



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Monday March 27, 2017

BONDS COMMENTARY

03/27/17

The bulls control but technical parameters are overbought

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +160

The ramifications of the failed healthcare reform effort are reverberating around the world with fairly significant equity market losses. Obviously US Treasuries are a prime benefactor of further unwinding of the Trump windfall seen from early November to the beginning of March. Apparently the trade is concerned that the President and the GOP lack the political capacity to force through the magnitude of tax cuts in their initial plans. While the Administration has quickly shifted its focus away from healthcare and toward tax reform and even less contentious effort on infrastructure spending might have been a better course. Another issue that might continue to provide a measure of support for bonds and notes is somewhat dovish comments from the Fed at the end of last week. While the former Atlanta Fed Pres. Lockhart suggested the Fed had room for two more rate hikes this year, he also indicated that the Fed was not behind the curve which in turn may push out market expectations for the timing of the next move. With equities early this morning falling down to the lowest level since February 14th it could be difficult to derail June bonds from a probe up to the highest level since early February.



It is possible that today's scheduled data will result in a bit of back and fill action as almost anything positive will catch Treasuries short term overbought. The Treasuries will see supply offered this week and if yields are near the lowest levels of the year that could temper demand and increase the consolidation high resistance in June bonds around 152-09 and 152-17. Similar consolidation resistance in June notes this week is seen up at 125-00 to 125-04. The North American economic calendar will be relatively quiet and will feature a March reading on the Dallas Fed's manufacturing business index. Chicago Fed President Evans and Dallas Fed President Kaplan will speak during afternoon US trading hours. The Commitments of Traders Futures and Options report as of March 21st for U.S. Treasury Bonds showed Non-Commercial and Non-reportable combined traders held a net short position of 86,927 contracts. This represents a decrease of 406 contracts in the net short position held by these traders. The Commitments of Traders Futures and Options report as of March 21st for US Treasury 10 Year Notes showed Non-Commercial and Non-reportable combined traders held a net short position of 296,112 contracts. This represents a decrease of 121,765 contracts in the net short position held by these traders.

TODAY'S MARKET IDEAS:

The biases up in bonds and notes to start the trading week but scheduled data and the prospect of a political pivot by the Trump administration toward tax reform could restore some economic hope. However June bonds might have little in the way of resistance today until the 152-04 level and there might not be much in the way of close in support from the charts because of the sharp and compacted range up move overnight. Initial support in June bonds today is seen down at 151-14 with chart support in June Notes is seen down at 124-23. Unfortunately market moving news today is likely to come from Pennsylvania Avenue and not Wall Street.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

SOLD June Bonds at 151-03. Hit Risk at 151-30*.

| | Non-Commercial | | Commercial | | Non-Reportable | |
|-------------------|----------------|-------------------|--------------|-------------------|----------------|-------------------|
| | Net Position | Weekly Net Change | Net Position | Weekly Net Change | Net Position | Weekly Net Change |
| Financials | | | | | | |
| Bonds | -51,125 | -2,811 | 86,927 | -407 | -35,802 | +3,217 |
| T-Notes | -68,562 | +129,389 | 296,112 | -121,765 | -227,550 | -7,624 |

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) 03/27/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 151-240. The next area of resistance is around 151-110 and 151-240, while 1st support hits today at 150-120 and below there at 149-250.

10 YR TREASURY NOTES (JUN) 03/27/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 124-250. The next area of resistance is around 124-195 and 124-250, while 1st support hits today at 124-080 and below there at 124-015.

STOCKS COMMENTARY

03/27/17

A slight extension of selling but a low is possible today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
S&P 500 -1710

Global markets were unable to fully shake off a negative shift in risk sentiment last week and they are squarely on the defensive to start today. A set of better than expected Euro zone PMI numbers and durable goods provided a boost, but were unable to shake market focus from the events in Washington. Although the health care reform bill was ultimately pulled before it reached a vote, a perceived shift towards working on tax cuts and fiscal spending initially helped avoid a "risk off" mood to develop. That optimism did not last the weekend, however, as a risk off mood quickly redeveloped in Asian trading. Chinese equities were able to finish the day near unchanged levels, but the Nikkei sustained heavy losses early today. A better than expected German IFO survey has done little to improve risk appetites as most major European stock indices are well into negative territory this morning. The North American economic calendar will be relatively quiet and will feature a March reading on the Dallas Fed's manufacturing business index. Chicago Fed President Evans and Dallas Fed President Kaplan will speak during afternoon US trading hours. Earnings announcements will feature Cal-Maine Foods before the Wall Street opening while Red Hat reports after the close.



