



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday April 21, 2017

BONDS COMMENTARY

04/21/17

The bias is down but not definitively down

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

BONDS +0

Global equity markets were mixed overnight, Japanese manufacturing PMI showed acceleration with Euro zone PMI results reaching a 6 year high and that news would seem to start the Treasury market out on a weaker footing. The significant risk on rally in equities yesterday was probably the result of renewed talk of US tax reform from the President and the Treasury Secretary and that in turn added to the downward tilt in treasuries in place from early in the week. It was not a coincidence that equities rallied sharply in relative proximity to the tax reform dialogue as that issue is a key pro-growth policy potential. An issue that might provide some volatility in Treasuries from the prior trading session is the Treasury Secretary's acknowledgment that the US debt ceiling will probably have to be raised in the months ahead. While the promise of tax reform is viewed as a stimulus, promises that the reform will be passed before the end of the year might be too far in the future to provide significant lift to growth expectations and in turn significant pressure to US treasuries. However suggestions that work on tax reform would begin regardless of other political policy efforts could be seen as a significantly positive economic development. Like gold the Treasury market this week did not benefit from several safe haven developments particularly the French shooting yesterday and that suggests the bear camp has some control into the last trading session of the week. The North American session will start out with March Canadian CPI which is expected to have a modest downtick from February's 2.0% year-over-year rate. The Markit "flash" US manufacturing PMI is forecast to see a minimal uptick from March's 53.3 reading. March existing home sales are expected to see a moderate increase from February's 5.48 million annualized rate. Minneapolis Fed President Kashkari will speak during morning US trading hours.



TODAY'S MARKET IDEAS:

With residual risk on psychology possible in US equities again, favorable international data and mostly favorable schedule data anticipated from the US later this morning, the path of least resistance in Treasuries looks to remain down. However June bonds may have found some measure of fundamental and technical value around the 154-00 level and the market might be a touch oversold from this week's high to low slide of almost 2 points. While talk of the debt ceiling has surfaced extreme political battling over that issue is not expected in the near term but that issue should not be discounted as it has in the past served to lift US debt instruments from a safe haven perspective (to this day we do not understand that reaction). Initial support in the June bond contract is seen at 153-25 with uptrend channel support from the March and April rally seen down at 153-10. Uptrend channel support in June T notes this morning comes in down at 125-14 with closer in support seen from the prior sessions low at 125 - 26.

NEW RECOMMENDATIONS:

Buy June Bonds at 154-07. Hit tight stop of 154-02.

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) 04/21/2017: A crossover down in the daily stochastics is a bearish signal. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. 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 next downside objective is now at 153-050. The next area of resistance is around 154-280 and 155-160, while 1st support hits today at 153-230 and below there at 153-050.

10 YR TREASURY NOTES (JUN) 04/21/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close below the 1st swing support number suggests a moderately negative setup for today. The near-term upside target is at 126-180. The next area of resistance is around 126-090 and 126-180, while 1st support hits today at 125-250 and below there at 125-175.

STOCKS COMMENTARY

04/21/17

The bulls retain an edge but not a significant edge

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

S&P 500 +270

Global equity markets were mixed overnight with Asian stocks higher and the rest of the world generally weaker. With the markets a touch overbought following yesterday's sharp range up action and the residual spillover from the Paris shooting it is not surprising to see an initial lack of direction today.

However the reaction yesterday in stock prices was clearly a reaction to the return of tax reform discussions from the White House. In other words the significant reaction in stock prices yesterday confirms the importance of working towards pro-growth policies. While the terror threat in the French election's this weekend could keep investors sentiment off balance favorable euro zone manufacturing data and the prospect for positive US data later this morning should give the bull camp a slight edge. Earnings announcements will include General Electric, Schlumberger, Honeywell and NextEra Energy before the Wall Street opening.



S&P 500: After seeing prices held down under the 50 day moving average the sharp range up probe above the 50 day moving average in the June E-mini S&P yesterday would seem to signal the potential for a shift in sentiment. The 50 day moving average in the June E-mini S&P today comes in at 2353.00 with uptrend channel support off the last six trading sessions seen down at 2335.75. Pushed into the market we give the bull camp the edge but gains today will probably be measured and hard-fought unless there is more tax reform specifics flowing from the White House.

