



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Wednesday February 01, 2017

### BONDS COMMENTARY

02/01/17

**Initial weakness might be followed by a spike down reversal**

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

**BONDS -130**

With global equity markets mostly higher overnight, the "official" (NBS) Chinese manufacturing PMI number for January rising for the 6th month in a row and a flurry of positive manufacturing PMI readings from Europe the initial track in Treasuries should be pointing downward. With Treasury bonds sitting nearly in the middle of the last 3 months trading range, a recent rise in geopolitical uncertainty, a wave of economic readings due out today and a Fed decision later today the market should be primed for volatility. One could suggest that the long term trend in Treasuries remains down from last September's peak and one could also suggest that the intermediate trend is down from the January high but one might suggest that the short term bias is pointing up from the January 26th low! Therefore the prevailing bias might be down but we have to note that data over the last several weeks has clearly failed to signal an economy gathering momentum and pace. However, we suspect that the Fed won't acknowledge the choppy data but that the Fed might simply adopt the standard line of "watching for signals" that bring them to the next hike. At this point we seriously doubt the Fed will bring the next hike timing into a specific window. One has to wonder if the Fed will have the benefit of preliminary data on the Friday payroll reading as that result could set the trend in Bond and note prices for the next 3 weeks. In our opinion the Treasury markets haven't had enough positive news on growth and they certainly haven't had much inflation news to bring the Fed off the bench. The North American session will start out with the January ADP employment survey which is expected to show modest improvement from December's 153,000 reading. The January ISM manufacturing index is forecast to uptick from December's 54.7 reading. December construction spending is expected to decline from November's +0.7% reading but they are expected to remain in positive territory. January total vehicle sales will be released during the day and are forecast to downtick from December's 18.4 million annualized rate. The highlight of the North American session will be the results of the FOMC's latest monetary policy meeting which is forecast to have no changes to rates or policy.



#### TODAY'S MARKET IDEAS:

While we doubt the Fed will come off definitively hawkish later today we do acknowledge that overnight foreign data was bearish and that initial US numbers this morning would seem to leave the bear camp with an edge. We would define the trading range today as 149-08 and 151-10 with the early edge going to the bear camp. However, we would suggest that traders look to be a buyer of bond and note calls after the FOMC decision and statement has impacted prices for 15 to 20 minutes. There will not be a press conference following the meeting today. The 50 day moving average in March bonds today comes in right on the market at 150-18 with the 50 day moving average in March Notes coming in at 124-06.

#### NEW RECOMMENDATIONS:

Buy an April bond 151 call for 1-10 (on a bond break later today). Use an objective on the long call of 3-11 and risk the play to a close below 50.

#### 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) 02/01/2017:** The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 149-030. The next area of resistance is around 151-080 and 151-300, while 1st support hits today at 149-270 and below there at 149-030.

**10 YR TREASURY NOTES (MAR) 02/01/2017:** Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 downside target is now at 123-245. The next area of resistance is around 124-215 and 124-310, while 1st support hits today at 124-025 and below there at 123-245.

## STOCKS COMMENTARY

02/01/17

**Positive economic news & favorable Apple news is bullish**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**S&P 500 +540**

Global equity markets were mostly higher overnight, with the exception the Russian RTS and the Hang Seng. Equity markets were probably boosted by the news yesterday that Apple managed to beat earnings and sales projections. The market should also be cheered by the 6th straight month of gains in

"official" Chinese manufacturing PMI readings especially since that news was followed by a flurry of positive European manufacturing PMI readings. Traders need to brace for some volatility later today in the wake of a Fed decision but the statement might be the most impactful as any acknowledgement of slack activity might be taken to heart while the lack of a hike this month wasn't expected anyway and therefore a steady Fed might not be overly helpful for the bull camp. Earnings announcements will include Altria, ADP and Johnston Controls before the Wall Street opening with Facebook and MetLife reporting after the close.



**S&P 500:** With the E-mini S&P managing two large range down moves and managing to reject those two probes it is possible that the overbought technical condition into the January high has been remedied. With Apple earnings and sales beating expectations that could go a long way toward distracting the marketplace from what has become undermining political discourse in the US. Another angle that might be providing support to the markets today is a general clean sweep of positive manufacturing PMI results overnight. A three month old uptrend channel support line comes in today at 2266.60 and it is possible that the March contract might attempt to fill an old gap left by the January 27th and January 30th trading sessions. The bottom of that gap area comes in today at 2285.75.

