



# DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Monday January 23, 2017

## BONDS COMMENTARY

01/23/17

**A modest downward tilt remains in place off good numbers**

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

**BONDS +0**



The Asian economic calendar started with the latest reading on the Japanese all-industry activity index which came in at a +0.3% reading and was better than the prior month but less than some expectations. Japan also saw leading economic indicators which improved minimally relative to the prior month and that seemed to set a minor negative fundamental tilt for US Treasuries. In fact, March Bonds saw a noted range up attempt but were unable to hold those gains as if the prevailing bias in the market was down. The US scheduled report slate today is thin but the spillover from last week's data hangs over the market. We would also think that residual bearishness remains in place from Fed dialogue last week. With the Fed's Williams suggesting that Fed profits from QE holdings will decline in the face of rising rates the trade is once again reminded of the ultimate course of policy from the Fed this year. Some traders might look ahead to the Existing home sales projections on Tuesday as supportive as early estimates call for a slide of nearly 2%. After the Commitments of Traders Futures and Options report for US Treasury 10 Year Notes showed a record short positioning last week, the bounce off last week's lows probably balanced the oversold condition slightly. However, the Non-Commercial and Non-reportable combined traders in Notes still held a large net short position of 570,266 contracts! The Commitments of Traders Futures and Options report as of January 17th for U.S. Treasury Bonds showed the Non-Commercial and Non-reportable combined traders held a net short position of 70,236 contracts. The North American session will be relatively quiet and will be highlighted by November Canadian wholesale sales that are expected to downtick from October's +1.1% monthly gain but remain in positive territory.

### TODAY'S MARKET IDEAS:

We think the path of least resistance is pointing downward but ranges might be somewhat narrow because of a lack of scheduled US data today. However, we think that traders should be sellers of rallies looking for an eventual return to the vicinity of the December lows later this week. On the other hand, it could be difficult to resume the downward track this morning in the face of weakness in equities and estimates of a soft US existing home sales reading on Tuesday morning. Initial support today in March bond is seen at 150-09 and we would leave the trend pointing down as long as the March bonds remain below 151-07.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### Commitment of Traders - Futures and Options - 1/10/2017 - 1/17/2017

	Non-Commercial			Commercial	Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Financials</b>						
<b>Bonds</b>	-21,626	+18,905	70,236	-19,684	-48,610	+779
<b>T-Notes</b>	-346,184	+40,055	570,266	-72,557	-224,082	+32,502

## 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) 01/23/2017:** Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 149-130. The next area of resistance is around 151-090 and 151-260, while 1st support hits today at 150-030 and below there at 149-130.

**10 YR TREASURY NOTES (MAR) 01/23/2017:** The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. 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 next downside objective is now at 123-195. The next area of resistance is around 124-145 and 124-200, while 1st support hits today at 123-305 and below there at 123-195.

## STOCKS COMMENTARY

01/23/17

**The bulls need pro-growth Oval Office dialogue quickly**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**S&P 500 -380**

Global equity markets were weaker with Shanghai markets and the Hang Seng bucking the trend. US stocks started the new trading week slightly off balance and seemingly in search of a fresh focus. Some traders are suggesting that the markets are in need of proof that tax reform and infrastructure spending will be a primary focus of the Trump Administration and the focus on attendance of the inauguration is discouraging. In our opinion the stock market cheered the election of a pro-business administration in the November and early December time frame, the market then consolidated for 38 days in the transition period and now a major trend decision might be in the offing. Therefore news from the White House today is likely to set the trend for this week. The bulls need a tax cut headline to avoid a slide back to last week's lows. Kicking off an extremely active period of earnings announcements directly ahead are McDonalds and Halliburton before the Wall Street opening while Yahoo! reports after the close.



**S&P 500:** The E-Mini S&P enters the week in the midst of a 38 day sideways consolidation pattern and we think vulnerable to the lack of a laser like focus by Trump on pro-growth policies. As indicated in the introduction today the market needs fresh bullish fundamental fodder to throw off its sideways track. With a thin US economic report slate today, mixed international equity market action overnight and news of job cuts in the UK because of the BREXIT a minimal downward tilt is in place early on. While it might be symbolic the first policy initiative from the Oval Office probably needs to be tax reform instead of healthcare reform or prices could extend the early weakness. Critical uptrend channel support is seen today down at 2251.15. In order to turn the trend upward this morning might require an early bid above 2268.50. The Commitments of Traders Futures and Options report as of January 17th for E-Mini S&P 500 showed the Non-Commercial and Non-reportable combined traders held a net short position of 16,812 contracts.

