



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday March 03, 2017

BONDS COMMENTARY

03/03/17

The path of least resistance remains down as Fed threat remains

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS -40

Global equity markets were lower overnight, Japan posted weaker than expected readings for January household spending and Chinese services PMI presented a dip and that should have given Treasuries a measure of lift to start. However, the European session started out with Eurozone services and composite PMI readings that managed to reach the highest levels in 6 years! Despite a mixture of positive and negative international economic data points overnight the path of least resistance in US Treasuries looks to remain down this morning. In addition to a fresh 44 year low in initial unemployment claims yesterday the trade is also poised to see another wave of Fed speeches today which are anticipated to echo the hawkish Fed comments seen earlier in the week. However a lack of definitive risk-on optimism from the equity markets probably takes some pressure off bond and note prices to start the Friday morning trade. An issue that has slipped back into the headlines is a looming collision with the US debt ceiling again but that issue in the past has been seen as a safe haven windfall. With German Bund yields set for the biggest weekly increase in nearly 4 months and the Bank of Japan reducing buying in long maturity instruments there are a number of forces leaning in favor of a drift upward in global rates. Another story that might be negative to US bonds and notes is talk of rising investor interest in high-risk junk bonds. Seeing increased interest in high risk junk bond interests can sometimes be a sign of rising confidence in the economy as a whole which in turn should pressure Treasuries. While there will be a flurry of Fed speeches today the midday speech from the Fed Chairman will certainly receive the most attention. On the other hand speeches from Evans and Lacker early in the day are likely to set the tone. The North American session will be highlighted by the ISM non-manufacturing index which is expected to hold steady with January's 56.5 reading. There will be a busy day of Fed speeches which will include Chicago Fed President Evans and Richmond Fed President Lacker speaking during morning US trading hours, Fed Governor Powell speaking at midday and Fed Vice Chair Fischer speaking during early afternoon hours. However, it may be the comments of Fed Chair Yellen speaking at a luncheon in Chicago that might receive the most market scrutiny given the hawkish shift in Fed rhetoric in recent days.



TODAY'S MARKET IDEAS:

Clearly the brunt of "Fed Speak" this week has favored the bear camp. The fact that treasuries are not garnering more support from week Asian economic data overnight highlights the prevailing downward bias on the charts. While June bonds might see some initial support at 149-00 minimally hawkish dialogue from Fed speeches could easily project a low today down at 148-23. Initial downside targeting in June notes is seen at 123-11 and it could take a rally back above 123-19 to begin to alter the bearish bias. If there is a definitive reason to bounce later in the session that will have to come off expanding weakness in equities or from a Fed hint that a March rate hike is not a cinch.

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) 03/03/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 now at 148-060. The next area of resistance is around 149-220 and 150-070, while 1st support hits today at 148-220 and below there at 148-060.

10 YR TREASURY NOTES (JUN) 03/03/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. 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 objective is now at 123-035. The next area of resistance is around 123-240 and 124-000, while 1st support hits today at 123-100 and below there at 123-035.

STOCKS COMMENTARY

03/03/17

The bears have an edge especially into Fed speech windows

OVERNIGHT CHANGES THROUGH 6:05 AM (CT): S&P 500 -320

Global equity markets were all lower overnight with all the markets down less than 1%. At least to start today it would appear as if the definitive risk on wave is waning. In fact the inability of the bull camp to benefit from a very favorable and widely covered tech sector IPO event highlights a market that is unable to grasp potential windfalls. In looking ahead the markets are facing an extended list of Fed speeches which are largely expected to provide additional hints of action from the Fed later this month. With the initial lower low track and the extending corrections from this week's highs some measure of a rate hike is factored into prices. However given the compacted two day rally earlier in the week, the overbought condition into the March 1st high and what appears to be a lull in pro-growth policy attention in the headlines the bear camp clearly holds sway. Earnings announcements will include Big Lots before the Wall Street open.



S&P 500: The March E-mini S&P from this week's high to the overnight low is down 27 points and it would appear that the overnight fundamental news flow has left control in the hands of the bear camp. Near term downside targeting in the March E-mini S&P is seen down at the top of a late February consolidation zone of 2370.75. Uptrend channel support off the last three weeks action is seen at 2370.10 but pushed into the market today we have to favor the downward tilt.

