



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday January 18, 2017

BONDS COMMENTARY

01/18/17

The bear camp is hopeful today off data and Fed speak

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -200

With Asian equity markets climbing toward 3 month highs and US stocks showing some modest gains early on the initial vibe toward US Treasuries favors the bear camp. However, the December through present rally in Bonds and Notes has seemingly been built on the back of less than stellar US scheduled data. On the other hand seeing the T-Notes post a new record net spec and fund short of 642,000 contracts in the latest COT positioning report would seem to suggest that Notes will have significant residual short covering buying fuel if US scheduled data remains choppy to weak and further pressure is applied to the shorts in the form of fresh higher highs for the move ahead. The Treasury markets might have garnered some lift yesterday from Fed comments that didn't seem to bring the threat of the next rate hike into view. In fact, one Fed member suggested that rates could remain low for a long period of time as long as the right-mix of policy is in place. The bear camp might point out a slight loss of upside momentum since January 6th but the bull camp will suggest that the March bonds have carved out some measure of support around the 152-00 level. However, given the breadth of scheduled US data today and the afternoon Beige book release the chances of a major trend decision today have increased. The North American session will start out with the December consumer price index which is forecast to have a sizable jump from November's +1.7% year-over-year rate. December industrial production is also expected to see notable improvement from November's -0.4% reading and it could climb back into positive territory. The January NAHB housing market index is forecast to hold steady with December's 70 reading. The Bank of Canada will conclude their latest monetary policy meeting with no change expected to either rates or policy. Later in the day, the latest FOMC Beige Book will be released and will be scrutinized for hints on upcoming Fed policy. Minneapolis Fed President Kashkari will speak during morning US trading hours while Fed Chair Yellen will speak during the afternoon.



TODAY'S MARKET IDEAS:

With March Bonds sitting roughly 8 points above the December lows and March Notes sitting roughly 2 1/2 points above the December lows the Treasury markets have priced in some measure of slowing in the US economy. Therefore today's data presents an important junction in Treasuries which are giving off every impression of up trending. In fact, the bias of the trade might be set early if US inflation results don't jump up as much as expected! Pushed into the market today we would favor the bear case early at least through the CPI results. We would also warn the trade of the prospect of noted price reactions to Fed dialogue later today especially from the Minneapolis Fed President. In conclusion there is the prospect of significant volatility today and we think some of the volatility might result in an early temporary dip back toward last week's low of 151-11 in March Bonds.

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) 01/18/2017: The crossover up in the daily stochastics is a bullish signal. 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 close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 155-000. The next area of resistance is around 154-080 and 155-000, while 1st support hits today at 152-120 and below there at 151-070.

10 YR TREASURY NOTES (MAR) 01/18/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 125-280. The next area of resistance is around 125-195 and 125-280, while 1st support hits today at 124-285 and below there at 124-135.

STOCKS COMMENTARY

01/18/17

Minor weakness today as US data fails to inspire buyers

OVERNIGHT CHANGES THROUGH 6:05 AM (CT): S&P 500 +50

Global equity markets saw mixed action again overnight with Asian markets sitting just under 3 month highs. However, action in European and US markets wasn't overly impressive to start today. Furthermore with equities in general losing their upward bias since the December 13th high it is clear that investors are disappointed with the economic progression in the US and it is also clear that the geopolitical environment is temporarily suspect into the US transition of power that will take place later this week. However, while we think that the focus of the market today will be on the net take away from an active economic news flow favorable Bank earnings early on might serve to drive early action. On the other hand one might expect a hot inflation reading and potentially hawkish Fed dialogue later today will provide the bear camp with an ultimate edge. Earnings announcement will include Citigroup, Goldman Sachs and US Bancorp before the Wall Street opening while Netflix and Kinder Morgan will report after the close.



S&P 500: As mentioned already we give the overall edge to the bear camp through a potentially impactful day of economic headlines and residual political anxiety. However, it is possible that favorable earnings from the US financial sector before the opening will provide a temporary lift but a hot CPI result combined with an unchanged NAHB reading could truncate the rally attempt. Later on the market might be presented with a minimally hawkish hint from the Minneapolis Fed President and that should give the bear camp eventual control. In short we can't rule out at least a temporary bounce to 2270 but we wouldn't be surprised to see a probe down to 2255 and perhaps even 2250 in the March E-Mini S&P contract into the close today or early Thursday.

