



# DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday January 25, 2017

## BONDS COMMENTARY

01/25/17

**The bear's retain control but declines might be limited in scope**

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

**BONDS +10**

With more new all-time highs throughout the global equity market sector overnight, mostly positive US data released from the US yesterday and a minimally negative reaction to YS auction supply yesterday the path of least resistance would seem to favor the bear camp today. However there would appear to be significant support just underneath the March bond contract and within one half point of this morning's early trade. On the other hand the bull camp might take some solace from weaker German numbers and from the prospect of aggressive border related executive actions expected from the President today. In fact president Trump is expected to order a temporary ban on refugees in an executive order today and that might stir up fresh safe haven interest in treasuries as that action probably incites a press firestorm. It is possible that trading ranges today will be somewhat narrow due to the lack of top-tier US economic information due out today. The North American session will be relatively quiet and will feature a weekly reading on mortgage applications and the FHFA house price index. A busy day of earnings announcements might provide some additional bearish fuel.



### TODAY'S MARKET IDEAS:

As suggested already the US economic report slate today is thin but a distinct pattern of ongoing gains in global equity markets appears to be the result of improved economic expectations and that should keep treasuries under a general wave of liquidation. Fortunately for the bull camp close in consolidation support is seen close to the market and there won't be fresh bearish fodder from the empty US economic report today. Initial support in March treasury bonds is seen at 149 - 30 with similar consolidation low support in March notes seen at 123 - 25. Pushed into the market we still favor the short side but objectives today probably need to be narrow.

### 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) 01/25/2017:** Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 target is now at 149-120. The next area of resistance is around 151-220 and 152-270, while 1st support hits today at 149-310 and below there at 149-120.

**10 YR TREASURY NOTES (MAR) 01/25/2017:** Momentum studies trending lower at mid-range could accelerate

a price break if support levels are broken. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The close below the 1st swing support could weigh on the market. The next downside objective is now at 123-225. The next area of resistance is around 124-210 and 125-050, while 1st support hits today at 123-300 and below there at 123-225.

## STOCKS COMMENTARY

01/25/17

**The bull camp retains control but the risk to longs is rising**

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

**S&P 500 +620**

Global equity markets were mostly higher overnight with the exceptions being the RTS Index and the MICEX Index. The Asian economic calendar brought forth the first Japanese trade balance result in six years with some analysts suggesting that the surplus was the result of lower oil prices and stronger exports to China. The European session started out with a January reading on French business climate that softened relative to December's reading and that was followed by the January IFO survey of German business climate reading that also contracted. A busy day of earnings announcements will include Novartis, Boeing, United Technologies, Abbott Labs, Illinois Tool Works and Norfolk Southern before the Wall Street opening while AT&T, Qualcomm, Las Vegas Sands and McKesson report after the close.



**S&P 500:** While the path of least resistance remains up in the E-mini S&P, the market has become significantly overbought from a short term perspective. Clearly the latest Trump policy initiatives have stoked animal spirits and lifted international and US equity prices. The overnight gains were probably the result of favorable earnings and revenues from Alcoa which is widely seen as a leading indicator for the global economy. Support in the E-mini S&P moves up to 2277.00 but the breakout of a two month consolidation pattern to the upside could project a move above 2300.00.

**Other US Indexes:** Not to be left behind the March mini Dow continues to climb toward the December high of 19,930. Close in support moves up to 19,847. As indicated already favorable news from Alcoa should contribute to bullish attitudes toward blue-chip and large-cap stocks. The NASDAQ has seen a sharp move into new high ground and this time it sees the rest of the market following its lead. Uptrend channel resistance isn't seen until 5142.10. Uptrend channel support is well under the current market as would be expected given the sharp gains of the last three trading sessions. Therefore we see weak close in support zone at 5118.00.

### TODAY'S MARKET IDEAS:

At this point we can't rule out more gains off ongoing positive macroeconomic vibes. In fact the biggest concern of the bull camp today is the fact that the markets have become significantly overbought off of this week's gains. We might offer a note of caution today ahead of the anticipated wave of executive orders as the Trump administration plans to address political third rail issues related to border control and Mexico.