Other US Indexes: Like the rest of the market the mini Dow has remained under pressure to start the last trading session of the week. However it does appear as if the 21,000 level is offering up some measure of support but scheduled data and the Fed speech schedule today favors more downside action. Initial uptrend channel support today is seen at 20,880 and then at 20,834 in the March mini Dow contract. With the March Mini NASDAQ sitting roughly 55 points below this week's high at the overnight low and the charts damaged we have to lean bearish toward the index to start today. Add in the potential for fresh anxiety off Fed dialogue and we can't rule out a near term probe down to 5332.00. To turn today's tide back in favor of the bull camp will require some Fed opposition to hiking rates later this month.

TODAY'S MARKET IDEAS:

Clearly risk on is missing again this morning and without a surprise pro-growth legislative headline from Congress the main driving influence in the market today will probably be additional fears of rising rates. Fortunately for the bull camp there doesn't appear to be much in the way of anxiety which could limit the magnitude of the downside

work 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) 03/03/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 2367.69. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 2389.87 and 2400.18, while 1st support hits today at 2373.63 and below there at 2367.69.

MINI-DOW (MAR) 03/03/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 20870. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 21084 and 21186, while 1st support hits today at 20926 and below there at 20870.

E-MINI NASDAQ (MAR) 03/03/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 5332.63. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 5384.00 and 5407.62, while 1st support hits today at 5346.50 and below there at 5332.63.

MINI-RUSSELL 2000 (MAR) 03/03/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside objective is 1377.1. The next area of resistance is around 1403.9 and 1419.1, while 1st support hits today at 1383.0 and below there at 1377.1.

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	149-060	40.23	44.10	55.04	46.02	150.39	150.48	150.38	150.03	149.57
TYAAM7	123-170	38.40	42.95	55.68	42.94	124.11	124.28	124.22	123.95	123.76
SPAH7	2381.90	73.94	74.35	93.66	90.20	2376.63	2367.00	2341.36	2297.37	2285.06
EPH7	2381.75	76.98	76.37	92.93	89.39	2376.19	2367.00	2341.24	2297.31	2285.06
TFEH7	1393.5	50.65	52.67	76.00	68.11	1398.23	1399.06	1392.29	1375.06	1374.17
ENQH7	5365.25	71.64	73.18	91.53	88.76	5357.75	5348.08	5291.63	5143.38	5082.25
YMH7	21005	80.38	79.06	95.17	92.28	20931.75	20816.33	20543.22	20116.82	20010.82

Calculations based on previous session. Data collected 03/02/2017

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	148-050	148-210	149-060	149-220	150-070
TYAAM7	10 Yr Treasury Notes	123-030	123-095	123-175	123-240	124-000
SPAAM7	S&P 500	2369.67	2374.54	2384.37	2389.25	2399.07
EPH7	S&P E-Mini	2367.68	2373.62	2383.93	2389.87	2400.18
TFEH7	Mini-Russell 2000	1377.1	1382.9	1398.1	1403.9	1419.1
ENQH7	E-Mini NASDAQ	5332.62	5346.50	5370.12	5384.00	5407.62
YMH7	Mini-Dow	20870	20926	21028	21084	21186

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CURRENCIES COMMENTARY

03/03/17

Initial weakness in the Dollar should be bought

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -200, YEN +20, SWISS +18, CA DOLLAR -165

Upcoming International Reports (all times CT)

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 dollar index is showing initial weakness today the action is probably the result of technical balancing and not a tempering of bullish attitudes toward the greenback. In fact with the exception of a six year high in European services PMI readings the economic information from Asia was supportive of the dollar. It also goes without saying that a large portion of financial markets today expect to see hawkish dialogue and hints from the Fed which could result in another upside breakout in the dollar. Initial support is seen at 1.0179 and a rise back above 1.0217 could ignite a fresh wave of buying.

EURO: As mentioned already the trade was presented with a six year high in European services PMI data early today and that appears to have provided a strong measure of support above the 1.0500 level. Unfortunately for the bull camp in the euro short covering off this week's wave down action could be quickly truncated by the prospect of another wave of rate hike hints from the US Fed. Cushioning the euro against further downside action is a poll that showed the far right candidate in France falling behind the opposition. While the euro might look as if it is poised to claw out more gains it will be fighting an uphill Fed battle for most of the trading session. Downtrend channel resistance from the last month's range is seen up at 1.0598 but that level shouldn't be sustained.