Other US Indexes: The Mini Dow appears to be eroding slowly on its charts and that is probably justified given the lingering geopolitical cloud from the upcoming transition of power in Washington but we also think the bear tilt is justified by the lackluster pattern of US data. Down trend channel resistance is seen today at 19,852 and that resistance line falls down to 19,839 on Thursday. The Mini-Nasdaq has also forged a narrow pattern of lower highs in the wake of last week's peak and we think that is largely justified by the lack of fresh definitively bullish headlines and a lack of macro-economic optimism in the current marketplace. Today's resistance sits at 5057.30 and that resistance falls down to 5048 on Thursday.

TODAY'S MARKET IDEAS:

The path of least resistance remains down but the rate of decline should be measured and without overt anxiety. In other words, the bear has control because of disappointment and a lack of motivation and not because of a particularly concerned headline threat!

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) 01/18/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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 near-term upside objective is at 2276.31. The next area of resistance is around 2268.87 and 2276.31, while 1st support hits today at 2255.63 and below there at 2249.82.

MINI-DOW (MAR) 01/18/2017: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 19622. The next area of resistance is around 19809 and 19885, while 1st support hits today at 19677 and below there at 19622.

E-MINI NASDAQ (MAR) 01/18/2017: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside target is 5075.25. The next area of resistance is around 5057.50 and 5075.25, while 1st support hits today at 5023.50 and below there at 5007.25.

MINI-RUSSELL 2000 (MAR) 01/18/2017: The major trend has turned down with the cross over back below the 40-day moving average. A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. A bearish signal was triggered on a crossover down in the daily stochastics. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 1334.0. The next area of resistance is around 1364.0 and 1379.3, while 1st support hits today at 1341.4 and below there at 1334.0.

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	153-100	68.78	61.35	81.13	81.73	152.75	152.36	150.88	150.96	153.60
TYAAH7	125-080	69.90	61.12	78.19	82.38	124.93	124.74	124.16	124.47	125.66
SPA7	2212.50	53.40	57.27	77.89	78.26	2267.30	2266.44	2260.21	2228.39	2200.60
EPH7	2262.25	53.53	57.30	77.17	77.34	2267.25	2266.39	2259.83	2228.28	2200.64
TFEH7	1352.7	43.43	48.25	45.74	42.03	1363.90	1365.14	1366.38	1350.50	1311.74
ENQH7	5040.50	65.62	63.76	89.11	92.59	5046.69	5015.81	4971.68	4889.59	4866.32
YMH7	19743	46.25	54.98	61.02	52.43	19813.50	19827.22	19826.11	19451.93	19093.62

Calculations based on previous session. Data collected 01/17/2017

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	151-060	152-110	153-030	154-080	155-000
TYAAH7	10 Yr Treasury Notes	124-130	124-280	125-045	125-195	125-280
SPA7	S&P 500	2227.85	2207.50	2237.85	2217.50	2247.85
EPH7	S&P E-Mini	2249.81	2255.62	2263.06	2268.87	2276.31
TFEH7	Mini-Russell 2000	1333.9	1341.3	1356.6	1364.0	1379.3
ENQH7	E-Mini NASDAQ	5007.25	5023.50	5041.25	5057.50	5075.25
YMH7	Mini-Dow	19621	19677	19753	19809	19885

Calculations based on previous session. Data collected 01/17/2017

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

CURRENCIES COMMENTARY

01/18/17

Expect a fleeting attempt to bounce in the Dollar today

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +340, YEN -540, SWISS +2, CA DOLLAR -260**

Upcoming International Reports (all times CT)

01/18 German Consumer Price Index 1:00 AM
 01/18 UK Employment Situation - C1 3:30 AM
 01/18 CPI 7:30 AM
 01/18 Real Earnings 7:30 AM
 01/18 Capacity Utilization 8:15 AM
 01/18 Industrial Production 8:15 AM
 01/18 Canadian Monetary Policy 9:00 AM
 01/18 API Energy Stocks 3:30 PM
 01/19 Swiss Producer Price Index 2:15 AM
 01/19 Euro-zone Balance of Payment 3:00 AM
 01/19 Euro-zone Monetary Policy 6:45 AM
 01/19 Canadian Monthly Survey of M 7:30 AM
 01/19 Housing Starts and Pmts 7:30 AM
 01/19 Initial Jobless Claims 7:30 AM
 01/19 EIA Gas Storage 9:30 AM
 01/19 EIA Energy Stocks 10:00 AM



DOLLAR: While the Dollar is showing some bounce action to start today we suspect that the Greenback remains vulnerable to renewed weakness especially if US data remains mixed. However, it is possible that the Dollar is poised to get a temporary lift from Fed dialogue particularly from the Minneapolis Fed President. We also think that the Fed Beige book will be slightly supportive of the Dollar but that gains in the Dollar today should be viewed as selling opportunities. Corrective bounce targeting is seen up at 1.01.

