



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Wednesday March 01, 2017

BONDS COMMENTARY

03/01/17

Macro-economic optimism sends safe haven money out of Treasuries

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -1110

Global equity markets were higher across the board overnight and the markets were presented with favorable Chinese manufacturing surveys and therefore the trade retains economic optimism from the President's State of the Union speech. Tempering the optimism slightly is UK February manufacturing PMI readings that came in below expectations and February German unemployment readings that failed to show any change. All things considered the bear camp today has a number of themes working in its favor. In addition to residual euphoria from the state of the union address the bear camp also has the benefit of hawkish Fed comments from the prior trading session. In fact comments from two Fed members seem to definitively rekindle the prospect of a March US rate hike and that combined with a recent overbought technical condition as well as overnight damage on the charts could send Treasury prices back down toward the bottom of the last two month's consolidation which is roughly 2 points below this morning's early trade. While there will be an extremely active US schedule report slate today we aren't sure the data promises to be a major fresh catalyst because expectations call for a mixture of positive and negative results. In fact from a casual perusal of early expectations there might be one positive economic reading and two contractionary readings. However it should be noted that the net changes anticipated in the data this morning look to be minimal. In the end definitive risk-on leaves bonds and notes out-of-favor. The North American session will start out with January personal income which is expected to hold steady with December's +0.3% reading. The February ISM manufacturing index is forecast to see a modest downtick from January's 56.0 reading. January construction spending is expected to see a moderate increase from December's -0.2% reading and climb into positive territory. Later in the morning, the Bank of Canada's latest monetary policy meeting is expected to result in no change to either rates or policy. In the early afternoon, the latest FOMC Beige Book will be released. Dallas Fed President Kaplan and Fed Governor Brainard will speak during afternoon US trading hours.



TODAY'S MARKET IDEAS:

As indicated already both technical and fundamental conditions favor the bear camp today. With another round of new all-time highs throughout many stock market measures, increased talk of a March rate hike from the Fed and fresh damage on the charts that should leave the bear camp with firm control. Initial downside targeting in June bonds is seen at 150-01 with the 50 day moving average down at 149-27 another potential targeting level. Given the wave of economic optimism and the bond market's positioning on its charts it might be possible to see the 148-16 level challenged in upcoming sessions.

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 (JUN) 03/01/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 152-130. The next area of resistance is around 151-240 and 152-130, while 1st support hits today at 150-260 and below there at 150-160.

10 YR TREASURY NOTES (JUN) 03/01/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside target is at 125-020. The next area of resistance is around 124-200 and 125-020, while 1st support hits today at 123-305 and below there at 123-225.

STOCKS COMMENTARY

03/01/17

The bulls retain control off an extension of "hope"

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 +1200

Global equity markets were higher across the board overnight off President Trump's State of the Union speech and also because of favorable Chinese economic news. The market might also be drafting some measure of support from favorable Lowe's earnings and favorable same store sales results. While it is unclear how long the bullish tail of the "speech" will drive prices up the optimism will have to survive the coming attack from the "other side" of the political aisle. In looking ahead to US scheduled data we suspect that Personal Income and Personal Spending results might be positive but that news looks to be partially countervailed by subsequent US data. Earnings announcements today include Lowe's, Dollar Tree and Best Buy before the Wall Street opening while Broadcom and Monster Beverage report after the close.



S&P 500: With another big range up new all-time high move overnight the E-mini S&P has clearly left the late February sideways consolidation pattern behind. With the latest commitments of traders positioning report not showing an excessive net long positioning the market should not lack additional buying capacity. If one were to use a classic measurement of the late February consolidation pattern one could come away with an upside targeting of 2391. Uptrend channel support is seen at 2361.50 but closer in and perhaps a more important pivot point is seen at 2370.75.

Other US Indexes: Like other measures of the market the mini Dow has forged yet another range up new all-time high extension and that should keep would be sellers on the bench. Critical pivot point support in the March mini Dow today is seen at 20,834 but the bull camp should derive additional lift from favorable earnings from Lowe's this morning. Given the corrective sideways action in the Mini NASDAQ at the end of last month one might suggest the NASDAQ has plenty of buying capacity in reserve. Using the late February consolidation zone as an upside measuring tool would project a near term targeting of 5423 in the March Mini NASDAQ contract. Uptrend channel support today is seen at 5329.30 and that support level rises to 5341.60 on Thursday.

TODAY'S MARKET IDEAS:

While one might suggest the euphoria from the Trump machine is becoming overdone it is difficult to derail optimism without some key headline negative. About the most significant threat to the bull case is recent hawkish rumblings from a pair of Fed members but even that issue has been relegated to a backseat this morning. Therefore one should not fight the trend.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 03/01/2017: The daily stochastics have crossed over down which is a bearish indication. 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 2351.69. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 2368.37 and 2374.18, while 1st support hits today at 2357.13 and below there at 2351.69.

