



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Tuesday March 07, 2017

### BONDS COMMENTARY

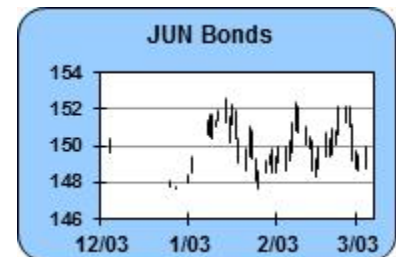
03/07/17

**The bulls have regained a slight edge to start today**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**BONDS +30**

We are a little surprised to see bond prices showing only marginal gains early this morning in the wake of a sharp decline in German factory orders, general weakness in US and European equities and weakness in a number of physical commodities to start. The trade might be held back from fresh purchases because of looming 3 year, 10 year and 30 year supply offerings this week. It is also possible that Treasuries are being held back by expectations for a down tick in the February unemployment rate and it is also possible that prices are being held back by expectations of another +200,000 gain in nonfarm payrolls at the end of this week. With Chinese currency reserves climbing back above 3 trillion one might suggest the pressure to liquidate US treasury holdings to shore up their currency might be reduced. The markets will be presented with a series of private retail and chain store sales figures today and those readings might take on added importance due to the looming monthly payroll readings on Friday. While we give the bull camp the edge to start today thick overhead resistance and a lack of front page economic anxiety should limit gains. The North American session will start out with trade balance data from both the US and Canada. The US January international trade balance is forecast to show an increase in the monthly deficit. The January Canadian International merchandise trade is expected to show a modest decline from December's monthly surplus. The February Canadian Ivey PMI is forecast to show a moderate increase from January's 57.2 reading. Later in the day, US January consumer credit is expected to show a moderate increase from December's reading. Earnings announcements will include Brown Forman and Dick's Sporting Goods before the Wall Street open while H&R Block and Urban Outfitters report after the close.



#### TODAY'S MARKET IDEAS:

We see somewhat solid support in June bonds at 148-30 and little in the way of resistance until 149-16. The bulls might target the 50 day moving average up at 149-27 if the US equity market shows signs of a downward extension from the early modest weakness. While the trade numbers will have some impact on prices this morning the key release of the day will probably be the afternoon consumer credit reading which is expected to jump by 2 billion. On the other hand it is possible that a series of private retail/chain store readings will be given added credence because of the major economic release on Friday. Close in support in June notes today is seen at 123-18 and there might be little in the way of resistance until the 50 day moving average up at 123-26.

#### 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) 03/07/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The

downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 148-020. The next area of resistance is around 149-200 and 150-110, while 1st support hits today at 148-160 and below there at 148-020.

10 YR TREASURY NOTES (JUN) 03/07/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 123-095. The next area of resistance is around 123-250 and 124-000, while 1st support hits today at 123-140 and below there at 123-095.

## STOCKS COMMENTARY

03/07/17

**A slow erosion of prices expected as Fed fear remains in place**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**S&P 500 -400**

Global equity markets were mixed overnight with Pacific Rim stocks and the XETRA DAX managing to gain modestly and the rest of the world under minor pressure. The Asian economic calendar started off with a February reading for Chinese foreign exchange reserves which surprised with an increase back above the \$3 trillion mark and that probably helped Asian markets track positively overnight. However, the European session started out with January German factory orders which fell by the biggest monthly amount since 2009 and that might have started out European and US stocks on a back foot. Issues that might pressure equities during the US session are political barbs over the "replacement" plan for US Health Care, news from the North Korean situation and ongoing weakness in Deutsche bank shares following their debt restructuring attempt. Earnings announcements will include Brown Forman and Dick's Sporting Goods before the Wall Street open while H&R Block and Urban Outfitters reporting after the close.



**S&P 500:** While the March E-mini S&P did not forge a lower low overnight it has initially favored the lower half of the prior sessions range down move. As mentioned already the offering of a replacement for the affordable care act looks to spark another round of political sniping and perhaps a temporary drift away from pro-growth policy efforts. It does appear as if stocks in general are reacting negatively to positive US data and that isn't surprising considering the markets expanding expectations toward the rate hike next week. A close in uptrend channel support line of 2370.05 has already been violated and that might leave a near term downside targeting around a series of closes clustered around 2364.50.

