



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday February 17, 2017

BONDS COMMENTARY

02/17/17

The bulls regain control as economic optimism wanes slightly

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +180

Global equity markets were under pressure overnight and with the equity markets showing noted weakness in the prior trading session that has provided Treasuries with an initial lift. Another issue that might be supporting Treasuries is news of a decline in UK retail sales. Limiting the early upward bias in treasuries today is commentary from the ECB indicating that its quantitative easing program was not open ended and that officials don't expect to cut the deposit rate again. In other words the improvement in euro zone economic data is starting to shift ECB officials away from easing and toward tightening. On the other hand there does appear to be a slightly negative tilt flowing from Washington, as the Trump administration seemed to indicate they will focus on the affordable care act before they tackle tax reform. In other words the markets will be presented with the highly contentious healthcare problem before the potentially powerful positive tax reform benefit comes into play. We would also suggest bonds and notes were oversold into this week's lows and this week's lows also coincided with moderately significant consolidation low support on the charts. The bull camp might also point out that this week's lows sparked a decline in open interest in bonds and that may suggest a portion of the trade thinks pricing under 150-00 is too cheap for current conditions. With a moderately thin US economic report slate today and leading indicators not expected to post a noted change, the direction of treasuries might be determined by action in equities. In fact the failure to hold above 2336.75 in the March E-mini S&P would signal a somewhat key breakout on the downside and that could ratchet up safe haven buying of bonds and notes slightly. The North American session will feature the January leading indicator report which is forecast to see a minimal uptick from December's +0.5% reading. Also due out today is quarterly retail E-Commerce sales.



TODAY'S MARKET IDEAS:

The path of least resistance is pointing upward in bonds to start today. The sense of safe haven or economic concern isn't overly dominating to start but a noted rise in political wrangling with the press by the president and a delay in tackling tax reform gives rise to a modest wave of short covering and fresh speculative buying. There might be little in the way of resistance in March bonds until the 153-21 level with little in the way of resistance in March notes seen until 124-31. In taking a step back March bonds this morning are sitting just under the midpoint of the last 45 days trade and therefore some hard-fought measured gains wouldn't be surprising. In order to range up sharply and thrust above 152-17 in March bonds probably requires a modest setback in leading indicators and or a decline early on below a critical pivot point in the March E-mini S&P of 2336.75.

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) 02/17/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 149-160. The next area of resistance is around 151-130 and 151-290, while 1st support hits today at 150-070 and below there at 149-160.

10 YR TREASURY NOTES (MAR) 02/17/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is 123-250. The next area of resistance is around 124-235 and 124-295, while 1st support hits today at 124-055 and below there at 123-250.

STOCKS COMMENTARY

02/17/17

The tide has shifted to sideways or down!

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 -450**

Global equity markets saw a negative shift in risk appetites overnight but the weakness seemed to be mere profit taking/technical balancing instead of some definitively disconcerting story line. As indicated in other financial market coverage this morning the E-mini S&P would appear to have a critical pivot point at 2336.75 to start today. In addition to recent disjointed, choppy and two-sided price action it would appear that the White House has been fully caught up in a battle with the press and in turn distracted from pro-growth initiatives. Perhaps the most disconcerting development is the prospect that healthcare reform will precede tax reform. Over the past six weeks the biggest compacted knee-jerk reactions on the upside in stock prices have correlated tightly with promises of a tax plan. Therefore deciding to tackle the extremely difficult healthcare situation has the potential to derail what has become a very impressive February rally. Hopefully the bull camp will be fortunate enough to see a positive leading indicator result as that could help to shore up support just under the market. Earnings announcements will include Enbridge, Deere & Co. Campbell Soup and J M Smucker before the Wall Street opening.



S&P 500: As suggested a number of times we see a critical pivot point today at 2336.75 in the March E-mini S&P. Uptrend channel support in the March E-mini S&P is seen at 2328.25 and to see the sideways/corrective bias thrown off probably requires a post scheduled report rally back above 2347.50. While we don't see a high level of anxiety, fear and disappointment in the marketplace early on we get the feeling that prices are little rich.

