



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday January 12, 2017

BONDS COMMENTARY

01/12/17

Soft data and foreign currency related buying is bullish

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +210

Global equity markets were lower overnight, the European session started out with December French CPI which showed a modest gain of 0.3% and that was joined by the fastest German GDP growth in 5 years and that should have dampened buying interest in Treasuries to start today. However, we get the sense that the prospect of a battle on Health care, a loss of respect for Trump following the press conference yesterday, a recent pattern of slack data and expectations for a large jump in US claims this morning has given the Treasury bulls a number of story lines. In fact, the bulls are probably seeing renewed forward buying from international players in the wake of sharp declines in the Dollar. Given the prospect of more slack data and more conflict in Washington we suspect that March bonds are poised to rise above the 154-00 level which puts the market above the last 2 1/2 months trading range. The North American session will start out with a weekly reading on initial jobless claims that is expected to see a sizable increase from the previous 235,000 reading. The December export price index and December import price index are both forecast to see a moderate increase from their November readings. The November Canadian new housing price index is forecast to show a minimal downtick from its October reading. A busy day of Fed speakers will include Chicago Fed President Evans and Philadelphia Fed President Harker during morning US trading hours, Atlanta Fed President Lockhart and St Louis Fed President Bullard will also during afternoon hours while Fed Chair Yellen will have a town hall meeting during evening hours.



TODAY'S MARKET IDEAS:

We think that the path of least resistance is up in Treasuries and that bond and note prices are set to extend on the upside in the wake of the "egg" laid by Trump in the press conference yesterday. At least a portion of the trade expected clear policy guidelines yesterday but instead the press conference centered on politically unimportant relationships and the lack of honest reporting in the press. As we will continue to note, Treasuries are likely to rally as long as data is anemic and the GOP/Trump show signs of jumping into the health care quicksand instead of leading the charge toward fiscal stimulus and tax reform. Critical resistance in March bonds isn't seen until the 154-29 level and support in the market moves up to 150-14 which highlights the potential for significant volatility. Look to buy 1/2 point breaks in Bonds and leave the trend with the bull camp.

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) 01/12/2017: 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. With the close over the 1st

swing resistance number, the market is in a moderately positive position. The next upside objective is 154-050. The next area of resistance is around 153-180 and 154-050, while 1st support hits today at 152-120 and below there at 151-240.

10 YR TREASURY NOTES (MAR) 01/12/2017: 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 daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 125-160. The next area of resistance is around 125-055 and 125-160, while 1st support hits today at 124-180 and below there at 124-085.

STOCKS COMMENTARY

01/12/17

The bears have control and might extend that following claims

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 -680

Global equity markets were generally lower overnight with the Russian RTS one of the few markets able to buck the trend. As suggested in Treasury coverage this morning international economic news was positive but that news was thrown out in the wake of disappointing US data fears, a lack of policy specifics from Trump and from the deteriorating sense of confidence that the new Administration will keep its focus on US policy instead of political snipping with Russia and the Press. While Trump claimed to be ready to work on jobs, jobs, jobs he was distracted from what the markets wanted to see yesterday. The final element in favor of the bear camp today is a developing pattern of weakness in US data especially since the trade this morning expects to see a 20,000 increase in US initial claims.



S&P 500: The E-Mini S&P has extended the pattern of lower highs and global equities have laid a negative path for the Thursday US trade. We think that the markets are losing their optimism toward change in Washington and we also think that the claims report will propagate the downward bias in place since last week's highs. Down trend channel resistance is seen at 3369.50 and there might be little in the way of support seen until the 2250 level in the coming two trading sessions!

Other US Indexes: The Mini Dow continues to exhibit a lack of direction and some might suggest that is waning upside momentum. We would suggest that psychology is deteriorating off a lack of progression in US economic readings and more importantly it is losing its hope for distinct and quick stimulus from the hoped for change in Washington. In other words it is not just Trump but the GOP that seems to have focused on Health care instead of fiscal stimulus and tax reform. Near term support and a target in the March Mini-Dow is seen today down at 19,757 and then at 19,733. The Mini-Nasdaq managed another high yesterday while the Cash Index managed a new all-time high and that could set it up for more corrective action than the rest of the market in the days ahead. Near term downside targeting is seen down at a recent double low of 5007.50.