**Other US Indexes:** With the Dow Jones industrial average eroding on the charts since the January 6th high and early action today favoring the downside, we can't rule out a retest of last week's lows. However if news from the White House specifically mentions infrastructure spending and or tax cuts the downward bias could be reversed. At least the start it could be difficult for the March mini-Dow to avoid a retest of the 19,652 level. The Commitments of Traders Futures and Options report as of January 17th for Dow Jones Index \$5 showed the Non-

Commercial and Non-reportable combined traders held a net long position of 65,120 contracts. The March Mini-Nasdaq was the most overbought sector of the market into last week's highs and therefore it might be the most vulnerable to corrective action at the start of this week. In fact the March contract has already violated the prior sessions low and that could leave a critical pivot point at 5036.50 today. In the event that the Trump administration focuses on healthcare and political sniping with the press, that could pave the way for a quick return to 5025.00. The Commitments of Traders Futures and Options report as of January 17th for Nasdaq Mini showed Non-Commercial and Non-reportable combined traders held a net long position of 91,182 contracts.

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

The path of least resistance is pointing down to start as the net shake of the weekend festivities favors the bear camp. In fact, President Trump needs to alter his story line toward constructive policies and away from battling with the press or stock prices are likely to register their displeasure if there are not quick signs of pro-growth efforts. In other words the markets look to force the dialogue toward pro-growth and traders should look to the Mini-Nasdaq as a leadership market. Therefore a rise above 5060.00 today could signal a shift into a bull track for the market this week while the failure to hold above 5034.00 that could pave the way for the lowest prices since January 12th.

#### **NEW RECOMMENDATIONS:**

Buy a March E-Mini S&P 2235 put for 28.00 and risk the position to a tight stop of 22.00. Look for an objective of 48.

#### **PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 1/10/2017 - 1/17/2017							
	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
<b>Financials</b>							
<b>S&amp;P 500</b>	-17,398	-710	6,661	+4,364	10,736	-3,654	
<b>E-Mini S&amp;P</b>	45,480	+14,611	16,813	-5,866	-62,292	-8,745	

#### **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) 01/23/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. 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 downside target is 2253.25. The next area of resistance is around 2272.75 and 2279.25, while 1st support hits today at 2259.75 and below there at 2253.25.

MINI-DOW (MAR) 01/23/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 19607. The next area of resistance is around 19814 and 19860, while 1st support hits today at 19688 and below there at 19607.

E-MINI NASDAQ (MAR) 01/23/2017: The rally brought the market to a new contract high. 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 market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 5099.68. The next area of resistance is around 5078.12 and 5099.68, while 1st support hits today at 5039.88 and below there at 5023.19.

MINI-RUSSELL 2000 (MAR) 01/23/2017: 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. With the close higher

than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 1341.2. The next area of resistance is around 1357.5 and 1362.5, while 1st support hits today at 1346.9 and below there at 1341.2.

## 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
<b>FINANCIAL COMPLEX</b>										
USAAH7	150-220	42.72	45.41	68.21	55.17	151.77	152.23	151.31	150.78	153.00
TYAAH7	124-065	44.63	45.91	67.57	55.51	124.58	124.71	124.35	124.33	125.39
SPAH7	2265.90	55.24	57.91	76.79	76.06	2264.20	2265.78	2260.68	2235.52	2207.17
EPH7	2266.25	56.32	58.46	75.76	75.40	2263.81	2265.56	2260.36	2235.46	2207.16
TFEH7	1352.2	44.80	48.39	34.67	27.52	1351.75	1361.46	1363.63	1354.37	1318.77
ENQH7	5059.00	68.83	65.76	91.47	91.72	5052.13	5045.44	4990.08	4911.56	4875.92
YMH7	19751	49.60	54.89	43.79	36.57	19716.25	19777.89	19797.00	19517.62	19176.93

Calculations based on previous session. Data collected 01/20/2017

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	149-120	150-020	150-190	151-090	151-260
TYAAH7	10 Yr Treasury Notes	123-190	123-300	124-035	124-145	124-200
SPAH7	S&P 500	2254.42	2260.04	2266.12	2271.75	2277.82
EPH7	S&P E-Mini	2253.25	2259.75	2266.25	2272.75	2279.25
TFEH7	Mini-Russell 2000	1341.1	1346.8	1351.8	1357.5	1362.5
ENQH7	E-Mini NASDAQ	5023.18	5039.87	5061.43	5078.12	5099.68
YMH7	Mini-Dow	19606	19687	19733	19814	19860

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## CURRENCIES COMMENTARY

01/23/17

**Good data and bad seems to pressure the Dollar**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**US DOLLAR -310, YEN +485, SWISS +27, CA DOLLAR +145**

### Upcoming International Reports (all times CT)

01/23 Canadian Wholesale Trade 7:30 AM  
 01/24 France GDP 12:30 AM  
 01/24 France Manufacturing PMI Fla 2:00 AM  
 01/24 France Services PMI Flash 2:00 AM  
 01/24 Existing Home Sales 9:00 AM  
 01/24 API Energy Stocks 3:30 PM  
 01/24 Japan Trade Balance 5:50 PM



**DOLLAR:** The Dollar is in the midst of a failure from a technical and fundamental perspective. The fundamental failure is really surprising in the wake of last week's strong data and that suggests that the trend is indeed pointing downward. Adding into the downward track in the Dollar is the idea that the new Administration's initial focus will be on Twitter and accuracy of inauguration attendance. With the markets also expecting a softer US existing

home sales result on Tuesday it is possible that the Dollar is poised to re-test parity. The Commitments of Traders Futures and Options report as of January 17th for US Dollar showed the Non-Commercial and Non-reportable combined traders held a net long position of 57,155 contracts and that level overbought relative to the prior 6 months range it is vulnerable to more long liquidation.

