



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday February 09, 2017

### BONDS COMMENTARY

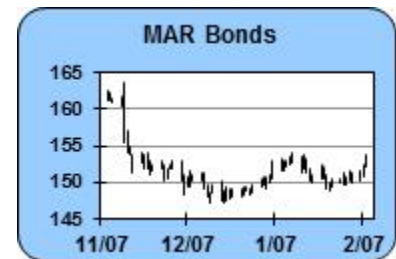
02/09/17

**Buy Breaks as uncertainty reigns and data remains slack**

#### OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

**BONDS -180**

With December Japanese machinery orders showing a sizable uptick from November's reading overnight and the European session starting out with a December German trade balance that reached a record high surplus for 2016 the slightly weaker start to the US Treasury trade is not surprising. We also think that some of the weakness in Treasuries over the last 18 hours was the result of dismal demand at a 10 year Treasury note action. However, some modest weakness this morning might balance a slightly overbought short term technical condition and that could eventually set the stage for an extension to the top of the last 3 1/2 months trading range of 154-00 in March bonds. An issue that might return as a significant safe haven influence is Greece where the November unemployment rate remained at 23% for the second straight month and that combined with an impasse with Greek creditors has sparked fresh concerns in global bond markets! In the end we acknowledge the short term overbought condition but we also don't see geopolitical conditions moving away from a supportive position and we also think that this morning's economic data from the US will provide a fresh modest bid for Bonds and Notes. The North American session will start with a weekly reading on initial jobless claims that are forecast to see a modest uptick from the previous 246,000 reading. December wholesale inventories are expected to see a moderate downtick from November's 1.0% reading but remain in positive territory. Fed speakers will include St. Louis Fed President Bullard during morning US trading hours while Chicago Fed President Evans will speak during the afternoon.



#### TODAY'S MARKET IDEAS:

A normal recovery retracement in Bonds off the September 2016 highs to December 2016 lows projects an extension up to 155-11 but a downside corrective balancing setback off the last 2 week's rally might allow for a brief dip back down to 151-27. Pushed into the market we favor the upward track and suggest that traders look to be a buyer of dips looking for an eventual move to the highest level in 3 1/2 months!

#### NEW RECOMMENDATIONS:

Buy March bonds on a dip back down to 151-27 with an eventual objective of 154-16. Risk the trade to a tight stop of 151-02.

#### 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) 02/09/2017: Momentum studies are rising from mid-range, which could accelerate 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 market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 154-240. The next area of resistance is around 154-090 and 154-240, while 1st support hits today at 152-230 and below there at 151-190.

10 YR TREASURY NOTES (MAR) 02/09/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. 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. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 125-300. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 125-235 and 125-300, while 1st support hits today at 125-055 and below there at 124-255.

## STOCKS COMMENTARY

02/09/17

### A moderate trend decision looks to be ahead

#### OVERNIGHT CHANGES THROUGH 3:15 AM (CT): S&P 500 +30

Global equity markets were once again mixed overnight with Chinese markets higher and other markets waffling around both sides of unchanged. While December Japanese machinery orders showed a sizable uptick from November's reading and they climbed back into positive territory there doesn't appear to be a risk-on vibe in place to start the Thursday US action. However, initial chart action would seem to lean positive but it seems as if US corporate earnings are becoming less important with each passing day. Earnings announcements will include Coca-Cola, CVS Health, Occidental Petroleum, Kellogg and Yum Brands before the Wall Street opening today. NVIDIA, Thomson Reuters and Cerner report will report earnings after the close.



**S&P 500:** In looking at the charts in the E-mini S&P it would appear as if the market is coiling for an important decision ahead. Corporate news developments overnight lean negative as a US court ruled against a health insurance merger. If one were to employ a breakout system off the last three week's trade and the tight coiling pattern this week, that would give an upside breakout signal on a rally above 2293.85 and 2281.50. A closer in support point for the March E-mini S&P is seen at a series of closes of 2286.50. If there were an upside breakout from the current formation some technical analysts project the upside extension to 2326.

**Other US Indexes:** Like the E-mini S&P the mini Dow has also showed a measure of coiling and consolidation on its charts this week. However respect for the 20,000 level at the end of January and again this week would seem to suggest that even number levels have become some form of a shelf that could soon allow for a major decision. With the February rally largely taking place on declining volume, classic chart action would seem to lean bearish. A critical uptrend channel from the November and early February lows provides an additional pivot point this morning at 19,950. At least in the early going today the Mini NASDAQ is poised for another new all-time high move. Apparently immigration concern among the tech sector is not limiting the strength in the NASDAQ. There is no coiling action in the NASDAQ which in turn suggests there is no indecision in the trade. Uptrend channel support in the March Mini NASDAQ this morning is seen at 5168.40.