**Other US Indexes:** Like the E-mini S&P the March mini Dow has avoided a lower low to start and it has generally managed to track above the midpoint of the prior day's range in action that suggest it might hold up better than other segments of the market. However the inability to hold above 20,894 could project a return to a cluster of closes around 20,724. To throw off the short-term bearish technical track probably requires a rally back above 20,980. The Mini NASDAQ has also managed to trade this morning above the midpoint of the range down washout yesterday in action that partially diffuses negative psychology early on. While we don't see anxiety toward the global economy or geopolitical issues the market appears to have lost its bullish buzz and that is justified by the combination of fear of the Fed and a lull in pro-growth efforts in Washington. Close-in uptrend channel support is seen today at 5345.65 and the failure to hold that level could send the index cascading down toward 5310.75.

### TODAY'S MARKET IDEAS:

As suggested already we give the bear camp the edge this morning but we also think that declines on the charts will be measured and perhaps difficult to sustain. On the other hand the charts clearly favor more erosive type action and there should be a negative political response to the GOP healthcare replacement plan.

### 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) 03/07/2017: 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. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 2360.94. The next area of resistance is around 2382.37 and 2388.43, while 1st support hits today at 2368.63 and below there at 2360.94.

MINI-DOW (MAR) 03/07/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 20862. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 21002 and 21034, while 1st support hits today at 20916 and below there at 20862.

E-MINI NASDAQ (MAR) 03/07/2017: 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 daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 5323.13. The next area of resistance is around 5378.25 and 5394.12, while 1st support hits today at 5342.75 and below there at 5323.13.

MINI-RUSSELL 2000 (MAR) 03/07/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 1369.3. The next area of resistance is around 1389.8 and 1396.9, while 1st support hits today at 1376.0 and below there at 1369.3.

## 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>										
USAAM7	149-020	40.37	44.08	44.19	33.03	149.21	150.28	150.22	150.09	149.56
TYAAM7	123-195	40.18	43.95	42.31	29.82	123.60	124.15	124.12	123.98	123.75
SPA7	2375.40	67.10	69.81	87.93	81.24	2383.00	2372.41	2351.45	2302.94	2290.94
EPH7	2375.50	69.49	71.59	86.93	80.23	2382.31	2372.14	2351.39	2302.86	2290.88
TFEH7	1382.9	45.01	48.73	60.82	43.94	1394.15	1394.93	1395.38	1376.23	1374.51
ENQH7	5360.50	66.80	69.98	87.77	83.64	5370.00	5354.25	5313.51	5162.19	5101.55
YMH7	20959	74.37	75.17	89.94	84.32	21004.00	20887.56	20651.61	20167.24	20070.72

Calculations based on previous session. Data collected 03/06/2017

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>					

USAAM7	Bonds	148-010	148-150	149-060	149-200	150-110
TYAAM7	10 Yr Treasury Notes	123-090	123-135	123-205	123-250	124-000
SPA7	S&P 500	2363.79	2370.29	2374.00	2380.50	2384.20
EPH7	S&P E-Mini	2360.93	2368.62	2374.68	2382.37	2388.43
TFEH7	Mini-Russell 2000	1369.3	1376.0	1383.1	1389.8	1396.9
ENQH7	E-Mini NASDAQ	5323.12	5342.75	5358.62	5378.25	5394.12
YMH7	Mini-Dow	20862	20916	20948	21002	21034

Calculations based on previous session. Data collected 03/06/2017

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## CURRENCIES COMMENTARY

03/07/17

**Non-Dollar currencies have no answer to the US Dollar**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
US DOLLAR +130, YEN -5, SWISS -26, CA DOLLAR +20**

### Upcoming International Reports (all times CT)

03/07 German Manufacturing Orders 1:00 AM  
 03/07 German Manufacturing Turnove 1:00 AM  
 03/07 UK Halifax Housing Price Ind 2:30 AM  
 03/07 Euro-zone GDP 4:00 AM  
 03/07 Canadian International Merch 7:30 AM  
 03/07 US Trade Balance 7:30 AM  
 03/07 Canadian PMI 9:00 AM  
 03/07 Consumer Credit 2:00 PM  
 03/07 API Energy Stocks 3:30 PM  
 03/08 Japan Index of Business Cond  
 03/08 German Industrial Production 1:00 AM  
 03/08 France Trade Balance 1:45 AM  
 03/08 Swiss Consumer Price Index 2:15 AM  
 03/08 Canadian Building Permits 7:30 AM  
 03/08 Wholesale Trade 7:30 AM  
 03/08 EIA Energy Stocks 9:30 AM



**DOLLAR:** While the dollar showed some initial weakness following news of a sharp jump in Chinese currency reserves it has rejected that weakness and managed a fresh two day high. The March dollar index has clearly rejected its 50 day moving average at 1.011 and it appears as if minimally positive schedule dataflow over the coming sessions will add to the expectation of a US hike next week and that should set the stage for a March dollar index rally back above 1.02. Limiting the dollar on the upside is a tempering of US administration concerns on the value of the dollar into a G20 meeting later this month.

