



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday February 02, 2017

BONDS COMMENTARY

02/02/17

Major junction directly waiting to sell a noted bounce

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +60

Global equity markets were mixed overnight, January Japanese consumer confidence readings showed a modest gain and December Euro zone PPI reached the highest level in 4 years and therefore the outlook for Treasuries should have been mixed this morning. However, fresh weakness in US equities and sharp gains in precious metals prices suggest that some form of safe haven interest is in play. In fact, we also see the sharp downside extension in the Dollar as a supportive issue for Treasuries. It is a change of pace for Treasuries to be in favor in the wake of noted strength in precious metals but we think that is largely the result of deteriorating relations between the US and other countries. In fact weakness in the Dollar might be another issue providing safe haven support to Bonds and Notes today. In round-about reasoning the sharp slide in the Dollar could make US debt instruments more attractive from a pricing perspective but weakness in the Dollar is also another signal that the trade is currently pushing back US rate hike timing. Unfortunately for the bull camp we don't see noted gains ahead today as expectations call for a minor decline in claims and the trade logically might expect layoffs to decline in the wake of the sharp jump in ADP jobs figures yesterday. We favor the bull tilt but we can't understate the potential importance of the Friday morning payroll results. The North American session will start out with the January Challenger job cuts survey, followed by a weekly reading on initial jobless claims that are forecast to see a minor decline from the previous 259,000 reading. Fourth quarter non-farm productivity is expected to have a notable decline from the third quarter's +3.1% reading while fourth quarter unit labor cost are forecast to have notable improvement from the third quarter's +0.7% reading.



TODAY'S MARKET IDEAS:

As suggested already we think the path of least resistance is pointing upward even though US data this morning might be positive to growth. One should also keep in mind that the Note market continues to hold a near all-time record spec and fund short and one should also note that March bonds to the recent low, were down roughly 5 points from the January high. In conclusion we see the Treasury market at a very major junction where prices could knife lower if payrolls Friday best last month's +156,000 gain. On the other hand if the economy isn't found to be progressing nicely (the Fed statement yesterday suggests it is not accelerating) we would expect to see a temporary flare back up to 152-29 in March bonds and to 125-08 in March Notes.

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) 02/02/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close above the 9-day moving average is a positive short-term indicator for

trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 149-130. The next area of resistance is around 151-010 and 151-120, while 1st support hits today at 150-020 and below there at 149-130.

10 YR TREASURY NOTES (MAR) 02/02/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 next upside target is 124-260. The next area of resistance is around 124-190 and 124-260, while 1st support hits today at 124-015 and below there at 123-225.

STOCKS COMMENTARY

02/02/17

The bias is down expect 24 hours of rising volatility

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 -590

Global equity markets were mixed overnight with the biggest loser overnight the XETRA DAX and the RTS Index the bigger gainer. While Euro zone PPI reached the highest level in 4 years and that hints at some forward motion in the Euro zone economy the focus of the markets seems to be shifting away from earnings and toward geopolitical flash points. In fact with the markets now past the half way point of the earnings cycle and earnings positing 7% gains we might suggest that the rumor of a very positive cycle has been mostly factored. Earning announcements will include Merck, Royal Dutch Shell, Philip Morris and ConocoPhillips before the Wall Street open with Amazon and Amgen reporting after the close.



S&P 500: While the US Fed on hold stance in the prior trading session provided a fleeting bounce the path of least resistance this morning is pointing downward again. It is possible that early US schedule data might provide some additional support but given ongoing geopolitical anxieties it could be difficult for the March E-mini S&P to avoid a return down to this week's low of 2262.25. Certainly a huge decline in the Challenger layoff report and or positive earnings from the very active pre-opening window could serve to check what we think is a developing slide in prices. An issue that might serve to cushion the S&P today is strength in oil patch shares in the wake of a recent low to high rally of two dollars per barrel in crude oil.

Other US Indexes: As suggested already the path of least resistance looks to remain down in the mini Dow with little in the way of close in support seen until the 19,713 level. We suspect some longs were disappointed with the lack of a definitively upbeat Fed assessment of the US economy and it is also possible that sharp gains in energy prices this week is seen as a partial negative to large-cap stocks. Without a climb back above 19,828 in the March E-mini Dow we have to leave the path of least resistance pointing downward with an ultimate objective of 19,666. Despite what would appear to be weakness in other sectors of the market this morning the Mini NASDAQ hasn't seen damage to its charts to start. In fact the market has clearly held above uptrend channel support of 5106.57. However we see a very critical pivot point this morning at 5123.50 and the inability to hold that level could project a quick slide below 5100.00.

