



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday January 26, 2017

BONDS COMMENTARY

01/26/17

The path of least resistance is down sell a claims bounce

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -70

Global equity markets continued to show positive risk appetites, the German Gfk Consumer confidence report came in better than expected a Spanish jobless survey showed a reduction in unemployed readings and UK 4th quarter GDP came in a touch better than expectations and that should create a negative early environment for Treasuries. Not surprisingly Treasury bonds have broken out to the downside but we think that action is largely the result of anticipatory improvement in the economy off US policy changes and not as much the result of definitively damaging scheduled data flow. Certainly some data points have been patently bearish to bonds but the bull camp in Treasuries has been fortunate enough to see a periodic slack result which at least leaves a question on growth in play. Therefore we wouldn't be surprised to see a minor bounce in the wake of a minor rise in claims especially since the focus of the trade will probably begin to shift to the payroll report next week. In addition to an active flow of US scheduled data today the markets will also be presented with the most active corporate earnings slate of the current earnings cycle. The North American session will start out with a weekly reading on initial jobless claims that are expected to see a moderate increase from the previous 235,000 reading. December wholesale inventories are forecast to show a minimal downtick from November's +1.0% reading. The Chicago Fed's national activity index will also be released during the early US data window. Later in the morning, the Conference Board's leading indicators for January is expected to uptick from December's unchanged reading. December new home sales are forecast to hold steady with November's 592,000 annualized rate. The KC Fed's January manufacturing index will be released during midday US trading hours.



TODAY'S MARKET IDEAS:

The path of least resistance is down with March bonds falling below its 50 day moving average yesterday and little in the way of consolidation low support seen until the 148-16 level and perhaps not until the 148-07 level. However, make no bones about it the initial claims reading this morning will set the tone for the day and the failure to see a 10,000 or more increase in claims could throw Treasury bonds below 148-00. However, we do think the market could temporarily bounce back to 149-28 this morning before resuming its slide back toward the mid-December lows.

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) 01/26/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Stochastics trending lower at midrange will tend to reinforce a move lower especially 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 somewhat negative with the close under the 1st swing support. The next downside objective is now at 148-020. The next area of resistance is around 150-150 and 151-210, while 1st support hits today at 148-220 and below there at 148-020.

10 YR TREASURY NOTES (MAR) 01/26/2017: The major trend has turned down with the cross over back below the 40-day moving average. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 123-105. The next area of resistance is around 124-065 and 124-200, while 1st support hits today at 123-180 and below there at 123-105.

STOCKS COMMENTARY

01/26/17

Early earnings and data to set the tone today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT): S&P 500 +0

Global equity markets continued to show positive risk appetites and European and UK data overnight was positive. With today scheduled to be the most active day for earnings of this earnings cycle traders should expect a definitive extension of the upside unless there is a pattern of disappointing revenues.

However, earnings news thus far has shown positive cyclical conditions and hopefully that pattern will continue today. Earnings announcements will include Comcast, Celgene, Bristol Meyers Squibb, Dow Chemical, Biogen and Ford Motor before the Wall Street opening while Alphabet (Google), Microsoft, Intel and Starbucks report after the close.



S&P 500: While the E-Mini S&P managed a fresh higher high overnight it was initially unable to hold all of those early gains. The markets are probably supported from fresh merger and acquisition news from Johnson & Johnson and the market should also garner some residual support from news that EBay holiday sales revenues were stronger than expected. The key question today is whether or not the Trump Administration has any bullish arrows left in its policy quiver. We think longs need to tighten profit stops or pick a point just above the current market and bank profits.

Other US Indexes: The Mini Dow has also managed a fresh higher high on the charts and it should have a short duration up-trend channel support line down at 19,822 but that support line rises to 19,874 on Friday. Steep gains on the charts can be followed by bigger than expected back and fill action. The NASDAQ Mini ranged up sharply overnight and logged another new high and given the 4 day low to high rally of 138 points the index is becoming significantly overbought. We can't argue against more upside action but that probably requires a mostly positive early earnings flow, a mostly positive sweep of scheduled data and perhaps another positive Trump policy directive. A normal correction of the last 4 trading session gains is seen down at 5115.70.