**EURO:** A fresh upside breakout in the Euro put the currency up to the highest level since December 8th and we suspect that the Euro is headed to 1.08. Apparently the Euro hasn't seen negative blow-back from reports of lost jobs in the UK because of the BREXIT but seeing the ECB suggest that any country leaving the Eurozone will have to pay its share of debt might serve as a deterrent to exiting the union. Up-trend channel support in the March Euro is seen down at 1.0605 today and that support level rises to 1.0623 on Tuesday. The Commitments of Traders Futures and Options report as of January 17th for Euro showed the Non-Commercial and Non-reportable combined traders held a net short position of 71,275 contracts and that positioning is tending toward an overbought status.

**YEN:** The Yen was in favor early on despite somewhat mundane Japanese all industry and leading indicator data. However, the Yen is probably set to focus on uncertainty surrounding the US economy in the early days of the new administration. Up-trend channel support in the March Yen is seen today at 86.98 and that support level rises to 87.17 on Tuesday.

**SWISS:** Not surprisingly the Swiss is making noted gains to start this morning as there are negative connotations from reports of lost jobs from the BREXIT and there are clearly some negative ramifications toward the US because of the rocky start for the Trump White House. Up-trend channel support today in the Swiss is seen down at 99.52 and that support level rises to 99.76 on Tuesday.

**POUND:** News of job losses in the UK because of the BREXIT is not holding back the Pound today but part of the bullish reaction is the result of overt weakness in the Dollar. While the initial bias might be up in the Pound we continue to think that the Pound is a recovery currency that needs signs of forward progression in the global economy to leave the 4 month old sideways consolidation in the dust. At least in the near term we can't argue against a rise above 1.25 with critical support today seen at 1.2390.

**CANADIAN DOLLAR:** The Canadian is getting a knee-jerk reaction to the noted weakness in the Dollar but we also think that the currency is facing significant overhead resistance from the bottom of the early January trading range. Critical support early on is seen at 75.06 and initial resistance is pegged close-in at 75.49.

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

The Dollar is vulnerable to more selling ahead.

#### **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) 01/23/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 100.14. The next area of resistance is around 101.21 and 101.75, while 1st support hits today at 100.41 and below there at 100.14.

EURO (MAR) 01/23/2017: Studies are showing positive momentum but are now in overbought territory, so some

caution is warranted. 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 next upside objective is 107.8937. The next area of resistance is around 107.6075 and 107.8937, while 1st support hits today at 106.7525 and below there at 106.1838.

JAPANESE YEN (MAR) 01/23/2017: 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 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 downside objective is 86.45. The next area of resistance is around 87.88 and 88.23, while 1st support hits today at 86.99 and below there at 86.45.

SWISS (MAR) 01/23/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. 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 over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 100.67. The next area of resistance is around 100.42 and 100.67, while 1st support hits today at 99.62 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
<b>CURRENCY COMPLEX</b>										
DXAH7	100.81	37.79	41.99	19.45	16.94	100.77	101.17	101.85	101.68	100.87
JYAH7	87.43	54.33	51.23	74.38	71.94	87.95	87.38	86.56	87.54	89.60
EU6H7	107.1800	61.62	56.98	79.71	85.63	106.99	106.55	105.88	106.21	107.24
BPAH7	123.79	55.22	51.59	57.37	71.41	123.60	122.66	122.88	124.36	124.26
CAAH7	75.10	43.32	47.32	68.10	56.80	75.62	75.80	75.18	75.04	74.94
SFAH7	100.02	64.60	59.55	72.91	81.51	99.90	99.41	98.81	99.00	99.85
DAAH7	75.44	75.52	67.86	88.43	92.37	0.75	0.75	0.73	0.74	0.74

Calculations based on previous session. Data collected 01/20/2017

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH7	US Dollar	100.13	100.40	100.94	101.21	101.75
JYAH7	Japanese Yen	86.44	86.98	87.34	87.88	88.23
EU6H7	Euro	106.1837	106.7525	107.0387	107.6075	107.8937
BPAH7	British Pound	122.35	123.18	123.56	124.39	124.77
CAAH7	Canadian Dollar	74.47	74.80	75.06	75.39	75.64
SFAH7	Swiss	99.07	99.62	99.87	100.42	100.67
DAAH7	Australian Dollar	74.73	75.08	75.44	75.79	76.15

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