



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday May 03, 2023

BONDS COMMENTARY

5/3/2023

The path of least resistance is up from fears of slowing

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

The path of least resistance in treasuries remains definitively in favor of the bull camp today, with the widely anticipated US rate hike later today combining with yesterday's evidence of a cooling of the US job market to increase fears of a US recession. Certainly, the fear of a recession from over tightening is mitigated by the idea the Fed will be "one and done" after today's action, with that prospect potentially confirmed by hints from the Fed of a pause. In fact, seeing the Fed hike and then seeing the Fed chairman hint at a pause could stamp out lingering inflationary expectations and discourage economic anxiety. However, with a veritable avalanche of US jobs related data over the next 72 hours largely expected to depict weakening of the US jobs condition, upside action in Treasuries might be robust. In fact, yesterday's job openings report registered the lowest level since July 2021 and if expectations for Friday's US nonfarm payroll gain of only 179,000 are realized that reading will be the lowest since January 2021! In addition to an intense focus on the early ADP employment change figure this morning (which is expected to rise minimally) the trade will also take guidance from the ISM services employment index. The North American session will start out with a weekly private survey of mortgage applications followed by the April ADP employment survey which is expected to have a minimal uptick from March's 145,000 reading. The April ISM services index is forecast to have a modest uptick from March's 51.2 reading. The highlight for global markets will come during early afternoon US trading hours with the results of the latest Federal Market Open Committee meeting. While the Fed is widely expected to hike rates by 25 basis points, it is likely that their post-meeting statement and comments by Fed Chair Powell will signal a "pause" in their rate hike trajectory.



TODAY'S MARKET IDEAS:

Obviously, the path of least resistance in treasuries is up from both technical and fundamental perspectives. However, a portion of expectations for softer jobs related data is already in the market and the bulls could be caught off-guard if both jobs related reports this morning improve instead of deteriorating. In the end, the path of least resistance is up with initial resistance and targeting in June bonds at 132-21 and initial resistance and targeting in June notes close to the early trade at 115-30.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long 4 June Bond 129-00 put options from 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) 05/03/2023: The market now above the 40-day moving average suggests the longer-term trend has turned up. The daily stochastics have crossed over up which is a bullish indication. Momentum studies are

rising from mid-range, which could accelerate 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 133-100. The next area of resistance is around 132-230 and 133-100, while 1st support hits today at 130-190 and below there at 129-010.

10 YR TREASURY NOTES (JUN) 05/03/2023: The major trend could be turning up with the close back above the 40-day moving average. The daily stochastics have crossed over up which is a bullish indication. 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 116-175. The next area of resistance is around 116-065 and 116-175, while 1st support hits today at 115-000 and below there at 114-040.

STOCKS COMMENTARY

5/3/2023

Fundamentals and technical signals favor the bear camp

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

S&P 500 +4

Global equity markets overnight were mostly higher with some market closures because of holidays. Surprisingly, global equity market sentiment improved slightly overnight perhaps from an emerging theme that the historically aggressive US rate hike cycle might be at an end today. However, even if the threat of future rate hikes is tamped down, signs of slowing in the US economy from soft US job news will result in recession fears replacing rate hike fears as the primary focus of the equity markets. Earnings announcements are expected from CVS Health, Estee Lauder, Kraft Heinz, Emerson Electric and Phillips 66 before the Wall Street opening while QUALCOMM and Public Storage report after the close.



S&P 500: Fortunately for the bull camp, the S&P forged a high to low 24-hour setback of nearly 106 points potentially mitigating the negative knee-jerk reaction to the inevitable US rate hike this afternoon. On the other hand, Kraft Heinz earnings before the opening this morning will be an important development, given the cyclical/consumer signals flowing from the report. In retrospect, two straight days of sharp declines in many regional US Bank shares probably sparked a rekindling of US bank sector fears, but the Fed Chairman will likely discount the bank sector becoming a contagion! In the end, it is possible equities will rally off relief, but the markets ultimately face headwinds from obvious slowing in the US economy. Ahead of the Fed decision we will not rule out a return to levels below 4100 but we put the odds of a key low later today at 50%.

