



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday May 04, 2023

BONDS COMMENTARY

5/4/2023

The bias is up fears of slowing and bank sector concerns remain

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

BONDS +0

Like many other markets the treasury markets have probably made an interim top, with macroeconomic slowing prospects heavily factored and the prospects of a pause in the US rate hike cycle seemingly unconfirmed by the Fed yesterday. Furthermore, the ECB is expected to hike interest rates this morning for the 7th time in their cycle with some analysts expecting a 50-basis point hike. Today the US jobs report avalanche continues with initial claims data today expected to rise from last week. On the other hand, a much hotter than expected ADP jobs report yesterday tempers recession dialogue and counters fear of slowing after the number of US jobs open narrowed in the JOLTS report. While the JOLTS report posted the lowest number since July 2021 and could be seen as a sign of slowing from fears that companies are offering fewer positions, it is possible that the lower job opening readings are a sign that workers are beginning to "take jobs". With fresh bank sector concerns at PacWest and Western Alliance surfacing flight to quality interest in treasuries should be a cushion for treasury prices on weakness. However, Western Alliance has indicated they have not seen unusual deposit outflows! The North American session will start out with the April Challenger job cuts survey followed by a weekly reading on initial jobless claims which are expected to have a moderate uptick from the previous 230,000 reading. Ongoing jobless claims are forecast to have a modest weekly increase from the previous 1.858 million reading. The March US international trade balance is expected to have a sizable downtick from February's \$70.5 billion monthly deficit. March Canadian international merchandise trade is forecast to have a modest downtick from February's monthly surplus. First quarter non-farm productivity is expected to have a moderate downtick from the fourth quarter's 1.7% reading while first quarter unit labor costs are forecast to have a moderate uptick from the fourth quarter's 3.2% reading. The April Canadian Ivey PMI is expected to have a moderate downtick from March's 58.2 reading.



TODAY'S MARKET IDEAS:

While we see treasury prices as vulnerable this morning, the underlying structure of the market remains bullish, with the Fed indicating discussions in this meeting did not include or open the debate on pausing tightening! We think traders should be buyers on weakness with specific stop loss selling orders in place in case claims or nonfarm payrolls tomorrow register positive results like yesterday's ADP figures.

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) 05/04/2023: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Momentum studies are rising from mid-range, which could accelerate 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 133-220. The next area of resistance is around 133-020 and 133-220, while 1st support hits today at 131-220 and below there at 130-290.

10 YR TREASURY NOTES (JUN) 05/04/2023: A positive indicator was given with the upside 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 close above the 9-day moving average is a positive short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 116-290. The next area of resistance is around 116-200 and 116-290, while 1st support hits today at 115-260 and below there at 115-085.

STOCKS COMMENTARY

5/4/2023

Fundamentals and technical signals favor the bear camp

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

S&P 500 +1

Globally markets overnight were weaker with declines of less than 0.69%. However, the markets are on edge following renewed concerns about the bank sector with PacWest Alliance Bancorp shares plunging yesterday prompting the companies to search for potential suitors and investors. Earnings announcements will include Anheuser-Busch Inbev, ConocoPhillips, Zoetis, Intercontinental Exchange, and Moderna before the Wall Street opening while Apple, Booking Holdings and EOG Resources report after the close. Obviously, Apple earnings after the close today will be a very important signal for stocks through the end of the week!



S&P 500: With almost no euphoria from the Fed meeting yesterday with respect to the Fed moving to a pause status, renewed bank sector concerns and uncertainty toward the US jobs condition, investors should remain on edge. In fact, with a 6-day low in the early action today, the White House is likely to slow big tech efforts to implement AI and an ECB rate hike both fundamental and technical signals are bearish for the S&P. Therefore, we see an orderly erosion in the S&P down to 4068.75 today.

Other US Indexes: With the Dow futures forging a 30-day low this morning, the Fed Chairman yesterday failing to offer definitive pause direction and renewed regional bank sector concerns, the prospects of a return to 33,000 is in the offing. In fact, given the markets continued shaping of fundamentals in favor of the bear camp, it is possible that jobs related data will be seen as bearish or discounted. While we expect the NASDAQ to stand up better than the rest of the market to current prevailing bearish conditions, more declines should be ahead. Furthermore, with the White House meeting with big tech companies and likely restraining artificial intelligence efforts, expectations of massive earnings from AI technology should be dampened today. Unfortunately for the bull camp we see a violation of 13,000 early and erosion down to 12,936.

