



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday February 14, 2017

BONDS COMMENTARY

02/14/17

Strong equities & strong Jan Payrolls should make Fed hawkish

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -80

With Chinese January CPI posting a moderate uptick, Japanese industrial production revised higher, German GDP besting expectations, January Swiss CPI posting its first positive result since September of 2014, 4th quarter Euro zone GDP managing a +0.4% month over month rise and December Euro zone industrial production managing a beat of +0.4% expectations the international economic outlook to start today is bearish toward US Treasuries. On the other hand the market did see January UK CPI dip to -0.5% and it was also presented with German CPI logging a decline of 0.6% which is a reading that should make it difficult to move away from negative interest rates. In addition to negative charts this morning the Treasury bulls have to be a little concerned with upcoming testimony from the Fed Chairman to Congress. Since the Fed Chair tries to maintain continuity we doubt she wants to see the pendulum shift away from the prospect of 3 hikes in 2017 especially when one considers the euphoria being thrown off by equities. The North American session will feature the January producer price index which is forecast to show a minimal downtick from December's +1.6% year-over-year reading. The highlight of North American trading will be Fed Chair Yellen's testimony in front of the Senate Banking Committee. Other Fed speakers will include Richmond Fed President Lacker during morning US trading hours while Atlanta Fed President Lockhart and Dallas Fed President Kaplan speak during the afternoon.



TODAY'S MARKET IDEAS:

It goes without saying that the dialogue from the Fed Chairman today will dominate price action in treasuries but we would also suggest the charts enter the testimony window today with a definitively negative track. In fact with US equities pounding away with periodic new all-time highs and the most recent nonfarm payroll result much stronger than expected it would be surprising for the Fed chair to be dovish today. If there is a bullish development today it might come from a downtick in PPI which could be seen as a development that allows the Fed to be patient. Initial support in March bonds is seen at 151-00 and to turn the tide away from the downside might require a print back above 151-19. The 50 day moving average in March bonds today is seen down at 150-18 with the 50 day moving average in 10 year notes coming in down at 124-07. In conclusion we are bearish toward treasuries and expect the recent downtrend to extend.

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) 02/14/2017: 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 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

upside target is 152-100. The next area of resistance is around 151-280 and 152-100, while 1st support hits today at 151-010 and below there at 150-190.

10 YR TREASURY NOTES (MAR) 02/14/2017: The daily stochastics have crossed over down which is a bearish indication. 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 market setup is somewhat negative with the close under the 1st swing support. The next downside target is 124-095. The next area of resistance is around 124-240 and 124-290, while 1st support hits today at 124-145 and below there at 124-095.

STOCKS COMMENTARY

02/14/17

It would be surprising to see the mkt full skirt the Fed today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 -80

Global equity markets were mixed overnight with the FTSE MIB making the biggest gain and the MICEX Index posting the biggest loss. In looking at the brunt of international economic data overnight there is certainly more positive news than negative news to start the Tuesday US trade. However there will certainly be a measure of uncertainty facing the markets at the beginning of the US Fed Chair's testimony to Congress. While we suspect the uptrend will ultimately continue, the breakneck gains of the four prior trading sessions certainly foster some concern of overbought technicals. Earnings announcements will include AIG, Express Scripts and Devon Energy after the Wall Street close.



S&P 500: As suggested already the E-mini S&P is certainly trending toward a significant overbought technical condition. However short-term signals like stochastics have yet to signal a sell and it is possible the market will be able to shape upbeat Fed economic views into a positive without a dominating fear of a near term hike in interest rates. In short the bull camp has a strong grip on conditions and the ebb and flow of presidential policy battles might take precedence over the Fed. Uptrend channel support in the March E-mini S&P today is seen all the way down at 2308.00 with closer in support seen at 2323.75.

Other US Indexes: At least to start today the March mini Dow remains pinned to the vicinity of its all-time high. As mentioned already favorable international economic data combined with positive charts should leave the bull camp with an initial edge. Given the aggressive gains of the prior four trading sessions it is difficult to discern an effective support point on the charts. We see some measure of chart support at the 20,358 level with slightly lower support seen down at 20,308. The Mini NASDAQ also remains pinned to its recent all-time high in the early going today and it is difficult to throw off the bullish track given overnight economic news. Initial support is seen at 5252.75 and initial resistance is pegged at 5261.00. Pushed into the market today we would be a buyer of a Fed inspired dip around mid-morning.

