



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Monday February 27, 2017

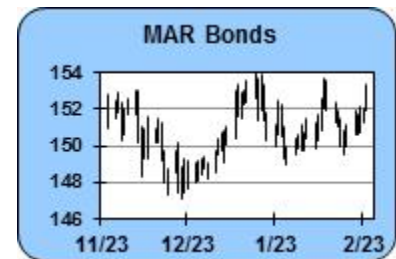
### BONDS COMMENTARY

02/27/17

#### A slight bid until political anxiety is past

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT): BONDS -30

To start the trading week the markets saw a series of February Euro zone sentiment readings that came in mixed. Euro zone February Consumer Confidence worsened while Industrial Confidence and Business Climate improved. It should also be noted that Euro zone lending to households rose in the month of January and it should also be noted that services confidence levels have reached up to the highest level since October of 2007 and that clearly points to a pattern of economic improvement in that area. However, while Treasuries are showing some modest corrective action on the charts to start early on today they remain near their recent highs. News that the center candidate in France would probably beat the far right candidate in the May Presidential election runoff has probably tempered some of the political safe haven interest in US Treasuries to start today. However, given the State of the Union address on Tuesday evening there will be no shortage of safe haven interest drifting in and out of the markets. It is possible that this morning's scheduled data will lean bearish toward prices as expectations call for gains in both durable goods and pending home sales and those reports might be followed by a modest rise in Texas Manufacturing figures. From a technical perspective the rally of the last two weeks has been accomplished on a noted expansion of open interest and that might give a measure of credence to the bull's case. However, we do think that the top of the consolidation zone at 153-31 in March Bonds will offer some measure of significant resistance in the week ahead.



The Commitments of Traders Futures and Options report as of February 21st for U.S. Treasury Bonds showed the Non-Commercial and Non-reportable combined traders held a net short position of 52,645 contracts. The Commitments of Traders Futures and Options report as of February 21st for US Treasury 10 Year Notes showed Non-Commercial and Non-reportable combined traders held a net short position of 499,459 contracts. The North American session will start out with January durable goods which are forecast to see a sizable uptick from December's -0.5% reading and climb into positive territory. January pending home sales is forecasted to see a modest downtick from December's +1.6% reading. The Dallas Fed's February manufacturing business index is expected to see a moderate decline from January's 22.1 reading. Dallas Fed President Kaplan will speak during late morning US trading hours.

#### TODAY'S MARKET IDEAS:

A bit of back and fill action should be in order to start this morning as US scheduled data is expected to favor the bear camp. However, there really isn't a definitive risk-on vibe in place from equities and one gets the feeling that political headlines into the Tuesday evening Presidential Speech to Congress are likely to foster risk-off sentiment rather than risk-on. In fact a rising chorus of talk on repeal and replace ACA would seem to distract from the focus on pro-growth into the Tuesday evening speech. With Notes last week rising to the highest level since November 17th and Treasury Bonds close to a similar upside breakout one gets the sense that the trade thinks the Fed will take a pass on hiking interest rates next month. All things considered we can't rule out a safe haven inspired upside extension but we think the risk is higher to fresh longs than to fresh shorts. However, pushed into the market we give the bulls an edge into Tuesday night.

#### NEW RECOMMENDATIONS:

None.

## PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Financials</b>						
<b>Bonds</b>	-19,451	-963	52,644	-24,327	-33,194	+25,290
<b>T-Notes</b>	-284,605	+63,528	499,459	-70,034	-214,854	+6,506

## 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) 02/27/2017:** Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. 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 objective is 154-140. The next area of resistance is around 154-000 and 154-140, while 1st support hits today at 152-170 and below there at 151-150.

**10 YR TREASURY NOTES (MAR) 02/27/2017:** 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 market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 126-025. The next area of resistance is around 125-285 and 126-025, while 1st support hits today at 125-100 and below there at 124-290.