Other US Indexes: Surprisingly the blue-chip Dow stocks joined the rally yesterday but as of yet they have not managed to defeat the April pattern of lower highs. Talk of a US probe into Chinese steel market conditions might elicit some fear of trade problems with China and a Wells Fargo proxy battle could thicken overhead resistance in the June mini Dow up at 20,584. Potentially critical support to start this morning is seen at 20,490. Hopefully the bull camp will see some fresh positive influences from today's US schedule data flows. Not surprisingly the June mini NASDAQ has led the market's recovery this week and the index would appear to be poised to potentially retest the April all-time high in the event US data later today is positive and the White House manages to keep the tax reform effort in the headlines. While uptrend channel support in the June mini NASDAQ is seen all the way down at 5410.10 closer in and perhaps more critical support is seen at 5430.75.

TODAY'S MARKET IDEAS:

We would label the environment to start this morning as cautiously optimistic but the markets might need evidence that the White House is moving forward on tax reform regardless of other political distractions in order to extend this week's recovery action straightaway. We don't discount the prospect of a windfall from favorable US data but the bull camp probably needs the bigger issue windfall of tax reform.

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) 04/21/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 2323.07. The next area of resistance is around 2365.12 and 2374.56, while 1st support hits today at 2339.38 and below there at 2323.07.

MINI-DOW (JUN) 04/21/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. 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 above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The next downside target is 20249. The next area of resistance is around 20646 and 20726, while 1st support hits today at 20408 and below there at 20249.

E-MINI NASDAQ (JUN) 04/21/2017: The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 5493.93. The next area of resistance is around 5472.87 and 5493.93, while 1st support hits today at 5412.63 and below there at 5373.44.

MINI-RUSSELL 2000 (JUN) 04/21/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. The daily stochastics gave a bullish indicator with a crossover up. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 1397.5. The next area of resistance is around 1391.0 and 1397.5, while 1st support hits today at 1371.0 and below there at 1357.6.

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	154-090	66.68	65.38	83.03	82.74	154.41	153.43	152.35	150.51	150.31
TYAAM7	126-010	64.39	64.17	80.96	81.50	126.18	125.72	125.24	124.40	124.29
SPAM7	2312.00	53.83	52.25	38.86	38.74	2342.03	2343.57	2348.65	2356.51	2339.65
EPM7	2352.25	53.46	52.07	39.58	39.45	2342.00	2343.75	2348.86	2356.36	2339.61
TFEM7	1381.0	58.81	55.14	49.93	56.76	1366.65	1363.72	1365.74	1374.18	1373.03
ENQM7	5442.75	62.49	60.47	45.74	48.51	5406.69	5400.67	5412.69	5383.42	5331.67
YMM7	20527	48.91	48.34	28.82	27.03	20462.75	20508.00	20555.06	20679.49	20503.83

Calculations based on previous session. Data collected 04/20/2017

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
FINANCIAL COMPLEX						
USAAM7	Bonds	153-040	153-220	154-100	154-280	155-160
TYAAM7	10 Yr Treasury Notes	125-170	125-245	126-015	126-090	126-180
SPAM7	S&P 500	2305.22	2300.15	2328.92	2323.85	2352.62
EPM7	S&P E-Mini	2323.06	2339.37	2348.81	2365.12	2374.56
TFEM7	Mini-Russell 2000	1357.5	1371.0	1377.5	1391.0	1397.5
ENQM7	E-Mini NASDAQ	5373.43	5412.62	5433.68	5472.87	5493.93
YMM7	Mini-Dow	20248	20407	20487	20646	20726

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CURRENCIES COMMENTARY

04/21/17

The Dollar comes back into vogue off tax talk

**OVERNIGHT CHANGES THROUGH 3:15 AM (CT):
US DOLLAR -22, YEN +130, SWISS +5, CA DOLLAR +25**

Upcoming International Reports (all times CT)

04/21 France Manufacturing PMI Fla 2:00 AM
 04/21 France Services PMI Flash 2:00 AM
 04/21 Euro-zone Balance of Payment 3:00 AM
 04/21 UK Retail Sales 3:30 AM
 04/21 Canadian Consumer Price Inde 7:30 AM
 04/21 Existing Home Sales 9:00 AM



DOLLAR: Favorable early action and a three day high in the dollar seems to suggest that some form of low was put in place yesterday. Even more surprising is the fact that the dollar has remained firm this morning despite a six year high in euro zone private PMI results. However just as the equity markets rallied yesterday off the return of tax reform dialogue to the headlines, the dollar also sees that potential as a major force capable of interjecting optimism and stimulus for the US economy. Initial resistance today is seen at 99.91 and critical support should be seen at 99.56 but the bull camp will need US scheduled data to meet expectations that call for positive readings.

