



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday February 10, 2017

### BONDS COMMENTARY

02/10/17

**The bias should remain down off Tax reform hopes**

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

**BONDS -90**

The reversal in bonds and notes from this week's high was clearly deserved in the wake of a distinct shift in economic psychology that was primarily prompted by promises of a comprehensive tax plan from the White House. Another issue that is adding into the general optimistic vibe in the marketplace is the idea that US Chinese relations have improved this week in the wake of communication between the US President and the Chinese President. Furthermore evidence of higher Chinese exports and imports for the month of January overnight would seem to suggest that global activity is gaining momentum again. In addition to the overbought technical condition into this week's highs Treasuries were also undermined by a series of slack auction results which wasn't surprising considering that yields were in the vicinity of the lowest levels in three months. Another residual negative for bonds and notes is the relative proximity of initial claims to 43 year lows as that suggests the US economy isn't far away from self-propagating growth. With the US economic report slate today rather than the focus of the Treasury market today might be locked onto the direction of equities and the direction of equities to start leans positive. We do think treasuries will see a slight bounce off private consumer sentiment readings and we also suspect there will be some reaction to Canadian jobs figures. In conclusion economic optimism has a foothold and the path of least resistance is down for bonds and notes. The North American session will start out with January readings for the import price index and export price index, both of which are forecast to see modest downticks from their December readings. The highlight of the North American session will be January Canadian jobs data which is expected to show their unemployment rate holding steady at 6.9% along with a net change in employment close to unchanged levels. A private survey of January US consumer sentiment is expected to see a modest decline from the previous 98.5 reading. Earnings announcements will include Aon and Ventas before the Wall Street opening.



#### TODAY'S MARKET IDEAS:

Given fresh technical damage overnight with a decline below 152-00 and given the overbought condition from the last three week's rally we see little in the way of support in March bonds until 151-15. Favorable Chinese and UK data overnight combined with the promise of pro- growth policies from the Trump administration leave the bear camp with the fundamental edge. However to drive bond and note prices down today without top-tier US economic data results, clearly requires confirmation of a definitive and ongoing risk-on vibe from more new all-time highs in stocks. Near term downside targeting in March notes is seen at 124-22 and to turn the tide around in notes probably requires an early trade back above 125-00.

#### 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) 02/10/2017:** The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next upside target is 154-010. The next area of resistance is around 153-000 and 154-010, while 1st support hits today at 151-150 and below there at 150-300.

**10 YR TREASURY NOTES (MAR) 02/10/2017:** 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. The close below the 1st swing support could weigh on the market. The next upside objective is 125-210. The next area of resistance is around 125-065 and 125-210, while 1st support hits today at 124-185 and below there at 124-125.

## STOCKS COMMENTARY

02/10/17

**The bulls have the headline flow to control again today**

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

**S&P 500 +290**

Global equity markets were generally positive overnight with the Russian markets and the IBEX 35 tracking lower. With another new all-time high registered in certain equity measures early on it is clear that optimism from the promise of a tax plan from the White House has managed to rekindle optimism. Investors should also be cheered by what appears to be improving US/Chinese relations, favorable UK manufacturing results and perhaps most importantly investors should be emboldened by strength in Chinese imports and exports for the month of January. Seeing exports from China rise signals better activity throughout the world while rising imports into China suggests the domestic economy is also improving. With US wholesale inventories showing a sizable expansion yesterday, that could serve to bolster US GDP figures ahead and that adds to the bullish environment in the early Friday trade. Earnings announcements will include Aon and Ventas before the Wall Street opening.



**S&P 500:** With another new high early in the action today and generally favorable international market action overnight the path of least resistance should remain up into and through the US opening. In fact with a generally thin US economic report slate today the main focus of the trade might center on the potential economic benefits of US tax reform. Holding back the E-mini S&P is the prospect of further legal wrangling on the travel ban. Uptrend channel resistance in the March E-mini S&P comes in at 2310.10. Buying support to start today is seen down at 2299.50 with slightly lower support seen at 2295.00.

**Other US Indexes:** Not to be left behind the mini Dow has also registered a new all-time high in the overnight trade. While the initial trading range is narrow the environment for equities from both domestic and international news flow remains very positive. Uptrend channel support in the March mini Dow today is seen at 20,031 but some technical analysts using the December and January consolidation as a measuring tool project a possible near term rally up to 20,531. Given the very distinct leadership of the Mini NASDAQ over the last four months it isn't surprising to see that measure flash into new all-time highs early this morning. While some might suggest the euphoria from the Trump tax offering is overdone that issue provides the bull camp with fresh incentive. Uptrend channel support in the March Mini NASDAQ today is seen at 5192.60 and there might be little in the way of resistance until 5219.50.