**EURO:** In addition to extremely disappointing German January industry orders there have also been concerns toward European bank earnings. Further weakness in the Euro is also anticipated because of built-in expectations of the US rate hike next week. While there have been rumblings of an increase in rates in the euro zone the German numbers overnight clearly leaves any talk of rising rates on the back burner. Initial resistance in the March euro this morning is seen at 1.0605 with the 50 day moving average up at 1.0631 seen as another layer of resistance. At least in the short-term we can't rule out a slight down move to 1.0540.

**YEN:** While the Japanese Yen at times yesterday appeared to be garnering some safe haven buying off the North Korean missile flap the currency ultimately failed to hold its three day upside breakout. One has to wonder if the delivery of US military missile defense systems for Japan to protect against future North Korean missile attacks serves to deflate the Japanese Yen's global safe haven status. The 50 day moving average in the March Yen comes in today just under the market at 87.62 and we see initial resistance today at 88.10. Pushed into the market we favor the downside in the Japanese Yen.

**SWISS:** With a sharp range down failure and the lowest price since January 11th the Swiss franc appears to

remain in a downward motion on its charts. While weak German factory data could have lessened pressure on the Swiss from the euro action it would appear that most non-dollar currencies are set to be out-of-favor today. Near term downside targeting in the March Swiss is seen at 98.40.

**POUND:** With the dollar showing signs of strength again and UK house price gains disappointing it is not surprising to see the pound range down and reach the lowest price since January 17th. Another issue undermining the pound this morning is anticipation toward a second vote in the upper house of parliament that could give the Prime Minister the go-ahead on formal exit negotiations. The next layer of potentially credible support in the March pound is seen at 1.2189.

**CANADIAN DOLLAR:** The bull camp will suggest the Canadian has managed to find some value around the 74.55 level on the charts while the bear camp will suggest ongoing US dollar strength will keep the February and March downward motion in place. The January Canadian International merchandise trade is expected to show a modest decline from December's monthly surplus. The February Canadian Ivey PMI is forecast to show a moderate increase from January's 57.2 reading.

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

There is a lack of definitive dominance in the currency sector and that has allowed the US dollar to maintain control by default. At the risk of sounding like a broken record the constant drumbeat of a March hike in US rates will probably continue to lift the greenback.

#### **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) 03/07/2017:** A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 101.07. The next area of resistance is around 101.93 and 102.09, while 1st support hits today at 101.42 and below there at 101.07.

**EURO (MAR) 03/07/2017:** The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 106.6262. The next area of resistance is around 106.1725 and 106.6262, while 1st support hits today at 105.5175 and below there at 105.3163.

**JAPANESE YEN (MAR) 03/07/2017:** The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 87.40. The next area of resistance is around 88.02 and 88.26, while 1st support hits today at 87.59 and below there at 87.40.

**SWISS (MAR) 03/07/2017:** Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative.

The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 98.39. The next area of resistance is around 99.11 and 99.48, while 1st support hits today at 98.57 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
<b>CURRENCY COMPLEX</b>										
DXAH7	101.67	58.87	57.08	73.11	71.65	101.79	101.42	101.18	100.98	101.37
JYAH7	87.80	44.80	47.00	44.12	34.74	87.69	88.35	88.30	87.82	87.41
EU6H7	105.8450	47.22	46.64	31.44	38.11	105.68	105.75	106.03	106.46	106.22
BPAH7	122.38	30.59	37.02	20.51	13.34	122.67	123.76	124.31	124.17	124.33
CAAH7	74.58	21.00	30.20	16.62	8.56	74.69	75.41	75.87	75.87	75.66
SFAH7	98.84	40.17	42.43	22.41	19.79	98.94	99.15	99.48	99.64	99.32
DAAH7	75.81	37.54	45.24	40.31	26.90	0.76	0.76	0.77	0.75	0.75

Calculations based on previous session. Data collected 03/06/2017

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH7	US Dollar	101.06	101.41	101.57	101.93	102.09
JYAH7	Japanese Yen	87.39	87.58	87.82	88.02	88.26
EU6H7	Euro	105.3162	105.5175	105.9712	106.1725	106.6262
BPAH7	British Pound	121.73	121.98	122.51	122.76	123.28
CAAH7	Canadian Dollar	74.31	74.44	74.61	74.72	74.90
SFAH7	Swiss	98.38	98.56	98.93	99.11	99.48
DAAH7	Australian Dollar	75.44	75.61	75.84	76.01	76.24

Calculations based on previous session. Data collected 03/06/2017

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