



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Friday February 24, 2017

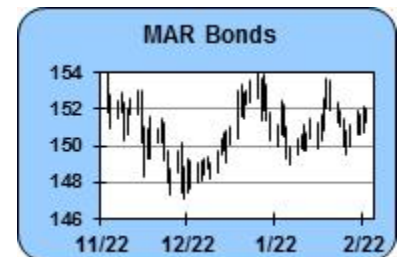
BONDS COMMENTARY

02/24/17

The bulls to retain a modest edge today

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
BONDS +110**

Global equity markets were mostly weaker, February French consumer confidence readings held steady while February readings on Italian business sentiment improved and non-financial lending in the UK expanded and therefore the overall macro-economic outlook is mixed to slightly upbeat. However, rising political anxiety toward the French election and a rekindling of US/China trade war fears has left US Treasuries sitting near the upper end of the last two weeks trading range. With enough uncertainty in place to drive gold prices higher and a moderately lower opening in some US equity market measures we can't argue with a weak extension of the upward track in bonds and Notes. Treasuries should draft some ongoing buying interest from news yesterday that fund buyers bought the largest amount of 30 Year bonds ever in an auction earlier this month. However, to make a definitive upside extension today probably requires a decline in the E-Mini S&P back below 2350 or a contraction in January New Home sales results later this morning. The North American session will start out with January Canadian CPI which is forecast to see a modest uptick from December's +1.5% year-over-year rate. January new home sales are expected to see a moderate increase from December's 536,000 annualized rate. A private survey of February consumer sentiment is forecast to see a modest uptick from the previous 95.7 reading. 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:

With the market recently made aware of strong demand for US treasury supply, noted early weakness in US equities and yet another increase in US political anxiety the path of least resistance in bonds and notes should remain up. Initial targeting in March bonds is seen up at 152-12 with similar upside targeting in March notes seen up at 125-10. While a gain in new home sales might temper some of the bullishness later this morning a modest gain in that reading has already been factored partially into prices. As we have indicated already seeing the March E-mini S&P fall below 2350 could puff up safe haven buying interest for US treasuries. In looking back on the week it does appear as if US rate hike timing has been pushed backward and that alone justifies an a slow upward slope on the charts.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long a June Bond 148 put from 1-59. *Hit 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) 02/24/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. The crossover up in the daily stochastics is a bullish signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a

close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 152-200. The next area of resistance is around 152-130 and 152-200, while 1st support hits today at 151-200 and below there at 151-010.

10 YR TREASURY NOTES (MAR) 02/24/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 125-145. The next area of resistance is around 125-105 and 125-145, while 1st support hits today at 124-295 and below there at 124-200.

STOCKS COMMENTARY

02/24/17

Modest corrective action not a major trend change

OVERNIGHT CHANGES THROUGH 6:06 AM (CT): S&P 500 -1000

Global equity markets were mostly weaker overnight but the Chinese markets managed to buck the trend with modest gains. However US equity markets in the early going are showing some moderately significant corrective action and some measures are already testing key chart support levels. One almost gets the sense that yesterday's CEO conference at the White House and the positive dialogue from that meeting left market sentiment at a temporary bullish peak. In fact the bull camp has to be a little disappointed with the lack of significant gains in stock prices this week in the wake of what appears to be a pushing back of US rate hike timing. While increased political anxiety off the upcoming French election and renewed US Chinese trade threats are not new to the market both those situations have put a wave of caution in place. Earnings announcements will include Royal Bank of Canada, Public Service Enterprise Group and Magna International before the Wall Street opening.



S&P 500: As suggested already the March E-mini S&P has started the Friday session off on a moderately concerning track. In our opinion the magnitude of the early declines breaks the conclusively bullish environment and leaves stock prices vulnerable in the morning trade. News of a reduction in Hewlett-Packard profit forecasts, rumors of credit problems at Westinghouse and news of a decline in Baidu revenues provides a negative undertow from the corporate news front. Some might suggest there is little in the way of support in the March E-mini S&P until 2346.00 but to turn the tide back in favor of the bull camp might require a trade back above 2358.50.

Other US Indexes: Near term downside targeting in the March mini Dow this morning is seen at 20,667 today. With the prospect of tax cuts and stimulus spending taking a backseat to fresh US Chinese trade concerns and stocks showing moderate weakness early on we would be a seller of rallies today. It is possible the March mini Dow could see a rally off US new home sales results but we get the feeling that the markets are due for a week ending profit-taking slide. In the March Mini NASDAQ the outlook has definitively switched from distinctly positive to somewhat negative. In fact after respecting a very tight uptrend channel pattern for most of this month there has now been significant damage on the charts over the last 24 hours of trade. Therefore we can't rule out a near term setback to 5288.50 in the March E-mini NASDAQ. The bull camp has to hope that favorable US new home sales results temper the Bears early grip.