TODAY'S MARKET IDEAS:

The Press Conference from Trump failed to put forth fresh details on tax reform and fiscal stimulus, data is expected to be soft and sentiment is deteriorating which gives the bear camp the edge. The bear camp is missing anxiety and significant uncertainty and that could limit the slide in stock prices.

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) 01/12/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 2283.68. The next area of resistance is around 2278.87 and 2283.68, while 1st support hits today at 2262.13 and below there at 2250.19.

MINI-DOW (MAR) 01/12/2017: The daily stochastics gave a bullish indicator with a crossover up. 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. The upside closing price reversal on the daily chart is somewhat bullish. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 20000. The next area of resistance is around 19950 and 20000, while 1st support hits today at 19804 and below there at 19707.

E-MINI NASDAQ (MAR) 01/12/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 5077.00. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5066.50 and 5077.00, while 1st support hits today at 5026.50 and below there at 4997.00.

MINI-RUSSELL 2000 (MAR) 01/12/2017: A bullish signal was given with an upside crossover of the daily stochastics. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 1385.7. The next area of resistance is around 1381.1 and 1385.7, while 1st support hits today at 1367.3 and below there at 1358.0.

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	152-310	69.35	60.55	82.50	86.42	152.50	151.59	150.17	151.39	154.10
TYAAH7	124-275	64.75	56.59	74.46	77.38	124.70	124.45	123.83	124.70	125.89
SPAH7	2270.60	64.12	64.19	74.84	79.45	2267.70	2259.26	2258.83	2219.72	2193.56
EPH7	2270.50	63.61	63.54	73.90	78.56	2267.38	2259.03	2258.60	2219.66	2193.60
TFEH7	1374.2	56.17	57.37	42.26	45.17	1365.15	1366.78	1368.31	1339.03	1301.69
ENQH7	5046.50	72.66	67.25	79.82	90.21	5026.38	4965.50	4952.47	4873.15	4854.90
YMH7	19877	62.12	65.68	67.05	67.90	19847.00	19815.11	19830.22	19350.56	19004.90

Calculations based on previous session. Data collected 01/11/2017

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	151-230	152-110	152-300	153-180	154-050
TYAAH7	10 Yr Treasury Notes	124-080	124-175	124-280	125-055	125-160

SPA7	S&P 500	2252.44	2263.19	2267.25	2278.00	2282.05
EPH7	S&P E-Mini	2250.18	2262.12	2266.93	2278.87	2283.68
TFEH7	Mini-Russell 2000	1357.9	1367.2	1371.8	1381.1	1385.7
ENQH7	E-Mini NASDAQ	4997.00	5026.50	5037.00	5066.50	5077.00
YMH7	Mini-Dow	19706	19803	19853	19950	20000

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CURRENCIES COMMENTARY

01/12/17

The Dollar has a number of negative facing it

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -860, YEN +885, SWISS +74, CA DOLLAR +655

Upcoming International Reports (all times CT)

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
 01/13 Business Inventories 7:30 AM
 01/13 PPI 7:30 AM
 01/13 Retail Sales 7:30 AM



DOLLAR: The Dollar is being attacked from a number of fronts. Given the number of negative Dollar influences we will only list the most important in today's coverage. We think the primary negative influence on the Dollar overnight and yesterday were the images given off by the Trump press conference, the lack of specific economic policy specifics, slackening US data and last but not least declining respect toward US growth prospects and declining evidence of favorable political change. Yet another negative for the Dollar is the significant chart damage this week in the Greenback and the lack of solid support until the 1.0063 level.

EURO: Favorable German GDP readings, a dismal Trump press conference yesterday, an upside breakout on the Euro charts and the prospect of a big jump in US initial claims leaves the Euro bulls in a very good position this morning. There is very little in the way of resistance seen until the 1.0718 level but the odds are good that the Euro will ultimately manage a rise to even higher resistance up at 1.0790 unless Trump and the GOP get their primary focus back on fiscal stimulus and tax reform.

