



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday March 09, 2017

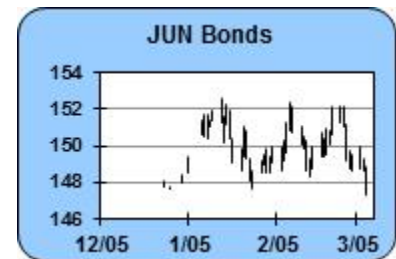
BONDS COMMENTARY

03/09/17

Sell a claims inspired bounce later this morning

OVERNIGHT CHANGES THROUGH 3:15 AM (CT): BONDS -130

Global equity markets were lower overnight, Japan saw foreign investments in stocks coming in with a net liquidation of 127 billion Yen and the trade is expecting a moderate jump in US initial claims later this morning and those issues should have provided initial support to Bonds and Notes. However, the Asian session also saw Chinese inflation which showed the strongest PPI reading in 9 years but that was countervailed by a somewhat anemic CPI result. In looking back the Treasury market was unable to benefit yesterday from one of the strongest auctions in recent memory (my memory is not what it used to be). Furthermore June Bonds were able to bounce 1 full point off the low yesterday and a freefall in crude oil and gold prices might temper inflation views and provide minimal support for Bonds and Notes. On the other hand the ADP readings continue to echo in the marketplace and that in turn increases the prospect of major volatility through the Non-Farm payroll report tomorrow. In the short term fund managers and investors might see the blip up in yields this week as attractive and there might be a further bounce in the wake of initial claims later this morning. All things considered we would be inclined to sell a claims inspired bounce as the market should only temporarily discount the idea of rising rates next week. The North American session will start out with the February Challenger jobs cuts survey, followed by a weekly reading on initial jobless claims that are forecast to have a moderate increase from the previous 223,000 reading. The February export price index is expected to have a minimal uptick from January's +0.1% reading while the February import price index is forecast to have a moderate decline from January's +0.4% reading.



TODAY'S MARKET IDEAS:

It appears that treasuries have found some form of value following a major range down washout on Wednesday. As indicated already traders might expect to see a modest bounce off a modest increase in claims later this morning but it is very difficult to throw off the downward bias as both fundamental issues and technical action favors the bear camp. The net spec and fund short in T note options is sitting at 550,000 contracts and given the decline this week it is possible that the T-Notes are poised to make a new all-time record short and that would seem to suggest a full on pricing of a hike next week. We think traders should look to sell a claims inspired bounce to 148-08 in June bonds and look to sell June T notes on a bounce to 123-10.

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) 03/09/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Daily stochastics declining into oversold territory suggest the selling may be drying up

soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 146-120. The next area of resistance is around 148-220 and 149-190, while 1st support hits today at 147-030 and below there at 146-120.

10 YR TREASURY NOTES (JUN) 03/09/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. 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 market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 122-150. The next area of resistance is around 123-130 and 123-255, while 1st support hits today at 122-240 and below there at 122-150.

STOCKS COMMENTARY

03/09/17

Down early, a bounce following data & then a resumption of down

**OVERNIGHT CHANGES THROUGH 3:15 AM (CT):
S&P 500 +200**

Global equity markets were lower overnight with the US joining those ranks in the early going today. Apparently news that the bull market has reached eight full years has been lost on the trade over the last 24 hours. We do think that stocks are in a position to benefit from weak US data as that could temporarily forestall expectations of a US rate hike this month. News from yesterday that the Democrats were interested in lowering the price of prescription drugs was given added credence by the President's favor of that potential legislation and that is clearly pressuring pharmaceutical and drug stocks over the last 12 hours. While the issue hasn't been given that much consideration yet there has been some renewed fear of the US budget deficit because of the policies being offered by the Trump administration. Earnings announcements will include Staples and International Game Technology before the Wall Street open while Ulta Beauty reports after the close.



S&P 500: In looking at the E-mini S&P chart we are in the midst of a very uniform and consistent downtrend pattern on the charts. The big question is whether the current action is a temporary corrective balancing or have stocks temporarily priced bullish fundamentals. We think the brunt of the selling over last six trading sessions is primarily the result of a Washington focus away from specific pro-growth policies. While a downtrend channel support line is close in at 2355.75 it is difficult to call for an end to the slide. However seeing a blip up in US initial claims might provide some balancing as the trade temporarily reduces its views on a rate hike next month. In order to alter the downtrend in the March E-mini S&P probably requires a reversal of the lower high pattern with a trade back above 2373.00.

