



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Tuesday March 21, 2017

### BONDS COMMENTARY

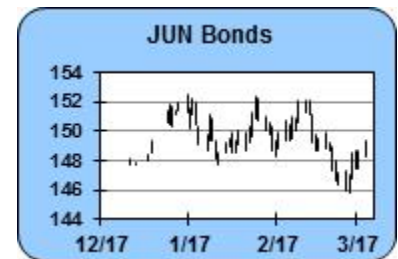
03/21/17

**Notes look to have more upside capacity than Bonds**

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

**BONDS -60**

While it is difficult to refute the short-term technical bull case for bonds and notes we continue to think that gains off the March lows were mostly short side profit-taking buying and not fresh long buying. It has been widely documented that bonds and notes have been holding significant net spec and fund short positions and that clearly explains part of the bounce off the March lows. Some might suggest that the markets were expecting at least three hikes in the 2017 with some market participants suggesting 4 rate hikes were beginning to creep into the equation just ahead of the Fed meeting last week. Therefore some measure of buying off the lack of a definitively hawkish Fed statement was justified as the Fed looks to be cautious and measured in their actions. While scheduled data will be mostly absent today there is a flurry of Fed speeches and the number of US rate hikes might be given intense coverage on the wires today. It does appear as if the political flap in Washington has put the stock market off balance which in turn has served to undermine macroeconomic sentiment. While the political flap in Washington could logically put US treasuries out-of-favor there is a lot of historical evidence that uncertainty and anxiety toward the US condition has resulted in capital flow toward US bonds and notes. The North American session will feature January Canadian retail sales that are forecast to have significant improvement from December's -0.5% reading and climb into positive territory. A busy day of Fed speakers will include NY Fed President Dudley speaking during early morning US trading hours while KC Fed President George, Cleveland Fed President Mester and Boston Fed President Rosengren will speak later in the day.



#### TODAY'S MARKET IDEAS:

We get the sense that treasuries are short-term overbought and vulnerable to modest back and fill action especially given a bevy of Fed speeches scheduled throughout today's session. Initial support in June bonds is seen at 148-20 with a more significant low support area at 148-06. We continue to think the long-term trend in bonds is pointing down and will maintain that view as long as the June contract remains below its 50 day moving average which comes in today at 149-20. On the other hand the June T-Note contract has managed to regain its 50 day moving average for two straight trading sessions and it is widely known to be carrying a massive net spec and fund short and that could mean the 124-00 level will be an extremely critical pivot point this week. At least in the short term the Note market would appear to have a leg up on the bond market with both markets generally deriving support from political battles in Washington.

#### 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) 03/21/2017:** Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 149-310. The next area of resistance is around 149-220 and 149-310, while 1st support hits today at 148-220 and below there at 147-300.

**10 YR TREASURY NOTES (JUN) 03/21/2017:** The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 124-115. The next area of resistance is around 124-085 and 124-115, while 1st support hits today at 123-280 and below there at 123-180.

## STOCKS COMMENTARY

03/21/17

**The markets would like to rally but Washington is a barrier**

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

**S&P 500 +310**

Global equity markets were mixed with the losers spread out around the globe. Clearly equities are troubled by the events of the last four trading sessions.

While the threat of three or more US rate hikes this year seems to have moderated slightly the trade appears to be disappointed in the demotion of fiscal stimulus policies relative to wiretapping and election tampering issues. In other words the pro-business president has been pulled away from his focus on the economy and equities are logically registering their disapproval. It is also possible that investors are leery of a flurry of Fed speeches today and it is also possible that a fresh terrorism warning has investors nervous. Earnings announcements will include General Mills and Lennar before the Wall Street opening while Nike, Fedex Corp and Silver Wheaton report after the close.



**S&P 500:** It is difficult to call for an end to the recent pattern of lower lows and lower highs in the June E-mini S&P. Critical support today enters at 2371.50 and to shift the tide back in favor of the bull camp probably requires an early bid back above 2379.25. While US Fed speeches today will have periodic influence over prices we don't get the sense the trade is overly concerned of surprises on the stance of the Fed. Pushed into the market today we would be a seller of rallies.

**Other US Indexes:** The June Mini Dow charts are giving off the impression of a coiling pattern. However the market has clearly faltered over the prior three trading sessions and that sloppy action seems to be directly correlated with political sniping in Washington. From an investment standpoint seeing Washington focus on strictly political issues instead of grassroots economic stimulus efforts is disappointing and in turn that has left the markets listless, choppy and weak. Critical support in the June mini Dow is seen at 20,824 and to turn the tide back in favor of the bull camp might require a recovery back above 20,931. However the Mini-NASDAQ continues to be the stellar performer in the equity space with persistent respect of a 4 1/2 month uptrend pattern on the charts. While uptrend channel support is seen all the way down at 5390.35 closer in support is probably seen at 5413.50.