S&P 500: With a fresh range down extension in the June E-mini S&P, the chart structure to start the week clearly favors the bear camp. Clearly the legislative failure from Washington at the end of last week has undermined global investment sentiment but we don't get the sense of an impending sustained panic washout. However unless the Trump administration manages to quickly address tax reform and in turn puts the healthcare fiasco in the rearview mirror, it could be difficult to avoid further selling of stocks. Fortunately for the bull camp, the E-mini S&P had already seen its net spec and fund positioning pulled down significantly given the 20 point slide since the commitments of traders report was compiled and weak handed longs are quickly being liquidated. The closest chart point for the June E-mini S&P this morning is seen at 2321.50. The Commitments of Traders Futures and Options report as of March 21st for E-Mini S&P 500 showed. Non-Commercial and Non-reportable combined traders held a net long position of 67,734 contracts. This represents a decrease of 80,713 contracts in the net long position held by these traders.

Other US Indexes: The June mini Dow has also forged a fresh downside breakout in the wake of distinctly negative international equity market action overnight. The problem for big blue-chip stocks is doubt on the speed at which tax reform can be carried out if the current administration lacks political savvy. Stock prices since the election have factored in the prospect of accelerating growth from the quick implementation of tax reform and infrastructure spending. However the political environment in Washington has once again offered gridlock and delay and that in turn justifies further removal of the Trump premium. The next downside support point of note in the June mini Dow is seen at 20,330. The Commitments of Traders Futures and Options report as of March 21st for Dow Jones Index \$5 showed Non-Commercial and Non-reportable combined traders held a net long position of 74,200 contracts. Despite conclusively bearish action throughout the marketplace the Mini NASDAQ continues to hold its ground relatively impressively. In fact in the early going today the Mini NASDAQ has not ranged down nor has it fallen below last week's lows. However the bear camp might suggest the NASDAQ is in greater peril than other segments of the market if Trump is unable to pivot toward pro-growth policy agreements. Initial support in the June mini NASDAQ today is seen at 5315.00 and it could take a trade back above 5365.00 to effectively turn the tide away from the downside. The Commitments of Traders Futures and Options report as of March 21st for Nasdaq Mini showed Non-Commercial and Non-reportable combined traders held a net long position of 81,019 contracts.

TODAY'S MARKET IDEAS:

The markets deserve some measure of disappointment in the wake of the failed legislative effort on healthcare reform. However we doubt sentiment will completely unravel and panic selling will be seen. The big question for today is whether or not the markets will buy back into the Trump miracle and that will probably be answered quickly by presidential tweet or presidential press conference. At least the start the path of least resistance looks to remain down but positive schedule data and GOP efforts on tax reform could help stocks find a low today.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

| Commitment of Traders - Futures and Options - 3/14/2017 - 3/21/2017 | | | | | | |
|---|----------------|-------------------|------------|------------|-------------------|--------------|
| | Non-Commercial | | Commercial | Commercial | Non-Reportable | |
| | Net Position | Weekly Net Change | | | Weekly Net Change | Net Position |
| Financials | | | | | | |
| S&P 500 | -3,386 | +9,638 | -4,476 | -8,741 | 7,862 | -898 |
| E-Mini S&P | 82,972 | -75,140 | -67,733 | +80,715 | -15,238 | -5,573 |

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) 03/27/2017: 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. 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 2322.38. The next area of resistance is around 2355.00 and 2364.37, while 1st support hits today at 2334.00 and below there at 2322.38.

MINI-DOW (JUN) 03/27/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 20375. The next area of resistance is around 20669 and 20770, while 1st support hits today at 20471 and below there at 20375.

E-MINI NASDAQ (JUN) 03/27/2017: Momentum studies trending lower at mid-range should accelerate a move

lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 5327.13. The next area of resistance is around 5401.75 and 5422.12, while 1st support hits today at 5354.25 and below there at 5327.13.

MINI-RUSSELL 2000 (JUN) 03/27/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 1338.4. The next area of resistance is around 1362.8 and 1371.3, while 1st support hits today at 1346.4 and below there at 1338.4.

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 | 150-270 | 66.50 | 59.77 | 64.34 | 80.55 | 150.52 | 149.17 | 148.67 | 149.46 | 149.69 |
| TYAAM7 | 124-135 | 64.26 | 58.70 | 66.06 | 78.98 | 124.41 | 123.95 | 123.62 | 123.88 | 123.89 |
| SPAM7 | 2399.00 | 39.81 | 47.35 | 29.65 | 21.90 | 2342.40 | 2359.77 | 2365.78 | 2330.86 | 2311.80 |
| EPM7 | 2344.50 | 39.28 | 47.30 | 31.62 | 23.71 | 2342.31 | 2359.58 | 2365.21 | 2330.81 | 2311.72 |
| TFEM7 | 1354.6 | 41.27 | 43.52 | 31.06 | 30.89 | 1348.43 | 1366.12 | 1371.91 | 1374.61 | 1371.08 |
| ENQM7 | 5378.00 | 53.44 | 57.67 | 54.56 | 46.65 | 5359.19 | 5386.92 | 5380.25 | 5282.17 | 5209.09 |
| YMM7 | 20570 | 32.52 | 44.97 | 28.06 | 20.73 | 20595.00 | 20743.78 | 20817.17 | 20430.78 | 20255.40 |

