



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Tuesday April 04, 2017

BONDS COMMENTARY

04/04/17

Macro-economic sentiment is suspect leaving the bulls in control

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

BONDS +130

With mixed international equity market action overnight, a decline in new US auto sales figures yesterday and a down tick in UK construction PMI it is not surprising to see June bonds sitting just under the last two months highs. Holding back prices this morning is a second straight month of gains in euro zone retail sales and evidence of some price pressures in yesterday's US ISM manufacturing report. However ongoing weakness in US equities and political rancor in Washington would seem to leave the general environment supportive for US Treasuries. While bonds and notes would be presented with a definitively negative environment in the event of a concentrated focus on tax reform and infrastructure spending projects Washington appears to be back into a full on bipartisan political fight on a Supreme Court nominee, healthcare reform and various environmental issues. In other words the pro-growth/stimulative policy efforts remain lost in a sea of other issues. An issue that could knock Bond and Note prices back from their highs temporarily this morning is the potential for a 0.9% gain in US factory orders. While US trade balance figures will also be released today we doubt those figures will result in a sustained reaction in Treasury prices. The North American session will start out with the February international trade balance which is expected to show a moderate downtick in the monthly deficit. A reading on the February Canadian international merchandise trade balance is forecast to show a modest downtick in their monthly surplus. February factory orders are expected to see a modest downtick from January's +1.2% reading. Fed Governor Tarullo will speak during afternoon US trading hours.



TODAY'S MARKET IDEAS:

As indicated already Treasury prices remain pinned to the vicinity of the 2017 highs in a manner that suggests the outlook for the US economy is eroding. It goes without saying that pro-growth policy initiatives in Washington remain on the very back burner and therefore the implementation of those policy changes could be months and even quarters away. While yesterday's ISM figures weren't particularly significant traders should note strength in the employment component of that report yesterday as that could suggest a better environment for this month's payroll report that is scheduled for release on Friday. We would also note that a prices measure within the ISM manufacturing report yesterday showed a noted uptick but the Treasury market basically discounted component figures. To start today June bonds have initial support at 152-01 and then somewhat lower support down at 150-14 with similar close in support in 10 year notes seen at 125-03 and perhaps closer in at an old high of 125-05. Pushed into the market we think bonds are expensive but we aren't sure the market will get a catalyst to take control away from the bull camp.

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) 04/04/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside target is 153-130. The next area of resistance is around 152-270 and 153-130, while 1st support hits today at 151-070 and below there at 150-040.

10 YR TREASURY NOTES (JUN) 04/04/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 125-200. The next area of resistance is around 125-140 and 125-200, while 1st support hits today at 124-255 and below there at 124-105.

STOCKS COMMENTARY

04/04/17

The bears camp retains an edge look for price erosion ahead

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

S&P 500 -450

Global equity markets were mixed overnight with several markets in Asia closed for holiday. However US equity markets have started the trading session off on a weaker footing which we think is the result of a lack of forward progress in Washington on a lengthening list of political footballs. Not surprisingly many analysts have turned guarded toward the stock market because of the lack of a forward path on tax reform. In fact instead of a focus on pro-growth Washington looks content to settle into a battle Royale on a Supreme Court nomination. While the Supreme Court composition is an extremely important issue the focus on growth and jobs is lost in the smoke of government partisanship. In our opinion US economic data has largely been mixed with new vehicle sales in March softening yesterday and other readings posting somewhat anemic readings.



S&P 500: Typically the stock market does not like uncertainty and it goes without saying that political uncertainty is expanding rather than contracting. Another issue that appears to be undermining stocks is a growing list of analysts recommending higher cash levels because of geopolitical and economic turmoil. In fact to limit the slide in the June E-mini S&P today probably requires a better-than-expected US factory orders result early on. We see little in the way of support until the 2340.00 level and perhaps not until a series of consolidation closes around 2338.00.

Other US Indexes: While downtrend channel resistance isn't seen in the June mini Dow until 20,703 we doubt the market will be able to take out the prior sessions high of 20,648. Logical downside targeting directly ahead is seen at 20,451 with a possible ultimate downside target this week seen at 20,356. It goes without saying that the 20,500 level will offer up in initial pivot point in the early going today. With the June mini NASDAQ yesterday forging a very wide trading range and basically extending a pattern of lower closes one has to give the bear camp a technical edge to start today. In fact it could be difficult to avoid at least a temporary return to the 5400.00 level unless there is some loosening of the political logjam in Washington and/or US scheduled data foster some fresh optimism.

