



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Monday February 13, 2017

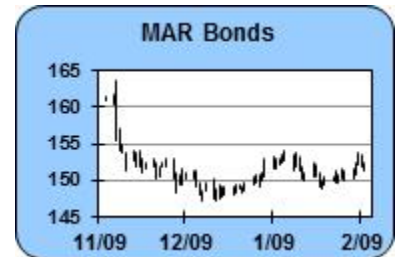
BONDS COMMENTARY

02/13/17

The bear camp has initial control with equities guiding prices

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

BONDS -140



The charts in Treasuries look a little vulnerable to start the new trading week. However the risk on vibe is somewhat muted to start today and the US economic report slate today is nearly empty. In retrospect recent treasury auctions have been weak and equities have managed fairly persistent new high moves. An issue that might provide some support to both bonds and notes is hefty net spec and fund short positioning from the commitments of traders reports.

The Commitments of Traders Futures and Options report as of February 7th for U.S. Treasury Bonds showed Non-Commercial and Non-reportable combined traders held a net short position of 85,319 contracts while US Treasury 10 Year Notes showed Non-Commercial and Non-reportable combined traders held a massive net short position of 509,434 contracts. While early gains in US equities are modest some measures were able to post new all-time highs again and that should leave treasuries under mild pressure. The North American session will be relatively quiet data-wise, which may keep the market focus on developments in Washington. As in a number of markets the direction of prices will probably be dictated by the direction of political winds. If the Trump Administration hints at the details of its tax reform/cuts and or infrastructure spending that could quickly usher in an extension of the correction in place from last week's highs. In conclusion if the focus out of the box this week from the President leans toward harsh trade policies that could serve to cushion US Treasuries.

TODAY'S MARKET IDEAS:

The path of least resistance from the charts favors the bear camp with initial support in March bonds seen early on at 151-08. In the event of more new all-time highs in US equities and certainly in the wake of any pro-growth policy initiatives from the White House March bonds could make quick work of a decline back to 150-00. To turn the near term tide away from the bear tilt probably requires a rally back above 152-12 in March bonds. As in bonds the note market starts the week with a technically damaged chart structure and little in the way of support until 124-15. As in bonds pro-growth dialogue in Washington could quickly send notes down on top of 124-00. In order to turn the tide away from the bear case in March notes probably requires a rally back above 125-00.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/31/2017 - 2/7/2017

| | Non-Commercial | | | Commercial | | Non-Reportable |
|-------------------|----------------|-------------------|--------------|-------------------|--------------|-------------------|
| | Net Position | Weekly Net Change | Net Position | Weekly Net Change | Net Position | Weekly Net Change |
| Financials | | | | | | |
| Bonds | -41,879 | -8,686 | 85,319 | +6,296 | -43,440 | +2,389 |
| T-Notes | -291,697 | +57,860 | 509,435 | -16,801 | -217,737 | -41,059 |

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) 02/13/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 near-term upside objective is at 153-010. The next area of resistance is around 152-190 and 153-010, while 1st support hits today at 151-160 and below there at 150-260.

10 YR TREASURY NOTES (MAR) 02/13/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 125-025. The next area of resistance is around 124-300 and 125-025, while 1st support hits today at 124-210 and below there at 124-160.

STOCKS COMMENTARY

02/13/17

The technical edge remains with the bull camp

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

S&P 500 +380

Global equity markets were higher overnight with the only exceptions the FTSE 100 Index and the MICEX Index which were minimally lower. With the major indices forging fresh new all-time highs to start the bull camp looks to have a technical and fundamental edge. At least to start the trade also seems to be discounting the prospect of a revisiting of the travel ban issue. However to extend the rallies straightaway probably requires follow-up discussions from the White House on its potential tax plan ideas. Apparently fears of strained US Japanese trade relations were tempered by the weekend visit but equities will face another test with this week's visit of the Canadian Prime Minister. At least initially it appears as if the Canadian Prime Minister will focus on positives instead of the difference in political philosophies. Earnings announcements will include Teva Pharmaceuticals 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. As indicated already markets appear to be willing to embrace the positives and discount the negatives. Despite aggressive gains in prior three trading sessions classic technical in the E-mini S&P don't appear to be significantly overdone. In fact the Commitments of Traders Futures and Options report as of February 7th for the E-Mini S&P 500 showed Non-Commercial and Non-reportable combined traders held a net long position of only 14,871 contracts! Uptrend channel support in the March E-mini S&P today is seen down at 2306.65. As we indicated last week a count off the December and January consolidation pattern would project a high up above 2330.00. Another potentially critical support level on the charts is seen down at 2303.00.