TODAY'S MARKET IDEAS:

There would appear to be some divergence in the markets to start today with large cap and mid-cap stocks showing a possible breakdown on their charts while the NASDAQ is holding together rather impressively. However unless US schedule data this morning provides fresh optimism it is possible that ongoing negative vibes from Washington and other geopolitical headwinds will set the stage for a week ending washout. In fact with a very critical monthly nonfarm payroll report due out tomorrow the prospect of increased volatility would seem to be high. In a contrary in view the VIX is at a very low historical level and that might hint at some type of inflection point directly ahead.

NEW RECOMMENDATIONS:

Buy a March E-Mini S&P 2250 put and buy a March E-Mini S&P 2275 call for a net cost of 57.00. Use an

objective on either leg of 45.00 and plan to hold the other leg for a reversal later. We hope the 1st move is down allowing ups to lift the put and hold the call for a recovery after the jobs report is factored.

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) 02/02/2017: Momentum studies trending lower at mid-range should accelerate a move lower 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 market could take on a defensive posture with the daily closing price reversal down. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 2258.94. The next area of resistance is around 2283.12 and 2292.43, while 1st support hits today at 2266.38 and below there at 2258.94.

MINI-DOW (MAR) 02/02/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside target is 19707. The next area of resistance is around 19883 and 19950, while 1st support hits today at 19761 and below there at 19707.

E-MINI NASDAQ (MAR) 02/02/2017: 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 short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 5109.32. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 5166.12 and 5179.81, while 1st support hits today at 5130.88 and below there at 5109.32.

MINI-RUSSELL 2000 (MAR) 02/02/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. 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 market could take on a defensive posture with the daily closing price reversal down. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 1340.4. The next area of resistance is around 1370.2 and 1384.5, while 1st support hits today at 1348.2 and below there at 1340.4.

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	150-170	46.87	47.10	32.09	30.97	150.50	150.51	151.43	150.48	151.50
TYAAH7	124-100	49.77	49.02	38.28	38.89	124.29	124.24	124.49	124.17	124.72
SPAH7	2274.50	52.22	55.84	70.49	61.42	2278.53	2278.29	2272.34	2252.32	2229.89
EPH7	2274.75	52.09	55.72	70.59	62.08	2279.50	2278.83	2272.43	2252.32	2229.93
TFEH7	1359.2	48.30	49.90	48.13	45.56	1359.35	1362.40	1362.09	1360.97	1344.60
ENQH7	5148.50	70.40	68.93	89.22	86.88	5142.56	5121.31	5080.38	4964.89	4921.55
YMH7	19822	48.19	52.86	65.27	58.16	19886.00	19881.56	19837.22	19698.87	19436.87

Calculations based on previous session. Data collected 02/01/2017

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	149-120	150-010	150-120	151-010	151-120
TYAAH7	10 Yr Treasury Notes	123-220	124-010	124-080	124-190	124-260
SPA7	S&P 500	2259.12	2266.25	2275.62	2282.75	2292.12
EPH7	S&P E-Mini	2258.93	2266.37	2275.68	2283.12	2292.43
TFEH7	Mini-Russell 2000	1340.3	1348.1	1362.4	1370.2	1384.5
ENQH7	E-Mini NASDAQ	5109.31	5130.87	5144.56	5166.12	5179.81
YMH7	Mini-Dow	19706	19761	19828	19883	19950

Calculations based on previous session. Data collected 02/01/2017

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CURRENCIES COMMENTARY

02/02/17

The Dollar continues to fall further from favor

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -243, YEN +475, SWISS +34, CA DOLLAR +260

Upcoming International Reports (all times CT)

02/02 Swiss Retail Sales 2:15 AM
 02/02 Euro-zone Industrial Produce 4:00 AM
 02/02 UK Monetary Policy 6:00 AM
 02/02 UK Monetary Policy Minutes 7:00 AM
 02/02 Initial Jobless Claims 7:30 AM
 02/02 EIA Gas Storage 9:30 AM
 02/03 France Services PMI 2:50 AM
 02/03 German Service PMI 2:55 AM
 02/03 Euro-Zone Services PMI 3:00 AM
 02/03 France ECRI Future Inflation 3:30 AM
 02/03 German ECRI Future Inflation 3:30 AM
 02/03 UK CIPS/NTC Research Service 3:30 AM
 02/03 UK ECRI Future Inflation Gau 3:30 AM
 02/03 Euro-zone ECRI Future Inflat 4:00 AM
 02/03 Euro-zone Retail Trade 4:00 AM
 02/03 Unemployment 7:30 AM
 02/03 Factory Orders 9:00 AM
 02/03 ISM Non-Manufacturing Index 9:00 AM
 02/03 Japan Services PMI 6:35 PM
 02/03 Japan BOJ Minutes 6:50 PM



DOLLAR: Clearly dialogue from the US Federal Reserve yesterday was of little support for the dollar as the dollar this morning has declined to the lowest price level seen since November 14th. While the Fed gave a slight nod to the prospect of inflation developing in the long run that angle was about the only supportive tidbit found in the wake of the FOMC meeting. While US schedule data yesterday was upbeat and the market expects data this morning to be mostly upbeat the dollar doesn't appear to be poised to embrace potential positives. In fact we doubt the March dollar index will be able to avoid a decline below 99.00. In looking back we can't help but observe the dollar fails to hold rallies on good data and comes under aggressive liquidation in the face of bad data!