**Other US Indexes:** As suggested already the markets have seen favorable economic news overnight and they have also been cheered by favorable earnings and sales news from Apple. However the mini Dow has not forged as conclusive of a rejection of yesterday's low as other sectors of the market. In fact given the near sweep of favorable manufacturing PMI readings overnight and the Apple news one might've expected the Dow to have gained more ground today. A three month old uptrend channel support line comes in today at 19,755 with initial resistance seen at 19,891. Not surprisingly the E-mini NASDAQ is showing the most positive action of the closely watched market measures this morning. Logically the NASDAQ should derive the biggest benefit from the Apple news and there could be little in the way of resistance today until the 5149.75 area.

### TODAY'S MARKET IDEAS:

With the markets recently oversold scheduled data overnight positive and most importantly upbeat news from

Apple the bull camp has the edge to start the third trading session of the week. Since we doubt the trade is expecting the Fed to hike today seeing favorable US economic data early on could allow for a slight extension above the early highs. However it would be surprising to see the equity markets traverse the Fed decision and statement without some measure of two-sided volatility. In the end we think the stock market will be cheered by the Fed's decision to maintain and on hold stance. On the other hand the Fed will probably provide at least one shot across the bow regarding the timing of the next hike just to keep inflation expectations in check.

**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) 02/01/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 lower than the pivot swing number. The next downside target is 2257.88. The next area of resistance is around 2282.50 and 2286.87, while 1st support hits today at 2268.00 and below there at 2257.88.

MINI-DOW (MAR) 02/01/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 19628. The next area of resistance is around 19899 and 19984, while 1st support hits today at 19721 and below there at 19628.

E-MINI NASDAQ (MAR) 02/01/2017: 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 close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 5070.38. The next area of resistance is around 5139.50 and 5152.37, while 1st support hits today at 5098.50 and below there at 5070.38.

MINI-RUSSELL 2000 (MAR) 02/01/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 1335.9. The next area of resistance is around 1371.6 and 1378.0, while 1st support hits today at 1350.6 and below there at 1335.9.

**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	150-170	46.85	47.03	31.95	28.52	150.23	150.54	151.52	150.50	151.68
TYAAH7	124-120	51.43	49.92	37.41	36.47	124.18	124.22	124.51	124.17	124.81
SPAH7	2303.00	52.22	55.84	75.03	66.43	2283.43	2276.86	2271.78	2250.81	2226.62
EPH7	2275.25	52.61	56.08	74.34	66.03	2283.81	2277.08	2271.76	2250.75	2226.62
TFEH7	1361.1	49.31	50.57	49.33	47.07	1363.18	1360.80	1362.26	1360.17	1341.61
ENQH7	5119.00	63.98	65.02	89.66	83.98	5139.13	5109.72	5069.42	4958.42	4913.36
YMH7	19810	47.23	52.16	68.54	63.69	19940.75	19860.67	19836.67	19682.13	19402.70

Calculations based on previous session. Data collected 01/31/2017  
 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	149-020	149-260	150-160	151-080	151-300
TYAAH7	10 Yr Treasury Notes	123-240	124-020	124-115	124-215	124-310
SPA7	S&P 500	2272.39	2296.09	2286.19	2309.89	2300.00
EPH7	S&P E-Mini	2257.87	2268.00	2272.37	2282.50	2286.87
TFEH7	Mini-Russell 2000	1335.8	1350.5	1356.9	1371.6	1378.0
ENQH7	E-Mini NASDAQ	5070.37	5098.50	5111.37	5139.50	5152.37
YMH7	Mini-Dow	19628	19721	19806	19899	19984

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## CURRENCIES COMMENTARY

02/01/17

**The bears look to control the Dollar later today**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**US DOLLAR +54, YEN -455, SWISS -8, CA DOLLAR -170**

### Upcoming International Reports (all times CT)

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  
 02/02 Initial Jobless Claims 7:30 AM  
 02/02 EIA Gas Storage 9:30 AM



**DOLLAR:** This morning Reuters noted that the dollar had its worst start to the year in three decades. The intermediate trend in the dollar remains down and we suspect that Fed news today will only provide a temporary respite from the selling. In addition to somewhat disappointing economic news from the US over the last several weeks there has also been mostly favorable international data flow and that leaves the dollar out-of-favor. On the other hand we can't discount the prospect of a modest bounce in the wake of early US data today and we also can't rule out a temporary flare on the upside in the immediate aftermath of the FOMC decision and statement. In fact if there is an absence of incendiary trade dialogue from Washington the dollar could fall straightaway to the lowest level since early November. Sell rallies in the dollar or use a sell stop with a trade below 99.45.