TODAY'S MARKET IDEAS:

As we have indicated already the stock market doesn't like uncertainty and while current uncertainty is not of the panic variety the hope for better-than-expected growth in earnings is certainly waning. In fact a number of analysts have suggested investors raise cash levels and wait for cheaper prices. Not surprisingly some analysts are suggesting moving to the sidelines until there are signs that pro-growth efforts have become the day-to-day focus of Washington. Fortunately fears of rising US interest rates have moderated but unfortunately for investors declining rate hike fears appear to be the result of a lack of forward progression in the US economy.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 04/04/2017: 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 objective is at 2377.06. The next area of resistance is around 2367.62 and 2377.06, while 1st support hits today at 2344.38 and below there at 2330.57.

MINI-DOW (JUN) 04/04/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 upside objective is 20767. The next area of resistance is around 20690 and 20767, while 1st support hits today at 20494 and below there at 20374.

E-MINI NASDAQ (JUN) 04/04/2017: The market made a new contract high on the rally. The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. 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 near-term upside objective is at 5483.56. The next area of resistance is around 5460.37 and 5483.56, while 1st support hits today at 5408.63 and below there at 5380.07.

MINI-RUSSELL 2000 (JUN) 04/04/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside target is at 1398.4. The next area of resistance is around 1381.6 and 1398.4, while 1st support hits today at 1356.2 and below there at 1347.5.

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	152-010	67.52	62.54	81.49	85.14	151.16	151.03	149.43	149.72	149.88
TYAAM7	125-035	69.35	64.00	81.79	86.95	124.65	124.57	124.00	124.01	124.00
SPAM7	2356.00	50.10	52.41	46.90	53.30	2359.20	2350.44	2359.34	2341.52	2322.68
EPM7	2356.00	50.32	52.74	47.02	52.89	2358.88	2350.44	2359.22	2341.39	2322.61
TFEM7	1368.9	48.96	48.77	57.22	64.96	1376.38	1364.11	1367.37	1376.62	1371.78
ENQM7	5434.50	64.95	64.85	74.53	82.53	5436.63	5403.56	5398.54	5323.27	5259.56
YMM7	20592	41.97	47.19	35.89	38.23	20611.00	20595.11	20710.94	20532.58	20342.25

Calculations based on previous session. Data collected 04/03/2017

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	150-030	151-060	151-240	152-270	153-130
TYAAM7	10 Yr Treasury Notes	124-100	124-250	124-310	125-140	125-200
SPAM7	S&P 500	2330.82	2344.54	2353.72	2367.44	2376.62
EPM7	S&P E-Mini	2330.56	2344.37	2353.81	2367.62	2377.06
TFEM7	Mini-Russell 2000	1347.4	1356.1	1372.9	1381.6	1398.4
ENQM7	E-Mini NASDAQ	5380.06	5408.62	5431.81	5460.37	5483.56
YMM7	Mini-Dow	20373	20493	20570	20690	20767

Calculations based on previous session. Data collected 04/03/2017

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CURRENCIES COMMENTARY

04/04/17

The Dollar looks to continue to win by default

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
US DOLLAR +150, YEN +375, SWISS -15, CA DOLLAR -255

Upcoming International Reports (all times CT)

04/04 4-Week BILL Auction
04/04 Euro-zone Retail Trade 4:00 AM
04/04 Canadian International Merch 7:30 AM
04/04 US Trade Balance 7:30 AM
04/04 Factory Orders 9:00 AM
04/04 API Energy Stocks 3:30 PM
04/05 France Services PMI 2:50 AM
04/05 German Service PMI 2:55 AM
04/05 Euro-Zone Services PMI 3:00 AM
04/05 UK CIPS/NTC Research Service 3:30 AM
04/05 ISM Non-Manufacturing Index 9:00 AM
04/05 EIA Energy Stocks 9:30 AM
04/05 Japan Services PMI 6:35 PM



DOLLAR: As in US equities the US dollar is facing ongoing deterioration in economic expectations. With deterioration in US economic expectations that typically results in a ratcheting down of US rate hike prospects. When one adds into the equation a significant delay in implementing tax reform the bullish environment for the dollar is seriously undermined. While we think US factory orders data today will provide some added strength to the dollar we think gains in the greenback will be hard-fought and measured. On the other hand the charts have little in the way of significant resistance until the 1.0086 level.

