



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday January 19, 2017

BONDS COMMENTARY

01/19/17

The path of least resistance is down more off US numbers

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -170

Global equity markets were weaker overnight and sentiment was partially knocked off balance by predictions from Morgan Stanley that a US/China trade war could result in a 29% decline in stocks. Therefore one might have expected US Treasuries to have come in well bid this morning. However with talk of a US/China trade war flush in the headlines this week combined with news that China reduced its holdings of US Treasuries in November and has extended that monthly selling pattern to 6 months that clearly adds an additional bearish wrinkle to the Treasury market today. Furthermore, it is possible that Treasuries are under residual selling pressure from the rather impressive US Industrial production result yesterday as that data point helps to counter sagging US economic sentiment. In fact that type of thinking was given added credibility in the wake of comments from the Fed Chair yesterday that the Fed would allow rates to creep higher until their targeting was achieved. In conclusion the Treasury rally from the December lows into the January highs seems to have been the result of an indefinite push back in the US hike window but the data yesterday and the partially hawkish Fed dialogue yesterday probably justifies some further erosion on the charts today. With expectations calling for improvement in housing starts and permits later this morning we can't argue against more downside action on the charts. The highlight of the European session today will be the results of the European Central Bank meeting with no changes expected to either policy or rates. The North American session will start out with a weekly reading on initial jobless claims that are forecast to see a modest uptick from the previous 247,000 reading. December housing starts and December building permits are both expected to show moderate increases from their November readings. The Philadelphia Fed's January manufacturing survey is forecast to see a notable decline from December's 21.5 reading. Fed speakers will include San Francisco Fed President Williams during morning US trading hours while Fed Chair Yellen will speak during the evening.



TODAY'S MARKET IDEAS:

Seeing China cut its US Treasury holdings for the 6th straight month is not something to discount especially given the threat of strained US/China relations in the coming weeks. We would also suggest that the flow of US data seems to have improved slightly especially if the housing news later this morning is positive. The bear camp will also suggest that March Bonds have already failed at a December/January up-trend channel support line at 151-12 and that level nearly coincides with a retracement target of 151-11 from the December and January low to high rally. The next lower target in March bonds is seen down at 150-17.

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) 01/19/2017: A crossover down in the daily stochastics is a bearish signal. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside target is 150-090. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 152-200 and 153-280, while 1st support hits today at 150-270 and below there at 150-090.

10 YR TREASURY NOTES (MAR) 01/19/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower from overbought levels is a bearish indicator and would 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 close below the 1st swing support could weigh on the market. The next downside objective is 123-240. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 124-290 and 125-175, while 1st support hits today at 124-005 and below there at 123-240.

STOCKS COMMENTARY

01/19/17

Strong data needed to countervail political anxiety

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 -150

Global equity markets were mostly weaker overnight with the Australian market managing a slight gain. Clearly predictions from Morgan Stanley that a US/China trade war could result in a 29% decline in stocks, has knocked sentiment for a loop to start today. It is also likely that stocks are partially off

balance because of Yellen comments yesterday predicting a few US rate hikes this year. While the markets might garner some support from favorable US housing data later this morning uncertainty off the impending transition of power in the US could limit the markets capacity to embrace positive economic news. Earnings announcements will include Union Pacific, Bank of New York Mellon and BB&T before the opening.



S&P 500: In looking at the charts it is difficult to suggest that the market will exit the sideways consolidation pattern seen over the last 27 days as uncertainty abounds and the pace of the US economy is difficult to ascertain in the wake of mixed data flows. However we have to suggest that US Industrial Production results yesterday could lay the foundation for improved sentiment ahead especially if that news is followed up by definitive improvement in housing starts and permits. Down trend channel resistance is seen up at 2271.40 and close-in support is seen down at 2258.25.

