



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday February 22, 2017

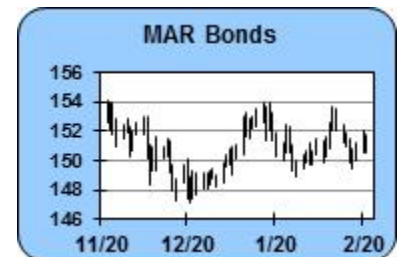
BONDS COMMENTARY

02/22/17

Use a bounce today to get short

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
BONDS +130

While most international equity markets were higher overnight the US equity markets are showing some minor corrective action early and that seems to suggest the dominating risk-on mentality from the prior trading session is moderated early on. Therefore it is not surprising to see some bounce in US Treasuries but we would be skeptical of noted sustained gains this morning ahead of the FOMC meeting minutes release later today. Other issues that leave us concerned about the long side of Treasuries is a series of strong sales/earnings figures from cyclical companies like Home Depot, Toll Brothers and Wal-Mart. Overnight the markets generally saw positive inflation and growth figures (especially from the German Ifo) from the Euro zone and they also saw UK GDP revised slightly higher from the initial estimate. Therefore a positive global economic vibe remains in place but it clearly isn't as dominating as it was yesterday and that seems to have given rise to a measure of technical short covering in Bonds and notes. We prefer to sell this morning closer to this month's high up at 153-17 in March Bonds but the market might not get to that level before the FOMC meeting unless January existing home sales fail to see a modest uptick from December's 5.49 million annualized rate. Federal Reserve Governor Powell will speak during early afternoon US trading hours and there will be the release of the FOMC meeting minutes in the early afternoon trade.



TODAY'S MARKET IDEAS:

The initial path of least resistance is up but we think the action is temporary technical short covering and perhaps a thin wave of speculative buying off the idea that the FOMC meeting minutes won't definitively put a March rate hike in the windshield. We would suggest that the world is progressing toward recovery and the US is already in a recovery and the addition of tax cuts and infrastructure spending from the US should add to the recovery tide. Therefore use any coming upside short covering bounce as an opportunity to sell Bond/Note futures or to buy June Bond or note puts. Our pick for a spike high today is 152-19 in June bonds and 125-03 in June Notes. Position players might consider buying June Bond puts on a 1/2 to 3/4 point bond bounce.

NEW RECOMMENDATIONS:

Buy a June Bond 148 put for 1-59 with an objective of 3-40. Risk to 52.

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) 02/22/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 150-030. The next area of resistance is around 151-250 and 152-100, while 1st support hits today at 150-220 and below there at 150-030.

10 YR TREASURY NOTES (MAR) 02/22/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 124-075. The next area of resistance is around 124-280 and 125-010, while 1st support hits today at 124-155 and below there at 124-075.

STOCKS COMMENTARY

02/22/17

Back and fill action today but no end to the downtrend

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 -410

Global equity markets were mostly higher overnight with the RTS Index and the MICEX measures bucking the trend and trading lower. In retrospect the rally in the prior trading session was backed up by favorable news from noted cyclical giants Home Depot, Toll Brothers and Wal-Mart and also because of fresh hope of pro-growth policies from the President next week in his speech to Congress. In general the market saw favorable Euro zone economic data overnight with German business morale improving smartly but the lack of definitive upside extension this morning suggests that the rest of the world was simply catching up with the US overnight and the US market is probably set to pause and mark a little time on the charts until the FOMC meeting minutes release is known. Earnings announcements will include TJX Companies and Southern Company before the Wall Street opening while Tesla and Public Storage report after the close.



S&P 500: The E-Mini S&P is showing some back and fill action to start and that speaks of a minor short term pause/technical balancing and not a halt in the up-trend. In fact, the markets overnight were presented with mostly favorable Euro zone economic data and mostly positive "catch-up" gains from international markets. On the other hand it appears that some weak handed longs are banking profits and moving to the sidelines ahead of the FOMC meeting minutes release. Up-trend channel support is seen at 2347.65 in the March contract but a steeper dip to 2340.80 might be seen in the wake of the initial Fed headlines.