## STOCKS COMMENTARY

02/27/17

**We don't see a reason for the uptrend to end despite volatility**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**S&P 500 -70**

Global equity markets were mixed overnight with Asian stocks generally weaker and western markets generally higher. The markets were presented with generally positive Euro zone data, a slight decline in French political uncertainty and the beginning of leaks on what the State of the Union speech will bring. In looking ahead to this morning's US economic report schedule the market should expect to see some modestly supportive results but given the uncertainty later this week we aren't sure that investors are going to pile in until the Trump furor has past. Earnings announcements will include American Tower and Sasol before the Wall Street opening while Priceline.com and EOG Resources report after the close.



**S&P 500:** Technically the E-Mini S&P has forged a fresh higher high overnight which in turn extends the bull's case into a new trading week. However, surprisingly the Commitments of Traders Futures and Options report as of February 21st for the E-Mini S&P 500 showed the Non-Commercial and Non-reportable combined traders actually held a net short position of 32,527 contracts and that hardly suggests the market is overbought! Therefore the technical path of least resistance looks to remain up with the fundamental picture fraught with volatility in the coming 36 hours of trade. Up-trend channel support is seen down at 2355.65 and that up-trend channel support line comes in at 2361.85 on Tuesday.

**Other US Indexes:** The March mini Dow was able to forge a new high overnight but momentum is somewhat sluggish to start. However, the blue chips might catch some lift from slightly up-beat scheduled US data. Up-trend channel support in the March Mini-Dow is seen today at 20,742 but a more critical pivot point might be seen down

at 20,695 which was the last significant washout low! The Commitments of Traders Futures and Options report as of February 21st for Dow Jones Index \$5 showed Non-Commercial and Non-reportable combined traders held a net long position of 53,315 contracts. The March Mini NASDAQ continues to lag behind the rest of the market and that is a change of pace from the action seen prior to last week's high! In other words leadership appears to have shifted toward the upper end of the market for the time being. However, we would become an aggressive buyer of the Mini-Nasdaq on a setback to 5320.50 in a play to buy the dip off the coming political volatility event. The Commitments of Traders Futures and Options report as of February 21st for the Nasdaq Mini showed Non-Commercial and Non-reportable combined traders held a net long position of 74,925 contracts.

**TODAY'S MARKET IDEAS:**

The path of least resistance remains up even if there will probably be some choppy two sided action in the coming 36 hours of trade. In our opinion a good bull market should only have 2-3 days of corrective action and while political anxiety might uptick in the coming two trading sessions we think that traders should consider the purchase of E-Mini Nasdaq March calls for a recovery of what we think will be an initial dip in prices.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Financials</b>						
<b>S&amp;P 500</b>	-14,716	+4,665	9,852	-6,948	4,865	+2,284
<b>E-Mini S&amp;P</b>	32,240	-13,086	32,527	+15,109	-64,767	-2,022

**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) 02/27/2017: 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 daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 2377.56. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 2373.12 and 2377.56, while 1st support hits today at 2356.88 and below there at 2345.07.

MINI-DOW (MAR) 02/27/2017: 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 tilt is slightly negative with the close under the pivot. The next upside target is 20868. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 20834 and 20868, while 1st support hits today at 20730 and below there at 20661.

E-MINI NASDAQ (MAR) 02/27/2017: 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 positive on the close above the 9-day moving average. 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 objective is 5287.38. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5365.75 and 5377.37, while 1st support hits today at 5320.75 and below there at 5287.38.

MINI-RUSSELL 2000 (MAR) 02/27/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A negative signal for trend short-term was given on a

close under the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 1375.7. The next area of resistance is around 1400.7 and 1404.8, while 1st support hits today at 1386.1 and below there at 1375.7.

