



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday January 11, 2017

BONDS COMMENTARY

01/11/17

Initial bias is down but the report slate is thin today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +30

The Asian economic calendar featured November Japanese leading economic index and coincident indexes both of which showed a slight beat of expectations while the European session brought forth November readings on UK industrial and manufacturing production both of which showed improvement from their October readings. Furthermore the market was also present with positive economic dialogue from the OECD. Therefore one might suggest that international conditions favor the bear camp in Treasuries. However, international equity markets were not presenting a definitively positive reaction overnight and that should leave Treasuries somewhat flat footed in the early going today. On the other hand it does appear as if the chart setup in Treasuries favors the bear camp with an extension of this week's lower high pattern. However, the North American session will be relatively quiet data wise today, and will be highlighted by a weekly reading on mortgage applications and a January reading for the Atlanta Fed's business inflation expectations survey. Many traders will focus on President-elect Trump's news conference during morning US trading hours for signs of upcoming fiscal stimulus policies and or talk of tax reform. In our opinion the focus of the Trump administration at the start of his term will be very important to US financial markets. If Trump focuses on the low hanging fruit of fiscal stimulus and tax reform that could be very bearish toward Treasuries while a primary focus on health care reform might be bullish to Treasuries as that political battle is likely to be ugly which in turn might rupture economic optimism. NY Fed President Dudley will speak during afternoon US trading hours.



TODAY'S MARKET IDEAS:

The Treasury complex this week has fallen back from last week's highs and given a slightly upbeat JOLTS result yesterday it isn't surprising that a small measure of economic optimism returns to the marketplace. However, Treasury prices for most of the last month have been able to discount positive economic results and embrace slack data prospects and that would seem to leave a general fundamental upward tilt in place. We also suspect that doubt on the number of US rate hikes this year is providing some cushion to Treasury prices but we just aren't as convinced in the theme this week of rising safe haven issues. However, we do think the Treasury markets will see a flare up in uncertainty as Trump plans for the economy and government will probably roil the market temporarily. March Bonds enter the trading session today just above the 50 day moving average at 152-12 and that might suggest there is the chance for a short term trend decision sometime this week. Up-trend channel support in the March bond contract is seen down at 152-00 today with similar up-trend channel support in March Notes seen down at 124-13. At least to start the bias is down but the magnitude of the slide today might be limited.

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) 01/11/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down is a negative indicator for prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 153-120. The next area of resistance is around 153-020 and 153-120, while 1st support hits today at 152-110 and below there at 151-290.

10 YR TREASURY NOTES (MAR) 01/11/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 125-020. The next area of resistance is around 124-295 and 125-020, while 1st support hits today at 124-205 and below there at 124-155.

STOCKS COMMENTARY

01/11/17

Weak charts to start but we expect a recovery at mid session

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 +60

Global equity markets were mixed overnight with Asian markets generally weaker and European shares generally higher. Overnight international economic data flows presented a slightly positive tilt and that news is enhanced by a favorable US JOLTS result from the prior trading session. Apparently VW shares were showing some positive action overnight off the idea that the company is poised to settle with US authorities. However technical action in stocks overnight and early this morning hasn't been particularly upbeat and the bull camp will need positive spin from Trump to rekindle fresh buying!



S&P 500: A weak pattern of decay appears to be present this week but the bear camp seems to lack noted uncertainty and anxiety. It is also possible that gradually rising political wrangling off Trump Administration confirmation hearings might be seen but that potentially undermining news flow could be more than offset by a Trump press conference that brings forth a fresh wave of stimulus plans and or the desire to reform the US tax code. In conclusion the initial bias is down but up-trend channel support in the March E-Mini S&P this morning is seen close-in at 2248.90.

Other US Indexes: The Mini Dow might draft some minor support from expectations that VW is poised to settle charges from the US government but that broad based influence might be more than offset by negative chart action overnight. Up-trend channel support in the March Mini-Dow this morning is seen right on the current market at 19,768. The Mini-Nasdaq remains the strongest component in US equities with slightly more positive chart action than the rest of the market. Up-trend channel support is seen down at 5012 with slightly closer-in support seen at 5017.

