



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday February 15, 2017

BONDS COMMENTARY

02/15/17

Short-term techs favor the bear but slack data to cushion prices

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

BONDS -70

UK January ILO claimant count was much better than expected and international equities were generally higher overnight and that favors the bear camp in Treasuries to start today. While the bond market remains in a negative chart pattern and the trade is largely interpreting this week's Fed testimony as a sign of a possible March interest rate hike it is possible that mixed to slightly weak US schedule data today could help to checkup prices. While some might focus in on the idea of a March rate hike the Fed Chairman actually indicated that they could raise rates at some point in the coming months which is significantly less damaging to bonds and notes. In looking through the expected results from today's US schedule data we would have to conclude that there could be enough slack data to add significant respect for the prior session's low of 149-29 in bonds and 123-31 in notes. There will be a busy North American session which will start out with the NY Fed's February Empire State manufacturing survey, followed by January retail sales that are forecast to have a moderate decline from December's +0.6% reading but remain in positive territory. The January consumer price index is expected to show a moderate increase from December's +2.1% year-over-year rate. January industrial production is forecast to decline from December's +0.8% reading but it is expected to remain in positive territory. December business inventories and the February NAHB housing index will also be released during morning US trading hours. Fed Chair Yellen will give testimony in front of the House Financial Services Committee during morning US trading hours. Other Fed speakers will include Boston Fed President Rosengren Philadelphia Fed President Harker and NY Fed President Dudley during afternoon US trading hours.



TODAY'S MARKET IDEAS:

In addition to the Fed Chairman testimony there will also be a series of Fed speeches that could offer up additional guidance on the Fed's intentions. As indicated already we attach significance to the prior session's low especially with the March bonds high to low slide of the prior four days a somewhat lofty four points! Some analysts think the second day of testimony from the Fed will be more contentious but we doubt that will elicit a definitively hawkish tilt from the Fed Chairman. Initial support is seen at 149-29 in March bonds and at 123-31 in March notes. However in the early going today the March bond contract has slipped back below the 50 day moving average at 150-18 and for some that might invoke additional selling action. In conclusion we can't rule out additional declines today and a possible return to the late January lows but that type of action will probably require several better-than-expected results from US data points.

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) 02/15/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. 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 close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 149-030. The next area of resistance is around 151-150 and 152-100, while 1st support hits today at 149-280 and below there at 149-030.

10 YR TREASURY NOTES (MAR) 02/15/2017: The close under the 60-day moving average indicates 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 market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 123-195. The next area of resistance is around 124-170 and 124-290, while 1st support hits today at 123-285 and below there at 123-195.

STOCKS COMMENTARY

02/15/17

The bias is up but data might provide an early 2-sided trade

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

S&P 500 +30

Global equity markets were mostly higher overnight with Chinese stocks tracking lower. US markets were generally showing positive early action but the moves were not fully definitive. Corporate news facing the market this morning is mixed with at least one merger derailed and a buyout floated in the financial services sector. An issue that might lend some support to equities today is news that Hilton saw its revenues rise as that could be considered a positive cyclical indicator. News that retail CEOs were set to meet with the president in an attempt to end or mitigate the boarder tax could be a positive if they have some impact on the White House. With the markets weathering the first day of Fed testimony to Congress and forging new all-time highs after hints of rising rates it is difficult to throw off the bull track. Earnings announcements will include PepsiCo and Analog Devices before the Wall Street opening while Cisco Systems, Kraft Heinz, Applied Materials, Marriott, CBS Corp and Barrick Gold report after the close.



S&P 500: Not to be denied the March E-mini S&P forged yet another new all-time high to start the Wednesday US trade. The index was probably emboldened by news that many world equity market measures reached up to the highest levels in nearly 2 years overnight. While the current uptrend in the E-mini S&P is very steep and potentially prone to becoming overbought the last COT positioning report showed only a minimal spec and fund long which some might conclude leaves plenty of buying fuel in the offing. Uptrend channel support in the March E-mini S&P today is seen at 2314.75 with closer in support seen at 2329.00.

Other US Indexes: As in other sectors of the market the mini Dow also forged a fresh all-time high overnight and appears to be capable of more gains ahead. While the markets were presented with a slight increase in the threat of rising interest rates, without specific timing or urgency from the Federal Reserve chairman, there would not appear to be a reason to derail the rally. It is possible the mini Dow will be buffeted temporarily by some slightly disappointing scheduled data. Close in support to start today is seen at 20,465. The Mini NASDAQ reached a new all-time high overnight of 5285.00. Uptrend channel support in the March E-mini NASDAQ today is seen at 5236.40 and pushed into the market today we favor the bull tilt.

TODAY'S MARKET IDEAS:

The trend remains up but some dips might be seen in the wake of scheduled data and Fed testimony.

NEW RECOMMENDATIONS:

None.