Other US Indexes: The Mini Dow remains within a gradual slide pattern on its charts and it would appear that political uncertainty is feeding the bear case. However, traders might expect to see a temporary positive reaction to US housing data but until the transition of power is complete and the markets see the prospect of pro-growth government policy it might be difficult to avoid a pattern of lower lows. The Mini-Nasdaq continues to be the bright spot of the equity space as it has avoided definitive downside work this week and prices generally remain within striking distance of their January high. Up-trend buying support today is seen down at 5028.

TODAY'S MARKET IDEAS:

The markets look to diverge today with the Nasdaq standing up to the liquidation tilt and the rest of the market in need of something positive from housing starts and permits just to stem the pattern of erosion on the charts.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/19/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 2275.06. The next area of resistance is around 2271.37 and 2275.06, while 1st support hits today at 2261.13 and below there at 2254.57.

MINI-DOW (MAR) 01/19/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 19608. The next area of resistance is around 19791 and 19852, while 1st support hits today at 19669 and below there at 19608.

E-MINI NASDAQ (MAR) 01/19/2017: 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. The close over the pivot swing is a somewhat positive setup. The next upside objective is 5073.06. The next area of resistance is around 5065.62 and 5073.06, while 1st support hits today at 5042.38 and below there at 5026.57.

MINI-RUSSELL 2000 (MAR) 01/19/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 1344.1. The next area of resistance is around 1362.8 and 1366.2, while 1st support hits today at 1351.8 and below there at 1344.1.

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	151-230	51.26	51.01	78.83	74.23	152.48	152.47	151.07	150.89	153.40
TYAAH7	124-145	49.58	49.11	76.73	73.98	124.84	124.77	124.23	124.41	125.57
SPAH7	2266.60	56.32	58.91	78.12	78.56	2266.30	2266.70	2260.21	2230.72	2202.85
EPH7	2266.25	56.25	58.76	77.17	77.30	2265.94	2266.53	2259.76	2230.66	2202.88
TFEH7	1357.3	46.16	49.87	43.24	38.12	1363.60	1363.76	1365.47	1352.06	1313.99
ENQH7	5054.00	67.92	65.20	90.59	93.60	5048.13	5029.14	4977.11	4896.54	4869.85
YMH7	19730	45.40	54.39	55.57	44.42	19777.00	19813.56	19816.39	19475.16	19121.80

Calculations based on previous session. Data collected 01/18/2017

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	150-080	150-260	152-020	152-200	153-280
TYAAH7	10 Yr Treasury Notes	123-235	124-000	124-205	124-290	125-175
SPAH7	S&P 500	2256.05	2262.10	2265.05	2271.10	2274.05
EPH7	S&P E-Mini	2254.56	2261.12	2264.81	2271.37	2275.06
TFEH7	Mini-Russell 2000	1344.0	1351.7	1355.1	1362.8	1366.2

ENQH7	E-Mini NASDAQ	5026.56	5042.37	5049.81	5065.62	5073.06
YMH7	Mini-Dow	19608	19669	19730	19791	19852

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CURRENCIES COMMENTARY

01/19/17

Expect more gains in the Dollar today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +150, YEN -760, SWISS -18, CA DOLLAR -270

Upcoming International Reports (all times CT)

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
 01/20 German Producer Price Index 1:00 AM
 01/20 UK Retail Sales 3:30 AM
 01/20 Canadian Consumer Price Inde 7:30 AM
 01/20 Canadian Retail Trade 7:30 AM



DOLLAR: While the Dollar managed a higher high to start today it could difficult for it to stand up to the liquidation bias that has been in place for the better part of a month. Clearly Yellen's hints of a "few" US rate hikes this year have helped check-up the slide in the Dollar and we also suspect that strong US Industrial Production data yesterday have temporarily added to the bull's hopes. However, we get the sense that the Dollar will "need" very strong housing data this morning just to temper the downward trend bias in the Dollar. Down trend channel resistance is seen up at 1.0142.

