



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday January 20, 2017

BONDS COMMENTARY

01/20/17

The path of least resistance is down but a lack of data limits

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -290

While global equity markets were mostly lower overnight Asian and US shares managed to carve out minimal gains in the wake of what might be called a somewhat positive Chinese GDP result. In retrospect a series of better than expected US scheduled data this week has yanked the rug out from under Bonds and notes. In fact, March bond have now tracked below its 50 day moving average for the 3rd straight session in a row in a move that hints at a change in trend. With the Fed's Yellen yesterday suggesting it was "unwise" to let the US economy run hot before beginning to adjust rates, the trade has become even more reactionary to the flow of positive US scheduled data this week. One might also point to the slide below the 50 day moving average of 151-06 in the March Bond contract as a key bearish technical signal but the bull camp might be partially bailed out today because of a lack of scheduled US data. Therefore the markets will be anxious to parse speeches from the Philly Fed's Harker and from the San Francisco Fed President Williams later today. With a lack of fresh fundamental information on the economy today it is possible that the 150-00 level in March Bonds will be seen as a solid value zone. The North American session will start out with December Canadian CPI that is forecast to see a sizable uptick from November's +1.2% year-over-year rate. November Canadian retail sales are expected to downtick from October's +1.1% reading. At Noon EST (5 PM GMT), Donald Trump will be sworn in as the 45th President of the United States followed by an inauguration speech that will be widely scrutinized for clues on the new administration's upcoming policies. Fed speakers will include Philadelphia Fed President Harker during morning US trading hours while San Francisco Fed President Williams will speak during the afternoon.



TODAY'S MARKET IDEAS:

The path of least resistance is pointing downward to start again today but prices are somewhat oversold technically and there might be a lack of definitive market moving issues available to keep up the downward motion on the charts in place early on. At least early today the March bond contract has resistance up at 151-06 which is the 50 day moving average. The bear camp retains a slim edge and the failure to hold above the 149-28 level in June bonds could provide an additional downside extension to 149-17. Critical support in March Notes today is seen down at 123-22 and perhaps not until the 123-09 level. The bears control but the question is will they have the fuel to carve out noted declines?

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) 01/20/2017: 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 market setup is somewhat negative with the close under the 1st swing support. The next downside target is 149-140. The next area of resistance is around 151-210 and 152-170, while 1st support hits today at 150-040 and below there at 149-140.

10 YR TREASURY NOTES (MAR) 01/20/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 123-170. The next area of resistance is around 124-135 and 124-245, while 1st support hits today at 123-260 and below there at 123-170.

STOCKS COMMENTARY

01/20/17

We doubt the sideways chop will end today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 +390

Global equity markets were mostly lower overnight but Chinese and U.S. shares managed to carve out minimal gains in the wake of a somewhat positive Chinese GDP result. It is also possible that the markets are set to get some minimal lift from the pageantry of the inauguration but many in the trade will be watching carefully for anything specific on policy in the speech from the incoming President. On the other hand there are expected to be protests in Washington and given the tone and breadth of those protests it is possible that US equities might see their initial optimism reversed. Another angle that might undermine equities today would be anything hawkish from either of the scheduled Fed speeches today. Earnings announcement will include General Electric, Proctor & Gamble and Schlumberger before the Wall Street opening.



S&P 500: It goes without saying that the sideways action of the last 27 days is justified by the uncertain direction of US government policy in the coming weeks and months. The big question for some is whether or not the November and early December rally in stocks has "priced" in the best case scenario or if Trump will be able to implement pro-growth policies and set the stage for even higher stock prices. Therefore we think the markets will be scanning for specific policy goals today but we also think that issues like political snipping and aggressive protests could countervail typical optimism afforded to the transition of power. A series of lower highs on the charts and uncertainty might give the bear camp an early edge but we see a critical pivot point down at 2260.75.

