



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday March 02, 2017

BONDS COMMENTARY

03/02/17

Sell rallies as the trend remains down

OVERNIGHT CHANGES THROUGH 6:05 AM (CT): BONDS -20

With a little bit of weakness in international equities overnight, mixed international data and a short-term oversold condition in bonds and notes it isn't surprising to see a modest bounce this morning. However given the widespread euphoria emanating from US equity markets this week and hawkish dialogue from two Fed members earlier this week it would appear that Treasuries are raising their expectations for a rate hike later this month. With euro zone inflation coming in above ECB targeting, Chinese factory growth beating expectations earlier this week and US inflation measures starting to attract the attention of the Hawks the new found talk of a hike is justified. In fact one Fed member overnight indicated that the US was already at full employment and therefore we would think a March rate hike is more likely than not. However, today's US schedule economic data is not likely to provide much in the way of distinct direction as claims are expected to post a minimal change. On the other hand a private layoff report could interject some volatility but that report might be given less importance because the monthly payroll report isn't due out this week. The North American session will start out with the February Challenger jobs cuts reading, followed by a weekly reading on initial jobless claims that are expected to see a modest decline from the previous 244,000 reading. Fourth quarter Canadian GDP is expected to see a notable decline from the third quarter's 3.5% annualized rate. Cleveland Fed President Mester will speak during late afternoon hours.



TODAY'S MARKET IDEAS:

While bonds and notes are short-term oversold on their charts it is difficult to deny the downward bias from a fundamental and technical perspective. In fact, a rising chorus of rate hike expectations is given significant credence in the wake of this week's euphoria. Unless slack data provides some cushion quickly it is difficult to argue against a return to the February consolidation lows down around 148-16 in June Bonds and 123-12 in June notes. In our opinion short covering bounces off minimal weakness in schedule data over the coming two sessions should be seen as a selling opportunity. Keep in mind there will be a Fed speech later this afternoon and so far this week Fed dialogue has definitively come down in favor of the Hawks.

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) 03/02/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. The daily stochastics have crossed over down which is a bearish indication. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The close below

the 2nd swing support number puts the market on the defensive. The next downside objective is 147-310. The next area of resistance is around 150-190 and 151-280, while 1st support hits today at 148-210 and below there at 147-310.

10 YR TREASURY NOTES (JUN) 03/02/2017: The market back below the 60-day moving average suggests the longer-term trend could be turning down. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 123-060. The next area of resistance is around 124-030 and 124-165, while 1st support hits today at 123-140 and below there at 123-060.

STOCKS COMMENTARY

03/02/17

Normal back and fill corrective balancing not a trend change

OVERNIGHT CHANGES THROUGH 6:05 AM (CT): S&P 500 -170

Global equity markets were mixed overnight but the losers outnumbered the winners. It goes without saying that many market measures are short-term technically overdone and perhaps in need of some fresh bullish headline fodder.

There will be a tech sector IPO (SNAP) on the opening this morning and the action in that stock could be the primary driving force early on. Earnings from Anheuser-Busch InBev were a little disappointing and we suspect fears of a US rate hike are starting to prompt some long profit-taking in stocks. In fact traders and investors will probably begin to parse Fed speeches closely for clues on the Fed's intentions in their next meeting. Earnings announcements included Anheuser Busch Inbev and Canadian National Resource before the Wall Street opening with Costco Wholesale reporting after the close.



S&P 500: It goes without saying that the 38 point low to high range in the E-mini S&P yesterday puts the market into a short-term overbought technical condition. One might also suggest that international psychology was mixed to a little negative overnight and it is possible that the euphoria from the state of the union address is dissipating quickly. Initial support in the March E-mini S&P today is seen at 2389.50 and then again down at 2385.75. In order to rekindle bullish psychology and potentially signal another wave up move might require an early move above 2393.50.

Other US Indexes: With a 352 point low to high rally in the mini Dow index yesterday it is also short-term technically overdone. However the bull camp will suggest that proposed changes to the US economic condition are long-term in nature and there is evidence that the rest of the world is getting back on its feet. While uptrend channel support is all the way down at 20,866 that support level rises to 20,923 on Friday. Closer in consolidation support is seen at 21,074. As indicated already there will be a tech sector IPO offering on the opening and that could have an outsized impact on the Mini NASDAQ early on. Initial consolidation support is seen at 5379.50 but it could take a rally back above 5389.00 to suggest a restart of the uptrend pattern.

TODAY'S MARKET IDEAS:

Sentiment is short-term overdone and the scheduled news flow today does not appear to be capable of fanning aggressive bullish interest among investors and traders. However as mentioned before the anticipated changes to the US economy through regulations and taxation are longer-term in nature and potentially very significant. Traders might use normal retracement analysis off the last five days action to determine reentry points off normal back and fill action.

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) 03/02/2017: The market made a new contract high on the rally. 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 market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside objective is 2349.82. The 9-Day RSI over 90 suggests the market is extremely overbought. The next area of resistance is around 2411.87 and 2425.31, while 1st support hits today at 2374.13 and below there at 2349.82.

