



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday March 15, 2017

### BONDS COMMENTARY

03/15/17

**Seems poised for short-term recovery bounce; 148-07, 148-31 USM**

#### OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

**BONDS +50**

Treasuries have held onto the key reversal gains from yesterday, but they will need to see follow-through buying above 147-01 in June bonds to confirm the low. The major risk events coming later today may have encouraged short-covering and profit-taking yesterday that fueled a rebound from a contract low in June Bonds yesterday that eventually pulled the market back into positive territory by the close. There have been few negative surprises from major economic data points around the globe so far today, and this along with a weaker dollar may have dampened safe-haven support. While attention will shift back across the Atlantic later today, the market's early market focus will be developments right here at home. The morning will start out with the February Consumer Price Index, which is expected to show a modest uptick from January's 2.5% year-over-year rate. February Retail Sales are forecast to see a moderate downtick from January's +0.4% reading but are expected to remain in positive territory. The NY Fed's March Empire State Survey, the March NAHB Housing Market Index and January Business Inventories will also be released later today, and they are generally expected to come close to their previous readings.



The main events will occur during afternoon US trading hours, starting with the results of the latest FOMC monetary policy meeting. While a 0.25% rate hike is generally expected (and priced-in) by the market, more attention is likely to be paid to the updated Fed-member forecasts and post-meeting comments by Fed Chair Yellen on the trajectory of upcoming Fed monetary policy. Around mid-afternoon, the first results of the Dutch general elections will start to come in. Although they are not expected to gain enough seats to form a government, stronger than forecast results for Geert Wilders' Party of Freedom could dampen risk appetites in Europe and around the globe.

#### TODAY'S MARKET IDEAS:

The rate increase is expected, but the market's reaction to the cut will set the tone ahead. How much confidence will the market see in the Fed's ability to control a moderate growth outlook? If the new administration growth policies are enacted, the sharp drop in regulations and lower tax rate could really drive a small business boom, and it may be difficult in the long run for the Fed to control. Short-term, however, the trade is nervous. The technical action turned a bit positive with the reversal action yesterday. Key resistance for June bonds comes in at 148-07 and 148-31. Technically, 144-19 is next downside target, followed by 142-31, but the market may need a recovery bounce first. Support is at 145-31. For June Notes, close-in support has emerged at 122-21, with key resistance back up at 123-18 and 123-28.

#### 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) 03/15/2017:** The sell-off took the market to a new contract low. 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 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 145-120. The next area of resistance is around 147-110 and 147-250, while 1st support hits today at 146-050 and below there at 145-120.

**10 YR TREASURY NOTES (JUN) 03/15/2017:** 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 upside daily closing price reversal gives the market a bullish tilt. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 122-155. The next area of resistance is around 122-315 and 123-050, while 1st support hits today at 122-210 and below there at 122-155.

## STOCKS COMMENTARY

03/15/17

**Flow of funds for equities may resume if all-clear signal seen**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**

**S&P 500 +430**

The market is firming overnight with June S&P back up near yesterday's highs. There seems to be plenty of short-term bears in the market to fuel a strong rally today, if the market senses success in the implementation of pro-growth policies and slashing regulations, and also if the market senses a timid Fed ahead. A

better than expected result for the February PPI yesterday helped to strengthen the case for a US rate hike, following disappointing results from the German ZEW survey, euro zone industrial production and Chinese retail sales that dampened global risk appetites. Treasuries rebounded from new lows for the move yesterday and climbed higher, while the Dollar was able to finish moderately higher. For a change, most of the major economic numbers released overnight had a positive tone and were highlighted by better than expected results for Japanese Industrial Production, French CPI and UK unemployment that down-ticked to 4.7% while showing a larger than forecast decline in their claimant count.