FINANCIAL COMPLEX

USAAH7	Bonds	149-020	149-270	150-220	151-150	152-100
TYAAH7	10 Yr Treasury Notes	123-190	123-280	124-080	124-170	124-290
SPA7	S&P 500	2316.25	2328.60	2333.05	2345.40	2349.85
EPH7	S&P E-Mini	2315.25	2328.75	2333.25	2346.75	2351.25
TFEH7	Mini-Russell 2000	1379.4	1390.3	1394.5	1405.4	1409.6
ENQH7	E-Mini NASDAQ	5228.81	5256.12	5267.06	5294.37	5305.31
YMH7	Mini-Dow	20302	20409	20452	20559	20602

Calculations based on previous session. Data collected 02/14/2017

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

CURRENCIES COMMENTARY

02/15/17

The short term trend in the Dollar to remain up

**OVERNIGHT CHANGES THROUGH 3:15 AM (CT):
US DOLLAR +160, YEN -230, SWISS -18, CA DOLLAR -5**

Upcoming International Reports (all times CT)

02/15 UK Employment Situation - Cl 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
02/16 Housing Starts and Pmts 7:30 AM
02/16 Initial Jobless Claims 7:30 AM
02/16 EIA Gas Storage 9:30 AM



DOLLAR: While we have been consistently bearish toward the US dollar for the past two months we knowledge the potential for even more gains in the greenback in the coming trading sessions. Increased attention on the prospect of an upcoming US rate hike is being embraced throughout the markets. However the markets are also feeding off a hot headline PPI reading from the prior trading session and ideas that the US recovery is progressing. Therefore this morning's CPI reading might need to offer additional inflationary indications and Fed dialogue today probably needs to present additional hawkish fodder to continue the gains straight away. In the short-term there might not be significant resistance in the March dollar index until the 1.0200 level.

EURO: A pattern of lower highs and lower lows in the euro is very definitive and the recent improvement in euro zone data combined with an improvement in inflation readings has not deterred ongoing weakness in the currency. In the near term the looming focus on the prospect of rising US rates and a general assumption of ongoing growth in the US could pave the way for a slide down to 1.0500 in the March euro.

YEN: Like other non-dollar currencies the Japanese Yen remains under pressure with the lowest price since January 30th seen in the early going. In fact some might suggest declining trade fears between the US and Japan have actually tempered safe haven interest in the Yen and that combined with a temporary hawkish environment around the US Fed could leave a near term downside targeting of 87.10 in the March Yen.

SWISS: Despite news that Swiss inflation returned to positive ground for the first time in 2 1/2 years that has not provided a cushion to the Swiss franc. Near term downside targeting is seen at 99.06 but there is really no reason for the market to halt its slide from a fundamental perspective. In fact in the event of a more definitively hawkish US Fed today and or in the wake of any stronger-than-expected US data the stage could be set for a slide in the March Swiss down to 98.58.

POUND: In a testament to the definitive strength in the US dollar today the British pound is under pressure despite seeing a significantly better-than-expected UK claimant count release. In fact the trade was expecting an increase in the claimant count but instead claims for unemployment posted a decline of 42,400! However the potentially supportive claimant result was more than offset by the realization that UK wage growth softened into the end of 2016. Initial support in the March pound this morning is seen at 1.2389 but favorable US data or fresh hawkish spin from the Fed could easily knock the March contract down to 1.2353.

CANADIAN DOLLAR: In a move that would seem to be significant the Canadian dollar has managed to rally over the past five trading sessions and has forged that action directly in the face of overt strength in the dollar. In other words the Canadian appears to have been a value below 76.00 and there might be little resistance in the near term until 77.07. Uptrend channel support today is seen at 76.17 and that support line rises to 76.33 on Friday.

TODAY'S MARKET IDEAS:

More gains in the Dollar and Canadian.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 02/15/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. 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. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 101.81. The next area of resistance is around 101.55 and 101.81, while 1st support hits today at 100.87 and below there at 100.45.

EURO (MAR) 02/15/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 105.2500. The next area of resistance is around 106.2500 and 106.7100, while 1st support hits today at 105.5200 and below there at 105.2500.

JAPANESE YEN (MAR) 02/15/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. 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 outside day down is somewhat negative. The close below the 1st swing support could weigh on the market. The next downside target is now at 86.77. The next area of resistance is around 88.08 and 88.70, while 1st support hits today at 87.11 and below there at 86.77.

SWISS (MAR) 02/15/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 now at 99.00. The next area of resistance is around 99.75 and 100.04, while 1st support hits today at 99.23 and below there at 99.00.

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	101.21	65.84	56.96	59.11	76.79	100.90	100.40	100.29	101.40	101.30
JYAH7	87.59	41.20	45.98	62.13	48.43	88.06	88.64	88.35	87.12	87.64
EU6H7	105.8850	32.97	40.55	32.91	16.35	106.28	106.95	107.23	106.27	106.45
BPAH7	124.75	47.36	49.68	54.77	46.35	125.00	125.06	125.32	124.33	124.64
CAAH7	76.48	56.76	56.79	62.14	58.70	76.40	76.40	76.29	75.64	75.44
SFAH7	99.49	35.38	43.09	39.34	21.20	99.70	100.31	100.41	99.31	99.36
DAAH7	76.55	66.40	66.43	77.99	77.70	0.76	0.76	0.76	0.74	0.74

Calculations based on previous session. Data collected 02/14/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	100.44	100.86	101.12	101.55	101.81
JYAH7	Japanese Yen	86.76	87.11	87.73	88.08	88.70
EU6H7	Euro	105.2500	105.5200	105.9800	106.2500	106.7100
BPAH7	British Pound	123.82	124.22	124.88	125.27	125.94
CAAH7	Canadian Dollar	76.02	76.24	76.51	76.73	77.00
SFAH7	Swiss	99.00	99.23	99.52	99.75	100.04
DAAH7	Australian Dollar	75.74	76.15	76.53	76.94	77.32

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