Other US Indexes: Typically, the Dow stocks suffer more pressure (relatively) than other sectors of the market in the face of interest rate hikes. However, today's rate hike is widely anticipated with the US Fed funds rate market putting the probability of a hike above 90%. Furthermore, recent Fed dialogue indicates they expect interest rates to return to historically low levels ahead. On the other hand, the president has indicated he will not negotiate anything other than a clean bill to hike the debt ceiling and that threat leaves the bear camp with an edge in the coming weeks. The downside targeting today is seen at 33,500 but that level could be temporarily violated before prices bounce. With talk of aggressive white-collar job cuts from the IBM CEO in the future earnings from Qualcomm after the close today will take on added importance. However, the NASDAQ has shown the ability to hold up better than the rest of the market and support at 13,110 could be regained this afternoon after an initial failure of that level earlier in the session.

TODAY'S MARKET IDEAS:

The path of least resistance is down but given the equity market's capacity to look through negative issues, a measure of selling could be reversed later this week.

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) 05/03/2023: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance 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 2nd swing support number puts the market on the defensive. The near-term upside objective is at 4228.25. The next area of resistance is around 4179.00 and 4228.25, while 1st support hits today at 4093.00 and below there at 4056.25.

MINI-DOW (JUN) 05/03/2023: The daily stochastics gave a bearish indicator with a crossover down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 33140. The next area of resistance is around 34096 and 34476, while 1st support hits today at 33428 and below there at 33140.

E-MINI NASDAQ (JUN) 05/03/2023: 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. The market is in a bearish position with the close below the 2nd swing support number. The next upside objective is 13422.75. The next area of resistance is around 13286.25 and 13422.75, while 1st support hits today at 13061.75 and below there at 12973.75.

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	131-210	53.59	52.91	38.99	43.56	130.84	130.94	131.15	130.23	129.47
TYAAM23	115-190	56.08	54.74	42.66	50.10	115.01	115.04	115.06	114.44	113.96
EPM23	4136.00	48.58	51.44	62.74	62.92	4166.06	4147.06	4151.64	4075.77	4084.33
ENQM23	13174.00	53.51	55.21	65.52	72.03	13262.44	13127.28	13136.15	12853.89	12765.14
YMM23	33762	48.02	51.01	60.93	58.21	33995.50	33886.44	33924.67	33300.98	33438.45

Calculations based on previous session. Data collected 05/02/2023

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	129-000	130-180	131-050	132-230	133-100
TYAAM23	10 Yr Treasury Notes	114-035	114-315	115-105	116-065	116-175
EPM23	S&P E-Mini	4056.25	4093.00	4142.25	4179.00	4228.25
ENQM23	E-Mini NASDAQ	12973.75	13061.75	13198.25	13286.25	13422.75
YMM23	Mini-Dow	33140	33428	33808	34096	34476

Calculations based on previous session. Data collected 05/02/2023

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CURRENCIES COMMENTARY

5/3/2023

The \$ has shifted down soft jobs data to accelerate declines

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

US DOLLAR -375, YEN +61, SWISS +58, CA DOLLAR +30

Upcoming International Reports (all times CT)

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
05/04 German Foreign Trade 1:00 AM
05/04 France Services PMI 2:50 AM
05/04 German Service PMI 2:55 AM
05/04 Euro-Zone Services PMI 3:00 AM
05/04 UK CIPS/NTC Research Service 3:30 AM
05/04 Euro-zone Industrial Produce 4:00 AM
05/04 Euro-zone Monetary Policy 7:15 AM
05/04 Canadian International Merch 7:30 AM
05/04 Jobless Claims 7:30 AM
05/04 US Trade Balance 7:30 AM
05/04 Canadian PMI 9:00 AM
05/04 EIA Gas Storage 9:30 AM



DOLLAR: With another slide in the dollar this morning posting a 3-day low, evidence of a softening US jobs market is weighing on the dollar and is likely to result in even more losses over the coming 72 hours of trade. Even though the dollar should see cushion from an actual rate hike today, that support should be overcome by statements from the press conference hinting at a pause. On the other hand, if US jobs data from ADP and the ISM post weaker than expected data early on that could facilitate declines in the dollar which quickly send the index to 100.93 before the close today.

EURO: Like other nondollar currencies, the euro is likely to "win by default" today with weakness in US jobs data distracting the trade from signs of weakness in Europe from last week. However, unemployment rates in Italy and the euro zone declined in the latest readings released earlier today and that should add to the euro's capacity to return to and likely above 1.1129 in subsequent trading sessions.

