



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Tuesday February 07, 2017

BONDS COMMENTARY

02/07/17

Minimal downward track but JOLTS must show some improvement

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -80

Overnight economic news was mixed from abroad with Japanese leading indicators positive while German manufacturing and construction figures were weaker and that seems to leave US treasuries mixed to slightly lower. Similarly global equity markets were mixed with Asian markets softer while European and U.S. markets were firmer. Another issue that could have provided support for bonds and notes overnight but didn't were reports that January Chinese foreign exchange reserves fell to the lowest level since 2011 in January. Surprisingly the markets yesterday were seemingly reducing the prospects of an increase in US rates next month which is contrary to the better-than-expected monthly payroll results. Therefore we have to think the bounce off the January lows was partly a technical balancing move and partly the result of international and domestic political uncertainties. In going forward it is difficult to rule out additional political anxieties and that in turn makes it difficult to call an end into the nine-day rally. We would expect a slight dip following the JOLTS survey but it is also possible that US treasuries will take a large measure of direction from US equities and or US corporate earnings. In fact the market might take noted guidance from Walt Disney and General Motors as they represent important cyclical conditions. The North American session will start out with the December international trade balance which is expected to show a modest decrease to the monthly deficit. The January job openings and labor turnover (JOLTS) survey is forecast to show a modest uptick from December's 5.522 million reading. December Canadian building permits are forecast to see a sizable decline from November's 0.1% reading. The January Canadian Ivey PMI is expected to see a moderate decline from December's 60.8 reading. Later in the session, December US consumer credit will be released and is expected to have a moderate decline from November's reading.



TODAY'S MARKET IDEAS:

With US equity markets showing some initial strength and positive expectations for the JOLTS survey the initial path of least resistance should be pointing down in bonds and notes. Initial support in March bonds is seen at 151-06 with slightly more important consolidation support from a series of closes seen at 149-24. While the upside breakout action in March notes provides fresh confidence to the bull camp the market was unable to hold the 125-00 level after that upside breakout. It goes without saying that the uptrend pattern in the note market since January 26th is pretty impressive and well-defined. However now that note prices have climb back to the vicinity of the early January highs the bull camp might need definitive weakness in data to continue the climb. Pushed into the market today we favor a slightly negative track.

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) 02/07/2017: The major trend could be turning up with the close back above the 60-day moving average. The daily stochastics gave a bullish indicator with a crossover up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 152-180. The next area of resistance is around 152-020 and 152-180, while 1st support hits today at 150-230 and below there at 149-270.

10 YR TREASURY NOTES (MAR) 02/07/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 125-135. The next area of resistance is around 125-070 and 125-135, while 1st support hits today at 124-200 and below there at 124-070.

STOCKS COMMENTARY

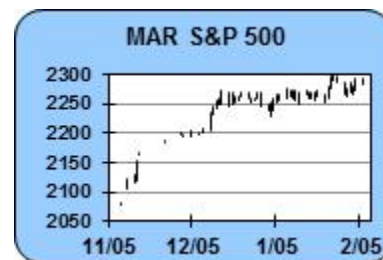
02/07/17

The bulls control following range up action to start today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 +620

Global equity markets were mixed again with Asian stocks lower while European and U.S. stocks were showing early gains. It is a little surprising to see US and European stocks tracking higher early given ongoing political uncertainties in both areas. Perhaps the European market is drafting some support from favorable earnings at one of Europe's largest banking concerns. It is also possible that US stocks are expecting a subtle shift back toward tax reform and infrastructure spending from the new president as the political hot point issues wain slightly due to legal wrangling. While it hasn't become prevalent in market dialogue it did seem as if the trade yesterday was fomenting the idea that the US would not be able to raise rates next month. A busy day of earnings announcement will include Intercontinental Exchange, BP, General Motors, Emerson Electric and Archer Daniels Midland before the Wall Street opening while Walt Disney, Gilead Sciences and Mondelez report after the close.



S&P 500: We have to give the bull camp an early nod with prices sitting right on last week's high. In fact an early move above 2294.25 could set the stage for a quick retest of 2300.00. Uptrend channel support in the March E-mini S&P is seen right on the early low at 2282.50 with initial resistance seen off a quasi-double high of 2294. More significant support is seen down at a series of closes around 2274.75.

Other US Indexes: Like the E-mini S&P the mini Dow has forged some positive early action on its charts. Given the early higher high a retest of the old high of 20,073 could be in the cards if the trade sees favorable JOLTS data. To throw off the early bullish bias probably requires a decline back below this week's low of 19,932. Like the rest of the market the Mini NASDAQ has forged an upside breakout and the new high in the early going should leave the bull camp in good stead. Uptrend channel support of 5144.10 should hold prices in the early going and could extend the new high thrust if US labor data is positive.

TODAY'S MARKET IDEAS:

The path of least resistance looks to be pointing up with a couple measures already forging new highs for the move. While there doesn't appear to be widespread hope of a shift back to pro-growth debate from the US political front seeing a slight shift back toward that type of thinking could add significantly to the pre-existing bullish tilt.

