



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday May 02, 2023

BONDS COMMENTARY

5/2/2023

The path of least resistance is up from fears of slowing

OVERNIGHT CHANGES THROUGH 3:16 AM (CT): BONDS +1

With the treasury market short-term oversold from 4 days of significant weakness, increased chatter of recession from inverted yield curve action and mixed to slightly soft European manufacturing PMI data we see prices recovering. While it is unclear if treasury prices will benefit from increased anxiety of a US default with the treasury secretary surprising the trade with an earlier than expected potential US government default date of June 1st that appears to be the case. On the other hand, news of a May 9th White House meeting with key congressional leaders offers a glimmer of hope a government shutdown will be avoided. It should be noted that in the past debt ceiling and budget negotiations have always run into the last hours before a government shutdown and in several instances have seen the default/government shutdown only averted by pushing the problem into the future by continuing resolutions (stopgap Band-Aids). Another potential major bearish development surfaced yesterday after the US treasury indicated it will increase its 2nd quarter refunding borrowings to \$726 billion which is substantially higher than the expectation in January of \$449 billion borrowings in the 2nd quarter! The situation continues to deteriorate in the 3rd quarter with the treasury expecting to borrow \$733 billion. In the coming hours the treasury market is likely to see an impact from factory orders and the first jobs specific report ahead of the monthly nonfarm payroll release on Friday. Expectations call for a significant rebound in US factory orders, but that news is likely to be more than offset by another significant decline in job openings. In a possible sign that foreign central bankers are doing their part in controlling inflation, the Reserve Bank of Australia raised interest rates 25 basis points last night. The North American session will start out with a private weekly survey of same-store sales followed by the March job openings and labor turnover (JOLTS) survey which is forecast to have a moderate downtick from February's 9.931 million reading. March factory orders are expected to have a moderate uptick from February's -0.7% reading. April vehicle sales are forecast to hold steady with March's 14.8 million annualized rate.



TODAY'S MARKET IDEAS:

The path of least resistance is pointing up with recession chatter surfacing again from inverted yield curve signals and from soft European manufacturing PMI readings released overnight. While it is unclear if treasuries will see the usual flight to quality buying interest off fear of a US government shutdown and or default scare, seeing Washington leaders schedule a negotiating meeting 7 days into the future with the Senate having only 15 days and the House having only 12 days in session before the government runs out of money, it is clear Washington remains tone deaf to the markets and reality. From a technical perspective, treasury bonds fell below and rejected the 50-day moving average yesterday and have respected the 50-day moving average at 129-23 again today. In conclusion, both fundamental and technical signals favor the bull camp especially with prices entering a critical fundamental report junction in the lower quarter of the last two months trading range.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long 4 June Bond 129-00 put options for 52. Long June Bond 134-03. Use an objective on the long June bond future of 134-15. Hold the puts for a long-term position.

BONDS TECHNICAL OUTLOOK:

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BONDS (JUN) 05/02/2023: The major trend has turned down with the cross over back below the 40-day moving average. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The close below the 1st swing support could weigh on the market. The next downside objective is 127-100. The next area of resistance is around 131-010 and 132-250, while 1st support hits today at 128-100 and below there at 127-100.

10 YR TREASURY NOTES (JUN) 05/02/2023: The market back below the 40-day moving average suggests the longer-term trend could be turning down. The daily stochastics have crossed over down which is a bearish indication. Stochastics trending lower at midrange will tend to reinforce a move lower especially 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. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 113-190. The next area of resistance is around 115-020 and 115-255, while 1st support hits today at 113-310 and below there at 113-190.

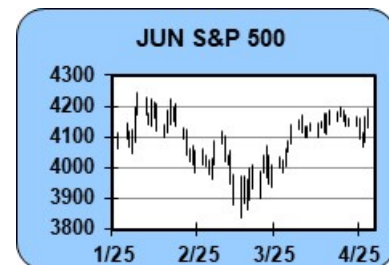
STOCKS COMMENTARY

5/2/2023

Fundamentals and technical signals favor the bear camp

OVERNIGHT CHANGES THROUGH 3:16 AM (CT): S&P 500 -6

Global equity markets were lower overnight with declines as high as 0.86% in the Australian market. With equity markets fresh off a noted rally off last week's lows, international markets trading lower, soft European manufacturing PMI data, uncertainty from the Fed and given we have political idiots negotiating the US debt ceiling, the path of least resistance is down. Earnings announcements will include Pfizer, Illinois Tool Works, Uber Technologies, Cheniere Energy and Dupont before the Wall Street opening while AMD, Starbucks, and Ford Motors reports after the close.



