



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday March 10, 2017

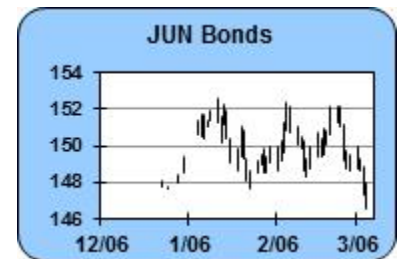
### BONDS COMMENTARY

03/10/17

**Expect a volatility event with the bears holding the edge**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT): BONDS -10

Global equity markets were mostly higher overnight, import readings from Germany for January showed a huge jump and January UK factory orders reached the strongest level in 7 years and that probably applied fresh pressure to US Treasuries overnight. With another strong Treasury Auction yesterday one might have expected Bonds and Notes to have seen some support but the trade is really convinced that the Fed will take action and that the trade has already "mostly" priced in a rate hike next week. However given the much stronger than expected ADP report, a reduction in job cuts in the Challenger report and the wave of improved animal spirits since the election the odds of a stronger than expected non-farm payroll reading appear to be high. Some are suggesting that historically warm weather in February is another development that might escalate the gain in jobs. On the other side of the coin one might suggest that the number could be held back from large gains because of the Trump government job freeze and because February is a month where retailers cut back staff after the holidays. Another issue that would favor the bear camp today is a decline in the unemployment rate and an increase in wages both of which are widely expected. We think the odds of a number much stronger than +200,000 are pretty good. The North American session will start out with the highlight for global markets, the February employment situation report. February non-farm payrolls are forecast to come in around the 190,000 to 200,000 area, although some analysts have raised their estimates after the huge ADP number earlier this week. The February unemployment rate is expected to downtick from January's 4.8% reading, while February average hourly earnings are forecast to uptick from January's +0.1% reading. Canadian employment figures for February will be released at the same time, with the unemployment rate expected to hold steady at 6.8%.



#### TODAY'S MARKET IDEAS:

On one hand the market is extensively oversold and would appear to have priced in a lion of a gain in payrolls already. We think a rate hike is already factored but a really strong reading would start the market off on fear mongering toward the "next" rate hike. If you want to play for a softer than expected reading or a week ending short covering bounce do it with cheap near to expiration calls as a long futures positions in either Bonds or Notes could be extremely painful. While the odds seem to be good for a downside extension we think the risk to shorts is high and that traders should implement stop loss buy orders up at 149-09 in June Bonds and at 123-21 in June Notes. In the event of a payroll gain above +225,000 Bonds could fall to 142-31 into the FOMC decision next week!

#### 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) 03/10/2017:** The sell-off took the market to a new contract low. Daily stochastics are trending lower but have declined into oversold territory. 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 target is 145-200. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 147-100 and 148-090, while 1st support hits today at 146-000 and below there at 145-200.

**10 YR TREASURY NOTES (JUN) 03/10/2017:** 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 market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 122-140. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 122-305 and 123-075, while 1st support hits today at 122-180 and below there at 122-140.

## STOCKS COMMENTARY

03/10/17

**Major volatility today but the bull camp should have an edge**

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

**S&P 500 +830**

Global equity markets were mostly higher overnight with the Shanghai Composite and Hang Seng posting declines. Apparently the events in South Korea were not seen as a major negative outside of the region as bullish sentiment generally ruled the overnight equity market action. Today is likely to be a very volatile day as the impact from very strong US data might be surprising if that basically confirms a rate hike next week and or the trade begins to fret over another rate hike later in the year! About the best outcome for the bull camp would be to see an upside extension off ideas that the economy is strong enough to plow straight through rising rates. Some fund managers have suggested that rising rates at such low levels are not as bad as many might think. In the end the ultimate question for the market is will positive data be positive to prices or will positive data be negative to prices from the Fed angle?



**S&P 500:** With the hook up in the last 24 hours the June E-mini S&P is giving indications that it might be capable of rising through yet another increase in rate hike fears in the wake of this morning's important data. Uptrend channel support in the June E-mini S&P is seen today down at 2354.80 and there might not be much in the way of resistance until 2390.75. We get the sense that the bull camp is poised to prevail but weak handed longs might consider the purchase of a put to protect long futures positions from a temporary knee-jerk downside reaction.

