



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday February 23, 2017

BONDS COMMENTARY

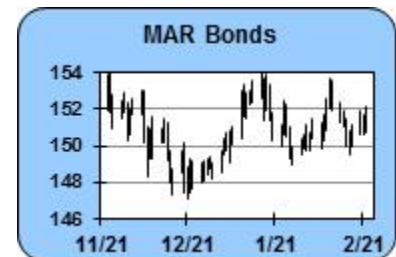
02/23/17

Wait for a further rally beyond getting short

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +50

International equity market action was mixed and international economic data overnight was also mixed and that leaves US Treasuries in a sideways track to start today. While bonds and notes showed some initial volatility off the Fed news yesterday it would appear that the central bank managed to leave the threat of March rate hike in place but also managed to leave the timing of that move somewhat in question. The fact that the Fed said rates might need to rise fairly soon had only a limited negative impact on Treasury prices and that would seem to suggest the markets were not particularly concerned that higher rates will be seen next month. Another issue that might favor the bull camp is the suggestion from the Fed that they would not anticipate fiscal developments in their rate decisions and that might have reduced fears of a March hike. It should be noted that volume and open interest this week have risen sharply and that has prompted some technical traders to suggest the 150-18 level in March bonds has become some type of value zone. Similarly volume and open interest in the note market has risen and that would seem to suggest some type of value zone is seen at the 124-11 level. While the initial claims report will be the primary economic result of the trading session, expected changes in that report are minimal in scope. However some traders are expecting the Chicago Fed national activity index three month moving average to leave negative territory and that might provide minimal pressure to bonds and notes. The North American session will start out with initial jobless claims that are forecast to see a modest uptick from the previous 239,000 reading. The Chicago Fed's January national activity index is expected to see a slight downtick from December's 0.14 reading. The Kansas City Fed's February manufacturing index will be released later in the morning. Atlanta Fed President Lockhart will speak during morning US trading hours while Dallas Fed President Kaplan will speak during the afternoon.



TODAY'S MARKET IDEAS:

It is a little intriguing that both notes and bonds have seen a dramatic increase in open interest and some commensurate increase in trading volumes. In fact a significant jump in trading volume yesterday might suggest some value at this week's lows but it could also be the result of rotation into the June contracts. Surprisingly this week's lows coincide with the 50 day moving average at 150-22 in March bonds. It is possible that treasury prices will garner some modest support from the initial claims report but the direction of equities might be equally important. Pushed into the market in the near term we favor the bullish tilt but concede to the prospect of very narrow ranges.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long a June Bond 148 put for 1-59. Use a narrow objective of 204 as the short term trend might be up. Risk to a breakeven stop of 1-59.

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) 02/23/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 150-010. The next area of resistance is around 152-050 and 152-280, while 1st support hits today at 150-240 and below there at 150-010.

10 YR TREASURY NOTES (MAR) 02/23/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. A bullish signal was given with an upside crossover of the daily stochastics. 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 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 125-095. The next area of resistance is around 125-020 and 125-095, while 1st support hits today at 124-170 and below there at 124-070.

STOCKS COMMENTARY

02/23/17

Minor hard fought gains unless Treasury Sec inspires buying

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 +90

Global equity markets were mixed overnight with Asian/Pacific Rim and Russian markets weaker while early European and US markets were positive. The bear camp will suggest that upward momentum in equities has died over the last 30 hours of trade while the bull camp will suggest many market measures remain just under new all-time highs and that leaves the bull track in place. There would appear to be enough discussion on tax reform in the headlines to leave the bull camp with a fundamental edge. In fact the market should see some residual benefit from a US Treasury Secretary interview on CNBC as the Trump administration has continued to target growth in a 3-4% range as its primary economic goal. It is possible that a slight increase in claims will dent psychology temporarily but until there is a noted negative in the headlines there is no reason to take control away from the bull camp. Earnings announcements will include Vale, Apache and Hormel Foods before the Wall Street opening while Baidu, Hewitt Packard and Intuit report after the close.



S&P 500: As indicated already the path of least resistance remains up with the E-mini S&P sitting right on record all-time high levels to start today. Uptrend channel support today is seen at 2348.50 and upside targeting today is seen at 2366.95. In order to rupture sentiment from a technical perspective might require a trade back below 2346.00.

