



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY Monday May 08, 2023

BONDS COMMENTARY

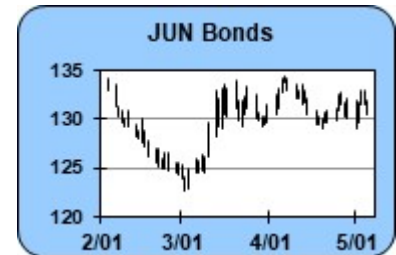
5/8/2023

Residual selling from jobs countervailed by debt ceiling anxiety

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

BONDS -0

Treasury prices deserved some selling on Friday following a stronger than expected US monthly jobs report, but once again the market displayed bullish resiliency by limiting the declines with a measure of flight to quality buying off the threat of a debt ceiling crisis. In fact, the US treasury T-bill auction last Thursday saw a brief high of 6% hinting at flight to quality interest in the markets. Last week the markets were presented with an earlier than expected date of June 1st as the date the US will run out of money. While there appears to be some traction in both the House and Senate, the White House continues to indicate they will not negotiate anything but a "clean bill". Over the weekend the US treasury secretary indicated a disaster would unfold if the US were to default. Along those lines the US treasury projected its 2nd quarter borrowing at \$726 billion which is \$449 billion higher than was projected in January. While there is support on both sides of the aisle in both congressional bodies to reach a deal, there is not a credible call for holding the line on the level of the debt ceiling expansion. However, in the past the government has found ways to use smoke and mirrors to extend the date the government will run out of money and several times Congress has kicked the can down the road with continuing resolutions. In retrospect, the US jobs report truncated expanding US recession concerns and provided a measure of doubt on the Fed's desire/ability to pause its rate hike cycle. In fact, the Bank of England is expected to raise interest rates again this week and other central banks like the BOC and the ECB are more likely to hike than pause. In addition to the wrangling over the US debt ceiling, the focus of the trade this week will also shift back toward the status of US inflation with the US CPI report on Wednesday starting the monthly inflation report cycle. Expectations call for CPI to gain 0.4% which is a reading that likely rekindles inflationary concern at the Fed. With the high in June bonds last week of 133-00, we suspect the treasury bond market saw the smallest net spec and fund short position since last July. The Commitments of Traders report for the week ending May 2nd showed Bonds Non-Commercial & Non-Reportable traders net bought 5,598 contracts and are now net short 24,163 contracts. On the other hand, the Treasury Note market likely narrowed its short position with the post COT report rally of 1 1/2 points. However, the positioning report still showed a net short near the highest levels since October 2018! The Treasury Note Positioning of Non-Commercial & Non-Reportable traders was 689,194 net short after increasing their already short position by 43,062 contracts. The North American session will start out with March wholesale trade which is expected to hold steady with February's 0.1% reading. The New York Fed's April reading on consumer inflation expectations is forecast to have a modest downtick from March's 4.7% reading.



TODAY'S MARKET IDEAS:

Typically, treasury prices would see several days of downside follow-through action in the wake of a much stronger than expected jobs report. In fact, the trade was expecting notable weakness with expectations for payrolls (if realized) would have posted the lowest nonfarm payroll reading since January 2021. It should be noted that the March nonfarm payroll reading was revised down to the lowest reading since January 2021, leading some economists to explain the large April improvement as an adjustment/balancing out of the softer March readings. Despite the stronger-than-expected jobs results, the treasury trade continues to lean slightly in favor of a "pause" by the Fed, but the Wednesday US CPI data will ultimately set the price tone for treasuries for the rest of May! Certainly, the trade could resume aggressive purchasing of bonds in the face of hot inflation, off expectations/fears the Fed will cause recession from over tightening. However, we think residual inflation readings could finally crack the bullish Teflon enveloping treasuries for several years.

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 today. Hold the puts for a long-term position.

Commitment of Traders - Futures and Options - 4/25/2023 - 5/2/2023						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Financials						
Bonds	-91,788	+7,539	24,164	-5,596	67,625	-1,941
T-Notes	-746,376	-49,239	689,193	+43,060	57,182	+6,177

BONDS TECHNICAL OUTLOOK:

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BONDS (JUN) 05/08/2023: The major trend has turned down with the cross over back below the 40-day moving average. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the 1st swing support number suggests a moderately negative setup for today. The near-term upside target is at 132-240. The next area of resistance is around 132-010 and 132-240, while 1st support hits today at 130-170 and below there at 129-230.

10 YR TREASURY NOTES (JUN) 05/08/2023: 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. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside target is at 116-265. The next area of resistance is around 116-105 and 116-265, while 1st support hits today at 115-125 and below there at 114-300.