TODAY'S MARKET IDEAS:

We think traders should go with the post 7:30 data window action as the bull camp needs to come away from the data with a reason to extend buying interest with many measures sitting in new all-time high ground.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 01/26/2017: The market rallied to a new contract high. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 2309.87. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 2304.00 and 2309.87, while 1st support hits today at 2283.50 and below there at 2268.88.

MINI-DOW (MAR) 01/26/2017: A new contract high was made on the rally. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 20137. The next area of resistance is around 20090 and 20137, while 1st support hits today at 19922 and below there at 19800.

E-MINI NASDAQ (MAR) 01/26/2017: The market made a new contract high on the rally. 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 bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 5183.68. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5170.12 and 5183.68, while 1st support hits today at 5121.38 and below there at 5086.19.

MINI-RUSSELL 2000 (MAR) 01/26/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 1395.5. The next area of resistance is around 1390.7 and 1395.5, while 1st support hits today at 1374.1 and below there at 1362.2.

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	149-180	37.34	41.15	49.71	32.61	150.73	151.58	151.58	150.63	152.42
TYAAH7	123-280	40.62	43.04	52.14	36.82	124.28	124.55	124.50	124.24	125.14
SPAH7	2293.90	71.34	67.88	77.77	83.26	2274.10	2269.24	2264.25	2242.38	2214.69
EPH7	2293.75	71.41	67.77	76.95	82.56	2274.31	2269.06	2264.07	2242.33	2214.66
TFEH7	1382.4	61.14	58.53	40.09	55.20	1362.30	1360.93	1363.66	1358.06	1327.92
ENQH7	5145.75	82.01	74.84	93.40	95.57	5092.88	5068.86	5017.25	4932.37	4888.59
YMH7	20006	68.22	66.22	52.85	69.24	19833.75	19786.67	19801.06	19588.64	19269.18

Calculations based on previous session. Data collected 01/25/2017

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	148-010	148-210	149-270	150-150	151-210
TYAAH7	10 Yr Treasury Notes	123-100	123-175	123-310	124-065	124-200
SPAH7	S&P 500	2270.69	2284.39	2289.69	2303.39	2308.69
EPH7	S&P E-Mini	2268.87	2283.50	2289.37	2304.00	2309.87
TFEH7	Mini-Russell 2000	1362.1	1374.0	1378.8	1390.7	1395.5
ENQH7	E-Mini NASDAQ	5086.18	5121.37	5134.93	5170.12	5183.68

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CURRENCIES COMMENTARY

01/26/17

The trend is down in \$ unless all data is positive today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR +190, YEN -545, SWISS +23, CA DOLLAR -180

Upcoming International Reports (all times CT)

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

01/27 UK Nationwide Housing Price 1:00 AM

01/27 Adv Durable Goods 7:30 AM

01/27 GDP (Q4 '16) 7:30 AM



DOLLAR: While short term technical indicators are overdone and the stochastic is poised to signal a bottom, we doubt that the overall trend down in the Dollar has already run its course. We think the Dollar will see a fleeting bounce off positive data as that has been the pattern of late. However, the Dollar can't seem to shut off the downward march on the charts as US data needs to be strong enough to rekindle US rate hike fears. Given the definitive weakness in the Dollar over the last 1 1/2 months we think the bulls need to see US rate hike fears become more specific with respect to timing! Down trend channel resistance is seen up at 1.0139 and that downtrend channel line falls to 1.0125 on Friday.