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. Traders should have banked a profit 56.00 yesterday.

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) 02/07/2017: The daily stochastics have crossed over up which is a bullish indication. 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 daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 2298.31. The next area of resistance is around 2291.62 and 2298.31, while 1st support hits today at 2280.88 and below there at 2276.82.

MINI-DOW (MAR) 02/07/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down is a negative indicator for prices. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 20060. The next area of resistance is around 20010 and 20060, while 1st support hits today at 19922 and below there at 19883.

E-MINI NASDAQ (MAR) 02/07/2017: A bullish signal was given with an upside crossover of the daily stochastics. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 5178.06. The next area of resistance is around 5169.37 and 5178.06, while 1st support hits today at 5146.13 and below there at 5131.57.

MINI-RUSSELL 2000 (MAR) 02/07/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal down puts the market on the defensive. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside target is at 1385.2. The next area of resistance is around 1372.7 and 1385.2, while 1st support hits today at 1354.7 and below there at 1349.1.

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 | 151-120 | 55.49 | 52.48 | 32.54 | 36.61 | 150.60 | 150.35 | 151.14 | 150.38 | 150.97 |
| TYAAH7 | 124-295 | 62.29 | 57.17 | 43.75 | 52.37 | 124.48 | 124.28 | 124.47 | 124.15 | 124.48 |
| SPAH7 | 2286.50 | 60.07 | 60.30 | 67.29 | 69.15 | 2281.85 | 2283.89 | 2275.27 | 2258.20 | 2238.63 |
| EPH7 | 2286.25 | 59.09 | 59.64 | 66.71 | 67.99 | 2281.75 | 2284.25 | 2275.39 | 2258.21 | 2238.59 |
| TFEH7 | 1363.7 | 50.31 | 51.04 | 50.14 | 53.34 | 1363.75 | 1365.63 | 1361.96 | 1364.14 | 1351.83 |
| ENQH7 | 5157.75 | 68.44 | 67.78 | 87.20 | 87.90 | 5148.75 | 5145.97 | 5101.94 | 4984.77 | 4941.67 |
| YMH7 | 19966 | 59.74 | 59.74 | 64.21 | 68.54 | 19900.75 | 19931.56 | 19852.33 | 19757.16 | 19531.33 |

Calculations based on previous session. Data collected 02/06/2017

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 | 149-260 | 150-220 | 151-060 | 152-020 | 152-180 |
| TYAAH7 | 10 Yr Treasury Notes | 124-065 | 124-195 | 124-260 | 125-070 | 125-135 |
| SPA7 | S&P 500 | 2278.00 | 2281.60 | 2287.80 | 2291.40 | 2297.60 |
| EPH7 | S&P E-Mini | 2276.81 | 2280.87 | 2287.56 | 2291.62 | 2298.31 |
| TFEH7 | Mini-Russell 2000 | 1349.0 | 1354.6 | 1367.1 | 1372.7 | 1385.2 |
| ENQH7 | E-Mini NASDAQ | 5131.56 | 5146.12 | 5154.81 | 5169.37 | 5178.06 |
| YMH7 | Mini-Dow | 19882 | 19921 | 19971 | 20010 | 20060 |

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CURRENCIES COMMENTARY

02/07/17

The Dollar looks as if this breakout is sustainable

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +673, YEN -510, SWISS -82, CA DOLLAR -580**

Upcoming International Reports (all times CT)

02/07 Japan Index of Business Cond
02/07 Swiss Consumer Confidence 12:45 AM
02/07 German Industrial Production 1:00 AM
02/07 France Trade Balance 1:45 AM
02/07 UK Halifax Housing Price Ind 2:30 AM
02/07 Canadian Building Permits 7:30 AM
02/07 Canadian International Merch 7:30 AM
02/07 US Trade Balance 7:30 AM
02/07 Canadian PMI 9:00 AM
02/07 Consumer Credit 2:00 PM
02/07 API Energy Stocks 3:30 PM
02/08 EIA Energy Stocks 9:30 AM
02/08 Japan Machinery Orders 5:50 PM



DOLLAR: The range up action in the US dollar to start today is significant from a technical and fundamental perspective. In addition to news of a downside breakout in Chinese currency reserves, ongoing uncertainty toward the French election and further debate on the British exit from the euro zone the dollar is clearly benefiting from negative international issues. However one could also suggest that the dollar is benefiting from favorable sentiment inside the US in the wake of news that several US stock indices have managed new highs in the early going today. With the March dollar index rising above downtrend channel resistance and reaching the highest level since January 30th the next upside targeting might be 1.010. Even higher upside targeting is seen at the 50 day moving average of 1.0135.

EURO: With a number of bearish issues undermining the euro the downside breakout overnight isn't surprising. In addition to very weak German manufacturing and construction readings the euro remains under geopolitical pressure from the looming French election. Initial downside targeting in the March euro is seen at the 50 day moving average of 1.0645. Adding into the negative fundamental track are expectations of favorable US labor figures today and a possible return to pro-growth political discourse. Another potential downside target in the March euro is seen at 1.0635.