Other US Indexes: The Mini Dow continues to carve out a pattern of lower highs on the charts and even lower lows on the charts might be difficult to reverse without the benefit of scheduled US data. G.E. earnings this morning hit estimates but revenues were a little soft but that didn't seem to undermine early market sentiment. On the other hand, the bear camp might be emboldened today by the prospect of two Fed speeches in the wake of this week's positive US data. Near term targeting and support for the March Mini Dow is seen at 19,607. The Mini-Nasdaq continues to outperform the rest of the marketplace and that should leave decent up-trend channel support in the March contract today at 5042.25.

TODAY'S MARKET IDEAS:

Divergence between the Nasdaq and the Dow/S&P looks to continue today especially with a Dow component G.E. revenues this morning coming in a little soft early today. While we would like to think the bulls are in line for some political optimism today the prospect of large protests against the incoming President will probably check bullish prospects.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/20/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 2245.00. The next area of resistance is around 2270.00 and 2278.00, while 1st support hits today at 2253.50 and below there at 2245.00.

MINI-DOW (MAR) 01/20/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 19537. The next area of resistance is around 19768 and 19838, while 1st support hits today at 19618 and below there at 19537.

E-MINI NASDAQ (MAR) 01/20/2017: The rally brought the market to a new contract high. Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 5092.93. The next area of resistance is around 5072.87 and 5092.93, while 1st support hits today at 5034.63 and below there at 5016.44.

MINI-RUSSELL 2000 (MAR) 01/20/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The outside day down is somewhat negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 1325.2. The next area of resistance is around 1358.1 and 1372.3, while 1st support hits today at 1334.5 and below there at 1325.2.

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	150-280	44.27	46.43	74.34	64.12	152.13	152.33	151.19	150.83	153.20
TYAAH7	124-035	42.92	44.76	73.28	63.81	124.71	124.72	124.29	124.36	125.48
SPAH7	2261.60	51.65	55.94	77.16	75.25	2265.85	2266.40	2260.28	2233.06	2205.05
EPH7	2261.75	52.21	56.32	76.05	74.15	2265.00	2266.08	2259.92	2233.02	2205.06
TFEH7	1346.3	40.67	46.07	38.52	29.28	1356.58	1361.91	1364.53	1353.17	1316.15
ENQH7	5053.75	67.88	65.18	91.23	92.53	5052.00	5039.19	4983.01	4903.38	4873.33
YMH7	19693	41.37	51.54	49.27	37.33	19745.00	19798.22	19806.00	19496.76	19149.75

Calculations based on previous session. Data collected 01/19/2017

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	149-130	150-030	150-310	151-210	152-170
TYAAH7	10 Yr Treasury Notes	123-165	123-255	124-045	124-135	124-245
SPAH7	S&P 500	2247.57	2254.44	2261.87	2268.75	2276.17

EPH7	S&P E-Mini	2245.00	2253.50	2261.50	2270.00	2278.00
TFEH7	Mini-Russell 2000	1325.1	1334.5	1348.7	1358.1	1372.3
ENQH7	E-Mini NASDAQ	5016.43	5034.62	5054.68	5072.87	5092.93
YMH7	Mini-Dow	19536	19617	19687	19768	19838

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CURRENCIES COMMENTARY

01/20/17

The market is looking for the least objectionable currency

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR +240, YEN -390, SWISS -13, CA DOLLAR -265

Upcoming International Reports (all times CT)

01/20 German Producer Price Index 1:00 AM

01/20 UK Retail Sales 3:30 AM

01/20 Canadian Consumer Price Index 7:30 AM

01/20 Canadian Retail Trade 7:30 AM



DOLLAR: Fortunately for the Dollar bulls the US has produced a series of stronger than expected data points this week and that should help to cushion the Greenback against a slight beat on Chinese growth and it might also help the Dollar stand up to anti-Trump protests today. However, we get the sense that the Dollar needs stellar data and hawkish Fed dialogue just to arrest the month long slide in prices. In other words the trend is down and bullish fundamentals only look to have a fleeting influence. Pushed into the Dollar today we are a seller of rallies especially with an empty report slate.