TODAY'S MARKET IDEAS:

The path of least resistance is down with the equity markets losing their capacity to discount negative and the hope for a pause by central banks waning. While we do not expect to see aggressive downside action any acceleration of bank sector problems (particularly from deposit outflows) and signs of a definitive weakening in the jobs market stock prices could slide back to the late April lows.

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) 05/04/2023: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 downside objective is 4062.88. The next area of resistance is around 4144.75 and 4186.87, while 1st support hits today at 4082.75 and below there at 4062.88.

MINI-DOW (JUN) 05/04/2023: 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 pivot swing number is a mildly negative setup. The next downside objective is now at 33181. The next area of resistance is around 33760 and 34058, while 1st support hits today at 33322 and below there at 33181.

E-MINI NASDAQ (JUN) 05/04/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 near-term upside target is at 13384.00. The next area of resistance is around 13232.50 and 13384.00, while 1st support hits today at 13011.00 and below there at 12941.00.

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	132-120	57.22	55.42	44.08	55.35	131.28	131.14	131.10	130.41	129.51
TYAAM23	116-070	61.47	58.48	49.87	64.59	115.37	115.21	115.08	114.55	114.00
EPM23	4113.75	43.96	48.24	59.05	52.13	4154.31	4142.31	4149.94	4078.30	4082.80
ENQM23	13121.75	49.86	52.91	65.76	66.45	13226.44	13130.14	13132.40	12876.06	12769.10
YMM23	33541	42.34	46.98	55.36	44.58	33902.75	33844.78	33913.72	33309.93	33423.90

Calculations based on previous session. Data collected 05/03/2023

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	130-280	131-210	132-090	133-020	133-220
TYAAM23	10 Yr Treasury Notes	115-080	115-255	116-025	116-200	116-290
EPM23	S&P E-Mini	4062.87	4082.75	4124.87	4144.75	4186.87
ENQM23	E-Mini NASDAQ	12941.00	13011.00	13162.50	13232.50	13384.00
YMM23	Mini-Dow	33180	33321	33619	33760	34058

Calculations based on previous session. Data collected 05/03/2023

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CURRENCIES COMMENTARY

5/4/2023

The \$ bias is down unless jobs data is "good"

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR -30, YEN +46, SWISS -12, CA DOLLAR -85

Upcoming International Reports (all times CT)

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
05/05 Swiss Employment 12:45 AM
05/05 German Manufacturing Orders 1:00 AM
05/05 Swiss Consumer Price Index 1:30 AM
05/05 France Industrial Production 1:45 AM
05/05 German Manufacturing Turnove 2:00 AM
05/05 France ECRI Future Inflation 3:30 AM
05/05 German ECRI Future Inflation 3:30 AM
05/05 UK ECRI Future Inflation Gau 3:30 AM
05/05 Euro-zone ECRI Future Inflat 4:00 AM
05/05 Euro-zone Retail Trade 4:00 AM
05/05 Canadian Labor Force Survey 7:30 AM
05/05 Unemployment 7:30 AM
05/05 Consumer Credit 2:00 PM



DOLLAR: While the declines in the dollar have been muted, we see the short-term trend pointing down and ongoing declines unless the net Takeaway from upcoming US jobs data clearly tempers this week's resurrection of US recession fears. Even though US bank sector fears overnight lack substance, because of a lack of deposit outflows, sharp declines in regional bank shares this week leaves the crisis in a front and center position. However, with the dollar posting a 6-day low this morning, in the face concerning headlines from PacWest and Alliance Bancorp the dollar does not appear to be able to benefit from flight to quality issues. Therefore, the dollar is likely to reach support at 100.74 and possibly slide to 100.42 on Friday.

EURO: Even though the euro has not posted a new high for the move into this morning's likely ECB rate hike, the path of least resistance is up as the currency continues to win by default against the dollar. It is possible that the euro could temporarily soften if the ECB does not hike rates by 50-basis points. While the euro has not based the April and early May rally off positive euro zone economic data, the upward track in the currency is likely experiencing headwinds today from mixed services and composite PMI readings released this morning. Uptrend channel buying support in the euro today is 1.10 with closer in buying support at 1.1065.