YEN: At least in the coming sessions the Yen is likely to see selling pressure moderate, with short covering serving to balance the oversold condition from a large 4-day slide of 250 points. However, near-term gains are likely to be reversed as economic conditions in Japan and residual Ultra-easy monetary policies at the BOJ remain in place. Short covering targeting and short reentry pricing is either 74.60 or at a downtrend channel resistance line which declines to 75.54 on Friday.

SWISS: Like the euro, the Swiss is poised to "win by default" because of the entrenching expectation of softening in the US jobs market. Also like the Yen, the Swiss is likely to rally despite signs of the Swiss economy remaining in a suspect posture. Near term upside target pricing is 1.1350 with new contract highs likely if US data is softer than expected over the coming three sessions.

POUND: Not surprising, the Pound continues to chart its own course, displaying less volatility than other actively traded currencies. While we think the Pound is benefiting from a "win by default" windfall from developing dollar weakness, there appears to be less economic and political uncertainty in the UK than in the US. Therefore, the Pound looks to grind toward resistance up to 1.255.

CANADIAN DOLLAR: While the Canadian dollar is likely to see some downward pressure from further weakness in the dollar, the currency has established consolidation lows and could respect support at 73.33. As in recent critical global economic report junctions, the Canadian looks to be a bystander with the potential to avoid volatility.

TODAY'S MARKET IDEAS:

None.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/03/2023: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 102.34. The next area of resistance is around 101.96 and 102.34, while 1st support hits today at 101.42 and below there at 101.26.

EURO (JUN) 05/03/2023: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 109.5288. The next area of resistance is around 110.6675 and 110.8587, while 1st support hits today at 110.0025 and below there at 109.5288.

JAPANESE YEN (JUN) 05/03/2023: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal up on the daily chart is somewhat positive. Market positioning is positive with the close over the 1st swing resistance. The next downside target is now at 72.80. The next area of resistance is around 74.09 and 74.35, while 1st support hits today at 73.32 and below there at 72.80.

SWISS (JUN) 05/03/2023: 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 daily closing price reversal up is a positive indicator that could support higher prices. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is now at 111.51. The next area of resistance is around 113.03 and 113.30, while 1st support hits today at 112.14 and below there at 111.51.

CANADIAN DOLLAR (JUN) 05/03/2023: The market back below the 60-day moving average suggests the longer-term trend could be turning down. A crossover down in the daily stochastics is a bearish signal. 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 below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is a negative signal. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 72.99. The next area of resistance is around 73.76 and 74.17, while 1st support hits today at 73.18 and below there at 72.99.

BRITISH POUND (JUN) 05/03/2023: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly

negative indicator that the close was under the swing pivot. The next downside target is now at 124.09. The next area of resistance is around 125.25 and 125.64, while 1st support hits today at 124.47 and below there at 124.09.

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	101.69	51.64	48.75	54.60	63.91	101.57	101.47	101.51	102.48	102.76
JYAM23	73.70	31.15	34.71	16.64	14.45	74.02	74.71	75.14	75.68	75.78
EU6M23	110.3350	53.76	55.19	62.30	55.73	110.37	110.38	110.15	108.87	108.49
BPAM23	124.86	52.28	54.25	60.94	59.34	125.17	124.84	124.67	123.17	122.60
CAAM23	73.47	38.18	42.25	22.84	20.53	73.73	73.75	74.15	73.69	73.86
SFAM23	112.58	55.73	57.36	62.92	54.52	112.45	112.69	112.39	110.64	110.28
DAAM23	66.77	49.17	47.81	25.51	27.67	0.66	0.67	0.67	0.67	0.67

Calculations based on previous session. Data collected 05/02/2023

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM23	US Dollar	101.25	101.41	101.80	101.96	102.34
JYAM23	Japanese Yen	72.79	73.31	73.57	74.09	74.35
EU6M23	Euro	109.5287	110.0025	110.1937	110.6675	110.8587
BPAM23	British Pound	124.08	124.47	124.86	125.25	125.64
CAAM23	Canadian Dollar	72.98	73.17	73.58	73.76	74.17
SFAM23	Swiss	111.50	112.13	112.40	113.03	113.30
DAAM23	Australian Dollar	65.83	66.29	66.79	67.25	67.75

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