



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday January 13, 2017

### BONDS COMMENTARY

01/13/17

**Slightly vulnerable early but the up-trend is well defined**

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

**BONDS +60**

The Treasury market started off balance today and at times fell down to equal the last four days lows. Sentiment from the global equity market sphere was probably bearish to treasuries as most markets were higher overnight. Given the downshift in economic sentiment this week and a very active US scheduled reports slate this morning it is possible that a trend decision is in the offing today. In looking at expectations for the brunt of the data today it would appear that the bear camp will have an edge. However the bull camp is probably seeing some support from news that "overall" Chinese imports and exports in 2016 were down to the lowest levels since 2009. On the other hand Chinese imports of Soybeans, Copper concentrates, crude oil and iron ore hit all-time record highs and that would seem to suggest that basic material demand in the Chinese economy remains strong and that in turn means the economy is showing signs of regaining momentum. Seeing the Chinese economic showing signs of regaining momentum should help to increase resistance in bonds and notes around the quasi double high of 154-00 (from the mid-November highs and the Thursday high). The economic report slate today will start out with December retail sales which are expected to show a moderate increase from November's +0.1% reading. The December producer price index is forecast to show a modest uptick from November's +1.3% year-over-year rate. November business inventories are expected to see a moderate increase from October's -0.2% reading and climb into positive territory. A private survey of January consumer sentiment is forecast to see a modest uptick from December's 98.2 reading. Philadelphia Fed President Harker will speak during morning US trading hours.



#### TODAY'S MARKET IDEAS:

The technical condition of the Treasury bond charts deteriorated overnight with the probe down toward this week's lows. We suspect that the market was modestly overbought in the spike up move yesterday but at least part of that reaction was justified by the overt weakness in equities and generally disappointing US scheduled data. However, US scheduled data expectations today would clearly seem to favor the bear camp as all the key reports are projected to register growth-like results. For the bull camp to ride through the moderately active report slate today probably requires the headline reading (retail sales) to fail to meet the expectations of a +0.7% gain. However, with the Trump disappointment (the failure to concentrate on fiscal spending and tax reform) economic sentiment might not be easily revived to a level that justifies a push below close-in support in March Bonds of 152-00. In other words the residual trend is up and to turn the tide requires something definitive from the numbers today and perhaps even a modest bounce in equities.

#### 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) 01/13/2017:** Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down puts the market on the defensive. The market tilt is slightly negative with the close under the pivot. The next upside objective is 154-110. The next area of resistance is around 153-100 and 154-110, while 1st support hits today at 151-300 and below there at 151-180.

**10 YR TREASURY NOTES (MAR) 01/13/2017:** Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. 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 next upside target is 125-180. The next area of resistance is around 125-070 and 125-180, while 1st support hits today at 124-210 and below there at 124-135.

## **STOCKS COMMENTARY**

**01/13/17**

**The bulls control but retail sales readings are paramount**

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

**S&P 500 +330**

Global equity markets were mostly higher but weakness was seen in some Pacific Rim markets perhaps because of disappointing overall Chinese trade figures. Economic data overnight was mostly positive from outside of China but the China news isn't all bad because the import of some base/industrial commodities reached record levels in 2016 and that might point to an economy getting back on its feet. With positive readings expected from US retail sales figures later today and a more balanced technical condition in place (following the washout and recovery yesterday) we have to give the bull camp an edge today. Earnings announcement will include JP Morgan Chase, Wells Fargo, Bank America, BlackRock and PNC Financial before the Wall Street opening.



**S&P 500:** The E-Mini S&P forged a big range down washout and recovery in the prior trading session and that would seem to point to the prospect of a low. While the Chinese trade figures overnight were a little discouraging the negative influence of the Trump press conference is drifting into the background and the trade might be able to put on a more optimistic face in the event that today's scheduled data manages to meet expectations of a sweep of positive results. Down trend channel resistance off the series of lower highs comes in today at 2268.75.

**Other US Indexes:** The Mini Dow also forged a large range down washout and recovery in the prior trading session and that should leave the market in a more balance technical condition today. Down trend channel resistance and a potentially key pivot point is seen up at 19,886 but the failure to hold 19,801 could put the bear camp right back in control. The Mini-Nasdaq washed out sharply yesterday but it managed to reject that slide and today it starts within close proximity to the recent highs. Up-trend channel support and a key level on the charts today is seen at 5006.45.