Calculations based on previous session. Data collected 03/24/2017

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

DAILY SWING STATISTICS

| Contract | | Support 2 | Support 1 | Pivot | Resist 1 | Resist 2 |
|--------------------------|----------------------|-----------|-----------|---------|----------|----------|
| FINANCIAL COMPLEX | | | | | | |
| USAAM7 | Bonds | 149-240 | 150-110 | 150-240 | 151-110 | 151-240 |
| TYAAM7 | 10 Yr Treasury Notes | 124-010 | 124-075 | 124-130 | 124-195 | 124-250 |
| SPAM7 | S&P 500 | 2352.72 | 2390.15 | 2370.42 | 2407.85 | 2388.12 |
| EPM7 | S&P E-Mini | 2322.37 | 2334.00 | 2343.37 | 2355.00 | 2364.37 |
| TFEM7 | Mini-Russell 2000 | 1338.3 | 1346.3 | 1354.8 | 1362.8 | 1371.3 |
| ENQM7 | E-Mini NASDAQ | 5327.12 | 5354.25 | 5374.62 | 5401.75 | 5422.12 |
| YMM7 | Mini-Dow | 20374 | 20471 | 20572 | 20669 | 20770 |

Calculations based on previous session. Data collected 03/24/2017

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

CURRENCIES COMMENTARY

03/27/17

Dollar remains on the defensive early this week

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR -506, YEN +350, SWISS +55, CA DOLLAR +160**

Upcoming International Reports (all times CT)

03/27 13 and 26 Week Bill Auction
 03/27 2-Yr note Auction
 03/27 German IFO Business Climate 4:00 AM
 03/28 4-Week BILL Auction
 03/28 5-Yr note Auction



03/28 Consumer Confidence 9:00 AM
03/28 API Energy Stocks 3:30 PM
03/28 Japan Retail Sales 6:50 PM

DOLLAR: The Dollar has followed through on last Friday's outside-day down and has now reached its lowest value since mid-November early in this week's trading. Although there has been an uptick in risk aversion, safe-haven flows are heading away from the Dollar and towards the Yen and Swiss Franc. While a shift towards tax cuts and fiscal spending would (and should) be a positive, the difficulties seen with passing health care reform have clearly resonated with traders and is weighing heavily on the Dollar. US rate hikes over the rest of this year remain on the table but at this point, two more hikes may be the upper limit of market expectations. Outside of the Dallas Fed's manufacturing index, there will be little in the way of US data for the market to digest which will keep focus on recent and upcoming developments in Washington. Near-term resistance for the June Dollar index is at 99.14 as it needs to have a significant turnaround in sentiment going into month-end and quarter-end. The Commitments of Traders Futures and Options report as of March 21st for US Dollar showed Non-Commercial traders were net long 46,206 contracts, a decrease of 1,493 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 52,994 contracts. This represents a decrease of 1,294 contracts in the net long position held by these traders.

EURO: The Euro has extended last week's recovery move and has posted a new 3 1/2 month high this morning. A stronger than expected German IFO survey that reached its highest level since July 2011 provided the Euro with underlying support and is helping to offset any headwinds from sluggish risk appetites. In addition, a victory for German Chancellor Merkel's party in regional elections over the weekend may bode well for holding the Euro zone together in the face of populist sentiment in many member nations. Uptrend channel support in the June Euro today is seen at 1.0810 with resistance seen at 1.0942 as the Euro should extend this upside breakout move early this week. The Commitments of Traders Futures and Options report as of March 21st for Euro showed Non-Commercial traders were net short 18,245 contracts, a decrease of 20,462 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 16,058 contracts. This represents a decrease of 19,493 contracts in the net short position held by these traders.

YEN: The Yen has been a major beneficiary of risk aversion going into the final week of the first quarter as it has posted a new high for the move this morning. While a better than expected reading on the Japanese corporate services price index is a step in the right direction, there needs to be much more improvement with Japanese data (particularly on the inflation front) for the Yen to see a longer-term upmove not fueled in large part by safe-haven inflows. Near-term support is at 90.35 as while the Yen will be a safe-haven destination of choice going into the end of the quarter, further upside may be limited until the Japanese economy shows clearer signs of improvement.