Asian shares showed mixed results with Japanese stocks finding moderate pressure and Chinese equities grinding out a modest gain. However, major European stocks were able to find strength early this morning in front of today's events, with the DAX, CAC-40 and FTSE-100 all in positive territory. The North American session will begin with the February Consumer Price Index, which is expected to show a modest uptick from January's 2.5% year-over-year rate. February Retail Sales are forecast to see a moderate downtick from January's +0.4% reading but remain in positive territory. The NY Fed's March Empire State survey, the March NAHB Housing Market Index and January Business Inventories will also be released today and are generally expected to come in around their previous readings. The main events for global markets will happen during afternoon US trading hours, starting with the results of the latest FOMC monetary policy meeting. While a 0.25% rate hike is generally expected by the market, more attention may be paid towards updated forecasts and post-meeting comments by Fed Chair Yellen on the trajectory of upcoming Fed monetary policy. Around mid-afternoon, the first results of the Dutch general elections will start to come in. Earnings announcements will include Oracle, Jabil Circuits and Williams-Sonoma after the Wall Street close.

**S&P 500:** The market does not "feel" like a major top is in place, as there are just too many traders talking about the need for a significant correction. The market may continue to climb a wall of worry, as correction fears clash with an aggressive flow of funds into the market. If consumers sense an "all clear" signal after the rate hike, the buying should drive the market to a new high. Support for June E-mini S&P is seen today at the 2363.50 to 2360.25 zone. A close over 2380.00 would open the door for another leg higher, with 2414.90 the as next target.



**Other US Indexes:** The June Mini Dow has seen a 10-day consolidation mostly inside of the March 1st range. Without a bearish surprise to slow the flow of funds into the market, it seems poised for a continued advance, as consolidation is generally a continuation pattern and the trend is up. Financial stocks would be one sector that would benefit from a Fed hike, as they could finally get relief from the low-rate environment. Support for the June Mini Dow today is seen at 20,813, and a move above 20,967 should be enough to confirm a resumption of the uptrend, with 21,245 as the next target. The June Mini NASDAQ is hovering right near the highs, and a resumption of the uptrend would leave 5425.40 and 5439.80 as next target.

**TODAY'S MARKET IDEAS:**

It seems to be a classic wall-of-worry rally, as there is a major mistrust in the ability of the new administration to get new policy enacted. However, pro-growth policies of regulation slashing, infrastructure building and lower income taxes combined with a surge in economic optimism are factors which may spark a surge in new jobs and a stronger than expected economy. Continue to buy breaks.

**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 (JUN) 03/15/2017: 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 1st swing support could weigh on the market. The next downside objective is 2346.19. The next area of resistance is around 2371.12 and 2379.68, while 1st support hits today at 2354.38 and below there at 2346.19.

MINI-DOW (JUN) 03/15/2017: 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 market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 20706. The next area of resistance is around 20856 and 20895, while 1st support hits today at 20762 and below there at 20706.

E-MINI NASDAQ (JUN) 03/15/2017: 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. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The near-term upside target is at 5420.75. The next area of resistance is around 5404.00 and 5420.75, while 1st support hits today at 5367.00 and below there at 5346.75.

MINI-RUSSELL 2000 (JUN) 03/15/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 1342.5. The next area of resistance is around 1371.1 and 1379.4, while 1st support hits today at 1352.7 and below there at 1342.5.

**DAILY TECHNICAL STATISTICS**

CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW	14 DAY SLOW	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
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**FINANCIAL COMPLEX**

USAAM7	146-240	31.16	35.98	16.06	12.39	146.72	147.89	149.21	149.76	149.44
TYAAM7	122-260	31.45	36.80	15.62	10.02	122.86	123.19	123.76	123.90	123.69
SPAM7	2363.10	55.06	60.94	53.16	41.99	2366.68	2368.80	2363.70	2313.20	2297.85
EPM7	2362.75	55.49	61.50	57.33	48.36	2366.69	2367.92	2363.28	2313.16	2297.80
TFEM7	1361.9	39.65	43.87	20.59	17.44	1362.70	1372.13	1384.72	1372.86	1371.13
ENQM7	5385.50	66.03	68.92	82.33	84.57	5386.63	5373.36	5356.86	5220.92	5149.08
YMM7	20809	59.31	65.58	63.59	53.11	20830.00	20864.78	20785.44	20249.53	20129.75

Calculations based on previous session. Data collected 03/14/2017

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	145-110	146-040	146-180	147-110	147-250
TYAAM7	10 Yr Treasury Notes	122-150	122-205	122-260	122-315	123-050
SPAM7	S&P 500	2348.60	2355.79	2363.19	2370.39	2377.79
EPM7	S&P E-Mini	2346.18	2354.37	2362.93	2371.12	2379.68
TFEM7	Mini-Russell 2000	1342.4	1352.6	1360.9	1371.1	1379.4
ENQM7	E-Mini NASDAQ	5346.75	5367.00	5383.75	5404.00	5420.75
YMM7	Mini-Dow	20705	20761	20800	20856	20895