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

Overall economic sentiment is mixed but US data should provide a positive start to the action today. However the bull can't afford to see a miss on the anticipated +0.7% gain in retail sales.

### **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) 01/13/2017: 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's close below the pivot swing number is a mildly negative setup. The next upside objective is 2283.62. The next area of resistance is around 2274.75 and 2283.62, while 1st support hits today at 2252.75 and below there at 2239.63.

MINI-DOW (MAR) 01/13/2017: The daily stochastics have crossed over down which is a bearish indication. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The close below the 1st swing support could weigh on the market. The next downside objective is 19604. The next area of resistance is around 19895 and 19983, while 1st support hits today at 19705 and below there at 19604.

E-MINI NASDAQ (MAR) 01/13/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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 next upside target is 5080.87. The next area of resistance is around 5062.50 and 5080.87, while 1st support hits today at 5008.00 and below there at 4971.88.

MINI-RUSSELL 2000 (MAR) 01/13/2017: A crossover down in the daily stochastics is a bearish signal. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 1329.0. The next area of resistance is around 1373.4 and 1387.9, while 1st support hits today at 1344.0 and below there at 1329.0.

## 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
<b>FINANCIAL COMPLEX</b>										
USAAH7	152-200	65.87	58.48	82.23	82.33	152.67	151.88	150.39	151.19	153.93
TYAAH7	124-300	66.15	57.61	75.73	78.71	124.82	124.56	123.94	124.61	125.82
SPA7	2263.40	56.47	59.58	75.59	77.08	2265.68	2261.29	2259.11	2222.82	2195.99
EPH7	2263.75	56.57	59.34	74.98	76.91	2265.75	2261.03	2258.85	2222.75	2196.06
TFEH7	1358.7	46.81	51.14	41.86	40.93	1364.25	1366.40	1367.67	1342.74	1304.10
ENQH7	5035.25	68.51	64.97	83.71	91.41	5034.31	4978.47	4957.93	4878.88	4858.82
YMH7	19800	53.50	59.97	66.12	64.03	19827.75	19819.44	19829.78	19387.84	19035.78

Calculations based on previous session. Data collected 01/12/2017

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	151-170	151-290	152-300	153-100	154-110
TYAAH7	10 Yr Treasury Notes	124-130	124-205	124-315	125-070	125-180
SPA7	S&P 500	2241.79	2253.79	2261.00	2273.00	2280.20
EPH7	S&P E-Mini	2239.62	2252.75	2261.62	2274.75	2283.62
TFEH7	Mini-Russell 2000	1328.9	1343.9	1358.4	1373.4	1387.9
ENQH7	E-Mini NASDAQ	4971.87	5008.00	5026.37	5062.50	5080.87
YMH7	Mini-Dow	19603	19705	19793	19895	19983

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## CURRENCIES COMMENTARY

01/13/17

**The trend in the dollar is down unless data is strong**

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

US DOLLAR -130, YEN +0, SWISS +23, CA DOLLAR -50

### Upcoming International Reports (all times CT)

01/13 Business Inventories 7:30 AM

01/13 PPI 7:30 AM

01/13 Retail Sales 7:30 AM

01/14 Euro-zone Industrial Product 4:00 AM

01/14 Canadian New Motor Vehicle S 7:30 AM



**DOLLAR:** The Dollar forged fresh chart damage yesterday but it was able to reject the brunt of that washout which for some hints at a low. However, to throw off the "current trend" will require a sweep of data that meets or exceeds "growth" expectations. The primary data point today will be US retail sales which are forecast to post a gain of +0.7%. Apparently the Dollar saw only fleeting benefit from the news of a decline in Chinese imports and exports overnight but the Dollar bulls need number help today or the beating in the Dollar will continue. We think the trend in the Dollar will remain down after a temporary number inspired blip up.

