



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Tuesday February 28, 2017

BONDS COMMENTARY

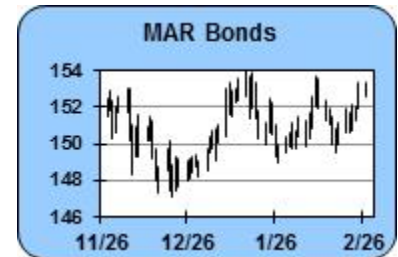
02/28/17

Pushed into the market today we give the bears the edge

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +60

Despite a small amount of risk off psychology overnight, US Treasury markets have started off on a weaker footing. Apparently the market is divided on the possible outcomes of the President's address before Congress, as increased defense spending has been the primary topic thus far, and that might conjure up fears of an expanding deficit. Lost in the shuffle so far is tax reform and infrastructure spending, which might also apply pressure to US bonds and notes. It is also possible that the last two weeks' gains in the charts has left some bulls interested in banking profits and moving to the sidelines ahead of this evening's potential volatility flashpoint. Other issues that might be applying pressure to prices this morning are general expectations for positive US scheduled data and talk of a possible resumption of the deflation environment. From a technical perspective, the bull camp has to be discouraged that the recent run-up in prices has been accompanied by a sharp decline in open interest, as that would seem to suggest little appetite for bonds above the 151-00 level. The North American session will start out with a reading on fourth quarter gross domestic product that is forecast to have a modest uptick from the previous +1.9% annualized rate. January wholesale inventories are expected to see a modest decline from December's 1.0% reading but remain in positive territory. The December Case-Shiller home price index is forecast to hold steady with November's 5.3% year-over-year rate. The Conference Board's February reading on consumer confidence is expected to see a minimal downtick from January's 111.8 reading. The February Chicago PMI and Richmond Fed manufacturing indices will be released during morning US trading hours. Fed speakers will include Philadelphia Fed President Harker, San Francisco Fed President Williams and St. Louis Fed President Bullard during afternoon US trading hours.



TODAY'S MARKET IDEAS:

A bit of back and fill action is expected again this morning, as prices seemed to have run out of buying fuel into the recent highs, especially with expectations calling for mostly positive US scheduled data later this morning. Initial support in June bonds this morning is seen at 151-09, with the next layer of support seen down at 150-30. In order to turn the bias away from the bear camp, it would probably require a rally back above a downtrend channel resistance line that comes in this morning up at 152-08. As in many other financial markets, today's ranges might be narrow as traders avoid making key decisions in front of the President's address. However, pushed into the market today, one has to favor the downward track off anticipated US economic data flows.

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) 02/28/2017: Momentum studies are rising from mid-range, which could accelerate a move higher

if resistance levels are penetrated. 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 objective is 153-160. The next area of resistance is around 153-000 and 153-160, while 1st support hits today at 152-090 and below there at 152-010.

10 YR TREASURY NOTES (MAR) 02/28/2017: 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. The close below the 1st swing support could weigh on the market. The near-term upside objective is at 125-255. The next area of resistance is around 125-135 and 125-255, while 1st support hits today at 124-290 and below there at 124-240.

STOCKS COMMENTARY

02/28/17

A slightly positive bias early but ranges might be tight today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 -60

Global equity markets were generally lower overnight, with the world basically marking time ahead of the US President's first official speech before Congress. Scheduled data from Japan was positive overnight, but some inflation numbers from Europe were a little discouraging. The bull camp might hope to see some minor support from a series of upbeat US data points, especially with expectations calling for an upward revision in US GDP! Earnings announcements will include Bank of Nova Scotia, Bank of Montreal, Sempra Energy and Target before the Wall Street opening, while Salesforce.com and Palo Alto Networks report after the close.



S&P 500: While a general upward bias remains in place on the charts, it is clear the bull camp has lost some upside momentum. However, the trade is largely anticipating fresh news on tax reform, military and infrastructure spending, and that should leave the bull camp with residual buying fuel. With many market measures sitting close to all-time highs, a portion of the market is concerned that the speech will fail to inspire investors. The March E-mini S&P chart has managed to extend a pattern of higher closes, which leaves the charts positive, but the failure to hold above 2362.75 today could set the stage for a 2 or 3 day corrective setback. Those that want to be long for the speech should consider short-duration March E-mini S&P calls instead of long futures positions, as volatility over the coming 24 hours could be extensive.