EURO: The Euro is temporarily overbought and vulnerable to minimally hawkish Fed influences. However, the economic outlook and recent track in the Euro zone economy remains more upbeat than the US and that should provide some cushion to the Euro in the event of a minor corrective balancing on the charts today. Near term buying support in the March Euro is seen down at 1.0621 with the brunt of that dip expected to come in the wake of the US CPI result this morning.

YEN: The Yen appears to be temporarily overbought and poised for a minor corrective dip. A normal correction off the December and January rally would project buying support down at 87.28 with up-trend channel support seen at 86.63 today and at 87.08 by this Friday. In order to continue the rally in the Yen straight away probably requires soft US data and acknowledgement of a slightly disappointed US Fed.

SWISS: While the trend ultimately looks to remain in place in the Swiss we think there is the potential for a temporary setback directly ahead. However, if the US numbers and or the Fed give off hints of disappointing economic conditions that could result in a range up extension toward the 1.01 level.

POUND: While we continue to think that the flap over a hard BREXIT is overstated and ultimately a faux crisis

one can't discount the impact of uncertainty on the Pound. In fact in the wake of a slightly better than expected UK jobs result this morning the Pound is showing some corrective action. However, the Pound was short term overbought and the jobs news should help cushion the Pound above support that has recently moved up to 1.2248.

CANADIAN DOLLAR: Like most other non-Dollar currencies the Canadian appears to be poised to forge a minor corrective slide. However, we doubt that the US Dollar will be able to forge anything other than a temporary bounce and that should limit the correction in the Canadian in duration and scope. Up-trend channel support is seen today down at 76.05.

TODAY'S MARKET IDEAS:

In order to throw off the Dollar slide requires definitively hawkish hints from the Fed speeches and perhaps even the Fed Beige Book.

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) 01/18/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 99.30. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 101.00 and 101.98, while 1st support hits today at 99.66 and below there at 99.30.

EURO (MAR) 01/18/2017: 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. A positive signal was given by the outside day up. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 108.4412. The next area of resistance is around 108.0175 and 108.4412, while 1st support hits today at 106.6025 and below there at 105.6113.

JAPANESE YEN (MAR) 01/18/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 89.97. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 89.58 and 89.97, while 1st support hits today at 88.16 and below there at 87.13.

SWISS (MAR) 01/18/2017: The major trend could be turning up with the close back above the 60-day moving average. 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 outside day up is somewhat positive. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 101.25. The next area of resistance is around 100.77 and 101.25, while 1st support hits today at 99.37 and below there at 98.46.

DAILY TECHNICAL STATISTICS

CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW	14 DAY SLOW	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
-------	--------------	---------------	----------------	----------------	----------------	----------------	-----------------	-----------------	-----------------

	STOCH D			STOCH K						
CURRENCY COMPLEX										
DXAH7	100.33	28.15	36.90	24.21	13.62	101.02	101.50	102.21	101.63	100.76
JYAH7	88.86	73.75	62.81	71.47	84.72	87.65	86.80	86.17	87.94	90.06
EU6H7	107.3100	66.67	59.15	70.59	82.73	106.62	106.17	105.50	106.34	107.37
BPAH7	124.19	58.99	53.64	35.89	53.93	122.55	122.70	122.92	124.53	124.22
CAAH7	76.70	81.39	71.85	78.03	86.33	76.29	75.86	75.07	74.96	74.94
SFAH7	100.07	68.28	60.95	59.29	71.65	99.40	99.02	98.49	99.12	99.93
DAAH7	75.55	81.56	70.90	78.97	92.15	0.75	0.74	0.73	0.74	0.74

Calculations based on previous session. Data collected 01/17/2017

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	99.29	99.65	100.63	101.00	101.98
JYAH7	Japanese Yen	87.12	88.15	88.55	89.58	89.97
EU6H7	Euro	105.6112	106.6025	107.0262	108.0175	108.4412
BPAH7	British Pound	118.89	122.05	123.17	126.32	127.45
CAAH7	Canadian Dollar	75.53	76.20	76.52	77.19	77.52
SFAH7	Swiss	98.45	99.37	99.85	100.77	101.25
DAAH7	Australian Dollar	74.20	75.01	75.28	76.09	76.36

Calculations based on previous session. Data collected 01/17/2017

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.