Other US Indexes: As in the E-mini S&P the mini Dow also remains within a well-defined downtrend pattern. It is possible that the mini Dow will be given a cushion by the meeting at the White House with community bankers and it is also possible that US initial claims will allow for a bounce. We see moderate overhead resistance at 20,894 and we can't rule out a washout down to 20,590 in the coming 14 hours. All things considered the March Mini NASDAQ has outperformed the rest of the market by a wide margin this week. In fact the NASDAQ has managed to consolidate sideways for most of the week and that could leave decent support at 5339.00 and more significant support down at 5333.55. However as in other measures of the market we can't rule out a massive spike down washout in the coming 14 hours.

TODAY'S MARKET IDEAS:

At this point we find it difficult to call for an end to the downward track in prices. In fact after a fleeting bounce following initial claims later this morning we suspect that the market could be setting up for a major spike down washout through the 730 numbers tomorrow. Since the Mini NASDAQ has avoided the downside extension seen in other measures of the market traders might consider the purchase of a close in bear put spread in the March options.

NEW RECOMMENDATIONS:

Buy a March E-Mini Nasdaq 5350/5290 bear put spread for 17.00.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (MAR) 03/09/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 2351.75. The next area of resistance is around 2371.00 and 2378.75, while 1st support hits today at 2357.50 and below there at 2351.75.

MINI-DOW (MAR) 03/09/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. 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 now at 20760. Daily studies pointing down suggests selling minor rallies. The next area of resistance is around 20922 and 20999, while 1st support hits today at 20802 and below there at 20760.

E-MINI NASDAQ (MAR) 03/09/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The upside closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 5315.75. The next area of resistance is around 5384.75 and 5402.75, while 1st support hits today at 5341.25 and below there at 5315.75.

MINI-RUSSELL 2000 (MAR) 03/09/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 1350.2. The next area of resistance is around 1373.6 and 1387.4, while 1st support hits today at 1355.0 and below there at 1350.2.

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	147-280	32.02	38.35	32.82	21.56	148.77	149.84	149.88	150.06	149.51
TYAAM7	123-025	31.83	38.13	30.50	18.97	123.43	123.91	123.97	123.98	123.72
SPAAM7	2364.10	56.49	62.49	76.72	64.44	2371.78	2373.17	2359.01	2308.47	2295.22
EPH7	2364.25	58.19	63.97	75.01	62.93	2370.44	2372.22	2358.67	2308.33	2295.07
TFEH7	1364.3	36.44	42.52	39.06	17.85	1376.93	1388.02	1393.74	1375.85	1374.10
ENQH7	5363.00	66.17	69.12	80.91	75.00	5360.19	5356.67	5330.40	5182.74	5118.22
YMH7	20862	63.61	68.22	80.93	71.50	20921.00	20907.78	20740.61	20217.73	20116.08

Calculations based on previous session. Data collected 03/08/2017

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	146-110	147-020	147-310	148-220	149-190
TYAAM7	10 Yr Treasury Notes	122-145	122-235	123-040	123-130	123-255
SPA7	S&P 500	2353.67	2358.45	2364.97	2369.75	2376.27
EPH7	S&P E-Mini	2351.75	2357.50	2365.25	2371.00	2378.75
TFEH7	Mini-Russell 2000	1350.2	1355.0	1368.8	1373.6	1387.4
ENQH7	E-Mini NASDAQ	5315.75	5341.25	5359.25	5384.75	5402.75
YMH7	Mini-Dow	20759	20802	20879	20922	20999

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CURRENCIES COMMENTARY

03/09/17

Sell the Euro on a bounce this morning

**OVERNIGHT CHANGES THROUGH 3:15 AM (CT):
US DOLLAR +30, YEN -325, SWISS -9, CA DOLLAR -55**

Upcoming International Reports (all times CT)

03/09 Swiss Employment 12:45 AM
03/09 Euro-zone Monetary Policy 6:45 AM
03/09 Canadian Industrial Capacity 7:30 AM
03/09 Canadian New Housing 7:30 AM
03/09 Canadian New Housing Price I 7:30 AM
03/09 Initial Jobless Claims 7:30 AM
03/09 EIA Gas Storage 9:30 AM
03/10 German Foreign Trade 1:00 AM
03/10 France Industrial Production 1:45 AM
03/10 France ECRI Future Inflation 3:30 AM
03/10 German ECRI Future Inflation 3:30 AM
03/10 UK ECRI Future Inflation Gau 3:30 AM
03/10 UK Foreign Trade 3:30 AM
03/10 UK Industrial Production 3:30 AM
03/10 Euro-zone ECRI Future Inflat 4:00 AM
03/10 Canadian Labor Force Survey 7:30 AM
03/10 Unemployment 7:30 AM



DOLLAR: While the US dollar is tracking lower early today it did manage yet another new higher high for the move. Unfortunately early US schedule data today might provide a bit of adversity for the bull camp. In fact US initial claims are expected to be up by 15,000 to 18,000 and that could temporarily cause the trade to question the widely anticipated rate hike next week. An issue that might limit the dollar early today is news of a nine year high in Chinese producer prices. Uptrend channel support in the March dollar index today is seen at 1.0144 and that type of break would certainly be a buying opportunity. However we also see closer in support in the March dollar index at 1.0190.