EURO: While the Euro made a lower low overnight and the trade wasn't expecting the ECB to make any policy or statement changes we aren't ready to call for an end to the January rally. However, we would expect to see some pressure on the Euro in the wake of US housing data but we suspect that pressure will be temporary. Near term downside targeting in the March Euro is seen down at 1.0624.

YEN: After an extremely volatile trade over the prior two trading sessions and a probe down on the charts again this morning it would seem like the path of least resistance in the Yen is pointing downward. Unfortunately for the bull camp there might not be solid buying support in the March Yen until the 86.58 level.

SWISS: We get the sense that the Swiss is technically vulnerable at the same time that one might expect to see additional pressure from US housing starts and permits. Near term downside corrective targeting might be seen down at 99.29 and to turn the trend back to the upside might require a post US report rally back above 99.84.

POUND: Surprisingly positive dialogue from the UK Prime Minister regarding the rosy future of the UK in the wake of BREXIT seems to be embraced by the markets and that might suggest an end to the anxiety and fear off the whole BREXIT condition. In short it is possible that the Pound has found some solid value around the 1.2250 level but those that get long probably have to risk those positions to a stop below 1.20.

CANADIAN DOLLAR: The Canadian Dollar remains in a freefall on its charts and that is partially the result of revived US rate hike fears but also because of a slight improvement in US data prospects. With US Industrial production yesterday rather strong and expectations for US housing starts and permits later this morning calling for improvement it is very difficult to throw off the downward bias in the Canadian Dollar. Thin support is seen at 75.17.

TODAY'S MARKET IDEAS:

The Dollar has an early edge and might see that edge extend in the wake of scheduled data and the ECB statement.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/19/2017: The major trend could be turning up with the close back above the 60-day moving average. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 100.05. The next area of resistance is around 101.71 and 101.98, while 1st support hits today at 100.74 and below there at 100.05.

EURO (MAR) 01/19/2017: The major trend has turned down with the cross over back below the 60-day moving average. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 107.6125. The next area of resistance is around 107.0250 and 107.6125, while 1st support hits today at 106.1950 and below there at 105.9525.

JAPANESE YEN (MAR) 01/19/2017: 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 1st swing support number suggests a moderately negative setup for today. The next upside objective is 89.38. The next area of resistance is around 88.30 and 89.38, while 1st support hits today at 86.77 and below there at 86.32.

SWISS (MAR) 01/19/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. 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 market tilt is slightly negative with the close under the pivot. The next upside objective is 100.37. The next area of resistance is around 99.90 and 100.37, while 1st support hits today at 99.26 and below there at 99.08.

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	101.22	43.80	46.19	22.51	18.88	100.98	101.46	102.11	101.66	100.80
JYAH7	87.53	56.40	52.30	73.83	78.42	87.84	87.06	86.31	87.80	89.90
EU6H7	106.6100	56.48	53.37	74.38	81.46	106.77	106.33	105.63	106.28	107.32
BPAH7	122.79	47.88	46.39	42.56	56.33	122.67	122.63	122.85	124.45	124.22
CAAH7	75.45	49.16	51.57	77.15	75.68	76.15	75.89	75.10	74.98	74.93
SFAH7	99.58	59.32	55.59	63.93	73.22	99.58	99.18	98.59	99.06	99.90
DAAH7	75.05	69.95	64.03	82.49	89.82	0.75	0.74	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	100.04	100.74	101.01	101.71	101.98
JYAH7	Japanese Yen	86.31	86.76	87.85	88.30	89.38
EU6H7	Euro	105.9525	106.1950	106.7825	107.0250	107.6125
BPAH7	British Pound	121.55	122.00	123.12	123.57	124.69
CAAH7	Canadian Dollar	74.42	74.78	75.75	76.11	77.09
SFAH7	Swiss	99.07	99.25	99.72	99.90	100.37
DAAH7	Australian Dollar	74.53	74.74	75.15	75.36	75.77

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