#### TODAY'S MARKET IDEAS:

Despite some divergence within market sectors this morning it is possible that new all-time highs in the NASDAQ could serve to drag up other components of the market. However equities might be temporarily pressured in the wake of a slight uptick in US initial claims. Option traders might consider the purchase of put strangles or put straddles.

#### 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) 02/09/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 2299.25. The next area of resistance is around 2295.50 and 2299.25, while 1st support hits today at 2284.50 and below there at 2277.25.

MINI-DOW (MAR) 02/09/2017: 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. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 20089. The next area of resistance is around 20041 and 20089, while 1st support hits today at 19955 and below there at 19918.

E-MINI NASDAQ (MAR) 02/09/2017: The market made a new contract high on the rally. 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 near-term upside objective is at 5219.62. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 5208.75 and 5219.62, while 1st support hits today at 5175.25 and below there at 5152.63.

MINI-RUSSELL 2000 (MAR) 02/09/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. 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. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 1338.8. The next area of resistance is around 1363.9 and 1371.3, while 1st support hits today at 1347.7 and below there at 1338.8.

## 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	153-160	68.83	62.18	48.79	67.75	151.81	151.08	151.17	150.51	150.89
TYAAH7	125-145	70.18	62.99	58.82	75.14	124.95	124.59	124.52	124.19	124.42
SPAH7	2290.20	62.86	61.96	71.19	75.67	2289.03	2282.84	2277.75	2262.76	2243.00
EPH7	2290.00	61.96	61.33	69.37	72.97	2288.56	2282.94	2277.64	2262.75	2242.97
TFEH7	1355.8	46.27	48.37	47.85	44.18	1363.93	1360.79	1360.92	1365.55	1354.31
ENQH7	5192.00	74.47	71.53	89.04	91.48	5171.13	5154.00	5117.65	5004.72	4955.13
YMH7	19998	61.68	60.97	69.91	75.50	19991.75	19925.00	19869.28	19796.53	19578.90

Calculations based on previous session. Data collected 02/08/2017

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	151-180	152-220	153-050	154-090	154-240
TYAAH7	10 Yr Treasury Notes	124-250	125-050	125-115	125-235	125-300
SPAH7	S&P 500	2277.97	2284.95	2288.47	2295.45	2298.97
EPH7	S&P E-Mini	2277.25	2284.50	2288.25	2295.50	2299.25
TFEH7	Mini-Russell 2000	1338.7	1347.6	1355.0	1363.9	1371.3

ENQH7	E-Mini NASDAQ	5152.62	5175.25	5186.12	5208.75	5219.62
YM7	Mini-Dow	19917	19955	20003	20041	20089

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## CURRENCIES COMMENTARY

02/09/17

**We continue to think the Dollar is a vulnerable currency**

### OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

**US DOLLAR -90, YEN -165, SWISS +5, CA DOLLAR +90**

### Upcoming International Reports (all times CT)

02/09 Swiss Employment 12:45 AM  
 02/09 German Foreign Trade 1:00 AM  
 02/09 Canadian New Housing 7:15 AM  
 02/09 Canadian New Housing Price I 7:30 AM  
 02/09 Initial Jobless Claims 7:30 AM  
 02/09 Wholesale Trade 7:30 AM  
 02/09 EIA Gas Storage 9:30 AM  
 02/09 Japan Wholesale Prices (CGPI) 5:50 PM  
 02/10 France Industrial Production 1:45 AM  
 02/10 UK Foreign Trade 3:30 AM  
 02/10 UK Industrial Production 3:30 AM  
 02/10 Canadian Labor Force Survey 7:30 AM



**DOLLAR:** While US trade headline flow from Washington has been somewhat limited this week, seeing the German trade surplus reach another new record overnight could result in a response from the Trump administration and that could temporarily lift the greenback toward this week's highs. However we continue to note a lack of sustainable bullishness in the dollar even in the wake of very favorable monthly US nonfarm payrolls at the end of last week. Into the opening this morning the dollar index is 40 tics below this week's highs and is facing initial claims data that could be disappointing from a growth perspective. Downtrend channel resistance in the March dollar index today is seen at 1.0051. Unless president Trump comes out with fresh incendiary trade dialogue today we favor the downward tilt in the dollar.