Other US Indexes: The March mini Dow sits right on new all-time high ground in the early going today which would seem to suggest that bullish sentiment retains an edge. In fact uptrend channel support in the March mini Dow comes in very close to this morning's initial lows at 20,735. Near term upside targeting in the March mini Dow today is seen at 20,799. Uptrend channel support in the March mini Dow on Friday rises to 20,819. With the risk of sounding like a broken record the uptrend pattern in the March Mini NASDAQ remains very uniform and the path of least resistance looks to remain up. Uptrend channel support today is seen at 5336.85 and that uptrend channel support line rises to 5353.55 on Friday. In order to rupture bullish sentiment and create fears of a top probably requires a trade back below 5320.50.

TODAY'S MARKET IDEAS:

As indicated already, there would not appear to be a reason to take control away from the bull camp, especially with fresh tax reform headlines flowing from Washington and Wall Street. If there is a negative threat in the marketplace it would be residual fears of a March rate hike and/or the fear that the Trump administration is attacking on too many fronts to give the pro-growth efforts a chance of being formulated quickly.

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) 02/23/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 2368.75. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 2365.25 and 2368.75, while 1st support hits today at 2356.75 and below there at 2351.75.

MINI-DOW (MAR) 02/23/2017: 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 has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 20820. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 20794 and 20820, while 1st support hits today at 20704 and below there at 20641.

E-MINI NASDAQ (MAR) 02/23/2017: A new contract high was made on the rally. 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. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 5367.68. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 5360.62 and 5367.68, while 1st support hits today at 5341.38 and below there at 5329.19.

MINI-RUSSELL 2000 (MAR) 02/23/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 1414.7. The next area of resistance is around 1408.4 and 1414.7, while 1st support hits today at 1397.6 and below there at 1393.2.

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	52.84	51.58	42.55	42.35	151.20	151.20	151.13	150.86	150.69
TYAAH7	124-255	55.84	53.79	47.76	49.94	124.66	124.57	124.58	124.29	124.29
SPA7	2360.90	84.78	79.62	94.61	95.94	2353.60	2338.34	2310.59	2282.41	2267.29
EPH7	2361.00	84.21	79.01	94.13	95.63	2353.94	2338.47	2310.72	2282.32	2267.26
TFEH7	1403.0	63.38	60.79	87.70	89.94	1402.45	1398.74	1380.37	1371.51	1367.00
ENQH7	5351.00	86.55	81.96	97.02	97.50	5331.50	5290.56	5222.25	5088.39	5028.65
YMH7	20749	86.43	80.95	95.30	97.21	20657.00	20498.67	20212.06	19979.60	19830.03

Calculations based on previous session. Data collected 02/22/2017

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	150-000	150-230	151-140	152-050	152-280
TYAAH7	10 Yr Treasury Notes	124-065	124-165	124-240	125-020	125-095
SPA7	S&P 500	2352.60	2357.09	2360.19	2364.69	2367.79
EPH7	S&P E-Mini	2351.75	2356.75	2360.25	2365.25	2368.75
TFEH7	Mini-Russell 2000	1393.1	1397.6	1403.9	1408.4	1414.7
ENQH7	E-Mini NASDAQ	5329.18	5341.37	5348.43	5360.62	5367.68
YMH7	Mini-Dow	20640	20704	20730	20794	20820

Calculations based on previous session. Data collected 02/22/2017

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CURRENCIES COMMENTARY

02/23/17

Tight coiling by the \$ hints at a trend decision

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +80, YEN -75, SWISS -1, CA DOLLAR +110

Upcoming International Reports (all times CT)

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
 02/24 France Consumer Confidence 1:45 AM
 02/24 Canadian Consumer Price Inde 7:30 AM
 02/24 New Home Sales 9:00 AM



DOLLAR: While international economic data released overnight was mixed broad-based measures like GDP were favorable and that has probably limited the dollar in the early action. However as in equity market measures the dollar index might be expected to draft positively off treasury secretary comments on CNBC regarding the most sweeping tax reform effort since the Reagan administration. If there is a negative for the dollar index today it will be from a slight rise in US initial claims or from a lack of definitively dollar bullish headlines. Critical support in the March dollar index to start today is seen at 1.011 and February uptrend channel support is seen today at 1.008.

EURO: While the euro this morning sits close to the prior sessions high it is probably vulnerable due to a series of economic readings from Italy and Germany that were released overnight. German GDP on a year-over-year basis came in under expectations with German consumer confidence from GfK also coming in weaker than projected levels. Fortunately French business confidence and business climate readings came in better-than-expected. In conclusion economic data from the euro zone fails to produce a reason to throw off the downward pattern from the month of February. If the euro rallies in the face of US initial claims that rally should probably be sold. We doubt that the March euro will be able to bounce to downtrend channel resistance up at 1.064 and it is possible that the prior sessions high of 1.058 will also restrict on the upside.