Calculations based on previous session. Data collected 03/14/2017

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**CURRENCIES COMMENTARY**

03/15/17

**Calm before the storm as market waits on FOMC and Dutch election results**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):  
US DOLLAR -120, YEN +65, SWISS +9, CA DOLLAR +155**

**Upcoming International Reports (all times CT)**

- 03/15 FOMC Meeting
- 03/15 France Consumer Price Index 2:45 AM
- 03/15 Swiss Producer Price Index 3:15 AM
- 03/15 UK Employment Situation - Cl 4:30 AM
- 03/15 Business Inventories 7:30 AM
- 03/15 CPI 7:30 AM
- 03/15 Real Earnings 7:30 AM
- 03/15 Retail Sales 7:30 AM
- 03/15 EIA Energy Stocks 9:30 AM
- 03/15 Japan BOJ Rate 11:00 PM
- 03/16 Swiss Monetary Policy 3:30 AM
- 03/16 Euro-zone Consumer Price Ind 5:00 AM
- 03/16 UK Monetary Policy 7:00 AM
- 03/16 UK Monetary Policy Minutes 7:00 AM
- 03/16 Housing Starts and Pmts 7:30 AM
- 03/16 Initial Jobless Claims 7:30 AM
- 03/16 EIA Gas Storage 9:30 AM
- 03/16 Japan BOJ Meeting 9:50 PM



**DOLLAR:** The Dollar is finding mild pressure this morning but has managed to stay within an inside trading range before what is likely to be a volatile day of trading. A heavy slate of US data points will include a retail sales reading that is likely to downtick from the previous month, but it will also feature the latest reading on CPI that could result in the highest year-over-year reading since the spring of 2012. The "main event" will come during

early afternoon US trading hours with the results of the latest FOMC meeting, and while a 0.25% rate hike is generally expected, the key elements for the Dollar will come from the Fed's forecasts and post-meeting comments from Fed Chair Yellen. If those points towards several more rate hikes this year while forecasting a strengthening US economy, the Dollar should find strong upside momentum late in the session. This would also reinforce the Dollar's safe-haven appeal, which could provide another fresh boost if today's Dutch general election throws up some surprising results. The Dollar should find near-term support at the 1.0111 level early today, but will clearly be looking for a combination of positive US data this morning and a generally hawkish stance from the Fed this afternoon.

**EURO:** The Euro was able to grind out a modest recovery move early today, but it has also stayed within a tight range as it is waiting on key events from both sides of the Atlantic. Today's CPI readings from France and Italy held little surprise, but they are showing that inflation in the region is on the mend. This may have encouraged last week's comments that ECB rate hikes are under consideration. This could blunt pressure from the FOMC results unless the Fed takes a more hawkish tone that the market has been counting on. However, the Euro may need to see early Dutch election results before it can regain strong upside momentum. Although the most likely outcome in the Dutch vote is a fragile coalition government, the results could offer a gauge of the potential impact of populist insurgencies in French and German elections later this year that could lead to longer-term damage for the Euro. Near-term resistance will be around the 1.0722 level, as the Euro may need both the Fed and the Dutch election in its rear-view mirror before starting a strong upside move.

**YEN:** The Yen is staying well clear of its recent lows, and it may have regained some safe-haven appeal coming into today's risk events. While Japanese data has not shown consistent strength, a better than expected read on industrial production is at least a step in the right direction. Tomorrow's Bank of Japan meeting looms, but it is unlikely to result in any major change to Japanese monetary policy even if the Fed upgrades their US economic forecast. Near-term support is at 87.30 with a downside target of 86.95, as the Japanese economy probably needs to show signs of improvement for the Yen to sustain a longer-term recovery move.

**SWISS:** The Swiss has failed to climb above the 1.0000 level over the past two weeks, and while it is finding mild strength this morning, it may not have much longer-term upside potential, even if Dutch election results are unsettling. While the SNB may not take as drastic a step as pegging their currency to the Euro as they did several years ago, they are unlikely to tolerate any sharp increase in the valuation of their currency and would take decisive easing action at tomorrow's meeting. Near-term resistance is at 0.9988, as the Swiss will continue to have trouble sustaining upside momentum.