SWISS: The Swiss has found strong support from safe-haven inflows early this week, but may be in a more vulnerable position given the Swiss National Bank's stance towards their "overvalued" currency. With the upcoming French election losing its threat of becoming a risk event, the Swiss may find difficulty with climbing further up into new high ground. Near-term support will be found at 1.0175, but the Swiss is quickly approaching a near-term overvalued status and could see a sharp negative turnaround if risk appetites should start to improve.

POUND: The Pound has been able to extend its current recovery move with sizable gains coming out of the weekend. Following last week's terrorist event in London and the current Brexit anxiety, the Pound remains fairly well supported as recent UK economic data has been able to maintain a mostly positive tone. A Bank of England rate hike may be well over the horizon at this point, but the Pound should be able to remain fairly well supported early this week as long as market focus remains on Washington. Near-term support is at 1.2560 as the Pound could re-test the early February highs before this upmove runs out of steam.

CANADIAN DOLLAR: The Canadian remains firmly within its recent consolidation zone, but is finding a mildly positive tone early this week. Sluggish energy prices are adding to the carryover pressure from events in the US, which could make it difficult for the Canadian to regain upside momentum given the mixed results from recent Canadian data points. Near-term resistance in the Canadian is at 75.26 as it may continue to be weighed down by sluggish risk sentiment early this week.

TODAY'S MARKET IDEAS:

The Dollar is likely to remain on the defensive this morning as there are no major US data points to shift market

focus away from difficulties in Washington. The Euro should remain well supported by weekend German election results and a strong German IFO survey. While the Japanese Yen and Swiss Franc will benefit from safe-haven inflows, the Swiss Franc may be increasingly vulnerable given the Swiss National Bank's threats to weaken their overvalued currency.

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 (JUN) 03/27/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 99.09. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 99.74 and 100.01, while 1st support hits today at 99.29 and below there at 99.09.

EURO (JUN) 03/27/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. 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 near-term upside objective is at 108.9725. The next area of resistance is around 108.7499 and 108.9725, while 1st support hits today at 108.1800 and below there at 107.8325.

JAPANESE YEN (JUN) 03/27/2017: 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 daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 91.04. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 90.65 and 91.04, while 1st support hits today at 89.95 and below there at 89.62.

SWISS (JUN) 03/27/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive signal was given by the outside day up. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 102.06. The next area of resistance is around 101.79 and 102.06, while 1st support hits today at 101.09 and below there at 100.67.

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 | | | | | | | | | | |
| DXAM7 | 99.51 | 28.62 | 34.63 | 13.45 | 7.36 | 99.52 | 100.09 | 100.84 | 100.62 | 100.86 |
| JYAM7 | 90.30 | 72.61 | 65.12 | 76.05 | 86.53 | 90.21 | 89.31 | 88.58 | 88.73 | 88.31 |
| EU6M7 | 108.4650 | 64.98 | 60.97 | 86.32 | 89.30 | 108.44 | 108.01 | 107.19 | 107.25 | 107.05 |
| BPAM7 | 125.18 | 63.89 | 58.43 | 73.65 | 86.29 | 125.20 | 124.20 | 123.38 | 124.59 | 124.22 |
| CAAM7 | 74.87 | 45.07 | 44.02 | 52.43 | 59.84 | 75.00 | 74.94 | 74.74 | 75.69 | 75.63 |
| SFAM7 | 101.44 | 69.38 | 63.41 | 79.74 | 85.25 | 101.28 | 100.85 | 100.18 | 100.50 | 100.25 |
| DAAM7 | 76.12 | 46.75 | 49.63 | 67.35 | 63.53 | 0.76 | 0.77 | 0.76 | 0.76 | 0.75 |

Calculations based on previous session. Data collected 03/24/2017

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

DAILY SWING STATISTICS

| Contract | | Support 2 | Support 1 | Pivot | Resist 1 | Resist 2 |
|-------------------------|-------------------|-----------|-----------|----------|----------|----------|
| CURRENCY COMPLEX | | | | | | |
| DXAM7 | US Dollar | 99.09 | 99.28 | 99.55 | 99.74 | 100.01 |
| JYAM7 | Japanese Yen | 89.61 | 89.94 | 90.33 | 90.65 | 91.04 |
| EU6M7 | Euro | 107.8325 | 108.1800 | 108.4025 | 108.7499 | 108.9725 |
| BPAM7 | British Pound | 124.67 | 124.91 | 125.20 | 125.44 | 125.73 |
| CAAM7 | Canadian Dollar | 74.66 | 74.75 | 74.88 | 74.98 | 75.11 |
| SFAM7 | Swiss | 100.66 | 101.09 | 101.36 | 101.79 | 102.06 |
| DAAM7 | Australian Dollar | 75.75 | 75.94 | 76.11 | 76.29 | 76.47 |

Calculations based on previous session. Data collected 03/24/2017

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.