WEDNESDAY MAY 18, 2016

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	17,526.62	-3.36	4.10	50	54
Nasdaq:	4,739.12	+23.39	**1.94**	145	174
S&P 500:	2,047.63	+0.42			
10 yr note:	1.88%	+12bps			
Volatility:	15.95	+0.38			
EUR-USD:	1.122	-0.01	Crude Oil:	48.19	-0.12
USD-JPY:	110.09	+0.96	CRB-Com:	185.40	-0.46

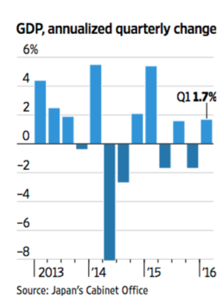
S&P 500 WEDNESDAY

The S&P 500 wavers upon the release of the Beige book, closing slightly higher (+0.02%) on higher volatility (+2.4%), foreshadowing further volatility tomorrow. Nevertheless the market rebounded off of its lower BB on higher volume, indicating that the market should gain at some point during trading tomorrow. The Dow (-0.02%) fell marginally following a 106 point gain prior to the Beige Book's release, while the Nasdaq (+0.5%) gained.

Hawkish Fed minutes helped the financial sector (+1.9%) to its largest gain since April 13 (WSJ). Conversely the consumer discretionary shares continue to struggle, the worst performing sector so far this month (-2.5%). Target (-7.6%) fell the most since December 2008 today as the company warned of weaker consumer spending hurting profits, mirroring Macy's weak guidance earlier this month as consumers continue to shift spending to online venues.

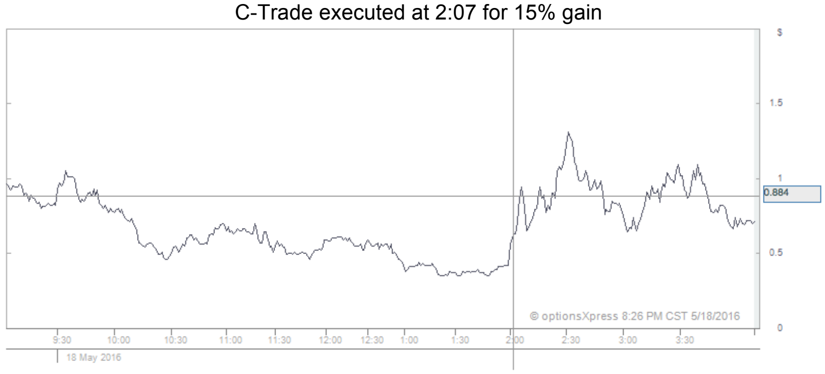
The dollar and treasury yields highlighted the Fed's hawkish sentiment, rallying upon the release of the Beige Book this afternoon. The dollar gained against the euro (+0.9%) and yen (+1%), sending the ICE Dollar index to its highest level since March 29. A stronger dollar hit commodities such as oil (-0.2%) and gold (-1%). Similarly both the 2 and 10-year treasury yields jumped the most this year, settling at a 2-month and 3-week high, respectively. Rate hike expectations jumped, with June rising another 14bps today to 34% today and July now thoroughly on the table, gaining 36bps to 56%.

European shares (+0.9%) rallied today while Asian shares (-1.5%) fell. The Nikkei fell (-0.1%) even though data today showed Japan's economy rebounding sharply in the first quarter (+1.7%). The economy rebounded from the 4th quarter's 1.7% contraction as foreign demand (+0.6%), household consumption (+0.5%) and government spending (+0.7%) fueled growth.



C-Trade worked well today. Not sure how to categorize yesterday's movement. It wasn't a pure down +vol movement because the market closed right above its BB. So I think I will make a new category, very similar to the BB spike, titled 'Close within 10 points of lower BB'

C-Trade executed at 2:07 for 15% gain

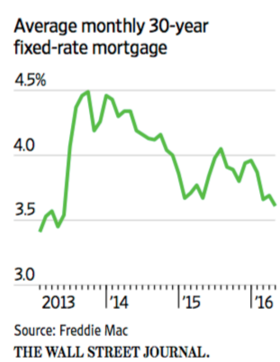


ECONOMIC REPORTS:

April Fed Minutes: The Fed fired a warning shot across the market's bow, testing trader's reaction to higher interest rates. Fed member's during their April meeting notes that market's expectations for a June rate hike was "unduly low," therefore the yesterday's hawkish comments coupled with today's Fed minutes give the Fed the opportunity to reset market expectations, examining if markets are prepared for a rate hike. "participants generally agreed that the risks to the economic outlook posed by global economic and financial developments had receded over the intermeeting period." A June rate hike is premature, with the UK referendum just a week after the meeting (June 23), however July offers the perfect moment, after guiding markets during June's commentary. Fed officials gauged the 1st quarter slowdown as temporary, determining that it "could partly reflect measurement problems and, if so, would likely be followed by stronger GDP growth in subsequent quarters" (WSJ).

Weekly Crude Inventories: -3.4 million barrels. Crude oil inventories fall after 6 weeks of gains. Product inventories fell, with gasoline (-1.2 million) and distillates (-1.6 million) stockpiles both lower.

Weekly Mortgage Applications: -1.4%. Mortgage activity falls for its 3rd week out of the past 4 as low rates fail to encourage demand. Purchase activity (-6%) fell heavily while refinance activity (+1%) gained. Purchase activity fell to its lowest level since February, now only 12% higher over the past year.



Rates:		
30 Year Fixed:	3.82%	unch
15 Year Fixed:	3.02%	-4bps
5/1 Year ARM:	2.94%	+1bps

Rates remain favorable, with Freddie Mac's measure of the average 30-year fixed-rate mortgage averaging 3.61% in April, the lowest monthly level since May 2013, before the taper tantrum dislodged rates later on that year.