### TODAY'S MARKET IDEAS:

The NASDAQ continues to be the leadership market as it has not been derailed by the latest fiasco in Washington. Unfortunately politicians have managed to steer the national focus away from fiscal stimulus, growth and jobs to the old system of political "gotcha". For the bull camp to regain control requires redoubled efforts on tax reform and infrastructure spending but the current focus on Health Care and intelligence will be very difficult to derail.

### 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) 03/21/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 2360.13. The next area of resistance is around 2375.75 and 2381.12, while 1st support hits today at 2365.25 and below there at 2360.13.

MINI-DOW (JUN) 03/21/2017: Declining momentum studies in the neutral zone will 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's close below the pivot swing number is a mildly negative setup. The next downside objective is 20789. The next area of resistance is around 20907 and 20942, while 1st support hits today at 20831 and below there at 20789.

E-MINI NASDAQ (JUN) 03/21/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 5383.25. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 5434.50 and 5447.25, while 1st support hits today at 5402.50 and below there at 5383.25.

MINI-RUSSELL 2000 (JUN) 03/21/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 1394.6. The next area of resistance is around 1387.6 and 1394.6, while 1st support hits today at 1376.0 and below there at 1371.3.

## 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	149-060	56.42	51.88	29.67	40.82	148.45	147.62	148.88	149.50	149.51
TYAAM7	124-020	60.30	55.18	33.22	48.19	123.79	123.31	123.69	123.86	123.77
SPAM7	2370.30	55.51	60.40	51.18	48.79	2376.30	2370.33	2369.76	2323.55	2305.95
EPM7	2370.50	56.50	61.43	54.20	50.99	2376.13	2370.25	2369.22	2323.48	2305.84
TFEM7	1381.8	51.78	51.35	38.31	46.93	1384.40	1372.58	1381.41	1374.63	1372.04
ENQM7	5418.50	71.14	71.73	82.25	80.75	5415.25	5397.25	5375.58	5254.82	5181.35
YMM7	20869	62.83	67.05	50.84	44.00	20878.25	20849.78	20847.61	20348.71	20203.48

Calculations based on previous session. Data collected 03/20/2017

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	147-290	148-210	148-300	149-220	149-310
TYAAM7	10 Yr Treasury Notes	123-175	123-275	123-305	124-085	124-115

SPAM7	S&P 500	2360.62	2365.35	2370.52	2375.25	2380.42
EPM7	S&P E-Mini	2360.12	2365.25	2370.62	2375.75	2381.12
TFEM7	Mini-Russell 2000	1371.2	1375.9	1382.9	1387.6	1394.6
ENQM7	E-Mini NASDAQ	5383.25	5402.50	5415.25	5434.50	5447.25
YMM7	Mini-Dow	20788	20830	20865	20907	20942

Calculations based on previous session. Data collected 03/20/2017

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## CURRENCIES COMMENTARY

03/21/17

**Favorable UK data shifts the Pound into an uptrend**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
US DOLLAR -553, YEN +50, SWISS +32, CA DOLLAR +255**

### Upcoming International Reports (all times CT)

03/21 4-Week BILL Auction  
 03/21 Swiss Trade Balance 2:00 AM  
 03/21 UK Consumer Price Index 3:30 AM  
 03/21 UK Producer Price Index 4:30 AM  
 03/21 Canadian Retail Trade 7:30 AM  
 03/21 API Energy Stocks 3:30 PM  
 03/21 Japan Trade Balance 6:50 PM  
 03/22 Euro-zone Balance of Payment 4:00 AM  
 03/22 Existing Home Sales 9:00 AM  
 03/22 EIA Energy Stocks 9:30 AM  
 03/22 Japan BOJ Minutes 6:50 PM



**DOLLAR:** With a sharp range down extension in the dollar index to start today the technical condition clearly favors the bear camp. With the next key support level seen down at 99.55 and the market down significantly from its March highs one should expect significant volatility through a flurry of US Fed speeches today. From the March slide one could conclude that the Fed will be cautious in meeting the forecasted three hikes for this year. We fully expect Fed dialogue today to be contradictory but we also think the Fed will generally acknowledge forward progress in the economy but we doubt there will be dialogue that starts the "watch" for the next rate hike. Even if the Fed talks up the US economy that probably doesn't alter the weak pattern in the Dollar.