TODAY'S MARKET IDEAS:

While we give the bear camp the edge to start today we don't detect an extremely high level of anxiety or panic. On the other hand the early action today would seem to project something more than narrow casual corrective action. Therefore traders should favor the downside while keeping an eye on Washington for any fresh updates on tax reform. Traders should look to normal/measured corrective targeting from the charts to determine downside objectives today.

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) 02/24/2017: A new contract high was made on the rally. 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 upside closing price reversal on the daily chart is somewhat bullish. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 2376.12. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 2370.25 and 2376.12, while 1st support hits today at 2355.75 and below there at 2347.13.

MINI-DOW (MAR) 02/24/2017: 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 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 near-term upside target is at 20878. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 20846 and 20878, while 1st support hits today at 20754 and below there at 20693.

E-MINI NASDAQ (MAR) 02/24/2017: The market rallied to a new contract high. A bearish signal was triggered on a crossover down in the daily stochastics. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The outside day down is somewhat negative. The close below the 1st swing support could weigh on the market. The next downside objective is now at 5283.75. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 5357.75 and 5384.75, while 1st support hits today at 5307.25 and below there at 5283.75.

MINI-RUSSELL 2000 (MAR) 02/24/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is negative as the close remains below the 9-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 1371.0. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 1405.7 and 1418.5, while 1st support hits today at 1381.9 and below there at 1371.0.

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 | 152-000 | 58.14 | 54.84 | 44.22 | 47.89 | 151.48 | 151.18 | 151.22 | 150.95 | 150.70 |
| TYAAH7 | 125-040 | 62.42 | 58.06 | 51.06 | 58.06 | 124.82 | 124.59 | 124.63 | 124.34 | 124.30 |
| SPAH7 | 2362.80 | 85.27 | 80.03 | 95.05 | 95.93 | 2357.90 | 2344.84 | 2314.69 | 2284.80 | 2269.90 |
| EPH7 | 2363.00 | 84.77 | 79.47 | 94.83 | 95.92 | 2358.56 | 2345.17 | 2314.88 | 2284.73 | 2269.90 |
| TFEH7 | 1393.8 | 54.63 | 55.93 | 86.86 | 84.86 | 1401.48 | 1399.49 | 1382.89 | 1371.78 | 1368.17 |
| ENQH7 | 5332.50 | 76.46 | 76.04 | 96.31 | 94.61 | 5340.13 | 5304.31 | 5231.75 | 5097.74 | 5036.44 |
| YMH7 | 20800 | 87.44 | 81.87 | 96.04 | 97.59 | 20711.00 | 20573.56 | 20256.22 | 20002.16 | 19858.87 |

Calculations based on previous session. Data collected 02/23/2017

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 | 151-000 | 151-190 | 151-260 | 152-130 | 152-200 |
| TYAAH7 | 10 Yr Treasury Notes | 124-195 | 124-290 | 125-010 | 125-105 | 125-145 |
| SPAH7 | S&P 500 | 2348.57 | 2356.35 | 2361.47 | 2369.25 | 2374.37 |
| EPH7 | S&P E-Mini | 2347.12 | 2355.75 | 2361.62 | 2370.25 | 2376.12 |
| TFEH7 | Mini-Russell 2000 | 1370.9 | 1381.8 | 1394.7 | 1405.7 | 1418.5 |
| ENQH7 | E-Mini NASDAQ | 5283.75 | 5307.25 | 5334.25 | 5357.75 | 5384.75 |
| YMH7 | Mini-Dow | 20692 | 20753 | 20785 | 20846 | 20878 |

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CURRENCIES COMMENTARY

02/24/17

The Dollar should be slightly out of favor today

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

US DOLLAR -260, YEN +305, SWISS +26, CA DOLLAR +40

Upcoming International Reports (all times CT)

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: The press this morning is focused on the prospect of a net decline in the dollar on the week. In retrospect the trade comes away from this week with reduced US March rate hike expectations and somewhat disappointing US schedule data. Another issue undermining the dollar this morning is the inability to hold above an old gap on the charts and the prospect that the focus of the markets will not be pointed to pro-growth initiatives. Initial downside support in the March dollar index today is seen at 1.0074 and then not until 1.0045. The bull camp has to hope that this morning's new home sales gain is enough to cushion a bearish bias that has been in place for nearly 3 days.

EURO: While the euro is higher this morning it is probably being held back because suggestions from the ECB that their growth remains somewhat discouraging and that raising rates would be premature. While Italian business confidence actually improved Italian consumer confidence softened and that could have left the euro under pressure if it were not for news that Italian December industrial orders gained by 2.8% on the prior month. In the action today the euro looks to benefit from deteriorating US fundamentals and not from positive European fundamentals. Support in the March euro today is seen at 1.0575 and resistance is seen up at 1.0626.