MINI-DOW (MAR) 03/02/2017: The rally brought the market to a new contract high. The daily stochastics gave a bearish indicator with a crossover down. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. 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 downside objective is 20684. The 9-Day RSI over 90 suggests the market is extremely overbought. The next area of resistance is around 21262 and 21388, while 1st support hits today at 20910 and below there at 20684.

E-MINI NASDAQ (MAR) 03/02/2017: The market rallied to a new contract high. 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 close above the 9-day moving average is a positive short-term indicator for trend. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside target is now at 5307.63. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 5419.25 and 5443.62, while 1st support hits today at 5351.25 and below there at 5307.63.

MINI-RUSSELL 2000 (MAR) 03/02/2017: The market made a new contract high on the rally. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 1375.9. The next area of resistance is around 1427.7 and 1437.1, while 1st support hits today at 1397.1 and below there at 1375.9.

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 | 149-200 | 43.63 | 46.54 | 60.06 | 59.40 | 151.16 | 150.55 | 150.37 | 150.01 | 149.58 |
| TYAAM7 | 123-245 | 41.68 | 45.37 | 62.33 | 56.90 | 124.51 | 124.33 | 124.23 | 123.93 | 123.78 |
| SPA7 | 2393.50 | 86.53 | 82.69 | 95.39 | 94.72 | 2372.38 | 2362.97 | 2336.31 | 2294.66 | 2281.81 |
| EPH7 | 2393.00 | 90.89 | 85.07 | 94.76 | 94.08 | 2372.00 | 2363.08 | 2336.26 | 2294.59 | 2281.80 |
| TFEH7 | 1412.4 | 61.82 | 60.21 | 80.03 | 78.34 | 1398.20 | 1399.67 | 1390.66 | 1374.34 | 1373.40 |
| ENQH7 | 5385.25 | 80.94 | 78.95 | 92.87 | 91.77 | 5351.94 | 5340.92 | 5280.07 | 5133.93 | 5071.72 |
| YMH7 | 21086 | 90.75 | 85.65 | 96.59 | 96.03 | 20874.00 | 20770.33 | 20486.89 | 20091.27 | 19978.90 |

Calculations based on previous session. Data collected 03/01/2017

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

| | | | | | | |
|--------|----------------------|---------|---------|---------|---------|---------|
| USAAM7 | Bonds | 147-300 | 148-200 | 149-290 | 150-190 | 151-280 |
| TYAAM7 | 10 Yr Treasury Notes | 123-055 | 123-135 | 123-270 | 124-030 | 124-165 |
| SPA7 | S&P 500 | 2352.12 | 2375.64 | 2387.82 | 2411.34 | 2423.52 |
| EPH7 | S&P E-Mini | 2349.81 | 2374.12 | 2387.56 | 2411.87 | 2425.31 |
| TFEH7 | Mini-Russell 2000 | 1375.8 | 1397.1 | 1406.5 | 1427.7 | 1437.1 |
| ENQH7 | E-Mini NASDAQ | 5307.62 | 5351.25 | 5375.62 | 5419.25 | 5443.62 |
| YMH7 | Mini-Dow | 20684 | 20910 | 21036 | 21262 | 21388 |

Calculations based on previous session. Data collected 03/01/2017

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CURRENCIES COMMENTARY

03/02/17

The Dollar has no competition at present

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +230, YEN -475, SWISS -31, CA DOLLAR -120**

Upcoming International Reports (all times CT)

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
03/03 German Retail Sales 1:00 AM
03/03 France Services PMI 2:50 AM
03/03 German Service PMI 2:55 AM
03/03 Euro-Zone Services PMI 3:00 AM
03/03 UK CIPS/NTC Research Service 3:30 AM
03/03 Euro-zone Retail Trade 4:00 AM
03/03 ISM Non-Manufacturing Index 9:00 AM
03/03 Japan Services PMI 6:35 PM



DOLLAR: While the new high for the move in the dollar this morning isn't that impressive the index has reached up to the highest level since January 11th in a move that we think is largely the result of rising expectations of Fed action later this month. In fact a Fed member overnight indicated that the US was at full employment and inflation is starting to rear its head that leaves many analysts and economists with the conclusion that the Fed must act soon. At least in the short-term it is difficult to deny more gains in the dollar with little in the way of resistance seen until the 1.0218 level. While we don't expect the dollar to see much reaction to this week's initial claims data a private layoff survey may temporarily drive volatility into the market.

EURO: Given the upside breakout in the dollar and somewhat disappointing euro zone economic data overnight it is not surprising to see the euro under pressure to start today. In addition to some weakness in Spanish GDP the market was also presented with somewhat hotter than expected euro zone inflation data and therefore the trade in the euro comes away with a mixed fundamental view to start. In conclusion the path of least resistance remains down and it could be difficult to avoid a retest of the 1.05 level but at this point we also expect to see at least a temporary downside breakout and the lowest euro price since January 11th.