**EURO:** The euro is clearly benefiting from the weakness in the US dollar as it has managed to reach the highest level since February 6th and has managed that action in the face of a narrowing of its trade surplus. Support in the June euro moves up to 1.0826 and there might be little in the way of significant resistance until the 1.0880 level. While we see the euro trend extending on the upside a flurry of US Fed speeches today might result in two-sided volatility.

**YEN:** The June Yen did manage a fresh higher high for the move overnight and most of that strength was probably the result of weakness in the dollar but it is also possible that Bank of Japan commentary provided the bull camp with some ammunition. In fact Bank of Japan's Iwata overnight talked about timing to end ultra-easy policy and that is a major shift in psychology from that central bank. Support in the June Yen moves to 88.93 and there might be little in the way of resistance until an old double high of 89.76.

**SWISS:** With the June Swiss forging a downside breakout overnight and rejecting that action definitively the bull camp looks to have an early edge. Not surprisingly strength in the Swiss is largely attributable to ongoing weakness in the dollar. Support in the June Swiss is now 1.0081 and early resistance is seen at 1.0115.

**POUND:** With favorable chart action in the Pound recently, UK inflation hitting a three year high, UK government borrowing at the lowest level since 2007 and public sector net credit higher-than-expected the Pound has both fundamental and technical justification for moving higher. In fact a probe above the 1.250 level could easily set the stage for a return to the February consolidation high of 1.2616. Apparently the reality of the British exit

process was some sort of sell the rumor buy the fact inflection point.

**CANADIAN DOLLAR:** So far the Canadian dollar has been unable to fully benefit from unfolding weakness in the US dollar. Perhaps the Canadian is short-term overbought from a technical and fundamental perspective following the mid-March bounce. Initial resistance in the June Canadian dollar today is seen at 75.26 and to leave the bullish tilt in place probably requires constant respect of the 74.90 level.

**TODAY'S MARKET IDEAS:**

The Dollar should continue to slide and traders should sell Fed speech inspired bounces today.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CURRENCIES TECHNICAL OUTLOOK:**

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US DOLLAR (JUN) 03/21/2017: 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 upside closing price reversal on the daily chart is somewhat bullish. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 99.68. The next area of resistance is around 100.37 and 100.53, while 1st support hits today at 99.95 and below there at 99.68.

EURO (JUN) 03/21/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 108.4712. The next area of resistance is around 108.1575 and 108.4712, while 1st support hits today at 107.6325 and below there at 107.4213.

JAPANESE YEN (JUN) 03/21/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 89.52. The next area of resistance is around 89.41 and 89.52, while 1st support hits today at 89.06 and below there at 88.82.

SWISS (JUN) 03/21/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 101.10. The next area of resistance is around 100.87 and 101.10, while 1st support hits today at 100.53 and below there at 100.42.

**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	100.16	36.11	40.85	30.84	18.66	100.28	100.96	101.18	100.73	101.08
JYAM7	89.23	65.42	58.58	45.59	63.92	88.88	88.14	88.40	88.57	88.02
EU6M7	107.8950	62.07	58.24	75.54	83.94	107.95	107.20	106.72	107.16	106.85
BPAM7	123.86	55.23	51.24	39.67	56.51	123.80	122.87	123.33	124.44	124.11
CAAM7	74.96	48.66	45.60	30.47	42.88	75.06	74.63	74.97	75.78	75.58

SFAM7	100.70	61.17	56.81	64.31	76.65	100.73	100.09	99.89	100.42	100.06
DAAM7	77.18	67.79	63.55	59.00	78.02	0.77	0.76	0.76	0.76	0.75

**Calculations based on previous session. Data collected 03/20/2017**

**Data sources can & do produce bad ticks. Verify before use.**

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM7	US Dollar	99.67	99.94	100.10	100.37	100.53
JYAM7	Japanese Yen	88.81	89.05	89.17	89.41	89.52
EU6M7	Euro	107.4212	107.6325	107.9462	108.1575	108.4712
BPAM7	British Pound	123.00	123.36	124.00	124.36	125.00
CAAM7	Canadian Dollar	74.62	74.77	75.01	75.16	75.40
SFAM7	Swiss	100.42	100.53	100.76	100.87	101.10
DAAM7	Australian Dollar	76.64	76.93	77.14	77.43	77.64

**Calculations based on previous session. Data collected 03/20/2017**

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