



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Tuesday January 31, 2017

BONDS COMMENTARY

01/31/17

A minimal upward tilt but ranges are expected to remain tight

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +20

In general economic data flow from Japan and the euro zone overnight was upbeat and there were some gains in global equity market measures and that has left treasuries with a slightly bearish tilt to start. In fact German unemployment fell to 5.9% from 6% and that is the lowest reading since reunification and that should also temper safe haven flow into bonds and notes. However minimal weakness in US equities to start and only minimal gains in gold prices would seem to downplay the potential geopolitical anxiety that dominated in the prior trading session. Technical traders will suggest that the 50 day moving average in March bonds up at 150-18 leaves the bond market in a bearish track to start today but ranges might be tight with the start of a two day FOMC meeting later today. On the other hand some anticipated weakness in the November Case-Shiller Home Price Index might provide some early cushion, especially since the market also expects to see the conference Board consumer confidence reading post a down tick from its prior reading. The North American session will start out with December Canadian GDP which is forecast to see a moderate uptick from November's -0.3% reading and climb into positive territory. The November Case-Shiller home price index is expected to see a minimal downtick from October's +5.1% year-over-year rate. The Conference Board's January survey on consumer confidence is forecast to see a downtick from December's 113.7 reading.



TODAY'S MARKET IDEAS:

As mentioned already the Treasury bond market this morning temporarily rose above its 50 day moving average at 150-18 but the market seems to have been held down by that average in the prior three trading sessions. Short-term technical resistance is seen at a downtrend line of 150-24 but short-term technical indicators are not flashing significantly oversold readings yet. However the note market also seems to be waffling around its 50 day moving average and that could make today's close very telling. The 50 day moving average in March notes is seen at 124-07 and its short-term technical indicators have shifted into a buy mode. We also have to note again that the T-Note market has recently registered a record spec and fund short positioning which could mean rather significant short covering fuel in the event of an upside breakout or in the face of deterioration in US macroeconomic views.

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) 01/31/2017: The major trend has turned down with the cross over back below the 40-day moving average. Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The market could take on a defensive

posture with the daily closing price reversal down. The market tilt is slightly negative with the close under the pivot. The next downside objective is 149-150. The next area of resistance is around 150-170 and 150-300, while 1st support hits today at 149-260 and below there at 149-150.

10 YR TREASURY NOTES (MAR) 01/31/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal down puts the market on the defensive. The close over the pivot swing is a somewhat positive setup. The next downside target is 123-280. The next area of resistance is around 124-085 and 124-145, while 1st support hits today at 123-315 and below there at 123-280.

STOCKS COMMENTARY

01/31/17

The path of least resistance is down but not down hard

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 -330**

Global equity markets were mixed overnight with Asian markets weaker and European stocks carving out modest gains. While the markets did manage to reject large portion of the prior sessions' big range down washout a weaker opening bid to start today suggests that residual anxiety remains in place. The market might be garnering some support from favorable profits from the drug sector and from the health insurance sector overnight but that potential windfall is tempered by evidence that some Wall Street CEOs are coming out against the US travel ban. Historically the stock market hasn't fared well under anxiety conditions and while the current situation isn't overly tense many market measures were technically overbought into last week's highs and that could leave them vulnerable to more selling this week. A busy day of earning announcement will be highlighted by ExxonMobil, Pfizer, Mastercard, UPS and Eli Lilly before the Wall Street with tech bellwether Apple reporting the close.



S&P 500: Typically a big range down washout and recovery back above the midpoint of that day's range is a signal of a sold-out condition but in the current situation that gap down washout came in relatively close proximity to all-time highs. In other words a moderate portion of the washout yesterday was probably long profit-taking and not necessarily from a panic/anxiety angle. On the other hand the prospect of ongoing protests against the US travel ban is very high in the wake of comments from the former president that he was heartened by the protests. We also think a series of soft schedule data points later this morning could add to the downside with initial support in the March E-mini S&P seen down at 2263.25. In order to turn the trend back up requires a return to the gap above 2285.75.

Other US Indexes: With the Mini-Dow in the second half of January following the rest of the market on the upside it is possible it will be the most vulnerable to stop loss selling in the days ahead. In fact short-term technical indicators have shifted into a sell mode and it goes without saying that the spec and fund long in the Mini-Dow was overdone into its all-time price high just three days ago. Uptrend channel support in the March Mini-Dow is seen close-in today at 19,768 and to turn the tide back to the upside probably requires a rather significant bounce above 19,993. With the Mini-NASDAQ clearly leading the entire market for the month of January it was probably significantly overbought from both a technical and fundamental perspective. We see initial support today at 5100 with uptrend channel support today seen at 5070.25. In order to turn the trend back to the upside probably requires an early bid back above 5126.00.