TODAY'S MARKET IDEAS:

The short term trend is pointing downward from a technical perspective but traders might be on the look-out for a positive reaction to the morning Press Conference from Trump as that could put forth fresh details on tax reform and fiscal stimulus.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/11/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside objective is 2279.75. The next area of resistance is around 2271.00 and 2279.75, while 1st support hits today at 2256.50 and below there at 2250.75.

MINI-DOW (MAR) 01/11/2017: 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. The market tilt is slightly negative with the close under the pivot. The next downside objective is 19685. The next area of resistance is around 19845 and 19925, while 1st support hits today at 19725 and below there at 19685.

E-MINI NASDAQ (MAR) 01/11/2017: The market rallied to a new contract high. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 5068.68. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 5050.62 and 5068.68, while 1st support hits today at 5010.88 and below there at 4989.19.

MINI-RUSSELL 2000 (MAR) 01/11/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The outside day up is a positive signal. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is 1344.2. The next area of resistance is around 1379.2 and 1386.1, while 1st support hits today at 1358.2 and below there at 1344.2.

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	152-220	68.59	59.53	80.87	85.77	152.42	151.25	149.93	151.59	154.25
TYAAH7	124-250	63.63	55.66	73.08	76.47	124.70	124.32	123.75	124.81	125.97
SPAH7	2263.70	59.44	61.54	72.53	75.28	2266.13	2256.44	2257.79	2215.36	2191.08
EPH7	2263.75	59.38	61.14	71.58	74.40	2266.00	2256.17	2257.57	2215.35	2191.10
TFEH7	1368.7	53.23	55.59	40.78	37.08	1364.05	1365.30	1367.51	1334.71	1298.87
ENQH7	5030.75	70.71	65.86	74.50	84.61	5005.00	4951.47	4945.99	4864.52	4850.83
YMH7	19785	54.37	61.56	66.39	61.16	19831.50	19803.00	19823.50	19303.22	18973.22

Calculations based on previous session. Data collected 01/10/2017

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	151-280	152-100	152-200	153-020	153-120
TYAAH7	10 Yr Treasury Notes	124-150	124-200	124-245	124-295	125-020
SPAH7	S&P 500	2251.72	2256.95	2265.22	2270.45	2278.72
EPH7	S&P E-Mini	2250.75	2256.50	2265.25	2271.00	2279.75

TFEH7	Mini-Russell 2000	1344.1	1358.2	1365.1	1379.2	1386.1
ENQH7	E-Mini NASDAQ	4989.18	5010.87	5028.93	5050.62	5068.68
YMH7	Mini-Dow	19685	19725	19805	19845	19925

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CURRENCIES COMMENTARY

01/11/17

Pushed into the market today we sell the Canadian

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +440, YEN -445, SWISS -46, CA DOLLAR -75**

Upcoming International Reports (all times CT)

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
 01/12 France Consumer Price Index 1:45 AM
 01/12 Canadian New Housing Price I 7:30 AM
 01/12 Initial Jobless Claims 7:30 AM
 01/12 EIA Gas Storage 9:30 AM



DOLLAR: The Dollar is showing somewhat definitively positive chart action but that action is a little surprising in the face of mostly positive international economic information overnight. We also suspect that the Dollar is seeing anticipatory buying off the idea that more definitive language from Trump on trade will spark Dollar gains as the trade has already assumed that Trump trade policies are going to be Dollar positive. First significant resistance in the Dollar is seen up at 1.0249. However, if Trump shows signs of changing health care policies as a priority over other major policy issues that could serve to truncate or stall the Dollar rally.