TODAY'S MARKET IDEAS:

The trend is up but traders should expect to encounter some rumble strips this morning.

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) 02/14/2017: The market made a new contract high on the rally. Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. 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 next upside target is 2339.43. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 2334.12 and 2339.43, while 1st support hits today at 2318.38 and below there at 2307.94.

MINI-DOW (MAR) 02/14/2017: 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's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 20516. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 20467 and 20516, while 1st support hits today at 20297 and below there at 20177.

E-MINI NASDAQ (MAR) 02/14/2017: The market rallied to a new contract high. 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 5286.56. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 5276.87 and 5286.56, while 1st support hits today at 5242.13 and below there at 5217.07.

MINI-RUSSELL 2000 (MAR) 02/14/2017: The market made a new contract high on the rally. 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. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 1404.1. The next area of resistance is around 1396.9 and 1404.1, while 1st support hits today at 1385.5 and below there at 1381.3.

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	151-140	50.37	50.61	59.28	61.37	152.20	151.51	151.04	150.58	150.82
TYAAH7	124-190	49.24	50.28	63.73	62.33	124.91	124.74	124.49	124.20	124.36
SPAH7	2326.30	80.65	74.49	82.91	90.80	2308.38	2294.37	2285.61	2269.61	2250.62
EPH7	2326.25	79.38	73.58	81.64	90.00	2308.63	2294.17	2285.75	2269.57	2250.62
TFEH7	1391.2	63.65	59.66	63.19	75.47	1378.33	1369.60	1365.22	1366.88	1358.64
ENQH7	5259.50	83.42	77.95	93.14	95.89	5222.31	5184.61	5147.86	5033.23	4980.04
YMH7	20382	80.47	74.59	82.98	91.81	20187.25	20038.89	19950.39	19862.38	19653.17

Calculations based on previous session. Data collected 02/13/2017

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	150-180	151-000	151-140	151-280	152-100
TYAAH7	10 Yr Treasury Notes	124-090	124-140	124-190	124-240	124-290
SPAH7	S&P 500	2309.17	2319.05	2323.67	2333.55	2338.17
EPH7	S&P E-Mini	2307.93	2318.37	2323.68	2334.12	2339.43
TFEH7	Mini-Russell 2000	1381.3	1385.5	1392.7	1396.9	1404.1
ENQH7	E-Mini NASDAQ	5217.06	5242.12	5251.81	5276.87	5286.56
YMH7	Mini-Dow	20176	20297	20346	20467	20516

Calculations based on previous session. Data collected 02/13/2017
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CURRENCIES COMMENTARY

02/14/17

It would be a major development if the Fed were dovish

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR -180, YEN +175, SWISS +17, CA DOLLAR +220

Upcoming International Reports (all times CT)

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
02/15 UK Employment Situation - C1 3:30 AM
02/15 Euro-zone Foreign Trade 4:00 AM
02/15 Business Inventories 7:30 AM
02/15 Canadian Monthly Survey of M 7:30 AM
02/15 CPI 7:30 AM
02/15 Real Earnings 7:30 AM
02/15 Retail Sales 7:30 AM
02/15 Capacity Utilization 8:15 AM
02/15 Industrial Production 8:15 AM
02/15 EIA Energy Stocks 9:30 AM



DOLLAR: While the US dollar has started off weak it should eventually find support off Fed testimony to Congress. However the dollar might suffer some initial selling in the wake of a producer price reading that is expected to contract. In the end it should be difficult for the US Fed Chairman to leave a dovish vibe in the marketplace in the wake of runaway equity prices. Uptrend channel support in the March dollar index this morning comes in at 1.0060 with initial resistance seen at 1.0111. If the Fed is definitively hawkish today that could set the dollar index up for a challenge of its 50 day moving average up at 1.0131.