YEN: With negative chart action and weaker than expected January household spending results from Japan overnight the technical and fundamental path of least resistance in the Yen looks to be down today. The Yen might garner some minimal cushion from Bank of Japan suggesting that they will taper off purchases of super long debt instruments. There is significant overhead resistance off the underside of the last month's consolidation zone at 88.00 today.

SWISS: With some rather significant downside work this week in the Swiss and a quasi-rejection of yesterday's closing level of 98.71 in the early going today we can't rule out a modest attempt to rally before the weight of the Fed steps back into the equation this morning. Other more critical resistance in the March Swiss is seen at 99.08.

POUND: With a fresh lower low for the move in the pound this morning forged in the wake of some initial

weakness in the dollar it is clear that the pound is unable to hold up in the face of a number of market conditions. Talk overnight that slowing in the UK economy is starting to surface because of the BREXIT vote combined with a risk off mentality in global equities and fresh damage on the Pound charts might leave little in the way of support in the March Pound until 1.2123. In fact with the UK Prime Minister having to assert that no economic case exists for breaking up the United Kingdom that is evidence of yet another bearish story line.

CANADIAN DOLLAR: With a fresh downside extension on the charts to start today the March Canadian appears to be mired in a weaker pattern. With the added potential pressure from talk a of US rate hike we can't rule out a near term slide down to 74.36 in the March Canadian dollar. If there is a bounce in the Canadian off the early US schedule data point that bounce should probably be sold.

TODAY'S MARKET IDEAS:

Strength in the Dollar should re-assert itself in the wake of a wave of Fed speeches later today.

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) 03/03/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 102.58. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 102.41 and 102.58, while 1st support hits today at 101.94 and below there at 101.63.

EURO (MAR) 03/03/2017: A crossover down in the daily stochastics is a bearish signal. 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 close below the 1st swing support could weigh on the market. The next downside objective is 104.6113. The next area of resistance is around 105.3725 and 105.7412, while 1st support hits today at 104.8075 and below there at 104.6113.

JAPANESE YEN (MAR) 03/03/2017: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside target is now at 86.83. The next area of resistance is around 87.75 and 88.20, while 1st support hits today at 87.07 and below there at 86.83.

SWISS (MAR) 03/03/2017: Momentum studies are declining, but have fallen to oversold levels. 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 next downside objective is now at 98.19. The next area of resistance is around 98.99 and 99.39, while 1st support hits today at 98.39 and below there at 98.19.

DAILY TECHNICAL STATISTICS

			14 DAY	14 DAY					
	9 DAY	14 DAY	SLOW	SLOW	4 DAY	9 DAY	18 DAY	45 DAY	60 DAY
CLOSE	RSI	RSI	STOCH D	STOCH K	M AVG	M AVG	M AVG	M AVG	M AVG

CURRENCY COMPLEX

DXAH7	102.17	75.07	66.37	73.65	80.83	101.56	101.32	101.03	101.02	101.33
JYAH7	87.40	39.20	43.67	55.07	44.28	88.31	88.49	88.49	87.73	87.43
EU6H7	105.0900	32.70	37.86	24.71	21.48	105.60	105.70	106.17	106.40	106.28
BPAH7	122.69	31.27	37.94	27.95	16.55	123.51	124.18	124.58	124.18	124.49
CAAH7	74.64	22.00	31.08	25.58	11.24	75.21	75.77	76.05	75.83	75.68
SFAH7	98.69	34.20	38.95	24.59	19.90	99.14	99.27	99.68	99.58	99.34
DAAH7	75.68	33.46	42.99	55.33	37.27	0.76	0.77	0.77	0.75	0.75

Calculations based on previous session. Data collected 03/02/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	101.62	101.93	102.10	102.41	102.58
JYAH7	Japanese Yen	86.82	87.06	87.51	87.75	88.20
EU6H7	Euro	104.6112	104.8075	105.1762	105.3725	105.7412
BPAH7	British Pound	122.07	122.36	122.72	123.01	123.37
CAAH7	Canadian Dollar	74.31	74.43	74.73	74.85	75.16
SFAH7	Swiss	98.19	98.39	98.79	98.99	99.39
DAAH7	Australian Dollar	74.69	75.06	75.93	76.30	77.17

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