YEN: The Yen is not only benefiting from overt weakness in the Dollar it is also benefiting from a rise in global uncertainty. Up-trend channel support in the March Yen from the January rally is seen down at 85.93 but we doubt that the Yen will fall back below the overnight low of 86.81 directly ahead. There might be little in the way of resistance in the Yen until the early December consolidation zone of 88.40.

SWISS: Not surprisingly the Swiss has definitively benefited from the distinct failure in the Dollar but it has also benefited from favorable German economic data and increased flight to quality interest. However, we doubt that the Swiss will be a primary benefactor of the Dollar wash but we do think that the March Swiss is easily capable of returning above the 1.00 level.

POUND: The reversal in the Pound primarily comes from the demise of the Dollar which in turn is not an overstatement. However, the Pound should continue to be limited by the threat of a hard BREXIT and from the lessening positive pull from sagging global equity/economic sentiment. We see hard fought and difficult to sustain gains in the March Pound. Near term resistance and a possible target is seen up at 1.2409. In the end for the Pound to recover significantly requires definitive forward motion in the global economy which save it from its own troubles.

CANADIAN DOLLAR: When the Dollar is strong the Canadian pays the price. When the Dollar is getting

ransacked the Canadian sees a significant windfall. We would also note that the March Canadian has also seen a technical breakout and it has positive momentum today. Near term upside targeting is seen up at 77.00 and support moves up to 76.55.

TODAY'S MARKET IDEAS:

The Dollar has laid an egg and Trump needs to return his focus to tax reform and fiscal stimulus before he finds his Presidency pulled back into political snipping and political conflict. An added undermine for the Dollar today is the expectation of a noted jump in US claims.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short the March Canadian Dollar at 75.68 *Hit tight risk of 75.89.

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) 01/12/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. Declining momentum studies in the neutral zone will 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 downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 100.19. The next area of resistance is around 102.57 and 103.62, while 1st support hits today at 100.86 and below there at 100.19.

EURO (MAR) 01/12/2017: 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. The upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 107.5600. The next area of resistance is around 106.9150 and 107.5600, while 1st support hits today at 105.2150 and below there at 104.1600.

JAPANESE YEN (MAR) 01/12/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. 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 near-term upside objective is at 88.78. The next area of resistance is around 87.85 and 88.78, while 1st support hits today at 85.88 and below there at 84.82.

SWISS (MAR) 01/12/2017: 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 daily closing price reversal up is a positive indicator that could support higher prices. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 100.17. The next area of resistance is around 99.61 and 100.17, while 1st support hits today at 98.19 and below there at 97.33.

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	101.71	42.84	47.93	44.06	31.47	101.96	102.25	102.66	101.41	100.56
JYAH7	86.86	57.21	48.97	54.03	65.50	86.37	86.08	85.73	88.46	90.51

EU6H7	106.0650	55.16	50.88	54.17	63.86	105.88	105.58	105.15	106.59	107.56
BPAH7	122.24	40.05	40.66	22.32	27.47	122.19	122.80	123.25	124.65	124.23
CAAH7	75.93	72.39	64.31	64.90	78.79	75.70	75.19	74.81	74.86	74.93
SFAH7	98.90	54.61	50.76	45.37	50.46	98.76	98.55	98.19	99.34	100.05
DAAH7	74.38	72.86	62.57	56.34	76.51	0.74	0.73	0.73	0.74	0.74

Calculations based on previous session. Data collected 01/11/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	100.18	100.85	101.90	102.57	103.62
JYAH7	Japanese Yen	84.81	85.87	86.79	87.85	88.78
EU6H7	Euro	104.1600	105.2150	105.8600	106.9150	107.5600
BPAH7	British Pound	119.60	121.05	121.97	123.42	124.34
CAAH7	Canadian Dollar	74.84	75.43	75.85	76.43	76.85
SFAH7	Swiss	97.33	98.19	98.75	99.61	100.17
DAAH7	Australian Dollar	72.99	73.78	74.19	74.97	75.39

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