Other US Indexes: The mini Dow has also shown some modest retrenchment action to start today despite mostly positive residual support from corporate earnings and sales over the last 24 hours. However, the Dow futures have gained 183 points in just 2 sessions and that leaves the market short term overbought and vulnerable. Critical corrective support targeting today is seen down at 20,623. The mini NASDAQ is showing the least corrective action early on and that isn't surprising considering that it has maintained a tight uptrend pattern for the entire month of February. Up-trend channel support at 5318.05 should be expected to support prices unless the FOMC situation is patently negative.

TODAY'S MARKET IDEAS:

We can't rule out modest back and fill action especially in the immediate aftermath of the FOMC release. The trend remains up but longs might bank profits and look to reset on an early afternoon washout.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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may appear elsewhere in this report.

S&P E-MINI (MAR) 02/22/2017: The market made a new contract high 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 next upside objective is 2376.62. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 2369.25 and 2376.62, while 1st support hits today at 2350.25 and below there at 2338.63.

MINI-DOW (MAR) 02/22/2017: A new contract high was made on the rally. 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. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 20833. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 20765 and 20833, while 1st support hits today at 20599 and below there at 20500.

E-MINI NASDAQ (MAR) 02/22/2017: 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. 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 5372.93. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 5358.87 and 5372.93, while 1st support hits today at 5325.63 and below there at 5306.44.

MINI-RUSSELL 2000 (MAR) 02/22/2017: The market made a new contract high on the rally. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 1419.2. The next area of resistance is around 1414.0 and 1419.2, while 1st support hits today at 1400.2 and below there at 1391.6.

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	151-070	50.80	50.33	42.40	39.54	150.80	151.40	151.03	150.79	150.69
TYAAH7	124-215	53.09	52.07	46.48	45.72	124.45	124.63	124.53	124.25	124.29
SPAH7	2360.00	84.56	79.44	93.95	95.68	2350.98	2330.49	2306.88	2280.13	2264.54
EPH7	2359.75	83.92	78.76	93.31	95.22	2351.19	2330.58	2306.99	2280.06	2264.50
TFEH7	1407.1	67.94	63.18	86.49	90.56	1400.98	1395.78	1378.37	1370.84	1365.68
ENQH7	5342.25	85.93	81.45	96.67	96.91	5321.63	5272.53	5210.78	5079.18	5020.25
YMH7	20682	84.79	79.49	94.27	95.60	20623.50	20415.00	20172.78	19958.67	19800.57

Calculations based on previous session. Data collected 02/21/2017

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	150-020	150-210	151-060	151-250	152-100
TYAAH7	10 Yr Treasury Notes	124-070	124-150	124-200	124-280	125-010
SPAH7	S&P 500	2340.87	2351.44	2357.97	2368.54	2375.07
EPH7	S&P E-Mini	2338.62	2350.25	2357.62	2369.25	2376.62
TFEH7	Mini-Russell 2000	1391.6	1400.2	1405.4	1414.0	1419.2
ENQH7	E-Mini NASDAQ	5306.43	5325.62	5339.68	5358.87	5372.93
YMH7	Mini-Dow	20499	20598	20666	20765	20833

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CURRENCIES COMMENTARY

02/22/17

The Dollar to remain in vogue early today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR +320, YEN +370, SWISS -52, CA DOLLAR -165

Upcoming International Reports (all times CT)

02/22 Euro-zone Consumer Price Ind 4:00 AM
02/22 Canadian Retail Trade 7:30 AM
02/22 Existing Home Sales 9:00 AM
02/22 API Energy Stocks 3:30 PM
02/23 German GDP - Detailed 1:00 AM
02/23 German GfK Consumer Confiden 1:00 AM
02/23 France Business Climate Surv 1:45 AM
02/23 German IFO Business Climate 3:00 AM
02/23 Initial Jobless Claims 7:30 AM
02/23 EIA Gas Storage 9:30 AM
02/23 EIA Energy Stocks 10:00 AM



DOLLAR: Ongoing positive action on the Dollar charts in the face of positive Euro zone data overnight highlights the edge of the bull camp in the Dollar Index to start today. It probably goes without saying that the Bull camp is set to draft off the anticipation of some hawkish dialogue from the FOMC minutes. Therefore expect the Dollar to extend the early gains in the wake of positive US scheduled data and into the early afternoon Meeting Minutes release. In short we expect a spike up move in the Dollar but we doubt that rally will sustain for 24 hours.