### NEW RECOMMENDATIONS:

Buy a March E-Mini S&P 2235 put for 28.00. Exited the long put for a 1 point profit.

### 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) 01/25/2017: The market rallied to a new contract high. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 2251.38. The next area of resistance is around 2285.25 and 2293.37, while 1st support hits today at 2264.25 and below there at 2251.38.

MINI-DOW (MAR) 01/25/2017: The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside target is 19988. The next area of resistance is around 19930 and 19988, while 1st support hits today at 19766 and below there at 19660.

E-MINI NASDAQ (MAR) 01/25/2017: 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 5132.87. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 5117.75 and 5132.87, while 1st support hits today at 5073.75 and below there at 5044.88.

MINI-RUSSELL 2000 (MAR) 01/25/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. The crossover up in the daily stochastics is a bullish signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend could be turning up with the close back above the 18-day moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 1388.3. The next area of resistance is around 1379.7 and 1388.3, while 1st support hits today at 1354.1 and below there at 1337.0.

## 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	150-260	44.82	46.55	58.78	47.07	151.16	151.97	151.60	150.70	152.62
TYAAH7	124-095	46.93	47.49	60.26	51.09	124.38	124.66	124.49	124.27	125.23
SPAH7	2256.50	61.27	61.14	75.03	74.88	2266.03	2266.66	2261.55	2239.84	2211.76
EPH7	2274.75	61.44	61.11	73.81	73.37	2265.88	2266.39	2261.28	2239.78	2211.78
TFEH7	1366.9	54.13	53.82	32.42	35.15	1352.85	1358.22	1362.51	1356.56	1324.69
ENQH7	5095.75	75.81	70.13	92.10	93.07	5069.31	5057.47	5004.58	4925.24	4883.12
YMH7	19848	58.44	59.73	44.55	50.45	19743.25	19772.78	19788.22	19561.96	19236.15

Calculations based on previous session. Data collected 01/24/2017

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	149-110	149-300	151-030	151-220	152-270
TYAAH7	10 Yr Treasury Notes	123-220	123-295	124-135	124-210	125-050
SPAH7	S&P 500	2243.37	2246.64	2263.07	2266.34	2282.77
EPH7	S&P E-Mini	2251.37	2264.25	2272.37	2285.25	2293.37
TFEH7	Mini-Russell 2000	1336.9	1354.0	1362.6	1379.7	1388.3
ENQH7	E-Mini NASDAQ	5044.87	5073.75	5088.87	5117.75	5132.87
YMH7	Mini-Dow	19660	19766	19824	19930	19988

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## CURRENCIES COMMENTARY

01/25/17

### Sell rallies in the Dollar and buy dips in the Pound

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

**US DOLLAR** -320, **YEN** +305, **SWISS** +35, **CA DOLLAR** +140

#### Upcoming International Reports (all times CT)

01/25 France Business Climate Surv 1:45 AM  
01/25 German IFO Business Climate 3:00 AM  
01/25 Swiss ZEW Investor Sentiment 4:00 AM  
01/25 EIA Energy Stocks 9:30 AM  
01/26 German GfK Consumer Confiden 1:00 AM  
01/26 German Retail Sales 1:00 AM  
01/26 Swiss Trade Balance 1:00 AM  
01/26 Initial Jobless Claims 7:30 AM  
01/26 New Home Sales 9:00 AM  
01/26 EIA Gas Storage 9:30 AM  
01/26 Japan Consumer Price Index 5:30 PM  
01/26 UK Consumer Confidence 6:05 PM



**DOLLAR:** There is no rest for the wicked as the dollar index this morning posted a feeble higher high and then reversed course. In fact the dollar has repeatedly engineered rallies that quickly fail, and that is the hallmark of a downtrend pattern. With the US economic report slate today extremely thin and gains in global equities reducing safe haven interest we can't argue against ongoing weakness. Cushioning the dollar in the early action today is slightly disappointing German data and the prospect of bearish executive action news today. Downtrend channel resistance in the March dollar index today has declined to 1.0087.