S&P 500: With the S&P yesterday 238 points above last week's lows, growing recession fear and the prospect of higher interest US rates tomorrow some downside work is likely. Fortunately for the bull camp, the S&P futures continue to maintain a very substantial net spec and fund short, and the passing of the First Republic fiasco has resulted in a jump in Merger and Acquisition chatter. However, positive US factory orders data this morning is likely to be more than offset by a significant drop in job opening results from the JOLTS report. On the other hand, there is not an anxiety vibe in the marketplace and therefore close in support at 4158 might hold the market from larger declines.

Other US Indexes: Like the S&P, Dow futures rallied 1000 points from last week's low and have forged a lower low early today. While anxiety and negative economic sentiment are present, they are not at elevated levels. However, with the nonfarm payroll report looming at the end of the week the job openings report this morning is likely to have an outsized impact on stock prices. Initial downside targeting and support is 33,967 and then again down at 33,752. At least initially, the NASDAQ has held near recent highs and remains the strongest sector of the equity markets. However, the bull camp should be disheartened by yet another Tesla price increase in the US, Chinese, Japanese, and Canadian markets. Close in support in the June NASDAQ today is 13,169.

TODAY'S MARKET IDEAS:

The path of least resistance is down but given the equity markets capacity to look through negative issues a measure of selling off the likelihood of higher US interest rates and from disappointing US jobs news is likely.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long a June Nasdaq 14,200 Call at 90. Use an objective of *130.00.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/02/2023: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down is a negative indicator for prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 4214.18. The next area of resistance is around 4196.87 and 4214.18, while 1st support hits today at 4171.63 and below there at 4163.69.

MINI-DOW (JUN) 05/02/2023: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. 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. The market could take on a defensive posture with the daily closing price reversal down. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 34425. The next area of resistance is around 34253 and 34425, while 1st support hits today at 34019 and below there at 33957.

E-MINI NASDAQ (JUN) 05/02/2023: Momentum studies are trending higher but have entered overbought levels. 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 close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 13420.50. The next area of resistance is around 13359.25 and 13420.50, while 1st support hits today at 13247.75 and below there at 13197.50.

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										
USAAM23	129-210	41.78	45.07	36.71	34.22	130.86	130.72	131.28	130.09	129.45
TYAAM23	114-165	44.10	47.13	39.01	38.73	115.00	114.89	115.12	114.35	113.94
EPM23	4184.25	60.95	59.38	63.06	71.58	4154.63	4151.75	4151.61	4072.98	4084.80
ENQM23	13303.50	63.65	61.26	62.56	76.37	13212.50	13128.17	13136.33	12832.04	12756.59
YMM23	34136	60.20	58.95	62.56	68.09	33921.50	33917.56	33919.17	33282.56	33445.90

Calculations based on previous session. Data collected 05/01/2023

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						
USAAM23	Bonds	127-090	128-090	130-010	131-010	132-250
TYAAM23	10 Yr Treasury Notes	113-185	113-305	114-220	115-020	115-255

EPM23	S&P E-Mini	4163.68	4171.62	4188.93	4196.87	4214.18
ENQM23	E-Mini NASDAQ	13197.50	13247.75	13309.00	13359.25	13420.50
YMM23	Mini-Dow	33957	34019	34191	34253	34425

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CURRENCIES COMMENTARY

5/2/2023

Dollar gains to prompt noted Swiss, euro, and Yen declines

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +85, YEN -6, SWISS -32, CA DOLLAR -105**

Upcoming International Reports (all times CT)

05/02 FOMC Meeting
05/02 German Retail Sales 1:00 AM
05/02 UK Nationwide Housing Price 1:00 AM
05/02 Swiss PMI 2:30 AM
05/02 France Manufacturing PMI 2:50 AM
05/02 German Manufacturing PMI 2:55 AM
05/02 Euro-Zone Manufacturing PMI 3:00 AM
05/02 Swiss Consumer Confidence 3:00 AM
05/02 UK CIPS/NTC Research Manufac 3:30 AM
05/02 Factory Orders 9:00 AM
05/02 API Energy Stocks 3:30 PM
05/03 FOMC Meeting
05/03 Euro-zone Unemployment Rate 4:00 AM
05/03 ISM Services PMI 9:00 AM
05/03 EIA Energy Stocks 9:30 AM



DOLLAR: With an upside breakout in the dollar early, it appears that the currency trade has returned to views that US debt ceiling concerns will attract flight to quality buying of the dollar. In fact, a Reserve Bank of Australia rate hike overnight, the prospect of a reduction in job openings in the US this morning and a sooner than expected US default date have failed to discourage dollar buying. However, we caution against chasing the dollar higher with buy orders as the dollar has been clearly out-of-favor for most of the last 9 months. Nonetheless, the bias is up with the dollar likely to grind out minor gains.