EURO: With the euro managing a fresh downside breakout and a lower low for the move it is clear that intense Washington battles are not providing support to Non-dollar currencies. With the euro unable to derive support from euro zone February retail sales gains and a minimal upward revision in the January retail sales figures it is clear that currency valuations are being determined by something other than classic macroeconomic differential issues. Perhaps the euro is undermined by the mere suggestion that France might leave the euro even if those discussions are the result of casual campaign speculation. The next critical support point in the June euro is seen down at 1.0654 and to turn the tide around might require a near term rally back above 1.0711.

YEN: Apparently the Japanese Yen is benefiting from a general build in geopolitical uncertainty that is largely emanating from the US. One might also suggest that developing weakness in equities and less confidence in the pace of the global recovery have laid the groundwork for a June Yen trade back up to 91.13. In order to reverse the upward track of the last three trading sessions probably requires a close in the June Yen back below 89.79.

SWISS: Clearly favorable Swiss economic data means very little to the Swiss currency trade as the Swiss this morning is on the verge of extending a lower low pattern in the face of favorable Swiss PMI and retail sales results. In fact Swiss PMI climbed to the highest level since 2011 and retail sales rose by 0.6% on a year-over-

year basis. While the June Swiss might find some support at the parity level (1.00) more credible support and a potential 24 hour target is seen down at 99.50.

POUND: With a fresh three day low in the June British pound it is clear that UK construction growth was disappointing to the trade especially since that news was accompanied by suggestions that momentum in the UK economy is clearly waning. While the US dollar doesn't appear to be set to dominate the outlook for the UK economy and the lingering cloud of the BREXIT situation should leave the pound in an erosive posture. Near term downside targeting in the June pound this week is seen at 1.2402.

CANADIAN DOLLAR: With strength continuing in the US dollar, definitive and fresh damage on the Canadian charts a somewhat favorable Bank of Canada first quarter survey of business conditions is largely being discounted. Apparently news of record March auto sales in Canada and recent strength in precious metals prices have also been of little consequence to the currency. There might be little in the way of critical support in the June Canadian dollar until the 74.30 level.

TODAY'S MARKET IDEAS:

We get the impression that the US dollar is largely winning by default as it has managed to claw out gains despite the Washington debacle on healthcare reform. Even more surprising is the fact that the dollar has grinded out gains over the last two weeks in the face of a significant delay in the effort to implement tax reform. In conclusion the dollar might only need minimally positive scheduled data in the coming four trading sessions to claw back toward the early March highs.

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) 04/04/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. The close over the pivot swing is a somewhat positive setup. The next upside objective is 100.69. The next area of resistance is around 100.51 and 100.69, while 1st support hits today at 100.19 and below there at 100.05.

EURO (JUN) 04/04/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 target is now at 106.6525. The next area of resistance is around 107.2850 and 107.4325, while 1st support hits today at 106.8950 and below there at 106.6525.

JAPANESE YEN (JUN) 04/04/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 89.71. The next area of resistance is around 90.72 and 90.89, while 1st support hits today at 90.14 and below there at 89.71.

SWISS (JUN) 04/04/2017: The major trend has turned down with the cross over back below the 40-day moving average. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside target is 99.97. The next area of resistance is around 100.43

and 100.54, while 1st support hits today at 100.15 and below there at 99.97.

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	100.35	54.84	50.67	33.20	45.48	100.19	99.75	100.23	100.58	100.62
JYAM7	90.43	64.16	61.66	80.03	78.77	90.19	90.36	89.35	89.00	88.73
EU6M7	107.0900	41.79	46.29	55.26	36.50	107.31	108.00	107.75	107.24	107.26
BPAM7	125.05	55.07	54.32	75.92	74.75	125.06	125.20	124.20	124.51	124.39
CAAM7	74.82	43.49	44.13	65.05	64.96	75.11	75.01	74.86	75.55	75.66
SFAM7	100.29	42.12	46.48	56.65	41.82	100.49	101.04	100.67	100.50	100.44
DAAM7	75.95	41.80	46.34	57.11	49.27	0.76	0.76	0.76	0.76	0.76

Calculations based on previous session. Data collected 04/03/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM7	US Dollar	100.04	100.18	100.37	100.51	100.69
JYAM7	Japanese Yen	89.70	90.13	90.30	90.72	90.89
EU6M7	Euro	106.6525	106.8950	107.0425	107.2850	107.4325
BPAM7	British Pound	124.28	124.59	125.19	125.50	126.10
CAAM7	Canadian Dollar	74.37	74.56	74.88	75.07	75.40
SFAM7	Swiss	99.96	100.14	100.25	100.43	100.54
DAAM7	Australian Dollar	75.50	75.70	76.00	76.20	76.50

Calculations based on previous session. Data collected 04/03/2017

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