EURO: The path of least resistance looks to remain down in the March euro but the currency could see a temporary bounce off US initial claims. On the other hand the trade widely expects the ECB to hold steady on rates because a period of uncertainty off coming elections in the region. While the market widely expects the ECB to hold steady we think the confirmation of that outcome combined with a slight bounce off US data could yield a fresh selling opportunity in the March euro up at 1.0641. An issue that might provide an early cushion to the euro is a series of euro zone data points depicting inflation and/or growth.

YEN: While the Japanese Yen forged a downside breakout and the lowest price since February 15th the currency might be further undermined as result of a net liquidation of Japanese stocks by foreign players in the latest reporting period. However the liquidation of Japanese securities investment by foreigners is counter veiled by a net increase in foreign purchases of Japanese debt instruments. As in other currencies we see the possibility of a temporary bounce in the Yen perhaps up to the 88.10 level. In the end a strong US nonfarm payroll reading at the

end of the week probably throws the Yen into the lowest price since mid-January.

SWISS: As in the euro it could be extremely difficult to throw off the downward track in the March Swiss. With the slight down tick in Swiss unemployment rate figures overnight and a slight besting of expectations in Swiss nonfarm payrolls there could be some minimal fundamental support under the this market. Downtrend channel support in the March Swiss is seen down at 98.25 and a rally back to 99.08 could be a selling opportunity.

POUND: The downtrend in the pound looks to continue in the wake of soft inflation data overnight and the negative spillover force from the uptrend in the dollar. As in other currencies we see the prospect of a major spike down move in the March Pound but there could be a temporary rally through the 730 numbers that could be sold.

CANADIAN DOLLAR: About the most positive issue going for the Canadian dollar bulls is the fact that the last three weeks decline has put the Canadian in a significantly oversold technical condition. The bull camp has to hope that Canadian capacity utilization and new or home prices will provide some cushion against the tide of selling. Aggressive traders might look to be a seller of the March Canadian through US numbers looking for a return to the December spike low.

TODAY'S MARKET IDEAS:

As suggested in a number of currency coverages this morning traders should look to buy a dip in the dollar through the claims reaction and also look to be a seller of non-dollar currencies after the initial claims reaction.

NEW RECOMMENDATIONS:

Buy a June Yen 86.00 put for 109. Use an objective of 225. Risk to 70.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (MAR) 03/09/2017: The daily stochastics gave a bullish indicator with a crossover up. Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 102.50. The next area of resistance is around 102.33 and 102.50, while 1st support hits today at 101.86 and below there at 101.54.

EURO (MAR) 03/09/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 lower than the pivot swing number. The next upside objective is 105.9062. The next area of resistance is around 105.6574 and 105.9062, while 1st support hits today at 105.2625 and below there at 105.1163.

JAPANESE YEN (MAR) 03/09/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. A negative signal was given by the outside day down. The close below the 1st swing support could weigh on the market. The next downside target is now at 86.62. The next area of resistance is around 87.89 and 88.40, while 1st support hits today at 87.00 and below there at 86.62.

SWISS (MAR) 03/09/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside target is 98.31. The next area of resistance is around 98.73 and 98.92, while 1st support hits today at 98.43 and below there at 98.31.

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	102.09	66.06	61.87	74.86	78.55	101.77	101.60	101.32	100.94	101.39
JYAH7	87.44	40.57	44.28	35.13	25.55	87.64	88.12	88.16	87.89	87.39
EU6H7	105.4600	42.20	43.46	33.62	33.73	105.82	105.70	105.88	106.47	106.16
BPAH7	121.68	25.60	33.33	14.73	9.39	122.23	123.06	123.94	124.11	124.18
CAAH7	74.12	16.49	26.09	10.60	5.06	74.45	75.00	75.68	75.87	75.61
SFAH7	98.58	36.24	39.80	19.71	16.63	98.81	99.02	99.30	99.65	99.29
DAAH7	75.31	30.26	39.32	29.32	17.33	0.76	0.76	0.76	0.76	0.75

Calculations based on previous session. Data collected 03/08/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAH7	US Dollar	101.54	101.85	102.02	102.33	102.50
JYAH7	Japanese Yen	86.61	86.99	87.51	87.89	88.40
EU6H7	Euro	105.1162	105.2624	105.5112	105.6574	105.9062
BPAH7	British Pound	120.97	121.30	121.72	122.05	122.47
CAAH7	Canadian Dollar	73.65	73.83	74.23	74.41	74.81
SFAH7	Swiss	98.30	98.42	98.61	98.73	98.92
DAAH7	Australian Dollar	74.69	74.91	75.49	75.70	76.29

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