MINI-DOW (MAR) 03/01/2017: 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 next upside objective is 20866. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 20840 and 20866, while 1st support hits today at 20778 and below there at 20743.

E-MINI NASDAQ (MAR) 03/01/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. 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 now at 5299.75. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5348.50 and 5365.75, while 1st support hits today at 5315.50 and below there at 5299.75.

MINI-RUSSELL 2000 (MAR) 03/01/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The intermediate trend has turned down with the cross over back below the 18-day moving average. The close below the 1st swing support could weigh on the market. The next downside objective is now at 1363.8. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 1394.9 and 1412.5, while 1st support hits today at 1370.6 and below there at 1363.8.

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										
USAAM7	151-090	59.08	56.25	59.38	68.25	151.30	150.40	150.33	149.95	149.56
TYAAM7	124-090	50.94	51.67	63.31	65.88	124.61	124.25	124.22	123.90	123.77
SPA7	2355.00	77.53	76.10	95.72	95.12	2364.70	2358.18	2329.74	2291.67	2278.36
EPH7	2362.75	80.43	77.34	94.82	93.96	2363.88	2358.11	2329.54	2291.54	2278.31
TFEH7	1382.8	45.12	49.75	80.64	73.33	1393.15	1397.88	1388.68	1373.44	1372.13
ENQH7	5332.00	71.30	73.08	93.19	90.53	5337.50	5332.50	5265.64	5123.81	5060.85
YMH7	20809	84.96	80.58	96.63	96.94	20797.75	20717.00	20415.06	20063.71	19946.07

Calculations based on previous session. Data collected 02/28/2017

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

DAILY SWING STATISTICS

Contract	Support 2	Support 1	Pivot	Resist 1	Resist 2
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FINANCIAL COMPLEX

USAAM7	Bonds	150-150	150-250	151-140	151-240	152-130
TYAAM7	10 Yr Treasury Notes	123-220	123-300	124-120	124-200	125-020
SPA7	S&P 500	2350.17	2350.45	2359.27	2359.55	2368.37
EPH7	S&P E-Mini	2351.68	2357.12	2362.93	2368.37	2374.18
TFEH7	Mini-Russell 2000	1363.8	1370.5	1388.1	1394.9	1412.5
ENQH7	E-Mini NASDAQ	5299.75	5315.50	5332.75	5348.50	5365.75
YMH7	Mini-Dow	20742	20778	20804	20840	20866

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CURRENCIES COMMENTARY

03/01/17

Positive equities means positive Dollar action again today

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +690, YEN -1245, SWISS -59, CA DOLLAR -170**

Upcoming International Reports (all times CT)

03/01 Swiss PMI 2:30 AM
 03/01 France Manufacturing PMI 2:50 AM
 03/01 German Manufacturing PMI 2:55 AM
 03/01 Euro-Zone Manufacturing PMI 3:00 AM
 03/01 German Employment Situation 3:00 AM
 03/01 UK CIPS/NTC Research Manufac 3:30 AM
 03/01 Canadian Economic Accounts 7:30 AM
 03/01 Personal Income 7:30 AM
 03/01 Canadian Monetary Policy 9:00 AM
 03/01 Construction Spending 9:00 AM
 03/01 ISM Manufacturing Index 9:00 AM
 03/01 EIA Energy Stocks 9:30 AM
 03/01 Japan Manufacturing PMI 6:35 PM
 03/02 France Unemployment Situatio 12:30 AM
 03/02 Swiss GDP 12:45 AM
 03/02 Swiss Retail Sales 2:15 AM
 03/02 Euro-zone Industrial Produce 4:00 AM
 03/02 Euro-zone Unemployment Rate 4:00 AM
 03/02 Canadian GDP (By Industry) 7:30 AM
 03/02 Initial Jobless Claims 7:30 AM
 03/02 EIA Gas Storage 9:30 AM
 03/02 Japan Consumer Price Index 5:30 PM
 03/02 Japan Household Spending 5:30 PM
 03/02 Japan Unemployment Rate 5:30 PM
 03/02 Japan Consumer Confidence Su 11:00 PM



DOLLAR: The strength in the dollar this morning is not surprising considering domestic events of the last 24 hours but the strength this morning is somewhat surprising in the wake of favorable Chinese manufacturing results. However definitively hawkish dialogue from Fed members yesterday wasn't given much attention due to the impending state of the union address. Therefore some of the upside extension in the dollar index this morning is clearly catch up to the increase in rate hike prospects in the March Fed meeting. While personal income readings might remain in positive territory this morning subsequent data might chip away slightly at the bull's control. At least in the near term we can't argue against a probe back above 1.02.