EURO: Scheduled data from the euro zone and Germany overnight was mixed but the key headline might have been the contraction in German inflation as that would seem to make it difficult to move away from negative interest rates. Apparently the European data was just good enough to increase support under the market at 1.0600. As of this writing the euro was sitting right on its 50 day moving average of 1.0641 and given the potential for significant volatility in currencies in the wake of the US Fed testimony today it is possible that the euro will be presented with a major trend decision. With the markets already factoring in a weak PPI from the US and the Fed testimony looming ahead we have to leave the path of least resistance pointing downward in the euro.

YEN: With Japanese industrial production revised higher overnight, a rejection of the sub 88.00 level and seeing China post a moderate uptick in CPI readings could provide the Yen with some capacity to respect this week's low. However classic chart signals are bearish with the failure to hold uptrend channel support last week and it could be extremely difficult for the Yen bulls to navigate Yellen testimony.

SWISS: The Swiss charts remain patently bearish and it is difficult to dredge up fundamental reasons to call for a halt in the slide that started at the end of January. In fact with minimally hawkish Fed dialogue today we wouldn't be surprised to see the March Swiss fail to hold at its 50 day moving average of 99.34. To turn the tide to the upside in the March Swiss probably requires a trade back above 1.000.

POUND: With January UK CPI dipping overnight and the March pound at times failing to hold the 50 day moving average at 1.246 it would appear that the fundamental and technical track is pointing downward in the pound. In fact a minimally hawkish spin from the US Fed today could be enough to knock the pound right back down to the February low of 1.2353.

CANADIAN DOLLAR: The Canadian dollar continues to benefit from an improvement in US Canadian trade relations. Some might suggest that strength in the Canadian is merely a relief rally brought on by the avoidance of tense trade relations between the US and Canada. As long as the US dollar lacks a definitive upward bias the Canadian might be destined to climb back above 77.00. Uptrend channel support in the March Canadian this morning is seen at 76.25 and initial resistance is pegged at 76.90.

TODAY'S MARKET IDEAS:

Today is a key junction for the Dollar we think the Fed will help to extend the recent attempt to rally.

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) 02/14/2017: 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. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 101.45. The next area of resistance is around 101.26 and 101.45, while 1st support hits today at 100.72 and below there at 100.38.

EURO (MAR) 02/14/2017: The major trend has turned down with the cross over back below the 60-day moving average. The downside crossover of the 9 and 18 bar moving average is a negative signal. Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside target is 105.5525. The next area of resistance is around 106.4200 and 106.8925, while 1st support hits today at 105.7500 and below there at 105.5525.

JAPANESE YEN (MAR) 02/14/2017: 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 market's close below the pivot swing number is a mildly negative setup. The next downside objective is 87.40. The next area of resistance is around 88.27 and 88.53, while 1st support hits today at 87.71 and below there at 87.40.

SWISS (MAR) 02/14/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 downside target is 99.13. The next area of resistance is around 99.81 and 100.12, while 1st support hits today at 99.31 and below there at 99.13.

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
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CURRENCY COMPLEX

DXAH7	100.99	61.42	53.96	50.27	68.64	100.66	100.22	100.28	101.41	101.30
JYAH7	87.99	45.84	48.97	68.71	57.93	88.47	88.74	88.33	87.13	87.71
EU6H7	106.0850	35.13	42.08	41.31	22.59	106.60	107.17	107.29	106.29	106.48
BPAH7	125.26	53.25	53.15	58.80	51.37	125.13	125.29	125.24	124.36	124.64
CAAH7	76.52	58.06	57.53	63.75	59.99	76.28	76.42	76.22	75.63	75.40
SFAH7	99.56	37.12	44.34	48.36	28.79	99.99	100.48	100.41	99.30	99.37
DAAH7	76.39	63.31	64.60	78.08	76.26	0.76	0.76	0.76	0.74	0.74

Calculations based on previous session. Data collected 02/13/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	100.37	100.72	100.91	101.26	101.45
JYAH7	Japanese Yen	87.39	87.71	87.96	88.27	88.53
EU6H7	Euro	105.5525	105.7500	106.2225	106.4200	106.8925
BPAH7	British Pound	124.61	124.96	125.21	125.56	125.81
CAAH7	Canadian Dollar	76.08	76.32	76.47	76.71	76.85
SFAH7	Swiss	99.12	99.31	99.62	99.81	100.12
DAAH7	Australian Dollar	75.96	76.14	76.44	76.62	76.91

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