EURO: The Euro saw fresh and significant chart damage overnight and managed that decline in the face of what should have been supportive economic readings. With the market seemingly fixed on the prospect of rising US rates and generally upbeat on the prospect of US tax cuts and deficit spending (as stimulus measures) we can't argue against a March Euro falling down to the next significant chart support level of 1.0480. After seeing a positive German Ifo result and comments that the Euro zone appears to have left deflation behind the bull camp has to be very disappointed with this morning's action.

YEN: While the Japanese Yen is showing some initial strength today we think that action is set to be limited in scope. Some might suggest that home prices declines in some large Chinese cities and a rekindled focus on currency manipulation by the incoming US Treasury Secretary has sparked some fresh safe haven flow toward the Yen. However, we don't expect safe haven interest to have a shelf life.

SWISS: Severe damage on the Swiss charts is probably largely the result of ongoing strength in the Dollar but it is also likely that the Swiss is seeing some pressure from favorable German data and it is also possible that fears of SNB intervention to weaken the Swiss is adding into the downward bias. Near term downside targeting is seen down at 98.60.

POUND: The Pound is under modest pressure this morning in the wake of soft UK business investment readings even though UK growth in the 4th quarter showed some signs of recovery. However, the markets also saw signs of negative impact from the BREXIT and that in turn leaves the UK economy and the Pound under a cloud of concern. In the short term we can't rule out a decline to 1.2392.

CANADIAN DOLLAR: Like a number of other non-Dollar currencies the Canadian has damaged its charts overnight and looks poised to come under more pressure in the lead up to the early afternoon FOMC meeting minutes release. The trade will also see January Canadian retail sales that are expected to have a modest downtick from December's +0.2% reading and that might facilitate a further decline to consolidation low support down at 75.84.

TODAY'S MARKET IDEAS:

More Dollar gains as data and buying of the rumor ahead of afternoon Fed news provides the bulls with control.

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) 02/22/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. Follow through buying looks likely if the market can hold yesterday's gap on the day session chart. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 101.90. The next area of resistance is around 101.66 and 101.90, while 1st support hits today at 101.13 and below there at 100.84.

EURO (MAR) 02/22/2017: A crossover down in the daily stochastics is a bearish signal. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 104.6125. The next area of resistance is around 106.0500 and 106.7725, while 1st support hits today at 104.9700 and below there at 104.6125.

JAPANESE YEN (MAR) 02/22/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. 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's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 87.41. The next area of resistance is around 88.41 and 88.95, while 1st support hits today at 87.65 and below there at 87.41.

SWISS (MAR) 02/22/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 98.41. The next area of resistance is around 99.65 and 100.28, while 1st support hits today at 98.71 and below there at 98.41.

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	101.39	62.64	57.20	69.05	73.56	100.92	100.94	100.47	101.29	101.27
JYAH7	88.03	47.27	49.22	49.16	45.26	88.16	88.25	88.37	87.23	87.46
EU6H7	105.5100	34.54	39.73	26.92	21.88	106.17	106.32	106.92	106.26	106.41
BPAH7	124.80	49.56	50.33	39.26	33.65	124.62	124.86	125.20	124.16	124.65
CAAH7	76.14	44.85	49.87	53.44	46.31	76.36	76.34	76.42	75.67	75.57
SFAH7	99.18	38.46	42.97	32.29	28.55	99.72	99.81	100.30	99.37	99.36
DAAH7	76.74	62.30	63.85	76.59	73.22	0.77	0.77	0.76	0.75	0.75

Calculations based on previous session. Data collected 02/21/2017
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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	100.83	101.12	101.36	101.66	101.90
JYAH7	Japanese Yen	87.40	87.64	88.17	88.41	88.95
EU6H7	Euro	104.6125	104.9700	105.6925	106.0500	106.7725
BPAH7	British Pound	123.81	124.39	124.63	125.21	125.45
CAAH7	Canadian Dollar	75.65	75.87	76.18	76.40	76.70
SFAH7	Swiss	98.40	98.71	99.34	99.65	100.28
DAAH7	Australian Dollar	76.28	76.53	76.70	76.95	77.12

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