**EURO:** With the British exit seemingly continuing its progress through the British Parliament and the euro extending a pattern of lower highs on its charts the only supportive development for the euro this morning is reports of a record German trade surplus. Given the week charts it is difficult to rule out at least a temporary decline back to the 50 day moving average of 1.0645 in the March euro. It is possible that the euro might get a fleeting bounce off US initial claims data and for aggressive traders that might offer a selling opportunity.

**YEN:** The outlook for the Yen would appear to be constructive despite the lack of direction in the currency this week. With the Japanese soliciting for cabinet level discussions with the Trump administration and Japanese machinery orders overnight jumping smartly one might expect this week's consolidation lows to be solid support. This week's consolidation lows come in at 88.91 but more significant uptrend channel support isn't seen until 87.97.

**SWISS:** Unlike other non-dollar currencies the Swiss has maintained a bearish chart structure this week with lower highs. With Swiss jobless rate figures rising in January (from the prior month) and the unemployed rising by nearly 5000 a slightly negative fundamental influence is facing the Swiss. However job vacancies from the prior month did rise and that should help to cushion the Swiss above this week's low of 1.0010.

**POUND:** With the British pound rejecting a sub 50 day moving average washout earlier this week and the currency managing a slight bounce in the face of news that the British exit bill continues to progress one has to give the bull camp a nod. However we continue to think the pound needs a positive global risk on vibe to trade up toward the last 4 1/2 month's consolidation highs. The 50 day moving average in the March pound today comes in

at 1.2465 and initial resistance today is seen up at 1.2612.

**CANADIAN DOLLAR:** While the Canadian dollar has shown some corrective bounce over the last 30 hours indications that the Canadians will fight US border tariffs could make the early February consolidation significant resistance just above the overnight highs. On the other hand the inability to hold gains in the US dollar earlier this week could help the Canadian dollar build some consolidation around the 76.00 level.

**TODAY'S MARKET IDEAS:**

We continue to view the dollar as a vulnerable currency with periodic aggressive trade tweets the primary component of the bull's case. With a potential uptick in US initial claims today the dollar might see some pressure in non-dollar currencies might get a weak bounce.

**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) 02/09/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 near-term upside target is at 100.86. The next area of resistance is around 100.50 and 100.86, while 1st support hits today at 99.91 and below there at 99.67.

EURO (MAR) 02/09/2017: 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 daily closing price reversal up on the daily chart is somewhat positive. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 106.2238. The next area of resistance is around 107.4075 and 107.7137, while 1st support hits today at 106.6625 and below there at 106.2238.

JAPANESE YEN (MAR) 02/09/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 90.06. The next area of resistance is around 89.73 and 90.06, while 1st support hits today at 89.00 and below there at 88.60.

SWISS (MAR) 02/09/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 99.88. The next area of resistance is around 100.98 and 101.27, while 1st support hits today at 100.29 and below there at 99.88.

**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	100.20	46.60	44.84	25.40	33.12	100.04	100.00	100.28	101.39	101.28
JYAH7	89.36	62.90	59.50	80.57	84.71	89.20	88.68	88.33	87.14	87.95
EU6H7	107.0350	46.94	49.97	67.45	53.94	107.39	107.51	107.36	106.39	106.57

BPAH7	125.40	54.31	53.97	71.73	65.38	125.08	125.45	124.91	124.49	124.67
CAAH7	76.13	48.85	52.27	71.96	65.66	76.34	76.46	76.19	75.57	75.29
SFAH7	100.64	55.27	56.54	74.54	67.05	100.76	100.82	100.41	99.30	99.44
DAAH7	76.34	70.72	68.73	83.12	78.56	0.76	0.76	0.76	0.74	0.74

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH7	US Dollar	99.66	99.90	100.26	100.50	100.86
JYAH7	Japanese Yen	88.59	88.99	89.33	89.73	90.06
EU6H7	Euro	106.2237	106.6625	106.9687	107.4075	107.7137
BPAH7	British Pound	124.54	125.02	125.29	125.77	126.04
CAAH7	Canadian Dollar	75.68	75.94	76.04	76.31	76.41
SFAH7	Swiss	99.87	100.29	100.57	100.98	101.27
DAAH7	Australian Dollar	75.79	76.07	76.33	76.61	76.87

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