Other US Indexes: As in other market measures this morning the mini Dow futures have managed a fresh all-time high and have spent most of the early morning hours above the prior close. While we don't see a steep correction off the partial overbought condition of the last two weeks initial support off uptrend channel support is seen down at 20,071 with closer in support seen at the prior close of 20,222. Using the December to early February consolidation zone as a measuring device could project a rally to 20,539. The Commitments of Traders Futures and Options report as of February 7th for Dow Jones Index \$5 showed Non-Commercial and Non-reportable combined traders held a net long position of 57,662 contracts. In the Mini NASDAQ a very well defined and uniform uptrend channel continues. Uptrend channel support today is seen at 5207.25 and the top of the channel is seen up at 5247.25. The Commitments of Traders Futures and Options report as of February 7th for Nasdaq Mini showed the Non-Commercial and Non-reportable combined traders held a net long position of 90,276 contracts.

TODAY'S MARKET IDEAS:

There is no reason to take control away from the Bull camp unless the President focuses on travel issues and the payment for the Wall.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

| Commitment of Traders - Futures and Options - 1/31/2017 - 2/7/2017 | | | | | | |
|--|----------------|-------------------|--------------|-------------------|--------------|----------------|
| | Non-Commercial | | Net Position | Commercial | | Non-Reportable |
| | Net Position | Weekly Net Change | | Weekly Net Change | Net Position | |
| Financials | | | | | | |
| S&P 500 | -26,602 | -10,368 | 19,280 | +14,001 | 7,321 | -3,633 |
| E-Mini S&P | 53,649 | -25,344 | -14,871 | +2,778 | -38,778 | +22,567 |

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) 02/13/2017: The market rallied 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. The close over the pivot swing is a somewhat positive setup. The next upside objective is 2323.81. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 2319.12 and 2323.81, while 1st support hits today at 2306.38 and below there at 2298.32.

MINI-DOW (MAR) 02/13/2017: A new contract high was made on the rally. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 20326. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 20284 and 20326, while 1st support hits today at 20164 and below there at 20085.

E-MINI NASDAQ (MAR) 02/13/2017: 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. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 5246.81. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 5238.37 and 5246.81, while 1st support hits today at 5215.63 and below there at 5201.32.

MINI-RUSSELL 2000 (MAR) 02/13/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next upside objective is 1401.7. The next area of resistance is around 1395.9 and 1401.7, while 1st support hits today at 1379.9 and below there at 1369.6.

DAILY TECHNICAL STATISTICS

CLOSE 9 DAY 14 DAY 14 DAY 14 DAY 4 DAY 9 DAY 18 DAY 45 DAY 60 DAY

| | | RSI | RSI | SLOW STOCH D | SLOW STOCH K | M AVG | M AVG | M AVG | M AVG | M AVG |
|--------------------------|---------|-------|-------|-----------------|-----------------|----------|----------|----------|----------|----------|
| FINANCIAL COMPLEX | | | | | | | | | | |
| USAAH7 | 152-010 | 55.60 | 53.91 | 58.54 | 66.56 | 152.42 | 151.45 | 151.08 | 150.58 | 150.85 |
| TYAAH7 | 124-255 | 53.96 | 53.22 | 64.51 | 68.16 | 125.05 | 124.73 | 124.49 | 124.21 | 124.38 |
| SPA7 | 2312.70 | 75.74 | 70.56 | 78.96 | 86.88 | 2298.90 | 2288.61 | 2282.29 | 2267.50 | 2248.09 |
| EPH7 | 2312.75 | 74.41 | 69.67 | 77.36 | 85.70 | 2298.31 | 2288.64 | 2282.32 | 2267.44 | 2248.08 |
| TFEH7 | 1387.9 | 62.21 | 58.67 | 56.98 | 69.11 | 1370.00 | 1366.27 | 1363.29 | 1366.80 | 1357.20 |
| ENQH7 | 5227.00 | 79.74 | 75.14 | 91.74 | 94.42 | 5201.31 | 5170.44 | 5136.44 | 5023.99 | 4971.79 |
| YMH7 | 20224 | 74.71 | 69.89 | 78.64 | 87.43 | 20092.25 | 19976.44 | 19913.89 | 19841.80 | 19627.03 |