STOCKS COMMENTARY

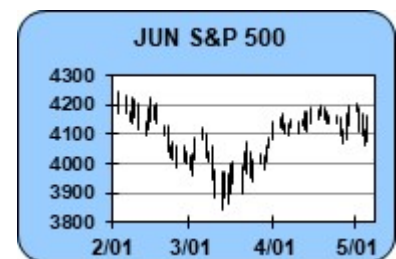
5/8/2023

The bull camp gains control with Wednesday a key junction

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

S&P 500 +7

Global equity markets overnight were generally higher except for markets in Japan, Russia, and Germany which traded fractionally lower. Despite a positive global economic/equity market vibe to start this week growing fear over the prospects of a US debt default and the potential for renewed inflation anxiety at midweek, the upside track in equities is likely to be limited and brief. In fact, macroeconomic uncertainty may have been lower by last week's reports, but bearish sentiment from corporate headlines and just under the surface bank fears are not likely to fully dissipate. Earnings announcements will include Tyson Foods before the Wall Street opening while PayPal Holdings, McKesson, Suncor Energy and Devon Energy report after the close.



S&P 500: While we give the bulls a slight edge today and see the potential for a trade above 4200, fundamental uncertainties from several different angles should keep investors off balance. However, given a massive net spec and fund short position which showed the largest (most bearish) reading since the great financial crisis back in 2008, could provide consistent short covering/stop loss buying to result in a 4-month high in the S&P. The

Commitments of Traders report for the week ending May 2nd showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 392,941 contracts after net selling 7,158 contracts.

Other US Indexes: With Dow futures sitting just under last Friday's strong recovery rally highs, economic optimism from the US jobs report remaining in play and with the index basically sitting in the middle of the last 35 days trading range, the bias is up with the index likely rising above 34,000 prior to the release of the US CPI report on Wednesday morning. The Commitments of Traders report for the week ending May 2nd showed Dow Jones \$5 Non-Commercial & Non-Reportable traders reduced their net short position by 6,133 contracts to a net short 26,457 contracts. As is typically the case, the Berkshire Hathaway annual meeting has bolstered investor confidence and, in some ways, has downplayed the threat of a US bank sector failure. Furthermore, Warren Buffett indicated Apple is Berkshire Hathaway's best business model holding thereby providing the tech sector with a positive vibe to start the new trading week. In conclusion, we see the NASDAQ breaking out to the upside and reaching the highest levels since last August with gains likely until the Wednesday US CPI report release. The Commitments of Traders report for the week ending May 2nd showed Nasdaq Mini Non-Commercial & Non-Reportable traders net bought 2,657 contracts which moved them from a net short to a net long position of 762 contracts.

TODAY'S MARKET IDEAS:

The bull camp has the edge to start the week with relief from the US jobs data Friday temporarily squelching the fear of recession hovering in the marketplace over the last 40 days. However, the debt ceiling battle and US inflation readings later this week could catch the markets short-term overbought!

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

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

Commitment of Traders - Futures and Options - 4/25/2023 - 5/2/2023						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Financials						
E-Mini S&P	-354,744	-6,468	392,943	+7,160	-38,197	-690

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/08/2023: The major trend could be turning up with the close back above the 60-day moving average. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. 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 downside objective is 4048.63. The next area of resistance is around 4193.50 and 4221.62, while 1st support hits today at 4107.00 and below there at 4048.63.

MINI-DOW (JUN) 05/08/2023: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is 32972. The next area of resistance is around 34067 and 34269, while 1st support hits today at 33419 and below there at 32972.

E-MINI NASDAQ (JUN) 05/08/2023: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. The crossover up in the daily stochastics is a bullish signal. 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 is an indication the intermediate-term trend has turned positive. 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 objective is at 13564.68. The next area of resistance is around 13467.12 and 13564.68, while 1st support hits today at 13163.88 and below there at 12958.19.

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	131-090	50.42	50.97	51.85	58.68	131.68	131.39	130.98	130.75	129.57
TYAAM23	115-275	55.52	54.92	59.14	66.95	115.97	115.52	115.15	114.79	114.08
EPM23	4150.25	53.53	53.56	47.62	43.36	4113.56	4130.81	4146.04	4080.44	4081.19
ENQM23	13315.50	60.89	59.31	64.47	68.44	13155.00	13152.75	13136.94	12913.43	12786.85
YMM23	33743	50.67	51.39	43.31	38.70	33520.00	33718.67	33866.28	33306.42	33399.10

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

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	129-220	130-160	131-070	132-010	132-240
TYAAM23	10 Yr Treasury Notes	114-295	115-120	115-280	116-105	116-265
EPM23	S&P E-Mini	4048.62	4107.00	4135.12	4193.50	4221.62
ENQM23	E-Mini NASDAQ	12958.18	13163.87	13261.43	13467.12	13564.68
YMM23	Mini-Dow	32971	33418	33620	34067	34269

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CURRENCIES COMMENTARY

5/8/2023

The \$ bias is down as strong jobs fail to impress

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
US DOLLAR -174, YEN -12, SWISS +21, CA DOLLAR +220**

Upcoming International Reports (all times CT)