YEN: Apparently a slight uptick in US Chinese trade war fears, noted upside action in gold and a measure of technical damage on the dollar charts has left the Yen in a breakout mode. Clearly presidential comments regarding the Chinese currency and noted early weakness in US equities leaves the Yen bulls with the edge to start today. Critical support in the March Yen today is seen at 88.56 and there might be little in the way of resistance until 89.33.

SWISS: After reaching a significantly oversold condition earlier this week the tide in the Swiss done a 180. A normal corrective bounce from the February slide targets 99.81 and perhaps 99.98. To throw off the near term bullish tilt probably requires an early slide back below 99.42.

POUND: Despite some uncertainty on the US Chinese trade front the British Pound has managed to forge an upside breakout this week and it initially extended that upward probe. The currency was probably helped along by news that UK mortgage approvals hit a 12 month high last month. Top of the uptrend consolidation pattern could

be an objective up at 1.2589 but critical support to start today is seen at 1.2514.

CANADIAN DOLLAR: Despite developing weakness in the US dollar this morning, the Canadian dollar has not definitively extended its recovery off this week's lows in the early going today. The Canadian will be impacted by consumer price inflation readings but the main event of the morning trade will probably be the US new home sales result. Close in and critical support in the March Canadian dollar seen at 76.23 and pushed into the market we favor the downward tilt.

TODAY'S MARKET IDEAS:

In retrospect the dollar should be undermined as result of this week's Fed news, renewed political uncertainty and a general lack of positive progression and schedule data.

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) 02/24/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. Daily stochastics have risen into overbought territory which 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 under the swing pivot. The near-term upside objective is at 101.63. The next area of resistance is around 101.25 and 101.63, while 1st support hits today at 100.68 and below there at 100.48.

EURO (MAR) 02/24/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 105.2163. The next area of resistance is around 106.1675 and 106.3862, while 1st support hits today at 105.5825 and below there at 105.2163.

JAPANESE YEN (MAR) 02/24/2017: The daily stochastics have crossed over up which is a bullish indication. 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 89.37. The next area of resistance is around 89.13 and 89.37, while 1st support hits today at 88.43 and below there at 87.95.

SWISS (MAR) 02/24/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. 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 close over the pivot swing is a somewhat positive setup. The next downside target is 98.74. The next area of resistance is around 99.75 and 99.95, while 1st support hits today at 99.15 and below there at 98.74.

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 | 100.96 | 55.14 | 53.01 | 71.14 | 72.01 | 101.14 | 101.03 | 100.55 | 101.20 | 101.27 |
| JYAH7 | 88.77 | 57.21 | 55.17 | 50.63 | 53.83 | 88.48 | 88.21 | 88.51 | 87.39 | 87.45 |
| EU6H7 | 105.8750 | 41.63 | 43.79 | 23.91 | 22.72 | 105.81 | 106.07 | 106.77 | 106.30 | 106.39 |
| BPAH7 | 125.55 | 57.46 | 55.09 | 39.69 | 45.27 | 124.78 | 124.84 | 125.10 | 124.17 | 124.66 |
| CAAH7 | 76.31 | 51.69 | 53.05 | 46.87 | 43.26 | 76.19 | 76.35 | 76.40 | 75.72 | 75.64 |
| SFAH7 | 99.45 | 41.72 | 44.76 | 28.19 | 25.29 | 99.39 | 99.58 | 100.18 | 99.44 | 99.36 |
| DAAH7 | 77.14 | 68.95 | 67.97 | 77.49 | 78.57 | 0.77 | 0.77 | 0.76 | 0.75 | 0.75 |

Calculations based on previous session. Data collected 02/23/2017

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 | 100.47 | 100.67 | 101.05 | 101.25 | 101.63 |
| JYAH7 | Japanese Yen | 87.94 | 88.42 | 88.65 | 89.13 | 89.37 |
| EU6H7 | Euro | 105.2162 | 105.5825 | 105.8012 | 106.1675 | 106.3862 |
| BPAH7 | British Pound | 123.92 | 124.88 | 125.26 | 126.22 | 126.60 |
| CAAH7 | Canadian Dollar | 75.73 | 76.05 | 76.25 | 76.57 | 76.76 |
| SFAH7 | Swiss | 98.73 | 99.14 | 99.34 | 99.75 | 99.95 |
| DAAH7 | Australian Dollar | 76.29 | 76.75 | 77.06 | 77.52 | 77.83 |

Calculations based on previous session. Data collected 02/23/2017

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