EURO: While short term technical indicators appear to be poised to give off a sell signal, European data overnight was generally positive and the March Euro remains within a well-defined up-trend channel. However the Euro will be faced with a somewhat critical junction this morning in the wake of a very heavy flow of US scheduled data. Initially the Euro should draft some support from a modest rise in US initial claims but the failure to see claims jump by more than 10,000 might set the March Euro up for a temporary setback to up-trend channel support of 1.0720. Those that trade off technical indicators like stochastics are being presented with a sell sign out of the box early today.

YEN: The Yen is flirting with violating a close-in up-trend channel support line and that is partly the result of initial strength in the Dollar and part of that weakness is the result of skeptical overnight views on the direction of Japanese inflation. Close-in up-trend channel support is seen at 87.52.

SWISS: The March Swiss remains within a well-defined up-trend channel on its charts but it might face a critical junction today in the wake of a very active slate of US scheduled data. Up-trend channel support is seen close-in down at 99.97 and we think the parity level of 1.00 will be a very significant pivot point.

POUND: While 4th quarter growth readings for the UK came in a touch better than some expectations other data points released today were discouraging. In addition to weakness in grocer sales, overall retail sales readings from the UK CBI contracted. The decline in Grocer sales was reported by Reuters to have been the sharpest decline in 12 years! Fortunately for the bull camp there is a residual bull tilt on the charts but it is also clear that the bullish Pound vibe is being primarily fed by strength in global equity prices.

CANADIAN DOLLAR: Like the Pound we think the Canadian is getting a little overdone and it has returned to

levels where something "more" significant is needed from the fundamental front just to extend the rally beyond the January high of 76.86. Also like the Pound the Canadian bulls clearly need ongoing gains in equities to extend the rally.

TODAY'S MARKET IDEAS:

We think there could be a moderately important trend decision this morning in the wake of a very active US report window. Given the downward pattern in the Dollar the bulls will need almost all data points to denote growth to throw off the existing trend!

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/26/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 now at 99.43. The next area of resistance is around 100.19 and 100.58, while 1st support hits today at 99.62 and below there at 99.43.

EURO (MAR) 01/26/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 108.2387. The next area of resistance is around 107.9925 and 108.2387, while 1st support hits today at 107.4075 and below there at 107.0688.

JAPANESE YEN (MAR) 01/26/2017: 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 daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 89.04. The next area of resistance is around 88.75 and 89.04, while 1st support hits today at 88.01 and below there at 87.56.

SWISS (MAR) 01/26/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. 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 near-term upside target is at 100.89. The next area of resistance is around 100.61 and 100.89, while 1st support hits today at 100.03 and below there at 99.72.

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	99.91	32.92	37.96	14.58	11.41	100.29	100.66	101.38	101.62	100.96
JYAH7	88.38	59.61	56.01	78.06	79.76	88.16	87.98	87.03	87.31	89.22
EU6H7	107.7000	63.51	59.10	87.35	90.51	107.59	107.14	106.36	106.23	107.14
BPAH7	126.44	70.81	63.54	77.91	90.31	125.17	123.89	123.35	124.42	124.42
CAAH7	76.53	66.00	62.68	63.42	66.15	75.83	75.91	75.55	75.15	75.00
SFAH7	100.32	63.00	59.26	81.13	84.23	100.20	99.89	99.22	99.00	99.79

DAAH7 75.63 75.61 68.60 91.79 92.19 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
CURRENCY COMPLEX						
DXAH7	US Dollar	99.42	99.61	100.00	100.19	100.58
JYAH7	Japanese Yen	87.56	88.01	88.30	88.75	89.04
EU6H7	Euro	107.0687	107.4075	107.6537	107.9925	108.2387
BPAH7	British Pound	124.63	125.71	126.11	127.19	127.59
CAAH7	Canadian Dollar	75.82	76.23	76.41	76.83	77.01
SFAH7	Swiss	99.71	100.02	100.30	100.61	100.89
DAAH7	Australian Dollar	74.74	75.22	75.56	76.04	76.38

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