**EURO:** As mentioned already German economic news overnight was slightly discouraging. However the euro has rejected a lower low move and recovered back into positive territory. Uptrend channel support in the March euro today is seen 1.0716 and initial resistance is seen up at even numbers of 1.08. Perhaps the most important bullish factor is indications from EU officials overnight that they are poised to move away from QE.

**YEN:** The Asian economic calendar brought forth the first Japanese trade balance result in six years with some analysts suggesting that the surplus was the result of lower oil prices and stronger exports to China. However the March Yen showed a lower low to start today before rejecting the sub 87.92 level. Unfortunately for the bull camp uptrend channel support in the March yen isn't seen until 87.36. Given the Japanese data and initial weakness in the dollar we see the path of least resistance pointing upward in the Yen.

**SWISS:** Like other non-dollar currencies this morning the March Swiss has initially posted a three day low before rejecting that slide. While we don't see significant upside potential in the Swiss there might be little in the way of resistance until the 1.0067 level. Uptrend channel support today comes in at the overnight low of 99.99.

**POUND:** Surprisingly strong UK CBI figures overnight justify the upside breakout in the pound and the highest trade since December 14th. The strongest reading was the level of factory order bookings which reached the highest level in 20 months. With signs of improved economic conditions in the UK, Japan, China and the euro zone the uptrend pattern from the January lows would seem to be justified from a fundamental perspective. Near-term uptrend channel support is seen at 1.2504 and there might be little in the way of resistance until the 1.2750 level.

**CANADIAN DOLLAR:** Ultimately the Canadian dollar should benefit from the entrenching risk on condition in the equity markets and it should also continue to benefit from erosion in the US dollar. While the Canadian dollar might benefit from the news of US pipeline authorizations that news might be partially offset by significant changes in TPP and NAFTA. Critical support in the March Canadian dollar today is 75.98 and initial resistance is

seen at 76.35.

**TODAY'S MARKET IDEAS:**

The Dollar remains vulnerable especially given a lack of fresh US data today. It would seem as if favorable global equity market action is undermining for the Dollar.

**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) 01/25/2017: 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. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 99.70. The next area of resistance is around 100.52 and 100.71, while 1st support hits today at 100.01 and below there at 99.70.

EURO (MAR) 01/25/2017: 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 downside closing price reversal on the daily chart is somewhat negative. The close below the 1st swing support could weigh on the market. The next upside objective is 108.1637. The next area of resistance is around 107.8075 and 108.1637, while 1st support hits today at 107.2525 and below there at 107.0538.

JAPANESE YEN (MAR) 01/25/2017: 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 downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 89.32. The next area of resistance is around 88.55 and 89.32, while 1st support hits today at 87.47 and below there at 87.16.

SWISS (MAR) 01/25/2017: 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 daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 100.88. The next area of resistance is around 100.47 and 100.88, while 1st support hits today at 99.85 and below there at 99.64.

**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	100.26	36.18	40.27	16.17	13.72	100.58	100.81	101.53	101.65	100.93
JYAH7	88.01	56.67	53.83	77.32	78.66	87.89	87.82	86.88	87.38	89.34
EU6H7	107.5300	62.00	58.07	85.76	90.12	107.38	106.96	106.19	106.21	107.17
BPAH7	125.29	64.70	58.70	72.01	85.67	124.46	123.44	123.13	124.38	124.35
CAAH7	76.01	59.48	57.93	61.81	58.03	75.46	75.84	75.40	75.10	74.97
SFAH7	100.16	62.71	58.94	79.89	85.19	100.06	99.74	99.08	98.99	99.81
DAAH7	75.73	78.65	70.23	91.65	93.83	0.76	0.75	0.74	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	99.69	100.01	100.20	100.52	100.71
JYAH7	Japanese Yen	87.15	87.46	88.23	88.55	89.32
EU6H7	Euro	107.0537	107.2525	107.6087	107.8075	108.1637
BPAH7	British Pound	123.86	124.66	125.11	125.91	126.36
CAAH7	Canadian Dollar	74.79	75.46	75.89	76.56	77.00
SFAH7	Swiss	99.64	99.85	100.26	100.47	100.88
DAAH7	Australian Dollar	75.15	75.44	75.72	76.01	76.29

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