near term edge as economic information has been nondescript and at times disappointing. We also think that political winds are slightly negative as Washington gears up for a fight on Trump appointments. We would also point to the lack of a risk-on vibe in the wake of favorable economic information suggests that the trade isn't looking for the positives to start today.

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) 01/10/2017: 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's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 2278.93. The next area of resistance is around 2270.87 and 2278.93, while 1st support hits today at 2259.13 and below there at 2255.44.

MINI-DOW (MAR) 01/10/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. 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 under the swing pivot. The next downside target is 19745. The next area of resistance is around 19886 and 19957, while 1st support hits today at 19780 and below there at 19745.

E-MINI NASDAQ (MAR) 01/10/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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 objective is 5046.12. The next area of resistance is around 5035.75 and 5046.12, while 1st support hits today at 5008.75 and below there at 4992.13.

MINI-RUSSELL 2000 (MAR) 01/10/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 1343.6. The next area of resistance is around 1362.3 and 1371.7, while 1st support hits today at 1348.3 and below there at 1343.6.

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
FINANCIAL COMPLEX										
USAAH7	152-250	69.29	60.00	78.56	84.70	151.94	150.80	149.71	151.78	154.43
TYAAH7	124-260	64.04	56.00	71.53	76.43	124.54	124.15	123.71	124.92	126.05
SPAH7	2201.40	60.77	62.35	71.16	76.44	2266.28	2256.13	2258.02	2211.24	2188.70
EPH7	2265.00	60.26	61.69	70.34	75.40	2266.31	2255.86	2257.83	2211.24	2188.72
TFEH7	1355.3	45.20	50.96	42.69	32.51	1368.43	1365.82	1367.80	1330.06	1296.24
ENQH7	5022.25	69.48	64.99	69.54	80.43	4980.88	4943.75	4941.04	4856.49	4846.86
YMH7	19833	58.49	64.28	69.08	67.23	19848.75	19812.67	19827.33	19258.62	18942.77

Calculations based on previous session. Data collected 01/09/2017

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						
USAAH7	Bonds	151-040	152-030	152-160	153-150	153-280
TYAAH7	10 Yr Treasury Notes	124-020	124-160	124-215	125-035	125-090
SPAH7	S&P 500	2224.57	2196.14	2235.07	2206.64	2245.57
EPH7	S&P E-Mini	2255.43	2259.12	2267.18	2270.87	2278.93

TFEH7	Mini-Russell 2000	1343.5	1348.2	1357.6	1362.3	1371.7
ENQH7	E-Mini NASDAQ	4992.12	5008.75	5019.12	5035.75	5046.12
YMH7	Mini-Dow	19745	19780	19851	19886	19957

Calculations based on previous session. Data collected 01/09/2017

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CURRENCIES COMMENTARY

01/10/17

US data needs to improve to cushion the Greenback ahead

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR +20, YEN +65, SWISS -3, CA DOLLAR -85

Upcoming International Reports (all times CT)

01/10 Japan Index of Business Cond
 01/10 Swiss Employment 12:45 AM
 01/10 France Industrial Production 1:45 AM
 01/10 Canadian Building Permits 7:30 AM
 01/10 Wholesale Trade 7:30 AM
 01/10 API Energy Stocks 3:30 PM
 01/10 Japan Leading Indicators 11:00 PM
 01/11 UK Foreign Trade 3:30 AM
 01/11 UK Industrial Production 3:30 AM
 01/11 Canadian New Housing 7:15 AM
 01/11 EIA Energy Stocks 9:30 AM



DOLLAR: With a range down washout to start, a recent pattern of less than impressive US data and a thin US economic report slate today the path of least resistance might be set to remain down in the Greenback. However, the trade expects to a minor rise in the JOLTS report from the US later this morning and that could help to cushion the Dollar. We do think that favorable Chinese and French economic data overnight leaves the general bias in the Dollar pointing downward with potentially critical support on the charts seen down at 1.0148 directly ahead.

EURO: The March Euro showed a fairly impressive range up extension attempt overnight and that move was at least partially justified by the stronger than expected French Industrial output result and some of that strength is probably the result of fresh weakness in the Dollar following a recovery in the Chinese currency which in turn was justified by a leap in Chinese inflation results. Very critical down trend channel resistance is seen up at 1.0655 and that resistance line falls down to 1.0642 on Wednesday. While we think the Euro is bottoming we hesitate buying the Euro currency so close to 1 month highs.

YEN: The initial rally in the Yen overnight would seem to be justified by news that December Japanese household confidence managed an uptick from November's 40.9 reading as that might hint at forward economic progression in the Japanese economy. While we think the Yen has forged a major bottom and prices appear to have settled into a weak uptrend pattern we don't want to pay up for longs so high in the last month's trading range.

SWISS: Like other non-Dollar currencies today the Swiss showed some initial strength but was unable to hold the brunt of those gains. However, the prospect of weakness in the Dollar and favorable global economic data overnight should serve to underpin the March Swiss above near term support of 98.62.

POUND: Favorable global data and weakness in the Dollar has not provided the Pound with support and the currency has forged another lower low for the move. Therefore the technical and fundamental condition in the Pound favors the bear camp and we can't rule out even more erosion on the charts in the wake of ongoing fears of a "hard" BREXIT.

CANADIAN DOLLAR: With a series of consolidation highs settling in over the prior 3 trading sessions, one might

DXAH7	101.95	45.09	49.67	56.65	42.34	102.09	102.53	102.61	101.21	100.43
JYAH7	86.36	51.78	44.81	41.85	52.45	86.01	85.82	85.73	88.94	90.85
EU6H7	105.9900	54.53	50.24	44.15	56.37	105.79	105.32	105.19	106.85	107.72
BPAH7	121.78	34.86	37.33	19.95	20.23	123.08	122.96	123.76	124.79	124.25
CAAH7	75.63	67.79	60.82	49.83	67.83	75.49	74.74	74.83	74.81	74.94
SFAH7	98.84	55.67	51.24	40.09	47.91	98.72	98.32	98.22	99.56	100.16
DAAH7	73.41	61.67	53.34	35.89	54.17	0.73	0.72	0.73	0.74	0.74

Calculations based on previous session. Data collected 01/09/2017

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						
DXAH7	US Dollar	101.41	101.62	102.05	102.27	102.70
JYAH7	Japanese Yen	84.95	85.78	86.11	86.94	87.27
EU6H7	Euro	105.1487	105.6275	105.8737	106.3525	106.5987
BPAH7	British Pound	120.47	121.04	121.96	122.52	123.44
CAAH7	Canadian Dollar	75.15	75.40	75.61	75.86	76.07
SFAH7	Swiss	98.21	98.57	98.75	99.11	99.29
DAAH7	Australian Dollar	72.50	73.00	73.31	73.81	74.12

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