**Other US Indexes:** As in the E-mini S&P the E-mini Dow is also showing recovery capacity and has already taken out downtrend channel resistance from the March slide. While we expect extensive volatility today it feels like the number will be strong but that the market might suggest a rate hike was already factored by the market. From a logical perspective one would think stellar growth will be more positive to prices than fear of the Fed is a negative to prices. Uptrend channel support in the June mini Dow today is seen at 20,786 and there might be little in the way of resistance until the even number 21,000. The June Mini NASDAQ has already taken out the last five days highs and appears to be poised for a return to the old high of 5401.00. It should be noted that the NASDAQ has been the best performer in the month of March and we would expect that to continue in the action today.

### TODAY'S MARKET IDEAS:

The bull camp is fully factoring the markets capacity to overcome an ever increasing prospect of higher rates next week. From a classic fundamental perspective one would think that a definitive sign of a more robust economy would result in prices across-the-board streaking into new all-time highs. However there are some issues that might artificially hold back the payroll gain and those are a government jobs freeze and seasonal layoffs following the holidays. However a very warm February and nearly historical animal spirits should be more than a countervailing influence.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

Long a March E-Mini Nasdaq 5350/5290 bear put spread for 17.00. Use a tight stop at 5.00 and a break even objective. It will be all or nothing for this trade this morning.

**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) 03/10/2017: 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. 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 objective is now at 2348.69. The next area of resistance is around 2373.87 and 2379.18, while 1st support hits today at 2358.63 and below there at 2348.69.

MINI-DOW (MAR) 03/10/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. The market tilt is slightly negative with the close under the pivot. The next downside target is 20730. The next area of resistance is around 20930 and 20981, while 1st support hits today at 20804 and below there at 20730.

E-MINI NASDAQ (MAR) 03/10/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 5323.63. The next area of resistance is around 5384.75 and 5396.62, while 1st support hits today at 5348.25 and below there at 5323.63.

MINI-RUSSELL 2000 (MAR) 03/10/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is 1344.7. The next area of resistance is around 1366.5 and 1376.8, while 1st support hits today at 1350.5 and below there at 1344.7.

**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	146-210	25.48	33.25	26.36	13.45	148.12	149.25	149.65	150.00	149.50
TYAAM7	122-240	27.52	34.86	24.91	13.05	123.23	123.66	123.89	123.96	123.70
SPAH7	2366.30	58.08	63.34	70.86	59.16	2368.05	2373.32	2361.98	2311.00	2297.08
EPH7	2366.25	59.46	64.44	69.12	57.70	2366.63	2372.31	2361.56	2310.83	2296.90
TFEH7	1358.5	33.98	40.67	30.56	13.29	1369.10	1384.19	1391.96	1375.60	1373.85
ENQH7	5366.50	66.64	69.36	78.37	73.50	5358.25	5359.14	5338.06	5192.96	5126.06
YMH7	20867	63.33	67.93	76.00	66.38	20889.50	20916.78	20775.94	20241.38	20135.02

Calculations based on previous session. Data collected 03/09/2017

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	145-190	145-310	146-300	147-100	148-090
TYAAM7	10 Yr Treasury Notes	122-135	122-175	122-265	122-305	123-075
SPA7	S&P 500	2348.90	2358.80	2363.90	2373.80	2378.90
EPH7	S&P E-Mini	2348.68	2358.62	2363.93	2373.87	2379.18
TFEH7	Mini-Russell 2000	1344.6	1350.4	1360.7	1366.5	1376.8
ENQH7	E-Mini NASDAQ	5323.62	5348.25	5360.12	5384.75	5396.62
YMH7	Mini-Dow	20729	20804	20855	20930	20981

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## CURRENCIES COMMENTARY

03/10/17

**The fundamental edge remains with the Dollar again today**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**US DOLLAR +10, YEN -395, SWISS -26, CA DOLLAR +90**

### Upcoming International Reports (all times CT)

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 it is a little surprising that the dollar has not managed and sustained even more gains this week the slight corrective dip from yesterday's high might put the dollar in a stronger technical position to benefit from today's nonfarm payroll result. Many are suggesting that any six digit gain in jobs probably leaves the Fed in a posture to hike rates next week especially if the unemployment rate declines and or the wages increase. In the end we think the number today will still leave the US with a macroeconomic differential edge but we also think the dollar might forge another strong spike up failure to hold reaction. Uptrend channel support in the June dollar index today is seen at 1.0139.

**EURO:** With a moderate two day bounce underway in the euro and a significant increase in German imports in January the euro will have some fundamental cushion through the US nonfarm payrolls. Unfortunately going into the report today the euro is tracking close to the top of the last three weeks consolidation range and the bar for an acceptance of a US hike next week appears to be very low. In the wake of a payroll gain of 200,000 or more it wouldn't be surprising to see the June euro fall quickly back down to the 1.0575 level.