Other US Indexes: While we see no reason to take control away from the bull camp in the March mini Dow, we also can't rule out a significant overnight reaction into Wednesday's opening. Initial support in the March mini Dow this morning comes in at 20,777 and then again down at 20,723. With open interest expanding on the recent extension into new all-time highs, it would appear that traders are supporting the drive higher.

Following last week's noted corrective setback, the March Mini NASDAQ has settled into an extremely tight coiling pattern on its charts. A lack of optimism toward tech sector issues is apparent by the markets yesterday basically discounting news that Berkshire Hathaway had invested heavily in Apple shares. Critical support in the March Mini NASDAQ today comes in at 5331.50, but it should also be noted that the market has started out today right on a 1 1/2 month old uptrend channel support line of 5336.50.

TODAY'S MARKET IDEAS:

While there is no reason to call for an end to the uptrend, it is possible that the coming 24 hours will present a very significant junction for investors and traders. Many will argue that a large portion of the gains in equities have been the result of expectations of growth acceleration off policies from a pro-business president. Therefore, the market will take no small measure of guidance from the tone and public reaction to specific policy initiatives. With opposition poised to hammer the President on social issues regarding repealing healthcare, the need for strong pro-growth efforts is significant. At least in the early going today, the market should be able to garner some temporary lift from positive US data, but we suspect many investors will be unwilling to make large bets given the prospect of uncertainty.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 02/28/2017: A new contract high was made on the rally. 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 mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 2376.93. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 2373.37 and 2376.93, while 1st support hits today at 2363.63 and below there at 2357.44.

MINI-DOW (MAR) 02/28/2017: The market made a new contract high 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 20888. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 20856 and 20888, while 1st support hits today at 20770 and below there at 20716.

E-MINI NASDAQ (MAR) 02/28/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive 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 5313.57. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 5362.37 and 5372.06, while 1st support hits today at 5333.13 and below there at 5313.57.

MINI-RUSSELL 2000 (MAR) 02/28/2017: The daily stochastics gave a bullish indicator with a crossover up. 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. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 1420.1. The next area of resistance is around 1415.2 and 1420.1, while 1st support hits today at 1397.2 and below there at 1384.0.

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	152-200	60.18	56.96	54.74	65.48	152.26	151.44	151.47	151.14	150.71
TYAAH7	125-050	57.96	56.25	61.90	71.30	125.14	124.74	124.74	124.44	124.31
SPA7	2365.00	86.76	81.25	96.02	96.94	2364.23	2355.31	2324.84	2289.39	2275.54
EPH7	2368.50	86.25	80.66	95.61	96.49	2364.50	2355.44	2324.82	2289.28	2275.55
TFEH7	1406.2	63.00	60.69	84.80	84.87	1399.15	1400.70	1387.26	1373.16	1371.01
ENQH7	5347.75	78.24	77.14	94.74	93.57	5344.06	5326.69	5255.75	5115.36	5052.35
YMH7	20813	84.97	80.59	96.57	97.06	20787.50	20682.00	20360.67	20043.02	19917.28

Calculations based on previous session. Data collected 02/27/2017

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	152-000	152-080	152-240	153-000	153-160
TYAAH7	10 Yr Treasury Notes	124-235	124-285	125-085	125-135	125-255
SPA7	S&P 500	2356.20	2360.40	2365.40	2369.60	2374.60
EPH7	S&P E-Mini	2357.43	2363.62	2367.18	2373.37	2376.93
TFEH7	Mini-Russell 2000	1383.9	1397.1	1402.0	1415.2	1420.1
ENQH7	E-Mini NASDAQ	5313.56	5333.12	5342.81	5362.37	5372.06
YMH7	Mini-Dow	20716	20770	20802	20856	20888

Calculations based on previous session. Data collected 02/27/2017

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CURRENCIES COMMENTARY

02/28/17

Sell a US GDP inspired early rally

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

US DOLLAR -170, YEN +490, SWISS +47, CA DOLLAR -125

Upcoming International Reports (all times CT)

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
03/01 Personal Income 7:30 AM
03/01 Construction Spending 9:00 AM
03/01 ISM Manufacturing Index 9:00 AM
03/01 EIA Energy Stocks 9:30 AM



DOLLAR: The dollar index continues to exhibit poor action on its charts, despite periodic positive data results. We expect a similar situation today where positive data results in a temporary flare up before profit-taking and fresh selling surfaces. We would suggest traders become sellers on a bounce to 1.0128 in the March dollar index. Significant resistance should be seen off the top of a downtrend channel resistance line of 1.0148.

