



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday February 16, 2017

### BONDS COMMENTARY

02/16/17

**Temporarily oversold look to sell rallies off early data window**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**BONDS +150**

With Australian January unemployment dipping, French unemployment down ticking last night and Asian stocks tracking higher it is surprising that Treasuries are higher to start. However the brunt of global equities overnight were lower and the markets were made aware of a softening of Chinese foreign direct investment and US data points yesterday after the retail sales/CPI window were definitively disappointing. A decline in foreign direct investment is not insignificant for US Treasuries given the massive holdings of US Treasuries by the "CHINESE". We would also suggest that Bonds and Notes were near term oversold technically (especially Notes which recently registered a record spec and fund short) and therefore a bit of a bounce in prices this morning is not surprising. An issue that might add to the slightly positive early tilt is expectations for a rise in US initial claims later this morning. It goes without saying that near term gains are going to be limited by lingering hawkish hints or modest threats from the Fed regarding 3 rate hikes sometime this year. The market take away from the Fed testimony and Fed member dialogue this week is there will likely be more than 1 rate hike but it does not seem like a March rate hike is a high and growing probability! It should be noted that the rest of the scheduled data today will continued its pattern of being "mixed". The North American session will start out with a weekly reading on initial jobless claims that are expected to see a moderate uptick from the previous 234,000 reading. January housing starts are expected to see a modest increase from December's result while January building permits are forecast to see a minimal decline. The February Philly Fed survey is expected to see a sizable downtick from January's 23.6 reading.



#### TODAY'S MARKET IDEAS:

The initial path of least resistance appears to be pointing upward this morning but we think gains will be hard-fought, minimal and difficult to sustain. While data has been somewhat confusing it is difficult to deny evidence of an increase in inflation prospects this week and it is nearly impossible to ignore signals of optimism from the action in equities. We would also suggest the charts offer significant overhead resistance and therefore a 5 to 10 tick bounce in treasuries off the initial claims results should be considered a selling opportunity. In fact with the trade expecting to see a modest increase in January housing starts the early rise could be reversed. Critical resistance in March bonds is seen at 150-25 and support is likely to be seen down at 149-16. Near term resistance in notes is seen at 124-08 but ranges in the T-Note market are likely to be narrower than the ranges in bonds.

#### 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) 02/16/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially 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 objective is now at 148-270. The next area of resistance is around 150-220 and 151-120, while 1st support hits today at 149-140 and below there at 148-270.

10 YR TREASURY NOTES (MAR) 02/16/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 123-160. The next area of resistance is around 124-070 and 124-155, while 1st support hits today at 123-235 and below there at 123-160.

## STOCKS COMMENTARY

02/16/17

**Confidence from well-known moneymen leave the trend pointing up**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**S&P 500 -400**

Global equity markets were mostly weaker overnight with the Pacific Rim stocks bucking the trend with gains. This morning equity market measures remain pinned to recent all-time highs. However there is some minimal corrective action in the wake of the latest political sniping in Washington. Overall international economic data this morning is favorable as unemployment fell into separate regions in the latest monthly figures. The corporate news slate is mixed with Time Inc. revenue declining and Wendy's same-store sales beating expectations. Given entrenched bullish chart action it is difficult to deny the bull case. Earnings announcements will include Charter Communications, Duke Energy, Pacific Gas & Electric and Waste Management before the Wall Street opening.



**S&P 500:** As suggested already the E-mini S&P remains within striking distance of all-time highs but within a bit of a corrective posture. While political issues in Washington have generally been in place for the last 2 1/2 months they do seem to have reached a slightly higher pitch in the last 36 hours. On the other hand the markets have to be emboldened by favorable investment moves by Berkshire Hathaway in Apple and airline stocks. Uptrend channel support in the March E-mini S&P today is seen at 2321.50 and to start today the even number 2350.00 level is initial support. In the bulls court is the prospect of less Fed discourse.