## 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	153-080	67.36	61.12	49.45	60.91	151.94	151.31	151.37	151.04	150.71
TYAAH7	125-190	69.73	63.31	57.11	70.16	125.03	124.67	124.70	124.39	124.31
SPAH7	2364.90	85.83	80.49	95.57	96.59	2362.15	2350.64	2319.63	2287.13	2272.72
EPH7	2365.00	85.26	79.87	95.24	96.18	2362.56	2350.86	2319.78	2287.04	2272.72
TFEH7	1393.4	54.30	55.73	84.83	80.88	1399.60	1399.77	1384.65	1372.21	1369.38
ENQH7	5343.25	77.50	76.68	95.35	93.58	5343.44	5317.03	5243.75	5106.65	5044.48
YMH7	20782	85.15	80.52	96.42	97.19	20758.50	20636.00	20306.06	20023.20	19888.08

Calculations based on previous session. Data collected 02/24/2017

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	151-140	152-160	152-300	154-000	154-140
TYAAH7	10 Yr Treasury Notes	124-285	125-095	125-155	125-285	126-025
SPAH7	S&P 500	2345.82	2357.14	2361.32	2372.64	2376.82
EPH7	S&P E-Mini	2345.06	2356.87	2361.31	2373.12	2377.56
TFEH7	Mini-Russell 2000	1375.6	1386.1	1390.2	1400.7	1404.8
ENQH7	E-Mini NASDAQ	5287.37	5320.75	5332.37	5365.75	5377.37
YMH7	Mini-Dow	20660	20730	20764	20834	20868

Calculations based on previous session. Data collected 02/24/2017

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## CURRENCIES COMMENTARY

02/27/17

**Two-sided volatility in all markets until Wednesday AM**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
US DOLLAR -10, YEN -250, SWISS +2, CA DOLLAR -95**

### Upcoming International Reports (all times CT)

02/27 UK Nationwide Housing Price 2:00 AM  
 02/27 Adv Durable Goods 7:30 AM  
 02/27 Euro-zone Business and Consu 9:00 AM  
 02/27 Japan Industrial Production 5:50 PM  
 02/27 Japan Retail Sales 5:50 PM  
 02/27 Japan Construction Orders 11:00 PM  
 02/27 Japan Housing Starts 11:00 PM  
 02/28 France Consumer Spending 1:45 AM  
 02/28 France Household Consumption 1:45 AM  
 02/28 France Producer Price Index 1:45 AM  
 02/28 Swiss KOF Leading Indicator 2:00 AM  
 02/28 German Employment Situation 2:55 AM  
 02/28 Canadian Industrial Product 7:30 AM  
 02/28 GDP (Q4 '16) 7:30 AM



02/28 Chicago PMI 9:00 AM  
02/28 Consumer Confidence 9:00 AM  
02/28 API Energy Stocks 3:30 PM

**DOLLAR:** The dollar might benefit from its scheduled data later today but we suspect that the Dollar is poised to see some wild swings in the coming 2 1/2 days. However, what the Dollar might glean from positive US scheduled data might be extracted in the lead up to the "Speech" on Tuesday night. In fact, the market is already seeing rumors of Trump's budget adjustments to various departments and many of those adjustments are likely to spark political backlash from the Press. We are impressed that the Dollar has managed to remain positive in the wake of mostly up-beat Euro zone economic data overnight. To shift the trend in the Dollar away from the downside might require a rally back above 1.0130 in the March Dollar. The Commitments of Traders Futures and Options report as of February 21st for US Dollar showed Non-Commercial and Non-reportable combined traders held a net long position of 51,791 contracts.

**EURO:** Unfortunately the Euro hasn't been able to gain definitive traction despite the weakness in the Dollar over the last week and that is surprising considering generally decent Euro zone data progression and a slight increase in US political anxiety. Therefore we are a little negative toward the Euro but it is possible that the Euro might catch a temporary lift from the troubles in the Dollar over the coming 24 hours of trade. To shift the trend in the Euro to the upside might require a rally back above a downtrend channel resistance line of 1.0690. The Commitments of Traders Futures and Options report as of February 21st for Euro showed the Non-Commercial and Non-reportable combined traders held a net short position of 56,691 contracts.

**YEN:** While we don't expect the Yen to leap higher over the coming 2 days we do give an edge to the bull camp. In fact, given the favorable chart setup and the prospect of a political firestorm into the first Trump State of the Union speech we suspect that the March Yen will probably reach up to the highest level since late November at some time this week. Up-trend channel support today is seen at 88.71 and that support level rises to 88.95 on Tuesday.

