



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday February 03, 2017

BONDS COMMENTARY

02/03/17

It is possible that a lobar for growth is in place this morning

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -110

With Caixin Chinese manufacturing PMI readings softer and December Euro zone retail sales declining by 0.3% one might have expected Treasuries to have shown some modest gains to start this morning. However with generally positive global equity market action overnight and a poor finish in the prior trading session the bear camp has started what could be a very volatile session with an edge. In our opinion the key pivot point number for the nonfarm payroll reading later today is whether or not the reading for January manages to come in above the 156,000 gain level in the prior month. It is also possible that the bar is low for a number that could foment the beginning of March rate hike talk. Another issue that might lean bearish to treasuries today is the fact that the ADP number was very strong earlier this week and that indicator has been very close to the official monthly payroll reading over the last several months. An issue from the overnight trade that might lend some minor pressure to treasuries is news that China raised short-term interest rates overnight as that signals a potential global shift away from extremely low rates. Also adding to the slightly bearish tilt is evidence of solid earnings in Europe and the fear that US wages might rise. Pushed into the market we favor the downward bias especially given the somewhat significant Wednesday to Thursday bounce as that might have put bonds and notes into a minimally overbought short-term condition. The North American session will start out with the highlight for the global markets, the January US employment situation report. January non-farm payrolls are forecast to come in around the +175,000 level while the January unemployment rate is forecast to hold steady at 4.7%. A key number for future Fed rate hike prospects is January average hourly earnings which are expected to downtick from December's +0.4% result. December factory orders are forecast to see notable improvement from November's -2.4% reading and climb into positive territory. The January ISM non-manufacturing index is expected to see a modest downtick from December's 57.2 reading. Chicago Fed President Evans will speak during morning US trading hours.



TODAY'S MARKET IDEAS:

As suggested already we favor a slightly negative bias today with treasuries generally remaining within an extended downtrend pattern that started in late September 2016. While March bonds temporarily rose above downtrend channel resistance yesterday the market remains below that level of 151-02. It should also be noted that most of the trade this morning in March bonds has been below the 50 day moving average at 150-16. In the event of anything positive from payrolls we suspect the January low of 148-30 will come out and an ultimate low will be seen between that level and 149-02.

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) 02/03/2017: 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. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 149-190. The next area of resistance is around 151-020 and 151-260, while 1st support hits today at 149-310 and below there at 149-190.

10 YR TREASURY NOTES (MAR) 02/03/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 124-275. The next area of resistance is around 124-175 and 124-275, while 1st support hits today at 124-030 and below there at 123-300.

STOCKS COMMENTARY

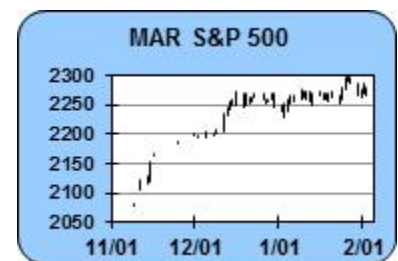
02/03/17

Ultimately we think the market shakes out positive (next week)

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 +440

Global equity markets were mixed overnight with Asian and Pacific Rim markets weaker with the rest of the world's markets higher. With slightly mixed to soft global data overnight, residual geopolitical anxieties in the US and news that China raised short-term interest rates overnight it is impressive to see US equities tracking higher to start. Perhaps equities see an acceptable nonfarm payroll result and one that does not spark March interest rate hike fears. It does seem as if the market is garnering some lift from Snapchat IPO optimism and perhaps the markets are simply benefiting from a favorable chart set up. In the end we think a Goldilocks number is possible this morning and that might be all the bull camp needs to return toward the January highs. Earnings announcements will include Phillips 66, Weyerhaeuser, Hershey and Clorox before the Wall Street opening.



S&P 500: As mentioned already a favorable technical setup and positive European equity market action leaves the E-mini S&P with a positive track to start. While one should expect expanded volatility through the monthly payroll reading we lean bullish today. Uptrend channel support today is seen at 2265.60 and a number right on or slightly higher than last month could allow for a sharp upward extension to 2300.00 in the March E-mini S&P contract. We doubt that a moderate miss on the downside will provide support from a delayed rate hike perspective as the trade hasn't been overly focused on that issue.

