



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday January 27, 2017

### BONDS COMMENTARY

01/27/17

**The easy money has been made on the short side**

#### OVERNIGHT CHANGES THROUGH 3:15 AM (CT): BONDS -10

While global equity markets were mixed overnight the trade did see better Euro zone lending activity and a 3 year high in French Consumer Confidence and that might lean bearish toward US Treasuries to start today. Underpinning Treasuries today is a favorable 7 year Note auction result yesterday and we suspect that the 4th quarter US GDP result later today will provide some support to Treasury prices. However, a 2 or 3% gain in US durable goods might countervail the potentially bullish influence of the GDP figures on Treasuries. With a +2% gain in Durable Goods that would be a major shift from the prior month's decline of 4.6%! Adding into the prospect of building consolidation support in Bonds and Notes today is the fact that US scheduled data has shifted weaker since mid-week but so far that pattern has not provided much of a cushion to Treasury prices. However, in the event that GDP proves to be much softer than the prior quarter and posts weakness in the holiday quarter that should step up the prospect of a moderate low around the prior session's low of 148-30 in March Bonds. Some analysts think that weak exports in the 4th quarter doom the GDP result today to an anemic result. It should also be noted that short term technical indicators are close to shifting into buy modes and the 50 day moving average in March Bonds sits above the market at 150-22. The North American session will start out with a preliminary reading on fourth quarter gross domestic product that is expected to come in around a 2.2% annualized rate, which compares to 3.5% during the third quarter. December durable goods are forecast to see a sizable improvement from November's -4.5% reading and climb up into positive territory. A private survey of January Michigan consumer sentiment is expected to hold steady with the previous 98.2 reading.



#### TODAY'S MARKET IDEAS:

While the path of least resistance remains down with March bonds falling below its 50 day moving average this week we think the easy money has already been made on the downward track. We are also growing concerned with a developing pattern of weak US data but today's data stands a good chance of being countervailing with GDP concerning and durable goods leaning positive. From a technical perspective the bias remains down but the inability to take out the prior sessions' low of 148-30 (after the first data window) would increase the odds of a low. In conclusion we think the risk to being short has risen moderately in the second half of this week and we would suggest that shorts either bank profits or tighten profits significantly.

#### NEW RECOMMENDATIONS:

Buy March Bonds at 149-03 with an objective of 152-00. Risk the trade to 148-15.

#### 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) 01/27/2017: 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. 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 target is 148-220. The next area of resistance is around 150-120 and 150-210, while 1st support hits today at 149-130 and below there at 148-220.

10 YR TREASURY NOTES (MAR) 01/27/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The upside closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 123-140. The next area of resistance is around 124-060 and 124-105, while 1st support hits today at 123-240 and below there at 123-140.

## STOCKS COMMENTARY

01/27/17

**The focus today shifts from earnings to the US GDP**

**OVERNIGHT CHANGES THROUGH 3:15 AM (CT):**  
**S&P 500 +0**

Global equity markets were mixed overnight with Asian/Pacific markets higher and the rest of the world weaker. We suspect that global equities are off balance because of escalating US trade fears but that concern was at least partially offset by news that French consumer confidence reached up to the highest level in 3 years and news that Euro zone lending levels continued to accelerate in December as those news stories point to a recovery in the Euro zone. However, the bull camp will have to stand up to discouraging US GDP results and somewhat disappointing earnings from Google yesterday. Earnings announcements will include Chevron, AbbVie, Honeywell and Colgate-Palmolive before the Wall Street opening.



**S&P 500:** While the markets are coming off another wave of record highs and the string of positive gains extending, we get the sense that today might present the bull camp with a challenge. We also suspect that the brunt of the gains early in the week were the result of expanding economic expectations, favorable earnings reports and a positive spin on new policy moves from the President. However it now seems as if US data has fallen off, economic optimism has been tempered and Trump actions have created uncertainty. It also goes without saying that the market is short term overbought from a technical perspective. In the end the trend is up and we have to give that initial credence but the failure to hold the prior low of 2289.50 through the GDP reaction could signal a week ending profit taking setback.