YEN: With the definitive risk on vibe dominating this week's market focus it isn't surprising to see the Yen in a downside extension. The sentiment toward the Yen is so bearish that potentially supportive yield comments from the Bank of Japan overnight have been largely ignored. Near term downside targeting in the March Yen is seen at

87.04. It should also be noted that the March Yen this morning traded right down on its 50 day moving average of 87.48 and the failure to hold that level could spark a compacted downside extension.

SWISS: With the March Swiss once again falling below the 50 day moving average and tracking toward the late February consolidation lows it is difficult to argue against a downside extension on the charts. An initial pivot point this morning is seen down at 98.70 but a decline to the lowest levels since January 11th might be on the cards. In fact an uptick in euro zone inflation readings probably adds to the weight hanging over the Swiss.

POUND: Like other non-dollar currencies the Pound is in the midst of an early downside extension on its charts. The negative fundamental bias toward the pound is evident in the markets interpretation of UK construction result overnight. Despite seeing UK construction pick up slightly last month the trade instead decided to focus on a slowdown in new orders. While the March pound may have found some measure of technical support at the 1.2250 level there does not appear to be a fundamental reason to call for an end to the slide. In fact another wrinkle in the BREXIT process suggests the political winds will remain a pressure on the currency.

CANADIAN DOLLAR: Fresh damage on the Canadian charts combines with a lack of action from the Bank of Canada and extreme optimism toward the US for a definitively bearish condition. While the March Canadian might find some support at a January spike low of 74.73 we can't argue against an ultimate probe down to 74.50. Fourth quarter Canadian GDP is expected to see a notable decline from the third quarter's 3.5% annualized rate.

TODAY'S MARKET IDEAS:

The Dollar remains in control as long as rate hike expectations are on the rise.

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) 03/02/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. The daily stochastics gave a bullish indicator with a crossover up. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 102.44. The next area of resistance is around 102.14 and 102.44, while 1st support hits today at 101.38 and below there at 100.92.

EURO (MAR) 03/02/2017: 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The near-term upside objective is at 106.2962. The next area of resistance is around 105.8825 and 106.2962, while 1st support hits today at 105.1175 and below there at 104.7663.

JAPANESE YEN (MAR) 03/02/2017: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. A bearish signal was triggered on a crossover down in the daily stochastics. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 87.07. The next area of resistance is around 88.49 and 89.10, while 1st support hits today at 87.47 and below there at 87.07.

SWISS (MAR) 03/02/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. The daily stochastics have crossed over down which is a bearish indication. Momentum studies are

still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 98.39. The next area of resistance is around 99.53 and 99.90, while 1st support hits today at 98.77 and below there at 98.39.

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 | 101.76 | 69.64 | 62.17 | 70.05 | 72.68 | 101.28 | 101.18 | 100.90 | 101.05 | 101.30 |
| JYAH7 | 87.98 | 44.38 | 47.37 | 60.47 | 58.64 | 88.79 | 88.61 | 88.56 | 87.69 | 87.45 |
| EU6H7 | 105.5000 | 37.66 | 41.11 | 26.22 | 26.95 | 105.74 | 105.88 | 106.33 | 106.40 | 106.32 |
| BPAH7 | 122.86 | 32.38 | 38.78 | 33.74 | 22.24 | 124.00 | 124.44 | 124.71 | 124.18 | 124.57 |
| CAAH7 | 74.94 | 25.00 | 33.83 | 33.08 | 18.97 | 75.65 | 75.98 | 76.17 | 75.82 | 75.70 |
| SFAH7 | 99.15 | 40.81 | 43.55 | 26.93 | 26.71 | 99.31 | 99.47 | 99.81 | 99.57 | 99.36 |
| DAAH7 | 76.75 | 56.11 | 59.45 | 64.60 | 57.70 | 0.77 | 0.77 | 0.77 | 0.75 | 0.75 |

Calculations based on previous session. Data collected 03/01/2017

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DAILY SWING STATISTICS

| Contract | | Support 2 | Support 1 | Pivot | Resist 1 | Resist 2 |
|-------------------------|-------------------|-----------|-----------|----------|----------|----------|
| CURRENCY COMPLEX | | | | | | |
| DXAH7 | US Dollar | 100.92 | 101.38 | 101.68 | 102.14 | 102.44 |
| JYAH7 | Japanese Yen | 87.06 | 87.47 | 88.08 | 88.49 | 89.10 |
| EU6H7 | Euro | 104.7662 | 105.1175 | 105.5312 | 105.8825 | 106.2962 |
| BPAH7 | British Pound | 121.89 | 122.23 | 123.15 | 123.49 | 124.41 |
| CAAH7 | Canadian Dollar | 74.58 | 74.73 | 75.00 | 75.15 | 75.42 |
| SFAH7 | Swiss | 98.38 | 98.77 | 99.14 | 99.53 | 99.90 |
| DAAH7 | Australian Dollar | 76.05 | 76.42 | 76.70 | 77.07 | 77.35 |

Calculations based on previous session. Data collected 03/01/2017

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