Other US Indexes: While the mini Dow today might offer the least amount of volatility it appears to start the trading session in the tightest range and the closest to potentially critical support. The index does remain above its 50 day moving average at 19,662 with uptrend channel support seen at 19,746. Of the indexes today the mini Dow is probably the most vulnerable to the payroll result even if volatility might be restricted. With the NASDAQ mini at times this week showing the most upside momentum and a series of lows around the 5119.50 level it could be an all or nothing condition this morning. We do think the Mini NASDAQ will stand up to the payrolls report better than the rest of the market. Uptrend channel support today is seen at 5109.75.

TODAY'S MARKET IDEAS:

We lean bearish to start today but for the bull camp to maintain control through important data probably requires a reading between 150,000 and 190,000. As we suggested earlier this week we think an appropriate strategy for the number is to buy both a put and a call in hopes of banking profits on the put in the aftermath of the report and holding the call option for the weeks ahead.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long a March E-Mini S&P 2250 put and long a March E-Mini S&P 2275 call for a net cost of 52.00. Use an objective on either leg of 45.00 per option and plan to hold the other leg for a reversal later. We hope the 1st move is down allowing us to lift the put and hold the call for a recovery after the jobs report is factored.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 02/03/2017: 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 daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 2258.57. The next area of resistance is around 2283.12 and 2289.06, while 1st support hits today at 2267.88 and below there at 2258.57.

MINI-DOW (MAR) 02/03/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 19694. The next area of resistance is around 19884 and 19925, while 1st support hits today at 19768 and below there at 19694.

E-MINI NASDAQ (MAR) 02/03/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 5095.38. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 5147.25 and 5171.37, while 1st support hits today at 5109.25 and below there at 5095.38.

MINI-RUSSELL 2000 (MAR) 02/03/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. 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 1342.6. The next area of resistance is around 1360.9 and 1369.5, while 1st support hits today at 1347.5 and below there at 1342.6.

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	150-160	46.76	47.01	31.51	30.77	150.51	150.47	151.35	150.44	151.31
TYAAH7	124-100	49.73	49.00	38.77	39.56	124.33	124.26	124.48	124.16	124.63
SPA7	2275.40	53.06	56.29	66.29	57.90	2275.10	2279.34	2272.56	2254.09	2233.24
EPH7	2275.50	52.99	56.21	66.48	58.25	2276.00	2279.86	2272.71	2254.11	2233.25
TFEH7	1354.2	45.59	48.14	45.63	40.75	1355.98	1362.53	1362.03	1361.61	1347.30
ENQH7	5128.25	63.23	64.69	87.36	83.43	5134.44	5129.25	5087.47	4970.96	4929.43
YMH7	19826	48.57	53.07	61.69	54.45	19839.25	19890.00	19834.00	19716.58	19471.42

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

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	149-180	149-300	150-220	151-020	151-260
TYAAH7	10 Yr Treasury Notes	123-295	124-025	124-125	124-175	124-275
SPA7	S&P 500	2259.20	2268.20	2273.60	2282.60	2288.00
EPH7	S&P E-Mini	2258.56	2267.87	2273.81	2283.12	2289.06
TFEH7	Mini-Russell 2000	1342.5	1347.4	1356.0	1360.9	1369.5
ENQH7	E-Mini NASDAQ	5095.37	5109.25	5133.37	5147.25	5171.37
YMH7	Mini-Dow	19693	19768	19809	19884	19925

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

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CURRENCIES COMMENTARY

02/03/17

We expect a \$ rally but will that rally hold?

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +330, YEN -360, SWISS -44, CA DOLLAR -100**

Upcoming International Reports (all times CT)

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: The dollar this morning continues to benefit from the reversal action off the low in the prior session but it is also benefiting from somewhat soft Chinese and European readings. It is also likely that the currency trade generally expects US nonfarm payrolls to be strong enough to leave the growth mantra in place. However the dollar has seemingly entrenched itself in a downtrend since the January highs and it could take a top of the range gain in payrolls to effectively throw off that negative bias. While we think the number will be above 154,000 and that will cause an initial rally we are highly doubtful the dollar will sustain that pulse up move into next week. Therefore we can't rule out a temporary rise to downtrend channel resistance of 1.0061.