**Other US Indexes:** As in the E-mini S&P the mini Dow this morning sits within 42 points of its all-time highs. While we concede to the short-term overbought technical condition of the Dow we would suggest that traders become buyers of a return to uptrend channel support of 20,523 as the Trump administration has promised a tax plan soon. In fact president Trump last week suggested that they would present a tax plan in the next two weeks which would suggest sometime next week. Don't forget the magnitude of the rally in the Dow in the face of the initial tax plan hint. Initial resistance for the March mini Dow this morning is seen at 20,632. Unlike other actively traded market measures this morning the Mini NASDAQ remains very close to its all-time highs in the early going. News that Berkshire Hathaway added to its Apple position and very uniform uptrend channel action on the charts should leave the bull camp in control. Unfortunately uptrend channel support in the mini NASDAQ isn't particularly close this morning at 5251.00. On the other hand the market does have a quasi-side double high up at 5313.50 and that could represent an important pivot point today.

### TODAY'S MARKET IDEAS:

At least to start today there does not appear to be a reason to take control away from the bull camp. Certainly the markets are technically overbought from the rather large upside extension in the prior trading session but the markets in general have been periodically over bought many times since the election spike low. As mentioned in prior coverage today the bull camp might expect another leg up in the event a tax plan is presented.

### 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) 02/16/2017: The rally brought the market to a new contract high. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 2365.43. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 2360.12 and 2365.43, while 1st support hits today at 2340.38 and below there at 2325.94.

MINI-DOW (MAR) 02/16/2017: 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 20741. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 20697 and 20741, while 1st support hits today at 20539 and below there at 20424.

E-MINI NASDAQ (MAR) 02/16/2017: 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. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside objective is at 5344.12. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 5332.00 and 5344.12, while 1st support hits today at 5286.50 and below there at 5253.13.

MINI-RUSSELL 2000 (MAR) 02/16/2017: The market rallied to a new contract high. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 1419.2. The next area of resistance is around 1413.7 and 1419.2, while 1st support hits today at 1394.7 and below there at 1381.1.

**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	150-020	39.89	43.66	51.43	40.47	150.99	151.47	150.97	150.63	150.73
TYAAH7	123-310	37.24	42.27	53.25	39.69	124.39	124.69	124.48	124.20	124.31
SPAH7	2360.00	86.48	79.85	89.89	96.33	2331.60	2309.64	2294.49	2273.84	2256.29
EPH7	2350.25	85.30	78.85	88.78	95.42	2331.44	2309.39	2294.54	2273.74	2256.26
TFEH7	1404.2	68.98	63.38	75.81	88.26	1395.05	1379.36	1370.95	1367.80	1361.56
ENQH7	5309.25	87.67	81.62	95.65	97.91	5268.06	5218.72	5173.92	5051.64	4996.28
YMH7	20618	86.16	79.87	90.33	96.96	20431.00	20203.44	20045.94	19903.02	19712.22

Calculations based on previous session. Data collected 02/15/2017

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	148-260	149-130	150-030	150-220	151-120
TYAAH7	10 Yr Treasury Notes	123-155	123-230	123-315	124-070	124-155
SPA7	S&P 500	2331.75	2350.50	2350.75	2369.50	2369.75
EPH7	S&P E-Mini	2325.93	2340.37	2345.68	2360.12	2365.43
TFEH7	Mini-Russell 2000	1381.0	1394.6	1400.1	1413.7	1419.2
ENQH7	E-Mini NASDAQ	5253.12	5286.50	5298.62	5332.00	5344.12
YMH7	Mini-Dow	20423	20538	20582	20697	20741

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## CURRENCIES COMMENTARY

02/16/17

**The Swiss looks to be the primary bull market today**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**

**US DOLLAR -440, YEN +490, SWISS +53, CA DOLLAR +315**

**Upcoming International Reports (all times CT)**

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

02/17 Euro-zone Balance of Payment 3:00 AM

02/17 UK Retail Sales 3:30 AM



**DOLLAR:** Once again the dollar has ranged up off definitively bullish fundamental news and has been unable to hold those gains. In fact at the lows early today the March dollar index has failed at this month's uptrend channel support line and it remains lower despite a presidential tweet hinting at an upcoming tax plan. Surprisingly we would suggest the reversal in the dollar from this week's highs was the result of the lack of a definitive move toward a March interest rate hike. With the first set of schedule data this morning expected to be a touch soft that could add to the initial pressure in the dollar. In order to turn the tide in the dollar back to the upside probably requires a rally back above 1.0095. Close in downside targeting is seen at 1.0057.