YEN: In looking at the Yen chart it would appear that the January and February uptrend pattern continues to be very uniform. While the Japanese Yen is showing some initial corrective action that weakness should be mitigated by favorable Japanese leading indicator data overnight. However as in most non-dollar currencies the firm action in the dollar dominates. Unfortunately uptrend channel support in the March Yen isn't seen until 87.70 but some might see closer in support at 88.30.

SWISS: Apparently an improvement in Swiss consumer sentiment readings were ignored overnight as the

currency knifed sharply lower and reached the lowest level since January 30th. However strength in the dollar as usual has ripped the floor out from under the Swiss franc. Near term downside targeting is seen at 99.92.

POUND: With the British exit looming, technical damage on the charts and the first monthly drop in UK house prices in six months it is not surprising to see the March pound under definitive pressure. Failing at the 50 day moving average and falling to the lowest level since January 20th clearly leaves the technical picture in the favor of the bear camp. Near term downside targeting in the March pound is seen at 1.2250.

CANADIAN DOLLAR: Not surprisingly the March Canadian dollar has violated critical support overnight in the face of notable US dollar gains. While December Canadian building permits are forecast to see a sizable decline from November's 0.1% reading the January Canadian Ivey PMI is expected to see a moderate decline from December's 60.8 reading and therefore Canadian data is unlikely to arrest the slide in the Canadian. Initial downside targeting this morning in the March Canadian is seen at the 50 day moving average of 75.45.

TODAY'S MARKET IDEAS:

Apparently the dollar is back in solid favor this morning and that might be partly the result of very favorable US equity market action to start but there are also rumblings that the focus of the administration might turn back toward pro- growth initiatives. It also goes without saying that the US dollar is benefiting from a series of disappointing international headlines overnight.

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) 02/07/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. 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 under the swing pivot. The next upside target is 100.47. The next area of resistance is around 100.11 and 100.47, while 1st support hits today at 99.49 and below there at 99.24.

EURO (MAR) 02/07/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. 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 objective is 106.8088. The next area of resistance is around 108.0925 and 108.4787, while 1st support hits today at 107.2575 and below there at 106.8088.

JAPANESE YEN (MAR) 02/07/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-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 near-term upside objective is at 90.34. The next area of resistance is around 90.09 and 90.34, while 1st support hits today at 89.19 and below there at 88.52.

SWISS (MAR) 02/07/2017: 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 close over the pivot swing is a somewhat positive setup. The next downside target is now at 100.40. The next area of resistance is around 101.41 and 101.57, while 1st support hits today at 100.83 and below there at 100.40.

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 | 37.49 | 39.63 | 17.94 | 20.84 | 99.76 | 99.98 | 100.40 | 101.39 | 101.26 |
| JYAH7 | 89.64 | 66.53 | 61.68 | 76.62 | 82.89 | 88.91 | 88.37 | 88.09 | 87.09 | 88.12 |
| EU6H7 | 107.6750 | 56.39 | 55.84 | 79.94 | 76.34 | 107.81 | 107.60 | 107.28 | 106.40 | 106.66 |
| BPAH7 | 124.78 | 49.14 | 50.76 | 78.73 | 70.91 | 125.46 | 125.66 | 124.54 | 124.56 | 124.67 |
| CAAH7 | 76.48 | 56.59 | 57.60 | 78.23 | 79.06 | 76.69 | 76.55 | 76.20 | 75.54 | 75.24 |
| SFAH7 | 101.12 | 66.76 | 63.41 | 81.86 | 79.16 | 100.97 | 100.76 | 100.25 | 99.25 | 99.49 |
| DAAH7 | 76.57 | 79.64 | 73.68 | 87.32 | 86.99 | 0.76 | 0.76 | 0.76 | 0.74 | 0.74 |

Calculations based on previous session. Data collected 02/06/2017

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

| Contract | | Support 2 | Support 1 | Pivot | Resist 1 | Resist 2 |
|-------------------------|-------------------|-----------|-----------|----------|----------|----------|
| CURRENCY COMPLEX | | | | | | |
| DXAH7 | US Dollar | 99.23 | 99.49 | 99.85 | 100.11 | 100.47 |
| JYAH7 | Japanese Yen | 88.51 | 89.18 | 89.42 | 90.09 | 90.34 |
| EU6H7 | Euro | 106.8087 | 107.2575 | 107.6437 | 108.0925 | 108.4787 |
| BPAH7 | British Pound | 124.03 | 124.42 | 124.74 | 125.13 | 125.45 |
| CAAH7 | Canadian Dollar | 75.75 | 76.11 | 76.50 | 76.86 | 77.25 |
| SFAH7 | Swiss | 100.39 | 100.82 | 100.98 | 101.41 | 101.57 |
| DAAH7 | Australian Dollar | 76.01 | 76.31 | 76.53 | 76.83 | 77.05 |

Calculations based on previous session. Data collected 02/06/2017

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