EURO: With European services and composite readings countervailing each other overnight the decline in euro zone retail sales leaves the net fundamental tilt in the bear camp to start today. It also goes without saying that noted recovery action in the dollar from the lows yesterday leaves the euro under a negative technical bias. As suggested in the dollar coverage we suspect that US payrolls will be "good enough" to leave the euro in a downward track. Initial downside targeting is seen at a series of pivot points down at 1.0715. In order to throw off the short-term downward bias probably requires a price back above 1.08 today.

YEN: The Japanese Yen appears to be coiling at the end of this week for a critical decision. While the market has maintained a well-defined uptrend since the mid-December low we are suspect that this pattern will continue through today. With uptrend channel support today all the way down at 87.44 there would seem to be room for a washout without altering bigger picture trends. An issue that might provide noted fresh pressure to the Yen is a story that the damaged nuclear reactor has shown record radiation readings!

SWISS: As in other non-dollar currencies today the Swiss has failed at a critical pivot point and has ranged down sharply to start. With the March Swiss in the early going sitting right on a month old uptrend channel support line of 1.003 that level could be a key pivot point through US data this morning. In conclusion, we are bearish toward

the Swiss to start today.

POUND: UK January services PMI posted a decline but there was talk that the manufacturing sector has started off the year on a positive footing. However, seeing the pound fall toward its 50 day moving average down at 1.246 suggests that the bear camp is in control. Another critical pivot point in the March pound is seen down at 1.2421. While the market impact off the BREXIT blueprint offered this week is difficult to determine given the action in the latter part of this week it would appear that blueprint is bearish to the currency.

CANADIAN DOLLAR: All things considered the Canadian dollar has held up impressively versus the US dollar. However the March Canadian still has a potentially critical pivot point at 76.65. We suspect that the Canadian will see at least a modest range down knee-jerk reaction to US nonfarm payrolls. Therefore pushed into the market today we would favor the bear case.

TODAY'S MARKET IDEAS:

Given the action in the dollar over the last several weeks we expect the pattern of failed rallies to unfold in the greenback again today unless nonfarm payroll reading this morning manages a rise above 170, 000. Without a definitively positive reading the knee-jerk reaction rally in the March dollar might be limited to 1.003.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 02/03/2017: A bullish signal was given with an upside crossover of the daily stochastics. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close below the 9-day moving average is a negative short-term indicator for trend. 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 100.30. The next area of resistance is around 100.12 and 100.30, while 1st support hits today at 99.49 and below there at 99.02.

EURO (MAR) 02/03/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 107.1875. The next area of resistance is around 108.1250 and 108.6475, while 1st support hits today at 107.3950 and below there at 107.1875.

JAPANESE YEN (MAR) 02/03/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 89.82. The next area of resistance is around 89.28 and 89.82, while 1st support hits today at 88.26 and below there at 87.77.

SWISS (MAR) 02/03/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 100.35. The next area of resistance is around 101.29 and 101.75, while 1st support hits today at 100.59 and below there at 100.35.

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	99.80	36.85	39.28	15.14	16.12	99.82	100.08	100.62	101.45	101.22
JYAH7	88.77	60.46	57.23	72.73	74.68	88.56	88.18	87.79	87.07	88.35
EU6H7	107.7600	59.35	57.36	82.49	80.41	107.73	107.58	107.07	106.36	106.77
BPAH7	125.41	53.94	54.02	84.84	84.26	125.78	125.74	124.21	124.58	124.65
CAAH7	76.80	65.81	63.04	75.68	80.60	76.65	76.37	76.09	75.45	75.18
SFAH7	100.94	65.45	62.42	85.50	82.86	101.01	100.60	100.01	99.18	99.57
DAAH7	76.54	83.57	75.35	87.13	86.76	0.76	0.76	0.75	0.74	0.74

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

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	99.01	99.48	99.66	100.12	100.30
JYAH7	Japanese Yen	87.76	88.26	88.79	89.28	89.82
EU6H7	Euro	107.1875	107.3950	107.9175	108.1250	108.6475
BPAH7	British Pound	123.91	124.46	125.80	126.35	127.69
CAAH7	Canadian Dollar	76.41	76.58	76.83	77.00	77.25
SFAH7	Swiss	100.34	100.58	101.05	101.29	101.75
DAAH7	Australian Dollar	75.23	75.94	76.42	77.13	77.61

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