**EURO:** In addition to the oversold condition at this week's low and a slight improvement in the French employment situation the euro is also garnering some relief buying off news that EU officials want to move quickly on the latest Greek debt situation. It also goes without saying that the euro is benefiting from the latest chart reversal and failure by the dollar. Like the dollar the euro has reversed a trend pattern with the early rally today. Near term upside targeting (possibly in the face of a rise in US claims) is seen up at 1.0669.

**YEN:** Like other non-dollar currencies the Yen is receiving a windfall from the reversal action in the greenback. Limiting the Yen is a moderate amount of overhead consolidation resistance. However a normal retracement of the February setback could allow for a bounce to 88.37. An issue that hasn't been given much focus is news of a return of extremely high radiation readings within the Fukushima reactor.

**SWISS:** As opposed to other non-dollar currencies the Swiss franc has managed a massive recovery over the last 24 hours. While some of the gains in the Swiss are probably the result of the extreme compacted oversold condition at the prior days low we do think the Swiss and the euro are sensing some positive momentum in the European economic sphere. In the early going today the March Swiss sits just under an upside breakout from the February downtrend. A key reversal is seen with a print above 1.001.

**POUND:** It is clear that increased volatility in many currencies this morning has not entered into the British pound trade. In other words ongoing sideways coiling has continued with the lingering fear of the British exit limiting on the upside and the improving global economic look cushioning on the downside.

**CANADIAN DOLLAR:** After a brief corrective setback it would appear that the bullish tide in the Canadian dollar since February 7th has returned. We continue to expect a retest of 77.07. Unfortunately uptrend channel support is seen all the way down at 76.15 but closer in support is seen at a series of closes around 76.50. There will be a Canadian employment insurance release this morning but we doubt that reading will have a significant impact on the Canadian dollar.

**TODAY'S MARKET IDEAS:**

Reversal action in the Dollar questions the trend again.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CURRENCIES TECHNICAL OUTLOOK:**

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**US DOLLAR (MAR) 02/16/2017:** Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. The market tilt is slightly negative with the close under the pivot. The next upside objective is 101.97. The next area of resistance is around 101.42 and 101.97, while 1st support hits today at 100.65 and below there at 100.43.

**EURO (MAR) 02/16/2017:** 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. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 105.0625. The next area of resistance is around 106.5750 and 106.8225, while 1st support hits today at 105.6950 and below there at 105.0625.

**JAPANESE YEN (MAR) 02/16/2017:** 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 upside closing price reversal on the daily chart is somewhat bullish. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 86.73. The next area of resistance is around 88.11 and 88.43, while 1st support hits today at 87.27 and below there at 86.73.

**SWISS (MAR) 02/16/2017:** 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. The daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 98.59. The next area of resistance is around 100.07 and 100.28, while 1st support hits today at 99.23 and below there at 98.59.

**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	101.03	64.02	56.17	65.19	77.12	101.03	100.56	100.32	101.41	101.30
JYAH7	87.68	42.46	46.72	55.85	42.96	87.91	88.52	88.35	87.14	87.57
EU6H7	106.1350	38.34	43.36	28.80	20.44	106.16	106.77	107.17	106.28	106.44
BPAH7	124.64	46.21	48.97	50.16	41.17	124.89	124.98	125.36	124.30	124.64

CAAH7	76.52	57.72	57.34	60.94	58.33	76.49	76.38	76.37	75.65	75.47
SFAH7	99.65	35.94	43.38	33.57	22.02	99.57	100.14	100.37	99.32	99.35
DAAH7	77.11	74.65	71.75	79.73	84.01	0.77	0.77	0.76	0.74	0.74

Calculations based on previous session. Data collected 02/15/2017

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH7	US Dollar	100.42	100.64	101.19	101.42	101.97
JYAH7	Japanese Yen	86.73	87.26	87.58	88.11	88.43
EU6H7	Euro	105.0625	105.6950	105.9425	106.5750	106.8225
BPAH7	British Pound	123.52	124.14	124.51	125.13	125.50
CAAH7	Canadian Dollar	76.13	76.36	76.45	76.68	76.77
SFAH7	Swiss	98.58	99.22	99.43	100.07	100.28
DAAH7	Australian Dollar	76.08	76.69	76.92	77.53	77.76

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