YEN: The Japanese Yen continues to coil on its charts just above the 88.00 level as if some form of trend decision is in the offing. Unfortunately for the bull camp a general risk on vibe remains in place and Japanese December leading indicators declined from forecasted levels. Critical close in support is seen at 87.93 and early resistance is seen up at 88.84. In the end there doesn't appear to be a safe haven element in the marketplace and that would seem to leave the fundamental path of least resistance on a breakout move pointing to the downside.

SWISS: As in other non-dollar currencies the Swiss franc remains in a negative technical pattern on its charts. Undermining the Swiss is the lack of sustained strength off the strongest economic expectation reading since June of last year that was released in the prior trading session. It should also be noted that the Swiss failed at the

50 day moving average on Tuesday and remains below that level (99.35) in the early going today. Pushed into the market we prefer to sell rallies.

POUND: The March British pound this morning sits just above its 50 day moving average down at 1.243 and it also appears as if it is coiling for some type of fresh trend decision. While there have been signs that the UK economy is trying to get beyond the BREXIT that issue and the eventual implementation leaves the fundamental bias pointing downward. One might also suggest that the pattern of lower highs for the month of February favors the downside. In order to shift the technical picture in the March Pound to the upside probably requires a rally back above 1.252.

CANADIAN DOLLAR: After some spectacular damage on the charts in the prior trading session the bull camp might come away with some hope because of the rejection of trade below the 50 day moving average. The most positive fundamental issue for the Canadian is the continued lack of definitive upside action in the US dollar. However pushed into the market it is difficult to discount this month's pattern of lower highs. Selling resistance in the March Canadian dollar is seen at 76.48 and that level falls to 76.44 on Friday. Aggressive traders might consider selling a minor bounce in the Canadian off the US initial claims report.

TODAY'S MARKET IDEAS:

There would appear to be a lack of a definitive leadership in the currency markets and that would seem to leave the US dollar with a slight edge. However the failure to hold 1.011 in the March dollar could set the stage for a filling of an old gap down at 1.0107 and 1.0099.

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) 02/23/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. 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 downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 101.88. The next area of resistance is around 101.50 and 101.88, while 1st support hits today at 100.94 and below there at 100.77.

EURO (MAR) 02/23/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 104.7750. The next area of resistance is around 106.1350 and 106.3750, while 1st support hits today at 105.3350 and below there at 104.7750.

JAPANESE YEN (MAR) 02/23/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 87.70. The next area of resistance is around 88.73 and 89.00, while 1st support hits today at 88.08 and below there at 87.70.

SWISS (MAR) 02/23/2017: 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. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 98.46. The next area of resistance is around 99.42 and 99.67, while 1st support hits today at 98.82 and below there at 98.46.

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	101.22	58.63	54.96	70.71	74.02	101.11	101.00	100.51	101.25	101.27
JYAH7	88.40	52.40	52.25	48.87	47.72	88.39	88.16	88.42	87.30	87.45
EU6H7	105.7350	39.12	42.32	24.73	20.97	106.05	106.16	106.84	106.28	106.41
BPAH7	124.65	47.91	49.34	37.02	32.64	124.65	124.79	125.11	124.16	124.65
CAAH7	76.05	42.33	48.28	49.08	40.74	76.26	76.34	76.39	75.69	75.60
SFAH7	99.12	37.37	42.18	29.65	24.36	99.65	99.65	100.24	99.41	99.36
DAAH7	77.02	67.06	66.77	76.77	76.45	0.77	0.77	0.76	0.75	0.75

Calculations based on previous session. Data collected 02/22/2017

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	100.76	100.94	101.32	101.50	101.88
JYAH7	Japanese Yen	87.69	88.07	88.34	88.73	89.00
EU6H7	Euro	104.7750	105.3350	105.5750	106.1350	106.3750
BPAH7	British Pound	123.68	124.16	124.65	125.13	125.62
CAAH7	Canadian Dollar	75.31	75.70	75.99	76.39	76.68
SFAH7	Swiss	98.45	98.81	99.06	99.42	99.67
DAAH7	Australian Dollar	76.46	76.77	76.94	77.25	77.42

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