EURO: With the dollar in a full upward thrust on its charts and optimism toward US prospects dominating the headlines it might be difficult for the March euro to hold at 1.05. In addition to a failure below the 50 day moving average in each of the prior two trading sessions the euro is also undermined as result the anticipated release of a post BREXIT white paper. One might've expected the euro to have derived some support from news that euro zone factory activity reached a six year high but instead the trade is focused on even brighter prospects for the

US.

YEN: In addition to the dollar inspired pressure on the Yen the Japanese currency saw an additional undermine from soft Japanese manufacturing results overnight. Given the wave of optimism toward the greenback one could easily see the March Yen fall down to its 50 day moving average of 87.43. An even lower downside targeting in the March Yen is seen at 87.04 especially if widespread euphoria remains in place for another 24 hours.

SWISS: The best thing for the bull camp in the Swiss is its relative close proximity to the last two weeks consolidation lows. However the March Swiss has once again fell below its 50 day moving average and is facing definitive dollar pressure which in turn could easily send the currency back down to the February low of 98.70. In fact with optimism toward the US dominating and favorable euro zone factory data the Swiss loses out on a number of fronts.

POUND: While the UK saw an increase in consumer credit and an uptick in export orders that was more than offset by news that UK factory growth slowed and mortgage lending weekend. It also goes without saying that the pound has definitively negative technical signals from a downside breakout, a decline below the 50 day moving average and the inability to respect consolidation low support. In fact there would seem to be little in the way of support in the March pound until 1.2273.

CANADIAN DOLLAR: Few expect any change in policy from the bank in Canada today but it is clear that the wave of overt strength in the US dollar is set to keep the Canadian pinned down to a critical pivot point of 75.00. While we can't argue against a temporary probe above 74.73 we doubt the Canadian is poised for a sustained slide in the face of improving global economic expectations. In other words the Canadian can rarely stand up to the US dollar but in this case the Canadian is at what appears to be a good value zone on its charts and its economy looks to benefit from US and Chinese forward motion.

TODAY'S MARKET IDEAS:

Let the Dollar run for at least another trading session.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 03/01/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. The crossover up in the daily stochastics is a bullish signal. Rising stochastics at overbought levels warrant some caution for bulls. 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 target is at 101.76. The next area of resistance is around 101.62 and 101.76, while 1st support hits today at 101.06 and below there at 100.64.

EURO (MAR) 03/01/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. 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 target is at 106.5700. The next area of resistance is around 106.1350 and 106.5700, while 1st support hits today at 105.4850 and below there at 105.2700.

JAPANESE YEN (MAR) 03/01/2017: 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. The outside day down is a negative signal. The market's close below the pivot swing number is a mildly negative setup. The

next upside target is 89.81. The next area of resistance is around 89.11 and 89.81, while 1st support hits today at 88.17 and below there at 87.93.

SWISS (MAR) 03/01/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. The daily stochastics have crossed over up which is a bullish indication. Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 100.41. The next area of resistance is around 99.92 and 100.41, while 1st support hits today at 99.00 and below there at 98.56.

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	101.34	61.39	56.74	69.95	70.19	101.15	101.05	100.80	101.08	101.28
JYAH7	88.64	52.70	52.84	59.24	62.39	88.85	88.51	88.58	87.62	87.44
EU6H7	105.8100	42.08	43.83	25.71	28.57	105.82	105.95	106.45	106.38	106.35
BPAH7	123.91	40.55	44.52	38.64	32.34	124.61	124.61	124.83	124.19	124.62
CAAH7	75.15	27.61	36.09	39.42	27.13	75.96	76.14	76.27	75.80	75.70
SFAH7	99.46	45.53	46.63	26.39	27.02	99.33	99.49	99.90	99.54	99.36
DAAH7	76.49	49.49	55.24	66.75	56.13	0.77	0.77	0.77	0.75	0.75

Calculations based on previous session. Data collected 02/28/2017

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	100.63	101.05	101.19	101.62	101.76
JYAH7	Japanese Yen	87.92	88.16	88.86	89.11	89.81
EU6H7	Euro	105.2700	105.4850	105.9200	106.1350	106.5700
BPAH7	British Pound	123.28	123.49	124.11	124.32	124.94
CAAH7	Canadian Dollar	74.49	74.72	75.34	75.58	76.20
SFAH7	Swiss	98.55	98.99	99.48	99.92	100.41
DAAH7	Australian Dollar	76.16	76.27	76.59	76.70	77.03

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