**POUND:** The Pound continues to see wild price swings this week, but at least it may have positive economic data and one of today's events working in its favor. UK unemployment down-ticked to 4.7%, and the claimant count fell by a larger-than-expected amount. This shows that the UK economy may be weathering Brexit anxiety better than anticipated. While a hawkish Fed would clearly be a source of pressure, the Pound may be able to receive some safe-haven inflows if the Dutch election results ramp up Euro zone risk anxiety. Near-term resistance is at 1.2200, as the Pound may be poised to break of its recent consolidation.

**CANADIAN DOLLAR:** The Canadian has seen coiling price action since rebounding from last week's low for the move, but it may have outside markets and today's events working in its favor. Crude oil prices have rebounded from their spike lows in anticipation that today's EIA stocks number could throw out a surprising decline that would break a 10-week build streak. In addition, hawkish Fed guidance and forecasts could also shine favorably on the economy of our northern neighbors. Near-term support is at 74.16, as the Canadian continues to show signs that it has put in a near-term low.

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

Fasten your seatbelts, because today's trading could end up being a very bumpy ride! Of today's morning US data, the CPI reading will hold most weight for the Dollar, as an uptick in inflation would reinforce Fed rate hike prospect. A 0.25% Fed rate hike should at this point be priced-in, but if the market senses a clear hawkish shift in Fed forecasts as well as indications from Fed Chair Yellen pointing towards 3 more hikes this year, it could further strengthen the Dollar. Early Dutch election results (as with the UK's Brexit vote last year) will come at the lowest liquidity time of the day and could put severe pressure on the Euro if the Party of Freedom (PVV) ends up with a higher than forecast seat total.

**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:**

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US DOLLAR (JUN) 03/15/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market's close above the 2nd swing resistance number is a bullish indication. The next downside target is now at 101.10. The next area of resistance is around 101.87 and 101.98, while 1st support hits today at 101.43 and below there at 101.10.

EURO (JUN) 03/15/2017: The major trend has turned down with the cross over back below the 60-day moving average. The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market is in a bearish position with the close below the 2nd swing support number. The near-term upside objective is at 107.2775. The next area of resistance is around 106.8250 and 107.2775, while 1st support hits today at 106.2050 and below there at 106.0375.

JAPANESE YEN (JUN) 03/15/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 86.95. The next area of resistance is around 87.76 and 87.99, while 1st support hits today at 87.25 and below there at 86.95.

SWISS (JUN) 03/15/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside objective is at 99.97. The next area of resistance is around 99.72 and 99.97, while 1st support hits today at 99.38 and below there at 99.29.

**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>										
DXAM7	101.65	55.16	54.87	61.54	56.11	101.40	101.59	101.35	100.82	101.27
JYAM7	87.50	37.67	42.11	21.29	18.24	87.48	87.75	88.38	88.42	87.81
EU6M7	106.5150	49.38	48.70	50.11	55.91	106.76	106.42	106.40	107.04	106.66
BPAM7	121.78	30.32	34.87	12.68	12.32	122.13	122.40	123.57	124.29	124.17
CAAM7	74.22	28.15	31.79	9.96	11.01	74.30	74.46	75.25	75.86	75.57
SFAM7	99.55	45.15	45.22	30.90	37.72	99.66	99.49	99.78	100.31	99.91
DAAM7	75.44	42.54	45.40	23.19	24.89	0.75	0.75	0.76	0.76	0.75

Calculations based on previous session. Data collected 03/14/2017

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM7	US Dollar	101.09	101.42	101.54	101.87	101.98
JYAM7	Japanese Yen	86.95	87.24	87.47	87.76	87.99
EU6M7	Euro	106.0375	106.2050	106.6575	106.8250	107.2775
BPAM7	British Pound	120.73	121.21	121.86	122.34	122.99
CAAM7	Canadian Dollar	73.98	74.07	74.28	74.37	74.59
SFAM7	Swiss	99.29	99.38	99.63	99.72	99.97
DAAM7	Australian Dollar	75.05	75.24	75.44	75.63	75.83

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