**EURO:** With the exception of German manufacturing PMI results the euro zone overnight generally posted positive PMI results. While the longer-term trend in the euro might be down from the decline late last year traders should conclude that the trend in 2017 is pointing upward. Given the US FOMC decision later today and an extremely active US schedule report slate one should expect huge two-sided volatility. Uptrend channel resistance today in the March euro is seen at 1.08927.

**YEN:** The Japanese Yen spent most the overnight trade in negative territory. We suspect some of the bearishness facing the Yen this morning is an offshoot from Japanese policymakers who suggested they were not targeting their exchange rate. The Bank of Japan also suggested their policy decisions will not be restricted by comments from the US. Therefore we see no reason for the March Yen to fall below uptrend channel support of 87.18

**SWISS:** After a huge today range up extension in the prior two sessions, the Swiss has probably become short-term overbought. While the March Swiss might have found a fresh support zone around the 1.01 level

disappointing Swiss PMI results in January could result in some back and fill action in the wake of early US data. Unfortunately for the bull camp the March Swiss might have little in the way of support on the charts until 1.0071.

**POUND:** It would appear as if the pound has discounted slightly disappointing UK January PMI results overnight. Perhaps the pound is garnering its lift from improved global economic conditions but it is also possible that the quick rejection of a slide below the 50 day moving average yesterday has turned the outlook for the pound positive. Initial upside resistance is seen at 1.2686 today with support moving up to 1.2463. All things considered seeing the pound rally following slightly disappointing data would seem to set the stage for an ultimate rise above 1.275.

**CANADIAN DOLLAR:** The Canadian dollar enters the Wednesday trade slightly off balance on the charts but underpinned as result of yesterday's slightly better-than-expected growth result. We would suggest the Canadian is vulnerable to US economic news early today and we can't rule out at least a temporary retest of the 76.00 level with slightly closer in support is seen at 76.28.

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

We see no reason to call for an end to the downward track in the dollar. However we also can't rule out a temporary rally attempt in the wake of early US data and in the wake of the FOMC decision and statement. In our opinion the dollar has managed to rally off positive data but it has not been able to sustain those attempts and that leaves the path of least resistance pointing downward in the dollar and upward in a number of non-dollar currencies.

#### **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) 02/01/2017:** The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 98.66. The next area of resistance is around 100.11 and 100.86, while 1st support hits today at 99.01 and below there at 98.66.

**EURO (MAR) 02/01/2017:** The daily stochastics gave a bullish indicator with a crossover up. 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 109.1587. The next area of resistance is around 108.7525 and 109.1587, while 1st support hits today at 107.4775 and below there at 106.6088.

**JAPANESE YEN (MAR) 02/01/2017:** The daily stochastics gave a bullish indicator with a crossover up. 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 higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 90.09. The next area of resistance is around 89.37 and 90.09, while 1st support hits today at 87.91 and below there at 87.15.

**SWISS (MAR) 02/01/2017:** Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 102.25. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 101.79 and 102.25, while 1st support hits today at 100.72 and below there at 100.10.

## 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	99.56	30.37	35.52	15.60	14.24	100.20	100.35	100.89	101.51	101.15
JYAH7	88.64	60.41	56.93	70.65	71.28	87.84	87.89	87.51	87.09	88.64
EU6H7	108.1150	65.48	60.86	83.20	84.36	107.35	107.41	106.86	106.30	106.90
BPAH7	125.88	61.54	58.42	83.21	83.28	125.68	125.20	123.93	124.52	124.62
CAAH7	76.85	68.00	64.33	70.97	76.75	76.44	76.02	75.96	75.34	75.12
SFAH7	101.26	75.71	68.26	86.93	90.23	100.68	100.34	99.78	99.10	99.66
DAAH7	75.79	75.12	68.90	87.36	86.71	0.76	0.76	0.75	0.74	0.74

Calculations based on previous session. Data collected 01/31/2017

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH7	US Dollar	98.65	99.00	99.75	100.11	100.86
JYAH7	Japanese Yen	87.14	87.90	88.61	89.37	90.09
EU6H7	Euro	106.6087	107.4775	107.8837	108.7525	109.1587
BPAH7	British Pound	123.65	124.95	125.50	126.80	127.35
CAAH7	Canadian Dollar	75.86	76.39	76.77	77.30	77.68
SFAH7	Swiss	100.09	100.71	101.17	101.79	102.25
DAAH7	Australian Dollar	75.09	75.47	75.72	76.10	76.35

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