EURO: Favorable OECD economic views failed to cushion the Euro against developing Dollar strength and we can't rule out an extension of the early weakness and an eventual return to the middle of the consolidation lows of a trading range defined as 1.06 and 1.0550 in the March Euro. However, we do think that the Euro trade is already fearful of Dollar bullish Trump trade policies and that could set a high bar for Dollar bullish policies in the late morning Press conference.

YEN: With the March Yen showing strong gains last week and the currency failing to hold the highs put in place last week we have to give the near term edge to the bear camp. As in most other non-dollar currencies there is the expectation that this morning's Press Conference will yield at least temporary gains in the Dollar.

SWISS: Not surprisingly the Swiss is showing weakness on its charts in the wake of the hook up in the Dollar overnight. Near term downside targeting into and through the Trump Press conference is seen down at 98.12 and to turn the tide in the currency back to the upside might require a mid-morning rally back above the 98.70 level.

POUND: With other non-dollar currencies seeing the brunt of the spillover selling this morning the Pound has managed to hold up above the recent lows and it is giving off signs of attempting to build a consolidation low pattern. Perhaps UK November manufacturing output gains of 1.3% and similar gains in industrial output on the month have given the currency some reason to respect this week's initial low of 1.2123. While the Pound has found some support there doesn't appear to be a reason to predict a low.

CANADIAN DOLLAR: While the Canadian Dollar has seemingly lost upside momentum it has managed to consolidate the January rally. However, we have to think that the Canadian is vulnerable to Trump today! The failure to hold above consolidation support at 75.47 could evoke a more significant slide in the Canadian to 75.00.

TODAY'S MARKET IDEAS:

On one hand the currency trade expected Trump to utter pro-dollar comments in his press conference and therefore the question might be has the trade set the bull Dollar bar too high.

NEW RECOMMENDATIONS:

Sell the March Canadian Dollar at 75.68 with an objective of 74.70 us a tight risk of 75.89.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/11/2017: 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 negative as the close remains below the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 101.29. The next area of resistance is around 102.29 and 102.49, while 1st support hits today at 101.69 and below there at 101.29.

EURO (MAR) 01/11/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The market tilt is slightly negative with the close under the pivot. The next upside target is 106.7862. The next area of resistance is around 106.2525 and 106.7862, while 1st support hits today at 105.4875 and below there at 105.2563.

JAPANESE YEN (MAR) 01/11/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 near-term upside objective is at 87.45. The next area of resistance is around 87.03 and 87.45, while 1st support hits today at 86.17 and below there at 85.72.

SWISS (MAR) 01/11/2017: 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 daily closing price reversal down puts the market on the defensive. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 99.44. The next area of resistance is around 99.02 and 99.44, while 1st support hits today at 98.38 and below there at 98.16.

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	101.99	46.28	50.40	50.36	37.80	101.91	102.42	102.67	101.32	100.50
JYAH7	86.60	54.29	46.74	48.35	61.22	86.34	85.95	85.70	88.69	90.67
EU6H7	105.8700	53.21	49.48	49.51	60.00	105.97	105.42	105.14	106.73	107.63
BPAH7	121.84	35.51	37.75	19.89	19.79	122.71	122.83	123.48	124.72	124.23
CAAH7	75.61	66.99	60.44	57.86	73.79	75.61	74.95	74.79	74.83	74.94
SFAH7	98.70	52.29	49.10	42.82	48.29	98.86	98.42	98.18	99.45	100.10
DAAH7	73.57	63.81	55.02	46.26	66.41	0.73	0.73	0.73	0.74	0.74

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	101.28	101.68	101.88	102.29	102.49
JYAH7	Japanese Yen	85.71	86.16	86.58	87.03	87.45
EU6H7	Euro	105.2562	105.4875	106.0212	106.2525	106.7862
BPAH7	British Pound	120.91	121.42	121.74	122.25	122.57
CAAH7	Canadian Dollar	75.26	75.42	75.63	75.80	76.01
SFAH7	Swiss	98.16	98.38	98.80	99.02	99.44
DAAH7	Australian Dollar	72.97	73.29	73.51	73.83	74.05

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