EURO: While the fresh upside breakout in the euro overnight wasn't overly impressive the path of least resistance clearly remains higher. In fact with December euro zone PPI hitting the highest level in four years the euro is clearly gaining some respect from the prospect of higher rates in the future. Into the December lows the expectation of a low to zero interest rate condition was entrenched but now that view has come 180 degrees. While uptrend channel support in the March euro is all the way down at 1.068 early today closer in support is seen at 1.077. Unless US data comes in stronger-than-expected the path of least resistance should remain up in the euro.

YEN: In the early going today the Yen is showing signs of the fresh upside breakout and the highest trade since late November. In addition to weakness in the dollar the Yen is also benefiting from news that January Japanese consumer confidence readings showed a modest gain as that in turn adds to the idea that the Japanese economy is clawing away from its deflationary spiral. Initial but thin resistance in the Yen is seen up at 89.33.

SWISS: Like other non-dollar currencies the Swiss franc is showing definitive strength on its charts and would appear to be poised to reach the highest level since early November. Limiting the Swiss on the upside is news of soft Swiss December retail sales but the pervasive weakness in the dollar should leave the Swiss in an upward motion.

POUND: We are really surprised with the initial show of strength in the pound in the wake of news that January UK construction PMI fell sharply. We are also surprised that developing weakness in US equities hasn't applied more pressure to the pound to start the Thursday trade. While the pound might benefit from the dollar's deterioration it would appear to be dragging higher as opposed to leaping higher. A critical pivot point in the March pound today is seen at 1.2652.

CANADIAN DOLLAR: Overt weakness in US dollar has definitively translated into buying favor in the Canadian as it is poised to peek out to the highest price since September 9th. While we can't deny the path of least resistance pointing upward we would have preferred the January rally to have been backed up by stronger Canadian data. In the end ongoing weakness in the US dollar should allow for stepwise gains in the Canadian.

TODAY'S MARKET IDEAS:

With another lower low for the move in the dollar seen in the wake of a mix of positive and negative data, a balanced view toward the US economy by the Fed and minimal inflationary prospects noted by the Fed it would appear that the dollar is out-of-favor despite its economy. In fact the failure to see a recovery in the dollar over the coming 24 hours in the face of positive claims layoffs and payrolls could project the coming slide in the March dollar index all the way down to the 98 level and that in turn would provide a tsunami of support for non-dollar currencies.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 02/02/2017: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 99.14. The next area of resistance is around 99.95 and 100.29, while 1st support hits today at 99.37 and below there at 99.14.

EURO (MAR) 02/02/2017: 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. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 108.6412. The next area of resistance is around 108.2675 and 108.6412, while 1st support hits today at 107.4925 and below there at 107.0913.

JAPANESE YEN (MAR) 02/02/2017: The major trend has turned down with the cross over back below the 60-day moving average. 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 89.42. The next area of resistance is around 88.96 and 89.42, while 1st support hits today at 87.95 and below there at 87.40.

SWISS (MAR) 02/02/2017: The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. 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 objective is 100.19. The next area of resistance is around 101.29 and 101.72, while 1st support hits today at 100.53 and below there at 100.19.

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	99.66	34.04	37.67	14.86	13.37	100.02	100.18	100.75	101.48	101.19
JYAH7	88.45	57.61	55.31	71.39	71.67	88.10	88.04	87.62	87.09	88.49
EU6H7	107.8800	61.21	58.44	83.60	84.11	107.58	107.52	106.95	106.33	106.84
BPAH7	126.70	66.40	61.91	84.88	88.12	125.81	125.56	124.06	124.56	124.65
CAAH7	76.70	64.63	62.23	73.31	78.24	76.50	76.19	76.02	75.40	75.15
SFAH7	100.91	67.36	63.52	86.81	86.58	100.86	100.50	99.87	99.14	99.62
DAAH7	75.77	74.52	68.58	87.10	86.65	0.76	0.76	0.75	0.74	0.74

Calculations based on previous session. Data collected 02/01/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	99.13	99.37	99.71	99.95	100.29
JYAH7	Japanese Yen	87.39	87.94	88.40	88.96	89.42
EU6H7	Euro	107.0912	107.4925	107.8662	108.2675	108.6412
BPAH7	British Pound	125.07	126.01	126.45	127.39	127.83
CAAH7	Canadian Dollar	76.21	76.49	76.63	76.91	77.04
SFAH7	Swiss	100.18	100.52	100.95	101.29	101.72
DAAH7	Australian Dollar	75.26	75.54	75.72	76.00	76.18

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