**SWISS:** The path of least resistance in the Swiss looks to remain down as Euro zone data is just good enough to leave the Euro firm against the Swiss and the US Dollar remains in favor just enough to leave the Swiss off balance. Down trend channel resistance is seen up at 99.93 with more significant resistance seen closer-in at 99.57.

**POUND:** With a downside breakout on the charts to start this morning it is clear that the Pound continues to be undermined by the nagging threat of the ugliness of the actual BREXIT. However, the Pound might be seeing additional pressure this morning from talk of the prospect of a 2nd Scottish referendum. We also think the Pound needs definitive risk-on global sentiment to get out of the 5 month old sideways consolidation range to the upside as definitive forward progression in the global economy might be needed for the UK to get through BREXIT without a drag on domestic growth. In the short term the path of least resistance is down but consolidation low support is seen somewhat close-in at 1.2353.

**CANADIAN DOLLAR:** The path of least resistance in the Canadian appears to be down but given the lack of definitive strength or direction in the Dollar or the Euro the downside action in the Canadian might be limited. However, we can't rule out a temporary spike down below the 76.00 level early this week in the wake of 2-sided volatility off the US political circus which is likely to kick-off during the Tuesday afternoon action.

#### **TODAY'S MARKET IDEAS:**

A lack of definitive leadership throughout the currency markets might leave the yen with the bid but we suspect that a hard break in the Dollar could be bought later this week.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

## CURRENCIES TECHNICAL OUTLOOK:

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**US DOLLAR (MAR) 02/27/2017:** A bearish signal was triggered on a crossover down in the daily stochastics. 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. The upside closing price reversal on the daily chart is somewhat bullish. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 100.51. The next area of resistance is around 101.39 and 101.52, while 1st support hits today at 100.88 and below there at 100.51.

**EURO (MAR) 02/27/2017:** Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 105.1763. The next area of resistance is around 105.9575 and 106.4062, while 1st support hits today at 105.3425 and below there at 105.1763.

**JAPANESE YEN (MAR) 02/27/2017:** 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. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 89.91. The next area of resistance is around 89.63 and 89.91, while 1st support hits today at 88.83 and below there at 88.30.

**SWISS (MAR) 02/27/2017:** The close under the 60-day moving average indicates the longer-term trend could be turning down. Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is 98.86. The next area of resistance is around 99.58 and 99.99, while 1st support hits today at 99.02 and below there at 98.86.

## 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	101.13	55.92	53.48	70.69	69.78	101.17	101.05	100.63	101.16	101.27
JYAH7	89.23	62.35	58.42	54.49	62.68	88.63	88.32	88.58	87.47	87.44
EU6H7	105.6500	38.78	41.94	23.26	22.06	105.65	105.97	106.68	106.32	106.38
BPAH7	124.62	47.45	48.95	41.15	44.76	124.87	124.80	125.08	124.17	124.66
CAAH7	76.30	51.54	52.93	46.33	45.94	76.17	76.34	76.40	75.76	75.66
SFAH7	99.30	41.41	44.55	27.36	25.68	99.28	99.53	100.11	99.47	99.36
DAAH7	76.70	55.88	59.69	75.07	70.49	0.77	0.77	0.77	0.75	0.75

Calculations based on previous session. Data collected 02/24/2017

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH7	US Dollar	100.50	100.88	101.01	101.39	101.52
JYAH7	Japanese Yen	88.29	88.82	89.10	89.63	89.91
EU6H7	Euro	105.1762	105.3425	105.7912	105.9575	106.4062
BPAH7	British Pound	123.63	123.99	124.86	125.23	126.10
CAAH7	Canadian Dollar	75.93	76.08	76.38	76.52	76.82
SFAH7	Swiss	98.85	99.01	99.42	99.58	99.99
DAAH7	Australian Dollar	76.24	76.42	76.80	76.99	77.36

Calculations based on previous session. Data collected 02/24/2017

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