EURO: Over the last 24 hours the euro has reversed course aggressively and we think that action is not the result of the Paris shooting. In fact the euro peaked and reversed course ahead of midsession yesterday in a reaction that was correlated with the reemergence of US tax reform talk. Furthermore the euro failed to see noted and sustained windfalls from the much stronger-than-expected euro zone economic readings released from a private source overnight. In fact the April composite PMI figure reached a six year high and services and factory readings came in above all poll estimates. In conclusion euro zone data should cushion the currency against a coming decline that is mostly the result of hope for pro-growth US efforts. Initial downside targeting in the June euro this morning is seen at 1.0703 and potentially down at 1.0674 early next week.

YEN: The Asian session featured a "flash" reading for the Markit Japanese manufacturing PMI which showed acceleration and that along with favorable Eurozone PMI and renewed talk of US tax reform has punctured safe haven interest in the Yen even further. With an extension of the pattern of lower highs and lower lows this week downside targeting in the Yen today could be 91.40 with resistance today seen at 92.18.

SWISS: Like other non-dollar currencies the Swiss appears to have shifted direction off the return to a pro-growth policy focus in the US but we also suspect the Swiss is seeing some pressure from a six year high in private euro zone PMI readings overnight. Initial downside targeting in the June Swiss ahead is seen at an old double high around 1.0027.

POUND: As opposed to very favorable euro zone data overnight the UK has posted the biggest quarterly decline in retail sales in nearly 6 years and that could make the 1.2800 level today an extremely critical pivot point for the Pound. Another potentially critical downside pivot point in the June pound this morning is seen at 1.2881 and pushed into the market we leave the edge with the bear camp through US scheduled data this morning.

CANADIAN DOLLAR: On one hand the Canadian dollar is significantly oversold from this week's beating and the improvement in Japanese and euro zone data, combined with an injection of economic optimism from the emergence of tax reform dialogue in Washington should increase the prospect that the Canadian has found a low zone. However we currently don't see a catalyst to quickly take action on the long side especially with a flicker of US/Canadian trade tensions because of Canada's dairy industry support. For the time being we see critical support at 74.20.

TODAY'S MARKET IDEAS:

The bull case in the greenback is tied directly to further credible progress toward US tax reform and to a lesser degree this morning's US schedule data. While the dollar has not availed itself of this week's geopolitical safe haven issues the dollar might be seen as a safe haven for this weekend's French election.

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) 04/21/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 99.14. The next area of resistance is around 99.93 and 100.08, while 1st support hits today at 99.46 and below there at 99.14.

EURO (JUN) 04/21/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's 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 upside target is 108.2750. The next area of resistance is around 107.8050 and 108.2750, while 1st support hits today at 107.1250 and below there at 106.9150.

JAPANESE YEN (JUN) 04/21/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 91.13. The next area of resistance is around 92.01 and 92.42, while 1st support hits today at 91.37 and below there at 91.13.

SWISS (JUN) 04/21/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 101.06. The next area of resistance is around 100.72 and 101.06, while 1st support hits today at 100.26 and below there at 100.13.

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	99.69	38.26	41.39	49.28	33.74	99.73	100.31	100.19	100.61	100.52
JYAM7	91.69	60.87	62.17	81.60	79.88	92.13	91.53	90.95	89.61	89.41
EU6M7	107.4650	55.93	53.22	33.48	47.07	107.31	106.84	107.19	107.04	107.19
BPAM7	128.38	73.08	68.33	69.54	78.70	127.74	126.11	125.59	124.57	124.87
CAAM7	74.28	33.57	37.60	39.39	24.10	74.62	74.86	74.87	75.09	75.45
SFAM7	100.49	56.50	53.39	33.52	48.38	100.44	99.99	100.29	100.21	100.42
DAAM7	75.17	44.03	44.40	28.12	28.31	0.75	0.75	0.76	0.76	0.76

Calculations based on previous session. Data collected 04/20/2017

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM7	US Dollar	99.14	99.46	99.61	99.93	100.08
JYAM7	Japanese Yen	91.12	91.36	91.77	92.01	92.42
EU6M7	Euro	106.9150	107.1250	107.5950	107.8050	108.2750
BPAM7	British Pound	127.59	128.01	128.33	128.75	129.07
CAAM7	Canadian Dollar	74.03	74.16	74.26	74.40	74.50
SFAM7	Swiss	100.12	100.25	100.59	100.72	101.06
DAAM7	Australian Dollar	74.60	74.90	75.14	75.44	75.68

Calculations based on previous session. Data collected 04/20/2017

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