**Other US Indexes:** The Mini Dow has the Press touting the string of record highs and it should be noted that futures this morning did claw out another new high. However, as mentioned before we think the easy money has been made on the long side and longs are probably facing increased risk and an increased need to correct. A critical support zone through the US data this morning is seen down at the daunted 20,000 level. The NASDAQ Mini enters the trading session with critical close in support seen at 5139.25 and it should be noted that the recent rally has been led by the NASDAQ and seeing the Nasdaq fail at support today could signal a turn down in the entire market.

### TODAY'S MARKET IDEAS:

We think the bull camp is facing a significant junction today as US data today will either be countervailing or it will join the recent and developing pattern of disappointing figures. In the end the risk to longs is on the rise!

### NEW RECOMMENDATIONS:

None.

### 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) 01/27/2017: The rally brought the market to a new contract high. Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 2304.25. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 2299.00 and 2304.25, while 1st support hits today at 2289.00 and below there at 2284.25.

MINI-DOW (MAR) 01/27/2017: A new contract high was made 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 20118. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 20089 and 20118, while 1st support hits today at 20011 and below there at 19962.

E-MINI NASDAQ (MAR) 01/27/2017: The market rallied to a new contract high. 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. The market could take on a defensive posture with the daily closing price reversal down. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 5177.68. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 5160.12 and 5177.68, while 1st support hits today at 5133.38 and below there at 5124.19.

MINI-RUSSELL 2000 (MAR) 01/27/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 1392.6. The next area of resistance is around 1383.3 and 1392.6, while 1st support hits today at 1368.5 and below there at 1362.9.

## 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	149-280	40.53	43.11	42.11	27.33	150.48	151.27	151.57	150.59	152.24
TYAAH7	123-310	43.01	44.52	44.83	30.97	124.20	124.44	124.50	124.22	125.06
SPAH7	2294.10	71.43	67.94	80.62	86.32	2281.15	2272.66	2266.97	2245.01	2217.62
EPH7	2294.00	71.52	67.85	79.65	85.05	2281.19	2272.31	2266.72	2244.97	2217.59
TFEH7	1375.9	56.96	55.91	47.59	62.55	1368.13	1361.16	1364.77	1359.05	1331.36
ENQH7	5146.75	80.94	74.36	93.64	93.91	5115.19	5081.33	5030.06	4939.99	4894.36
YMH7	20050	70.51	67.85	62.02	80.16	19909.00	19813.33	19816.78	19617.04	19302.93

Calculations based on previous session. Data collected 01/26/2017

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	148-210	149-120	149-210	150-120	150-210
TYAAH7	10 Yr Treasury Notes	123-135	123-235	123-280	124-060	124-105
SPAH7	S&P 500	2286.19	2290.09	2294.19	2298.09	2302.19

EPH7	S&P E-Mini	2284.25	2289.00	2294.25	2299.00	2304.25
TFEH7	Mini-Russell 2000	1362.8	1368.4	1377.7	1383.3	1392.6
ENQH7	E-Mini NASDAQ	5124.18	5133.37	5150.93	5160.12	5177.68
YMH7	Mini-Dow	19962	20011	20040	20089	20118

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## CURRENCIES COMMENTARY

01/27/17

### A critical trend decision in the Dollar due at 7:35 CST

#### OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

US DOLLAR +210, YEN -590, SWISS -14, CA DOLLAR -135

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

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:** All things considered the Dollar action this week has been nothing short of stellar. The recovery in the Dollar has taken place in the face of deteriorating US data and improving Euro zone data. We also note that the Dollar seemed to garner fresh buying interest in the wake of the sour turn in US/Mexican relations yesterday. Therefore the Dollar appears to be garnering a lift from fears of a trade war. We are skeptical of significant gains in the Dollar today as data looks to limit the upward track and we also think some of the aggressive Trump stance could be mitigated today. Thick resistance is seen up at 1.0095.

**EURO:** As mentioned already Euro zone data this week has improved with French consumer confidence reaching a 3 year high and Euro zone lending jumping. However, the Euro has clearly faltered on its charts in the wake of the compacted Dollar bounce. In other words, the weak action in the Euro over the last 24 hours certainly isn't the result of an expanding macro-economic differential it would appear to be conclusively the result of the prospect of a series of US trade issues. Up-trend channel support should hold down at 1.0675 today and aggressive traders might look to buy a US durable good headline prompted dip.