**YEN:** The Yen is logically under liquidation pressure because fresh damage on the charts, rapidly declining economic safe haven interest as result of gains in economic sentiment and fear of regional uncertainty from the events in South Korea. With Europe progressing and potentially moving away from low rates and the US obviously moving away from low interest rates the Japanese economy might be seen as a laggard. Therefore the June Yen might be poised for a return to 86.00.

**SWISS:** As indicated in other non-Dollar currency coverage today it is difficult to discount the positive wave of information in favor of the Dollar. Downtrend channel resistance today is seen at 99.89 and that level falls down to 99.80 on Monday. In the wake of a strong US payroll a quick slide below 99.00 is probably in the cards.

**POUND:** While British manufacturing output posted its strongest growth in almost 7 years at the end of last year and exports also jumped up that has not provided any relief to the sagging pound. However some economist and traders are suggesting that the low exchange rate is providing the UK with an export edge. With annual manufacturing output already up 2.7% and industrial output growing by 3.2% last year one could suggest that the pound is close to a solid bottom and a better economic track ahead. However we can't rule out a near term slide down to 1.2120.

**CANADIAN DOLLAR:** A number of issues are conspiring to force the Canadian dollar back toward its 2017 low of 73.71. In addition to the obvious pressure from dollar gains the Canadian is also being pressured by declining oil prices and residual fear of a US boarder tax. Other issues that might push the Canadian down today is a comparatively anemic or small Canadian jobs gain and the fact the Canadian has corrected some of its oversold condition with a 24 hour bounce. At this point the 74.00 level probably fails to hold today.

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

The biggest threat to the US dollar bulls today is a payroll result that fails to live up to ever increasingly higher expectations. However it would appear that the numbers today will still the note strong economic progression and they will also be markedly stronger than most other leading economies.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

Long a June Yen 86.00 put for 109. Use an objective of 225. Risk to 95.

### **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) 03/10/2017:** Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down puts the market on the defensive. The market tilt is slightly negative with the close under the pivot. The next upside target is 102.52. The next area of resistance is around 102.24 and 102.52, while 1st support hits today at 101.70 and below there at 101.43.

**EURO (MAR) 03/10/2017:** The crossover up in the daily stochastics is a bullish signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The outside day up is somewhat positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 106.6512. The next area of resistance is around 106.2375 and 106.6512, while 1st support hits today at 105.3325 and below there at 104.8413.

**JAPANESE YEN (MAR) 03/10/2017:** The major trend has turned down with the cross over back below the 60-day moving average. 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 86.63. The next area of resistance is around 87.22 and 87.57, while 1st support hits today at 86.75 and below there at 86.63.

**SWISS (MAR) 03/10/2017:** The crossover up in the daily stochastics is a bullish signal. 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 close below the 9-day moving average is an indication the short-term trend remains negative. The outside day up and close above the previous day's high is a positive signal. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 99.50. The next area of resistance is around 99.21 and 99.50, while 1st support hits today at 98.51 and below there at 98.11.

## 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	101.97	59.70	58.13	75.55	77.11	101.84	101.69	101.37	100.95	101.41
JYAH7	86.98	35.80	41.08	28.90	16.80	87.47	87.85	88.09	87.93	87.39
EU6H7	105.7850	47.87	46.94	34.52	36.54	105.69	105.71	105.84	106.50	106.16
BPAH7	121.73	26.32	33.73	12.96	9.31	121.97	122.74	123.77	124.09	124.11
CAAH7	74.02	15.38	24.99	8.56	4.56	74.29	74.74	75.54	75.85	75.58
SFAH7	98.86	46.02	45.62	20.51	22.09	98.80	98.98	99.26	99.68	99.29
DAAH7	75.05	26.54	36.14	24.23	13.48	0.76	0.76	0.76	0.76	0.75

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH7	US Dollar	101.42	101.69	101.97	102.24	102.52
JYAH7	Japanese Yen	86.62	86.74	87.09	87.22	87.57
EU6H7	Euro	104.8412	105.3325	105.7462	106.2375	106.6512
BPAH7	British Pound	121.07	121.41	121.68	122.03	122.30
CAAH7	Canadian Dollar	73.73	73.88	74.02	74.16	74.30
SFAH7	Swiss	98.10	98.51	98.80	99.21	99.50
DAAH7	Australian Dollar	74.65	74.83	75.08	75.26	75.51

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