### TODAY'S MARKET IDEAS:

The combination of improved Chinese relations, positive Chinese and UK economic data overnight and the promise of US tax cuts and reform is a powerful mix for the bull camp. With the orderly and measured gains over the last two weeks the markets do not appear to be technically overextended yet.

### 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) 02/10/2017: The market rallied to a new contract high. Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 2320.87. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 2314.00 and 2320.87, while 1st support hits today at 2294.00 and below there at 2280.88.

MINI-DOW (MAR) 02/10/2017: The rally brought the market to a new contract high. 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 20278. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 20222 and 20278, while 1st support hits today at 20046 and below there at 19926.

E-MINI NASDAQ (MAR) 02/10/2017: A new contract high was made on the rally. 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 5240.25. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 5228.25 and 5240.25, while 1st support hits today at 5195.25 and below there at 5174.25.

MINI-RUSSELL 2000 (MAR) 02/10/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 1397.1. The next area of resistance is around 1388.7 and 1397.1, while 1st support hits today at 1363.3 and below there at 1346.2.

**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	152-070	57.28	54.96	54.60	67.30	152.30	151.26	151.15	150.54	150.86
TYAAH7	124-285	56.28	54.62	62.50	70.99	125.07	124.66	124.52	124.20	124.39
SPAH7	2300.00	71.82	67.71	74.99	82.60	2292.35	2284.53	2279.52	2265.10	2245.47
EPH7	2304.00	70.37	66.75	73.14	80.57	2291.69	2284.56	2279.50	2265.07	2245.46
TFEH7	1376.0	57.17	55.23	50.73	55.79	1363.78	1361.91	1361.32	1366.23	1355.67
ENQH7	5211.75	77.68	73.68	90.39	93.15	5184.50	5159.17	5126.04	5014.26	4962.89
YMH7	20134	70.35	66.67	74.22	82.64	20028.00	19938.78	19887.11	19818.53	19602.67

Calculations based on previous session. Data collected 02/09/2017

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	150-290	151-140	152-150	153-000	154-010
TYAAH7	10 Yr Treasury Notes	124-120	124-180	125-005	125-065	125-210
SPAH7	S&P 500	2282.00	2291.30	2299.40	2308.70	2316.80
EPH7	S&P E-Mini	2280.87	2294.00	2300.87	2314.00	2320.87
TFEH7	Mini-Russell 2000	1346.1	1363.2	1371.6	1388.7	1397.1
ENQH7	E-Mini NASDAQ	5174.25	5195.25	5207.25	5228.25	5240.25
YMH7	Mini-Dow	19926	20046	20102	20222	20278

Calculations based on previous session. Data collected 02/09/2017

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

## CURRENCIES COMMENTARY

02/10/17

**The Dollar is back in vogue again**

**OVERNIGHT CHANGES THROUGH 3:15 AM (CT):  
US DOLLAR +160, YEN -255, SWISS -8, CA DOLLAR -30**

### Upcoming International Reports (all times CT)

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 international equity markets were higher overnight, US Chinese relations improved and international data came in positive the dollar has managed to rise and that gives this week's upside breakout added credence. Given the reaction in the dollar over the last 24 hours it is clear that the mere mention of tax cuts and/or reform is capable of shifting the macroeconomic differential edge in favor of the dollar bulls. The dollar has already climbed above a series of downtrend channel resistance lines and if pro-growth policies continue to flow from the White House that could set the stage for a dollar return to its 50 day moving average up at 1.013. However in order to keep the technical picture positive for the March dollar index probably requires respect for initial support of 1.005 this morning.

**EURO:** Suggestions from an ECB officials overnight that euro zone inflation is likely to fall in the first half of 2017 would seem to reduce the prospects of a change in ECB monetary policy and that weighs on the euro to start today. Other issues weighing down the euro are favorable data from the UK, favorable Chinese data and the prospect of accelerating growth in the US in the event that animal spirits are lifted off the hopes of significant tax reform. Therefore the path of least resistance is clearly down in the euro and the failure to hold above the 50 day moving average of 1.0643 could set the stage for a quick decline to the lowest levels since January 17th which is 1.0600.