Other US Indexes: Like the E-mini S&P the mini Dow this morning sits just above a critical pivot point on the charts of 20,500. The failure to hold 20,468 could shift technicals into the bear track which in turn might spark a modest profit-taking decline. Without pro-growth policy prospects in the near term the most the bull camp might expect to see is a sideways chop on the charts. In addition to the disappointing policy focus shift by the Trump administration (toward the quagmire of healthcare) the Mini NASDAQ is also confronted with rising political comments from the Facebook CEO regarding Trump isolationism and that could foment a shift away from growth and jobs and toward business as usual in Washington. However until the March Mini NASDAQ violates well defined uptrend channel support at 5265.60 the trend technically remains up. We would also note a pattern of lower equity prices into the end of the month that has been seen in each of the last four months!

TODAY'S MARKET IDEAS:

A corrective vibe appears to have settled into the market over the last 36 hours of trade. It is our opinion that the bull case has been temporarily punctured by the prospect of a delay in tax reform efforts. One might also suggest the geopolitical environment has deteriorated this week with a White House nominee forced out, Trump escalating

his overt battle with the press and less overall economic optimism. Without sounding like a broken record the primary disappointment for the bull camp this week has to be news that tax reform could be pushed back until late spring/summer! Trump likes to note positive reaction in stocks from his utterances but in the coming trading sessions his prioritization of policies might come back to haunt him.

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) 02/17/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 2358.87. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 2353.00 and 2358.87, while 1st support hits today at 2339.00 and below there at 2330.88.

MINI-DOW (MAR) 02/17/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. 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 20678. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 20640 and 20678, while 1st support hits today at 20550 and below there at 20498.

E-MINI NASDAQ (MAR) 02/17/2017: The market rallied to a new contract high. Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 5329.87. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 5314.25 and 5329.87, while 1st support hits today at 5285.75 and below there at 5272.88.

MINI-RUSSELL 2000 (MAR) 02/17/2017: The rally brought the market 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. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 1414.8. The next area of resistance is around 1407.4 and 1414.8, while 1st support hits today at 1391.0 and below there at 1382.1.

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
FINANCIAL COMPLEX										
USAAH7	150-260	47.36	48.14	46.42	37.03	150.69	151.54	150.90	150.68	150.71
TYAAH7	124-145	48.85	49.30	48.58	39.23	124.31	124.71	124.46	124.21	124.30
SPAH7	2345.60	80.74	76.30	91.73	95.40	2339.83	2315.71	2299.14	2275.95	2259.12
EPH7	2346.00	79.97	75.58	90.76	94.72	2339.69	2315.44	2299.26	2275.87	2259.11
TFEH7	1399.2	64.22	60.77	80.11	88.62	1398.13	1381.82	1373.93	1368.39	1362.70
ENQH7	5300.00	81.95	78.35	95.95	96.33	5287.63	5235.11	5187.32	5061.42	5004.58
YMH7	20595	82.49	77.55	92.30	96.40	20524.00	20270.11	20094.06	19921.96	19742.53

Calculations based on previous session. Data collected 02/16/2017
 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	149-150	150-060	150-220	151-130	151-290
TYAAH7	10 Yr Treasury Notes	123-245	124-050	124-110	124-235	124-295
SPA7	S&P 500	2332.92	2339.85	2344.42	2351.35	2355.92
EPH7	S&P E-Mini	2330.87	2339.00	2344.87	2353.00	2358.87
TFEH7	Mini-Russell 2000	1382.0	1391.0	1398.4	1407.4	1414.8
ENQH7	E-Mini NASDAQ	5272.87	5285.75	5301.37	5314.25	5329.87
YMH7	Mini-Dow	20498	20550	20588	20640	20678

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CURRENCIES COMMENTARY

02/17/17

A lack of leadership in the currencies favors the Yen

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +250, YEN +180, SWISS -23, CA DOLLAR -120

Upcoming International Reports (all times CT)

02/17 Euro-zone Balance of Payment 3:00 AM
 02/17 UK Retail Sales 3:30 AM



DOLLAR: While the US dollar is showing some corrective bounce early this morning we would suggest macroeconomic optimism in the US is likely to deteriorate in the wake of a focus on political contentiousness instead of pro-growth tax reform. We think the corrective action from this week's high is significant and telling. In fact the bull camp needs to see a better-than-expected leading indicator result to counter veil what appears to be weakening US equity market action and escalating Washington warfare with the media. It goes without saying the March dollar index this morning has a critical pivot point at 1.0049 with a failure of that level possibly targeting a slide to 1.000.