Calculations based on previous session. Data collected 02/10/2017

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 | 150-250 | 151-150 | 151-290 | 152-190 | 153-010 |
| TYAAH7 | 10 Yr Treasury Notes | 124-155 | 124-205 | 124-250 | 124-300 | 125-025 |
| SPA7 | S&P 500 | 2299.50 | 2306.80 | 2311.30 | 2318.60 | 2323.10 |
| EPH7 | S&P E-Mini | 2298.31 | 2306.37 | 2311.06 | 2319.12 | 2323.81 |
| TFEH7 | Mini-Russell 2000 | 1369.5 | 1379.8 | 1385.6 | 1395.9 | 1401.7 |
| ENQH7 | E-Mini NASDAQ | 5201.31 | 5215.62 | 5224.06 | 5238.37 | 5246.81 |
| YMH7 | Mini-Dow | 20084 | 20163 | 20205 | 20284 | 20326 |

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CURRENCIES COMMENTARY

02/13/17

A lack of favor seen throughout the currency markets

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
US DOLLAR -110, YEN -200, SWISS +9, CA DOLLAR +60**

Upcoming International Reports (all times CT)

02/13 German ZEW Indicator of Econ 4:00 AM
 02/14 German Consumer Price Index 1:00 AM
 02/14 Swiss Consumer Price Index 2:15 AM
 02/14 Swiss Producer Price Index 2:15 AM
 02/14 UK Consumer Price Index 3:30 AM
 02/14 UK Producer Price Index 3:30 AM
 02/14 Euro-zone Industrial Product 4:00 AM
 02/14 Swiss ZEW Investor Sentiment 6:00 AM
 02/14 Canadian New Motor Vehicle S 7:30 AM
 02/14 PPI 7:30 AM
 02/14 API Energy Stocks 3:30 PM
 02/14 Japan GDP 5:50 PM



DOLLAR: Technically the dollar index managed a double high in the early going and for some that might present a slightly negative chart formation. As in a number of physical commodities and global equities the main focus of the Dollar trade today will be on political factors because of a lack of key market moving economic readings from the US. Some might suggest the dollar will see some pressure in the event of common ground discussions between the US President and the Canadian Prime Minister. A minor technical failure could be seen in the dollar with a slide below 1.0042. To shift the technical condition back into the bull's court today requires taking out that double high of 1.0101. The Commitments of Traders Futures and Options report as of February 7th for US Dollar showed Non-Commercial and Non-reportable combined traders held a net long position of 53,337 contracts.

EURO: While euro zone GDP readings might have provided a minor cushion to the euro it is difficult to shape anemic growth from the euro zone into a definitive cushion for the euro. At least in the early going today the March euro might find some support from a quasi-double bottom at 1.0622. On the other hand we can't rule out a drift down to even numbers at 1.06.

The Commitments of Traders Futures and Options report as of February 7th for Euro showed Non-Commercial and Non-reportable combined traders held a net short position of 41,967 contracts.

YEN: Now that the Yen has fallen moderately off its February highs and the currency is getting close to reaching a quasi-consolidation low zone the currency may find some bargain-hunting buying. However Japanese GDP figures were disappointing for 2016 with only a 1% gain versus 1.2% in the prior year. In order to turn the near term tide away from the bear camp probably requires a rally back above 88.20.