**YEN:** Not surprisingly the Yen has come under pressure this week in the wake of a noted decline of international economic anxieties. One might've expected the Yen to have garnered some support from indications early in the week that Japan would attempt to be proactive in managing its trade relations with the US. In fact the Japanese Prime Minister's visit to Washington furthers that potential but a significant downshift in safe haven interest leaves the Yen mired in the downward track. We doubt the March Yen will be able to respect support at 87.50 with the 50 day moving average not seen until 87.21 and that could be a potential ultimate target.

**SWISS:** Like the euro and the Yen the Swiss has forged a damaging chart breakout early on. About the only supportive issue for the Swiss this morning is softer inflation talk from the ECB as growth expectations outside of continental Europe have improved dramatically over the last 24 hours. Near term downside targeting in the March

Swiss is 99.76 and perhaps not until the 50 day moving average down at 99.33.

**POUND:** All things considered the early range in the British pound is surprisingly narrow with UK December manufacturing output increasing by 2.1% and industrial production rising by 1.1% one might've expected the pound to be showing more positive action. In fact given the risk on vibe from US tax reform and a lengthening series of new all-time highs in many equity measures the bull camp in the pound has to be discouraged with the magnitude of this week's low to high recovery. In fact the pound this morning sits just above the 50 day moving average at 1.2460 and it appears as if noted strength in the dollar will keep the currency under modest pressure.

**CANADIAN DOLLAR:** All things considered the Canadian is lucky to have waffled around both sides of unchanged in the early going today as the US dollar is showing the potential for significant strength. The Canadian will be presented with employment figures and without something positive from the jobs front we have to leave the bear camp with an edge. In fact in the wake of a definitive risk on session in US equities we can't rule out a probe down to 75.85.

**TODAY'S MARKET IDEAS:**

The dollar looks to end the week with a positive domestic vibe and that in turn adds to very bullish chart action over the last 12 hours. In order to turn the dollar away from more near term gains might require a surprise reversal in US equities and or thunderous opposition from the Democrats on the Trump tax plan. However without specifics on the Trump tax plan offered, the opposition will have little in the way of rebuttal capacity.

**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) 02/10/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 101.09. The next area of resistance is around 100.92 and 101.09, while 1st support hits today at 100.34 and below there at 99.91.

EURO (MAR) 02/10/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 106.2200. The next area of resistance is around 107.0000 and 107.4000, while 1st support hits today at 106.4100 and below there at 106.2200.

JAPANESE YEN (MAR) 02/10/2017: The daily stochastics gave a bearish indicator with a crossover down. 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 close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 87.44. The next area of resistance is around 88.98 and 89.83, while 1st support hits today at 87.79 and below there at 87.44.

SWISS (MAR) 02/10/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 99.35. The next area of resistance is around 100.42 and 101.02, while 1st support hits today at 99.58 and below there at 99.35.

## 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
<b>CURRENCY COMPLEX</b>										
DXAH7	100.63	55.51	50.15	32.45	46.02	100.25	100.02	100.26	101.39	101.29
JYAH7	88.38	50.36	51.85	78.34	74.41	89.12	88.82	88.38	87.14	87.85
EU6H7	106.7050	42.69	47.18	59.58	43.14	107.10	107.47	107.37	106.36	106.53
BPAH7	125.04	50.75	51.80	67.37	58.94	125.10	125.37	125.08	124.44	124.64
CAAH7	76.11	48.74	52.16	67.80	60.36	76.14	76.44	76.18	75.58	75.32
SFAH7	100.00	43.49	48.87	67.17	52.43	100.55	100.78	100.44	99.30	99.41
DAAH7	76.20	65.67	65.90	79.45	72.94	0.76	0.76	0.76	0.74	0.74

Calculations based on previous session. Data collected 02/09/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH7	US Dollar	99.90	100.33	100.50	100.92	101.09
JYAH7	Japanese Yen	87.43	87.78	88.63	88.98	89.83
EU6H7	Euro	106.2200	106.4100	106.8100	107.0000	107.4000
BPAH7	British Pound	124.31	124.58	125.23	125.50	126.15
CAAH7	Canadian Dollar	75.70	75.89	76.14	76.33	76.57
SFAH7	Swiss	99.34	99.58	100.18	100.42	101.02
DAAH7	Australian Dollar	75.72	75.94	76.26	76.48	76.80

Calculations based on previous session. Data collected 02/09/2017

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

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.