YEN: With the Yen extending this week's recovery, the currency might be benefiting from factors other than technical short covering balancing. However, downtrend channel resistance in the Yen looms at 75.62 today and declines to 75.54 tomorrow. Unfortunately for the bull camp, the upward track in the Yen is not based on improving views toward the Japanese economy and the IMF has expressed concern toward Bank of Japan policies and therefore traders should implement fresh shorts in the coming two sessions.

SWISS: The Swiss remains in vogue with a fresh higher high overnight and general apathy toward the US economy and the US currency. On the other hand, the Swiss is fresh off a 2-day explosion of nearly 300 points

and therefore technical signals are short-term overbought. Nonetheless, fundamentals remain supportive from a flight to quality angle and the Swiss should continue to "win by default."

POUND: With a new high for the move, the upward bias in the Pound has been extended especially after GBP S&P global composite and services PMI readings for April posted stronger than expected readings. Adding to the bullish track is a jump in GBP mortgage approvals and a jump in consumer credit (which might be a sign of consumer confidence). Uptrend channel buying support in the Pound is 1.2479 today and increases to 1.2495 tomorrow.

CANADIAN DOLLAR: We think the Canadian has returned to a sideways consolidation pattern unless upcoming Canadian data is determined to be definitively positive. However, pushed into a Canadian position, we favor purchasing support at 73.35.

TODAY'S MARKET IDEAS:

None.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/04/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next upside objective is 102.07. The next area of resistance is around 101.58 and 102.07, while 1st support hits today at 100.73 and below there at 100.35.

EURO (JUN) 05/04/2023: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. 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 downside objective is 109.8775. The next area of resistance is around 111.3000 and 111.7175, while 1st support hits today at 110.3800 and below there at 109.8775.

JAPANESE YEN (JUN) 05/04/2023: The crossover up in the daily stochastics is a bullish signal. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term trend remains negative. 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 near-term upside target is at 75.28. The next area of resistance is around 74.94 and 75.28, while 1st support hits today at 73.99 and below there at 73.36.

SWISS (JUN) 05/04/2023: 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 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 objective is 114.60. The next area of resistance is around 114.10 and 114.60, while 1st support hits today at 112.85 and below there at 112.09.

CANADIAN DOLLAR (JUN) 05/04/2023: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal

up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 73.21. The next area of resistance is around 73.64 and 73.82, while 1st support hits today at 73.33 and below there at 73.21.

BRITISH POUND (JUN) 05/04/2023: A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 near-term upside target is at 126.80. The next area of resistance is around 126.31 and 126.80, while 1st support hits today at 125.07 and below there at 124.31.

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	101.15	42.24	43.20	55.33	56.36	101.54	101.43	101.48	102.41	102.73
JYAM23	74.46	43.93	43.03	18.92	24.01	73.82	74.63	75.03	75.67	75.72
EU6M23	110.8400	60.20	59.00	61.76	61.12	110.42	110.46	110.23	108.95	108.54
BPAM23	125.69	61.14	59.69	63.32	68.07	125.32	124.97	124.75	123.29	122.68
CAAM23	73.48	38.52	42.47	21.24	17.91	73.71	73.66	74.11	73.69	73.84
SFAM23	113.48	66.24	63.71	62.79	62.79	112.70	112.78	112.50	110.77	110.34
DAAM23	66.82	50.18	48.41	27.63	32.18	0.67	0.67	0.67	0.67	0.67

Calculations based on previous session. Data collected 05/03/2023

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM23	US Dollar	100.34	100.72	101.21	101.58	102.07
JYAM23	Japanese Yen	73.35	73.98	74.31	74.94	75.28
EU6M23	Euro	109.8775	110.3800	110.7975	111.3000	111.7175
BPAM23	British Pound	124.30	125.06	125.55	126.31	126.80
CAAM23	Canadian Dollar	73.20	73.33	73.51	73.64	73.82
SFAM23	Swiss	112.08	112.84	113.34	114.10	114.60
DAAM23	Australian Dollar	66.31	66.55	66.85	67.09	67.39

Calculations based on previous session. Data collected 05/03/2023

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