**YEN:** While Japanese inflation readings weren't as soft as was feared they leave the Japanese economy a notch or two below most other countries in the actively traded category. With noted technical chart damage this morning and little in the way of support until the 86.62 level we have to leave the bias pointing downward today.

**SWISS:** With the March Swiss overnight forging a "bad" trade on its charts and Euro zone data positive we leave the Swiss under a mild liquidation watch. In fact, if the Dollar manages to wiggle through a slightly disappointing GDP result with positive action that could send the Swiss right back below the 1.00 level. Up-trend channel support is seen down at 99.87 but closer-in support is seen today at 1.0062.

**POUND:** The Pound has forged what appears to be a reversal of trend this week and it would appear that action is indirectly related to a downtick in global psychology from US Trade fears and part of the slide in the Pound is the result of the typical inverse relationship to the Dollar currency. We also suspect that the reversal in direction in the Pound is the result of the UK government actually starting the mechanical process of triggering the exit. Up-trend channel support in the March Pound is seen down at 1.2504 and then not until the 1.2431 pivot point.

**CANADIAN DOLLAR:** The Canadian has clearly paused its' rally from the past two weeks in the wake of the recovery in the Dollar and that isn't surprising. Technical traders are concerned that the current recovery has stalled below the early January highs as that would seem to signal an extension of the long held downtrend. A down trend channel resistance line is seen today up at 76.72 and that resistance line falls down to 76.60 on Monday.

### TODAY'S MARKET IDEAS:

Without ongoing Trade bombs lobbed over the Mexican border from both sides today we are fearful of a stall in the last 24 hours rally in the Dollar.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/27/2017: Daily stochastics are trending lower but have declined into oversold territory. A positive signal for trend short-term was given on a close over the 9-bar moving average. The outside day up is somewhat positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 99.48. The next area of resistance is around 101.11 and 101.41, while 1st support hits today at 100.15 and below there at 99.48.

EURO (MAR) 01/27/2017: The major trend has turned down with the cross over back below the 60-day moving average. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close below the 9-day moving average is a negative short-term indicator for trend. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 106.0075. The next area of resistance is around 107.4100 and 108.1675, while 1st support hits today at 106.3300 and below there at 106.0075.

JAPANESE YEN (MAR) 01/27/2017: A bearish signal was triggered on a crossover down in the daily stochastics. 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 market's short-term trend is negative as the close remains below the 9-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 86.20. The next area of resistance is around 88.01 and 89.00, while 1st support hits today at 86.62 and below there at 86.20.

SWISS (MAR) 01/27/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 100.75. The next area of resistance is around 100.37 and 100.75, while 1st support hits today at 99.79 and below there at 99.59.

### 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	100.63	39.73	41.96	14.36	13.93	100.22	100.57	101.28	101.61	101.00
JYAH7	87.31	49.17	49.08	75.20	70.68	88.02	87.96	87.09	87.23	89.07
EU6H7	106.8700	51.95	52.20	85.85	82.86	107.50	107.19	106.45	106.24	107.08
BPAH7	125.93	65.51	60.31	81.39	88.60	125.65	124.35	123.52	124.46	124.48
CAAH7	76.27	60.73	59.21	64.68	67.61	76.09	75.91	75.66	75.20	75.03
SFAH7	100.08	63.88	59.85	82.42	85.00	100.25	100.00	99.34	99.01	99.76
DAAH7	75.20	62.54	61.44	89.74	86.34	0.76	0.75	0.74	0.74	0.74

Calculations based on previous session. Data collected 01/26/2017

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	99.47	100.15	100.44	101.11	101.41
JYAH7	Japanese Yen	86.19	86.61	87.60	88.01	89.00
EU6H7	Euro	106.0075	106.3299	107.0875	107.4100	108.1675
BPAH7	British Pound	124.92	125.34	126.10	126.52	127.27
CAAH7	Canadian Dollar	75.89	76.04	76.34	76.49	76.79
SFAH7	Swiss	99.59	99.79	100.17	100.37	100.75
DAAH7	Australian Dollar	74.70	74.89	75.33	75.52	75.96

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