**EURO:** The charts in the Euro remain positive, German price data overnight was supportive of the Euro and the Dollar will have to prove it can throw off an entrenched downtrend pattern. Up-trend channel support in the March Euro today is seen down at 1.0615 but a closer-in post report buying zone is seen at 1.0645. Up-trend channel support in the March Euro on Monday rises to 1.0639 and there might be little in the way of resistance today until the Thursday high of 1.0710.

**YEN:** A weak up-trend bias remains in place in the Yen in the wake of a partially disappointing Chinese import/export report overnight as that increases safe haven interest in the Yen and that also weakens the Chinese currency which in turn benefits the Yen. Therefore the Yen might be set to see even more buying interest off a modest rise in global economic uncertainty unless respect for the US economy returns. In order to see a distinct range up extension in the Yen and a new high for the week will probably require a US retail sales gain below +0.5%.

**SWISS:** Like other non-dollar currencies the Swiss remains in a favorable chart setup and it also looks to remain in favor because of anticipated unfolding weakness in the Dollar. Up-trend buying support in the March Euro is seen down at 99.04 but closer-in support is seen at 99.31.

**POUND:** This week's events have clearly favored the bear camp in the Pound. A pattern of lower highs on the charts and a fleeting bounce that was the result of a sharp Dollar washout would seem to suggest that the Pound will continue to slide unless there is a significant change in headline conditions. Down trend channel resistance is seen up 1.2301.

**CANADIAN DOLLAR:** The Canadian appears to have reached a technical and fundamental peak with the Thursday action. In fact to avoid a poor finish this week the Canadian needs to see disappointment from US retail sales and very consistent respect of close-in chart support of 75.91 this morning. Up-trend channel support in the March Canadian is seen today at 75.63.

### TODAY'S MARKET IDEAS:

The Greenback has to prove it can throw off the downward bias in place this week. In fact, we are not even sure that the Dollar will be able to sustain gains in the face of an as expected +0.7% gain in retail sales later this morning.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CURRENCIES TECHNICAL OUTLOOK:**

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US DOLLAR (MAR) 01/13/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 100.24. The next area of resistance is around 101.91 and 102.37, while 1st support hits today at 100.84 and below there at 100.24.

EURO (MAR) 01/13/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Momentum studies are rising from mid-range, which could accelerate 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. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 107.6299. The next area of resistance is around 107.0249 and 107.6299, while 1st support hits today at 105.8950 and below there at 105.3700.

JAPANESE YEN (MAR) 01/13/2017: 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 close over the pivot swing is a somewhat positive setup. The next upside objective is 88.70. The next area of resistance is around 88.05 and 88.70, while 1st support hits today at 86.78 and below there at 86.16.

SWISS (MAR) 01/13/2017: The major trend could be turning up with the close back above the 40-day moving average. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 100.20. The next area of resistance is around 99.76 and 100.20, while 1st support hits today at 98.86 and below there at 98.39.

**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	101.37	39.09	45.21	38.90	28.25	101.76	102.11	102.58	101.49	100.62
JYAH7	87.41	62.63	53.24	59.62	71.13	86.80	86.23	85.86	88.26	90.35
EU6H7	106.4600	59.01	53.59	59.39	69.74	106.10	105.71	105.25	106.49	107.49
BPAH7	121.87	37.32	38.85	24.73	29.59	121.92	122.70	123.09	124.59	124.23
CAAH7	76.17	75.49	66.78	69.95	79.69	75.86	75.41	74.88	74.89	74.93
SFAH7	99.31	60.07	54.73	49.13	56.66	98.94	98.68	98.28	99.25	100.00
DAAH7	74.82	76.51	65.95	64.92	82.57	0.74	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
<b>CURRENCY COMPLEX</b>					

DXAH7	US Dollar	100.23	100.84	101.30	101.91	102.37
JYAH7	Japanese Yen	86.15	86.77	87.43	88.05	88.70
EU6H7	Euro	105.3700	105.8949	106.5000	107.0249	107.6299
BPAH7	British Pound	120.52	121.04	122.17	122.69	123.82
CAAH7	Canadian Dollar	75.37	75.72	76.26	76.61	77.15
SFAH7	Swiss	98.38	98.85	99.29	99.76	100.20
DAAH7	Australian Dollar	73.83	74.37	74.72	75.26	75.61

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