SWISS: Cushioning the Swiss against negative chart action is the fact that other non-dollar currencies are showing an extension of the downward track from their February highs. At least the start the trading week the March Swiss sees support at 99.61. Unfortunately for the bull camp it could take a rally back above 1.0053 to reverse the downward bias.

POUND: News that the euro zone is predicting a sharp drop in UK growth is counter veiled by the benefit of a risk on vibe in global equity markets. Even if the dollar shows some capitulation from last week's highs we doubt the pound will be able to leave a consolidation pattern. In order to breakout of sideways track requires a rally back above 1.2589 or a decline back below 1.2445.

CANADIAN DOLLAR: If the Canadian Prime Minister follows through on his word to focus on the positives with his state visit to the US that could allow the pattern of gains from last week's spike low to extend in the Canadian dollar. Uptrend channel support is seen at 76.13 and there might be little in the way of resistance seen until the 76.78 level. However the bull camp might need definitive risk on in North American equity measures to manage moderate gains.

TODAY'S MARKET IDEAS:

A lack of US schedule data combined with uncertainty from the US President leaves many currencies in a sideways chop.

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) 02/13/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 101.23. The next area of resistance is around 100.99 and 101.23, while 1st support hits today at 100.55 and below there at 100.33.

EURO (MAR) 02/13/2017: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 105.8613. The next area of resistance is around 106.7475 and 107.0712, while 1st support hits today at 106.1425 and below there at 105.8613.

JAPANESE YEN (MAR) 02/13/2017: 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. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 87.50. The next area of resistance is around 88.68 and 89.07, while 1st support hits today at 87.90 and below there at 87.50.

SWISS (MAR) 02/13/2017: 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 tilt is slightly negative with the close under the pivot. The next downside target is now at 99.30. The next area of resistance is around 100.11 and 100.33, while 1st support hits today at 99.59 and below there at 99.30.

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 | 100.77 | 58.50 | 52.06 | 41.08 | 58.19 | 100.49 | 100.06 | 100.28 | 101.41 | 101.30 |
| JYAH7 | 88.29 | 49.26 | 51.14 | 74.24 | 66.43 | 88.79 | 88.84 | 88.34 | 87.14 | 87.78 |
| EU6H7 | 106.4450 | 39.43 | 45.01 | 50.22 | 32.04 | 106.79 | 107.39 | 107.31 | 106.33 | 106.51 |
| BPAH7 | 124.91 | 49.39 | 50.98 | 62.56 | 53.03 | 125.13 | 125.36 | 125.12 | 124.39 | 124.64 |
| CAAH7 | 76.41 | 55.67 | 56.11 | 65.61 | 60.99 | 76.15 | 76.46 | 76.17 | 75.61 | 75.37 |
| SFAH7 | 99.85 | 40.46 | 46.74 | 58.14 | 40.09 | 100.23 | 100.68 | 100.43 | 99.30 | 99.39 |
| DAAH7 | 76.68 | 74.03 | 70.91 | 78.94 | 77.82 | 0.76 | 0.76 | 0.76 | 0.74 | 0.74 |

Calculations based on previous session. Data collected 02/10/2017

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 | 100.32 | 100.54 | 100.77 | 100.99 | 101.23 |
| JYAH7 | Japanese Yen | 87.49 | 87.89 | 88.28 | 88.68 | 89.07 |
| EU6H7 | Euro | 105.8612 | 106.1425 | 106.4662 | 106.7475 | 107.0712 |
| BPAH7 | British Pound | 124.05 | 124.49 | 124.88 | 125.32 | 125.71 |
| CAAH7 | Canadian Dollar | 75.79 | 76.13 | 76.35 | 76.69 | 76.91 |
| SFAH7 | Swiss | 99.29 | 99.59 | 99.81 | 100.11 | 100.33 |
| DAAH7 | Australian Dollar | 75.86 | 76.31 | 76.58 | 77.04 | 77.30 |

Calculations based on previous session. Data collected 02/10/2017

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