EURO: We think the Euro is lucky to be holding anywhere near the last month's high in the wake of this week's ECB assessment of growth and inflation in the Euro zone. In fact, given the combination of stronger than expected US data and ECB interest in leaving QE in place, the Euro is fortunate to be holding above 1.06 today. However, the Dollar's ineptitude is apparent in the wake of 4 straight better than expected data points and hawkish Fed dialogue. In other words the lack of leadership within the currency markets has allowed the Euro hold up.

YEN: Like the Euro and Dollar the Yen trade just doesn't appear to be capable of exerting a dominating opinion on current conditions. In fact, the Yen overnight has not benefited from a partially up-beat BOJ view toward the Japanese economy perhaps because favorable Chinese growth results have to a degree reduced safe haven interest in the Yen. Up-trend channel support in the March Yen is seen down at 86.77 today.

SWISS: The failure to hold a higher high this morning hints at a lack of bullish sentiment toward the Swiss. With the prospect of some additional hawkish dialogue from the US Fed today and at least a temporary wave of optimism in Washington we have to think that the path of least resistance in the Swiss today will be down.

POUND: Undermining the Pound into the last trading session of the week is disappointing UK retail sales results. However, cushioning the Pound against downside action off the sharp decline in December UK retail sales is the lingering prospect of renewed inflation prospects in the UK. The Pound might see some minimal support in the event of a modest risk-on vibe today but we doubt that the transition of power will be carried out without anti-Trump protests denting sentiment and that could set the stage for a Pound failure below critical chart support of 1.2263.

CANADIAN DOLLAR: It goes without saying that fresh damage on the Canadian charts this morning leaves the bull camp on the run. With little in the way of close-in chart support until the 74.69 level, a lack of US scheduled data and 2 Canadian data points due out early, we can't rule out more near term declines.

TODAY'S MARKET IDEAS:

No currency appears to be capable of dominating today with most currencies merely hopeful of avoiding noted pressure.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/20/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 100.47. The next area of resistance is around 101.48 and 101.97, while 1st support hits today at 100.74 and below there at 100.47.

EURO (MAR) 01/20/2017: 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 upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The next upside objective is 107.5787. The next area of resistance is around 107.2724 and 107.5787, while 1st support hits today at 106.3875 and below there at 105.8088.

JAPANESE YEN (MAR) 01/20/2017: The daily stochastics gave a bearish indicator with a crossover down. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The close above the 9-day moving average is a positive short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 86.22. The next area of resistance is around 87.68 and 88.08, while 1st support hits today at 86.75 and below there at 86.22.

SWISS (MAR) 01/20/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next upside target is 100.33. The next area of resistance is around 100.02 and 100.33, while 1st support hits today at 99.24 and below there at 98.76.

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	101.11	43.08	45.63	20.70	19.16	100.89	101.31	101.98	101.67	100.84
JYAH7	87.21	52.26	49.75	75.48	75.24	87.96	87.18	86.44	87.66	89.75
EU6H7	106.8300	58.41	54.75	76.64	81.65	106.86	106.37	105.75	106.23	107.27
BPAH7	123.52	53.19	50.14	50.42	65.01	123.16	122.57	122.84	124.40	124.24
CAAH7	75.14	43.92	47.77	73.82	66.13	75.91	75.86	75.13	75.01	74.94
SFAH7	99.63	58.25	55.06	68.62	75.97	99.72	99.24	98.69	99.02	99.87
DAAH7	75.50	76.58	68.52	86.55	93.36	0.75	0.74	0.73	0.74	0.74

Calculations based on previous session. Data collected 01/19/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	100.46	100.73	101.22	101.48	101.97
JYAH7	Japanese Yen	86.21	86.74	87.15	87.68	88.08
EU6H7	Euro	105.8087	106.3874	106.6937	107.2724	107.5787
BPAH7	British Pound	122.38	123.05	123.30	123.97	124.22
CAAH7	Canadian Dollar	74.60	74.85	75.17	75.42	75.74
SFAH7	Swiss	98.75	99.23	99.54	100.02	100.33
DAAH7	Australian Dollar	74.56	75.09	75.37	75.90	76.18

Calculations based on previous session. Data collected 01/19/2017

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