EURO: While the March euro is showing initial corrective action today the currency sits impressively above its 48-hour low. Unfortunately the euro hasn't derived much in the way of support from partially supportive ECB official dialogue overnight perhaps because euro zone construction output declined for the month of December. It is also possible that a slight downshift in global economic sentiment holds back the euro because of its fledgling recovery status. Critical support in the March euro this morning comes in at 1.0644 and to turn the tide back in favor of the bull camp requires an early bid above 1.0679.

YEN: While the increase in safe haven/anxiety is modest the Yen appears to remain in a gently upward slope on its charts from this week's low. Weakness throughout global equity markets and news of expanding new loans in China might add to the upward tilt in the Yen which may have little in the way of resistance until the 88.93 level. A modest supportive issue for the Yen this morning is optimistic views from the Japanese Prime Minister predicting steady progress in the Japanese economy off the Bank of Japan's monetary easing program.

SWISS: With the Swiss franc one of the most stellar upside performers this week a measure of back and fill corrective action is not surprising. In fact with a 120 point low to high recent rally and the currency running into significant overhead consolidation resistance some waffling around the parity level today shouldn't be surprising. In fact unless US leading indicators come in much weaker than expected it could be difficult to restart the Swiss rally today.

POUND: While the British pound did not benefit from recent weakness in the dollar it has been undermined this morning by disappointing UK retail sales results. We also think the pound which is a recovery currency is discouraged by a downshift in global economic optimism. In the event of a downside extension in US equities later today the March pound may not hold critical support at 1.2389. With the press suggesting retail sales were the bright spot of the UK economy last year, seeing the down tick in retail sales in January suggest the UK economy is off on a negative footing in 2017.

CANADIAN DOLLAR: Given the overbought condition of the Canadian from the last two weeks rally a key reversal from the high yesterday in place this morning the path of least resistance is pointing downward. However with Air Canada showing a 7.6% increase in revenue in its quarterly earnings report that would seem to point to some positive Canadian economic traction. With a slight bounce in the US dollar early today and bearish chart action in the March Canadian a near term downside targeting of 76.30 is possible.

TODAY'S MARKET IDEAS:

Unfortunately there doesn't appear to be a clear winner in the Friday currency trade. While the dollar might see some technical short covering gains we detect a slight deterioration in optimism toward US economy and the US currency. However there does not appear to be an attractive alternative to the US dollar.

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) 02/17/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The near-term upside target is at 101.23. The next area of resistance is around 100.77 and 101.23, while 1st support hits today at 100.13 and below there at 99.95.

EURO (MAR) 02/17/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. A bullish signal was given with an upside crossover of the daily stochastics. Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 107.5162. The next area of resistance is around 107.2725 and 107.5162, while 1st support hits today at 106.3975 and below there at 105.7663.

JAPANESE YEN (MAR) 02/17/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside target is now at 87.24. The next area of resistance is around 88.86 and 89.16, while 1st support hits today at 87.90 and below there at 87.24.

SWISS (MAR) 02/17/2017: 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 intermediate trend could be turning up with the close back above the 18-day moving average. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 101.10. The next area of resistance is around 100.87 and 101.10, while 1st support hits today at 99.97 and below there at 99.29.

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	100.45	45.99	46.49	65.69	66.69	100.94	100.62	100.33	101.39	101.30
JYAH7	88.38	52.67	52.41	51.71	44.29	87.92	88.48	88.33	87.16	87.53
EU6H7	106.8350	50.89	50.44	29.25	30.52	106.22	106.64	107.11	106.27	106.45
BPAH7	124.94	50.26	51.10	46.42	39.69	124.87	124.97	125.34	124.25	124.66
CAAH7	76.49	56.75	56.76	58.96	56.14	76.49	76.33	76.42	75.66	75.51
SFAH7	100.42	55.97	54.82	33.92	34.63	99.72	100.10	100.37	99.35	99.36
DAAH7	76.91	70.16	68.92	79.99	81.74	0.77	0.77	0.76	0.75	0.74

Calculations based on previous session. Data collected 02/16/2017

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	99.94	100.12	100.58	100.77	101.23
JYAH7	Japanese Yen	87.24	87.90	88.20	88.86	89.16
EU6H7	Euro	105.7662	106.3975	106.6412	107.2725	107.5162
BPAH7	British Pound	124.24	124.59	124.94	125.29	125.64
CAAH7	Canadian Dollar	76.16	76.28	76.58	76.70	77.00
SFAH7	Swiss	99.28	99.96	100.19	100.87	101.10
DAAH7	Australian Dollar	76.48	76.65	76.98	77.15	77.48

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