TODAY'S MARKET IDEAS:

While the equity markets art under significant duress to start the new trading session they have suffered both technical and fundamental damage over the last three trading sessions and continued declines appear to be in order. Issues that could propel prices sharply lower today are a sweep of negative schedule data and or significant press coverage of protests against the travel orders. Other issues that could add to the downward tilt are signs that Trump nominees will face increased scrutiny in retaliation of unpopular executive orders. In the end investors don't like uncertainty and if that condition is joined by soft US data the bear camp should hold serve.

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) 01/31/2017: A crossover down in the daily stochastics is a bearish signal. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is positive on the close above the 9-day moving average. The gap lower on the day session chart is bearish and puts the market on the defensive. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 2252.88. The next area of resistance is around 2287.50 and 2297.87, while 1st support hits today at 2265.00 and below there at 2252.88.

MINI-DOW (MAR) 01/31/2017: 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. More selling pressure is likely given yesterday's gap lower price action on the day session chart. The market is in a bearish position with the close below the 2nd swing support number. The near-term upside objective is at 20086. The next area of resistance is around 19986 and 20086, while 1st support hits today at 19794 and below there at 19701.

E-MINI NASDAQ (MAR) 01/31/2017: The daily stochastics gave a bearish indicator with a crossover down. 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. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 5064.50. The next area of resistance is around 5154.50 and 5184.50, while 1st support hits today at 5094.50 and below there at 5064.50.

MINI-RUSSELL 2000 (MAR) 01/31/2017: The major trend has turned down with the cross over back below the 40-day moving average. The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. More selling pressure is likely given yesterday's gap lower price action on the day session chart. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 1326.9. The next area of resistance is around 1361.7 and 1374.6, while 1st support hits today at 1337.9 and below there at 1326.9.

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
FINANCIAL COMPLEX										
USAAH7	150-050	43.44	44.91	33.45	26.28	149.95	150.69	151.53	150.52	151.86
TYAAH7	124-040	46.25	46.62	37.32	31.13	124.02	124.25	124.49	124.18	124.89
SPA7	2276.00	53.48	56.68	79.33	74.13	2288.28	2275.98	2271.21	2249.06	2223.49
EPH7	2276.25	53.67	56.78	78.50	73.43	2288.50	2276.00	2271.18	2248.99	2223.44
TFEH7	1349.8	42.90	46.61	50.55	47.91	1368.65	1360.37	1362.77	1359.81	1338.24
ENQH7	5124.50	65.68	66.05	92.39	88.94	5146.25	5102.22	5058.99	4952.37	4906.66
YMH7	19890	53.64	56.76	71.02	74.90	19990.75	19851.56	19839.56	19664.00	19369.45

Calculations based on previous session. Data collected 01/30/2017

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	149-140	149-250	150-060	150-170	150-300
TYAAH7	10 Yr Treasury Notes	123-275	123-310	124-050	124-085	124-145
SPAH7	S&P 500	2254.69	2265.79	2275.10	2286.19	2295.50
EPH7	S&P E-Mini	2252.87	2265.00	2275.37	2287.50	2297.87
TFEH7	Mini-Russell 2000	1326.8	1337.8	1350.7	1361.7	1374.6
ENQH7	E-Mini NASDAQ	5064.50	5094.50	5124.50	5154.50	5184.50
YMH7	Mini-Dow	19700	19793	19893	19986	20086

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CURRENCIES COMMENTARY

01/31/17

The bears control the Dollar today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -390, YEN +175, SWISS +31, CA DOLLAR +130

Upcoming International Reports (all times CT)

01/31 FOMC Meeting
 01/31 Japan BOJ Report 12:00 AM
 01/31 France Consumer Spending 1:45 AM
 01/31 France Household Consumption 1:45 AM
 01/31 France Producer Price Index 1:45 AM
 01/31 Euro-zone Unemployment Rate 4:00 AM
 01/31 Canadian GDP (By Industry) 7:30 AM
 01/31 Canadian Industrial Product 7:30 AM
 01/31 Employment Cost Index 7:30 AM
 01/31 Chicago PMI 9:00 AM
 01/31 Consumer Confidence 9:00 AM
 01/31 API Energy Stocks 3:30 PM
 01/31 Japan BOJ Meeting 9:50 PM
 02/01 FOMC Meeting
 02/01 Construction Spending 9:00 AM
 02/01 ISM Manufacturing Index 9:00 AM
 02/01 EIA Energy Stocks 9:30 AM



DOLLAR: While the dollar has seen periodic strength off the angle of aggressive trade policy potentials, we think the predominantly bearish issue for the greenback is a general pattern of softening data. With expectations for today's US data calling for weak numbers and the dollar index taking out the prior sessions low early the path of least resistance in the dollar looks to be down. Logical downside targeting in the March dollar index is seen at 99.76.