EURO: Not surprisingly, the euro has failed at recent consolidation support and is under pressure by default from the upside breakout in the dollar and from disappointing manufacturing PMI data released overnight. We suspect increased US recession talk from an inverted yield curve and the prospects of disappointing US jobs related data ahead has shifted recovery currencies like the euro into a modest long liquidation pattern. Initial downside targeting is the mid-April low down at 1.0947.

YEN: Even though the Yen is aggressively oversold from 3 straight days of hard down action, we see further declines ahead. In fact, the Japanese monetary base contracted last month, and a series of market closures ahead could reduce the chances of Bank of Japan intervention. Near term downside targeting is the mid-November low down at 72.42.

SWISS: In retrospect, the Swiss was one of the most overbought currencies into last week's highs, the currency is one of the most volatile actively traded currencies and scheduled data overnight depicted a weaker than expected Swiss economy. In fact, two separate private reports on Consumer Climate and Purchasing Managers Index readings were disappointing. Unfortunately for the bull camp, unreliable support at 1.1153 should be easily reached and should fail given the propensity for volatility in the Swiss.

POUND: On the one hand, the Pound has avoided noted selling in the wake of the upside dollar breakout and a contraction in GBP nationwide house prices. The Pound has also held up in the face of reports of record food inflation, possibly because of Finance Minister plans for big and unfunded tax cuts. Nonetheless, the path of least resistance is down but we expect losses to be modest.

CANADIAN DOLLAR: Given fundamental news flow, the Canadian might establish a positive near-term correlation with the US dollar. In addition to favorable Canadian factory PMI news yesterday and the end of a strike by Canadian federal workers, the Canadian should be supported by the 50-day moving average at 73.70.

TODAY'S MARKET IDEAS:

None.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/02/2023: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 102.35. The next area of resistance is around 102.18 and 102.35, while 1st support hits today at 101.61 and below there at 101.22.

EURO (JUN) 05/02/2023: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 109.4613. The next area of resistance is around 110.4024 and 110.8912, while 1st support hits today at 109.6875 and below there at 109.4613.

JAPANESE YEN (JUN) 05/02/2023: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 72.65. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 73.58 and 74.12, while 1st support hits today at 72.85 and below there at 72.65.

SWISS (JUN) 05/02/2023: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 111.69. The next area of resistance is around 112.54 and 112.99, while 1st support hits today at 111.89 and below there at 111.69.

CANADIAN DOLLAR (JUN) 05/02/2023: The daily stochastics have crossed over up which is a bullish indication. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 74.16. The next area of resistance is around 74.05 and 74.16, while 1st support hits today at 73.77 and below there at 73.59.

BRITISH POUND (JUN) 05/02/2023: Stochastics are at mid-range but trending higher, which should reinforce a

move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close below the 1st swing support could weigh on the market. The near-term upside target is at 126.29. The next area of resistance is around 125.57 and 126.29, while 1st support hits today at 124.53 and below there at 124.21.

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										
DXAM23	101.89	55.68	50.93	49.80	59.65	101.44	101.47	101.50	102.54	102.78
JYAM23	73.21	20.94	28.50	17.73	11.60	74.46	74.84	75.31	75.70	75.83
EU6M23	110.0450	49.63	52.83	65.46	58.70	110.47	110.33	110.11	108.78	108.46
BPAM23	125.05	55.26	56.14	61.99	65.73	125.16	124.82	124.67	123.08	122.53
CAAM23	73.91	47.91	48.80	24.00	25.14	73.70	73.85	74.20	73.69	73.87
SFAM23	112.21	50.22	54.38	67.10	58.50	112.53	112.64	112.33	110.53	110.22
DAAM23	66.43	42.58	43.86	24.43	21.30	0.66	0.67	0.67	0.67	0.68

Calculations based on previous session. Data collected 05/01/2023

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM23	US Dollar	101.21	101.60	101.78	102.18	102.35
JYAM23	Japanese Yen	72.64	72.84	73.38	73.58	74.12
EU6M23	Euro	109.4612	109.6874	110.1762	110.4024	110.8912
BPAM23	British Pound	124.21	124.53	125.25	125.57	126.29
CAAM23	Canadian Dollar	73.58	73.76	73.87	74.05	74.16
SFAM23	Swiss	111.68	111.88	112.33	112.54	112.99
DAAM23	Australian Dollar	65.87	66.13	66.47	66.73	67.08

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