EURO: While the euro appeared to garner some support from inflation data overnight, it could have a difficult time sustaining the early gains through this morning's US schedule data window. An upward revision in US GDP figures should be more than enough to knock the March euro back down to critical support at 1.0569. Underpinning the currency today is the fact that both French and Italian inflation readings would seem to put deflation in the euro zone in the rearview mirror.

YEN: With Japanese industrial output declining in January, a large measure of the optimism toward that economy of late has been moderated. With solid double-low support down at 88.65 and the prospect for increased safe haven interest over the coming 24 hours of trade, we have to leave the bias pointing upward in the Yen, but it should be expected to swing wildly in opposition to the dollar.

SWISS: The Swiss KOF rose sharply overnight and reached the highest level since 2013, and that should provide the Swiss franc with a strong fundamental underpin. The prior month's reading was revised higher as well, and that should provide the currency with a better macroeconomic differential with the euro zone. Critical support in the March Swiss today is seen at 99.37, and there might be little in the way of resistance until the 99.84 level.

POUND: Sloppy to negative charts combined with talk of UK government spending cuts would seem to leave the bear camp in control of the Pound. As we have been suggesting for a number of months, the Pound needs to see strong expanding global growth to overcome the drag of BREXIT. Therefore, the failure to come out of the following 24 hours without a strong risk-on vibe could spell a noted washout in the Pound. We can't rule out at least a temporary retest of the 1.2353 February spike low in the next 24 hours.

CANADIAN DOLLAR: The charts in the Canadian lean bearish, and it also seems as if the prospect of pro-growth policies in the US is poised to add to its slight downward track. With a fresh lower low for the move overnight and the prospect for positive US schedule data, we can't argue against a near term retest of 75.70 in the March Canadian dollar.

TODAY'S MARKET IDEAS:

Expect initial gains in the Dollar off data but we doubt that rally will sustain.

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) 02/28/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 objective is now at 100.46. The next area of resistance is around 101.43 and 101.65, while 1st support hits today at 100.84 and below there at 100.46.

EURO (MAR) 02/28/2017: The daily stochastics gave a bullish indicator with a crossover up. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 106.7350. The next area of resistance is around 106.3200 and 106.7350, while 1st support hits today at 105.5300 and below there at 105.1550.

JAPANESE YEN (MAR) 02/28/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down is a negative indicator for prices. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside target is at 89.61. The next area of resistance is around 89.10 and 89.61, while 1st support hits today at 88.37 and below there at 88.14.

SWISS (MAR) 02/28/2017: 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 market tilt is slightly negative with the close under the pivot. The next downside target is now at 98.72. The next area of resistance is around 99.41 and 99.77, while 1st support hits today at 98.89 and below there at 98.72.

DAILY TECHNICAL STATISTICS

CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW	14 DAY SLOW	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
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	STOCH D			STOCH K						
CURRENCY COMPLEX										
DXAH7	101.13	56.80	53.99	69.83	68.10	101.12	101.04	100.72	101.12	101.27
JYAH7	88.73	53.92	53.60	57.91	63.83	88.81	88.40	88.58	87.55	87.43
EU6H7	105.9250	43.91	44.93	24.29	26.11	105.79	105.96	106.56	106.36	106.36
BPAH7	124.41	45.37	47.63	41.59	42.54	124.77	124.70	124.99	124.18	124.64
CAAH7	75.92	40.63	46.04	44.55	40.19	76.14	76.27	76.35	75.78	75.69
SFAH7	99.15	38.23	42.47	26.07	23.51	99.26	99.48	99.98	99.50	99.35
DAAH7	76.72	56.08	59.77	71.62	64.87	0.77	0.77	0.77	0.75	0.75

Calculations based on previous session. Data collected 02/27/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	100.45	100.83	101.05	101.43	101.65
JYAH7	Japanese Yen	88.13	88.36	88.87	89.10	89.61
EU6H7	Euro	105.1550	105.5299	105.9450	106.3200	106.7350
BPAH7	British Pound	123.39	123.92	124.36	124.89	125.33
CAAH7	Canadian Dollar	75.48	75.64	76.03	76.19	76.59
SFAH7	Swiss	98.71	98.88	99.24	99.41	99.77
DAAH7	Australian Dollar	76.27	76.47	76.76	76.96	77.25

Calculations based on previous session. Data collected 02/27/2017

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