EURO: While there were some soft data points from Europe overnight seeing German unemployment fall down to the lowest level since reunification and seeing other positive data points should shift the euro into an upward motion. In fact seeing the March euro yesterday reject its 50 day moving average and seeing the currency takeout the prior two session's highs early today would seem to project a return to the January 24th high of 1.0796. Another issue that should provide buying interest to the euro is the quasi-technical breakdown in the dollar early on.

YEN: With December Japanese unemployment holding steady at 3.1%, December household spending and December industrial production actually coming in better than expectations it wasn't surprising to see the Bank of Japan hold rates unchanged. However the BOJ did revise GDP readings for 2017 slightly higher than earlier

forecasts, December readings for Japanese housing starts were positive but less positive than expected and construction orders posted a gain of 7.1% on the year. In conclusion economic data flow from Japan should provide fresh buying interest for the Yen. Critical support in the March Yen today is seen at 87.855.

SWISS: Like the euro the Swiss has forged distinct upside action in a manner that projects ongoing gains. The next logical upside targeting in the Swiss is an old gap up at 1.0168 to 1.0183. With ongoing geopolitical concerns emanating from the US, favorable charts and a win by default set up we can't rule out a near term run up to 1.02.

POUND: We think the recent action in the pound highlights its status as a recovery currency. In other words in order for the pound to rally and more specifically come out of the October through January consolidation to the upside probably requires a distinctly positive forward global growth track. With the pound overbought into last week's highs and the pound this morning temporarily falling below its 50 day moving average of 1.2451 that could suggest the Bears have a technical edge today.

CANADIAN DOLLAR: The North American session will start out with December Canadian GDP which is forecast to see a moderate uptick from November's -0.3% reading and that reading is expected to climb into positive territory. While it is possible that 76.00 has become a solid support zone the March Canadian dollar would seem to have initial resistance today at 76.51. On the other hand in the face of weak US data and or geopolitical selling of the US dollar it would not be surprising to see the Canadian manage a rally to the highest level since January 18th.

TODAY'S MARKET IDEAS:

Damaging technical damage in the dollar to start today, ongoing geopolitical angst and a recent pattern of soft US data should leave the dollar mired in a downward motion on its charts. Given coordinated strength in the euro in the Swiss it would appear as if those markets are destined to lead non-dollar currencies on the upside.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 01/31/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal down puts the market on the defensive. The market tilt is slightly negative with the close under the pivot. The next upside target is 101.36. The next area of resistance is around 100.84 and 101.36, while 1st support hits today at 99.97 and below there at 99.63.

EURO (MAR) 01/31/2017: 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 daily closing price reversal down puts the market on the defensive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 105.8550. The next area of resistance is around 107.7550 and 108.2750, while 1st support hits today at 106.5450 and below there at 105.8550.

JAPANESE YEN (MAR) 01/31/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 downside objective is 86.69. The next area of resistance is around 88.58 and 88.99, while 1st support hits today at 87.44 and below there at 86.69.

SWISS (MAR) 01/31/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. A positive signal was given by the outside day up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 101.66. The next area of resistance is around 101.29 and 101.66, while 1st support hits today at 100.15 and below there at 99.39.

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	100.40	40.81	42.57	16.25	18.13	100.33	100.51	101.00	101.56	101.11
JYAH7	88.01	55.59	53.48	70.16	66.15	87.70	87.83	87.32	87.10	88.79
EU6H7	107.1500	55.15	54.21	82.66	78.88	107.25	107.23	106.70	106.26	106.96
BPAH7	124.94	54.85	53.91	83.17	82.00	125.81	124.88	123.79	124.49	124.57
CAAH7	76.30	60.34	59.06	68.08	70.80	76.35	75.88	75.87	75.28	75.08
SFAH7	100.72	69.22	63.41	85.28	88.61	100.40	100.18	99.60	99.05	99.69
DAAH7	75.46	69.68	65.47	87.69	84.78	0.75	0.75	0.75	0.74	0.74

Calculations based on previous session. Data collected 01/30/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	99.62	99.97	100.49	100.84	101.36
JYAH7	Japanese Yen	86.68	87.43	87.84	88.58	88.99
EU6H7	Euro	105.8550	106.5450	107.0650	107.7550	108.2750
BPAH7	British Pound	123.81	124.25	125.18	125.62	126.55
CAAH7	Canadian Dollar	75.73	76.03	76.27	76.57	76.81
SFAH7	Swiss	99.38	100.15	100.52	101.29	101.66
DAAH7	Australian Dollar	75.05	75.27	75.42	75.64	75.81

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