05/08 German Consumer Price Index 1:00 AM
 05/08 German Industrial Production 1:00 AM
 05/08 Wholesale Trade 7:30 AM
 05/08 Japan Household Spending 6:30 PM
 05/08 Japan BOJ Minutes 6:50 PM
 05/09 UK Halifax Housing Price Ind 1:00 AM
 05/09 France Trade Balance 1:45 AM
 05/09 API Energy Stocks 3:30 PM



DOLLAR: While the dollar has not made a significant move this morning, the bias from the charts is bearish and the failure to sustain gains following a much stronger than expected jobs report highlights fundamental bearishness. In fact, it is very surprising to see the trade discount a US jobs report which challenges the idea the Fed will "pause". However, it is possible that the looming US debt ceiling threat is resulting in dollar liquidation

instead of flight to quality buying of the dollar! Therefore, we leave the path of least resistance pointing down in the dollar with near term targeting seen at last week's low of 100.52. The Commitments of Traders report for the week ending May 2nd showed Dollar Non-Commercial & Non-Reportable traders net bought 586 contracts and are now net long 13,288 contracts.

EURO: One might have expected the euro to have shown more gains this morning in the wake of a faltering dollar and growing concern of trouble in the US from a debt ceiling default. However, the dollar should be supported because of the ultra-strong jobs report which in turn should provide some headwinds against the upward bias in the euro. Near term targeting is last week's quasi-double high starting at 1.1119. Euro positioning in the Commitments of Traders for the week ending May 2nd showed Non-Commercial & Non-Reportable traders net sold 3,521 contracts and are now net long 231,679 contracts.

YEN: With last week's rally reversed aggressively, strong Japanese service sector readings and a slower "contraction" in Japanese factory activity have been discounted. Furthermore, the Yen is apparently under pressure from ongoing US bank sector problems indicating the currency is not a flight to quality candidate.

SWISS: Volatility in the Swiss should continue with last week's two day 200-point range resulting in a significant oversold condition. Furthermore, with improved confidence in the 1.12 level as solid support (following the latest rejection of a trade below that level) the Swiss has probably balanced the overbought condition from last week and is now likely to benefit from any escalation in fears of a US debt default.

POUND: With another new high for the move this morning the extremely overbought short-term technical signals like RSI are set to be ignored early this week. While the markets have expected further rate hikes from the Bank of England for weeks, expectations of a 25-basis point hike Thursday should provide the Pound with the capacity to trade above 1.2750.

CANADIAN DOLLAR: With the dollar faltering and the euro seemingly unable to benefit from dollar weakness, the Canadian is benefiting fully from its strong jobs report. While we see the June Canadian returning to the April high at 75.27, that level could be solid resistance without favorable Chinese import data tonight and ongoing global economic optimism.

TODAY'S MARKET IDEAS:

None.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/08/2023: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. 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. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 100.49. The next area of resistance is around 101.37 and 101.79, while 1st support hits today at 100.72 and below there at 100.49.

EURO (JUN) 05/08/2023: 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. The daily closing price reversal up on the daily chart is somewhat positive. The market's close

below the pivot swing number is a mildly negative setup. The next downside objective is now at 109.5913. The next area of resistance is around 110.8674 and 111.2212, while 1st support hits today at 110.0525 and below there at 109.5913.

JAPANESE YEN (JUN) 05/08/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market setup is somewhat negative with the close under the 1st swing support. The next upside objective is 75.43. The next area of resistance is around 74.98 and 75.43, while 1st support hits today at 74.29 and below there at 74.05.

SWISS (JUN) 05/08/2023: 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 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 111.05. The next area of resistance is around 113.70 and 114.61, while 1st support hits today at 111.92 and below there at 111.05.

CANADIAN DOLLAR (JUN) 05/08/2023: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 75.52. The next area of resistance is around 75.26 and 75.52, while 1st support hits today at 74.34 and below there at 73.66.

BRITISH POUND (JUN) 05/08/2023: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. A positive signal was given by the outside day up. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 127.53. The next area of resistance is around 127.10 and 127.53, while 1st support hits today at 125.80 and below there at 124.92.

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	101.04	40.69	42.26	50.62	43.98	101.26	101.38	101.37	102.27	102.67
JYAM23	74.63	46.72	45.25	31.27	44.12	74.41	74.55	74.94	75.68	75.63
EU6M23	110.4600	53.56	54.95	59.95	57.21	110.53	110.45	110.36	109.11	108.62
BPAM23	126.44	67.44	63.86	72.95	82.78	125.74	125.30	124.97	123.55	122.85
CAAM23	74.80	66.28	61.27	31.15	46.45	73.96	73.78	74.14	73.73	73.83
SFAM23	112.81	54.73	56.82	63.61	62.02	113.10	112.81	112.72	111.01	110.44
DAAM23	67.62	63.75	57.24	41.05	57.14	0.67	0.67	0.67	0.67	0.67

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

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM23	US Dollar	100.48	100.71	101.13	101.37	101.79
JYAM23	Japanese Yen	74.04	74.28	74.73	74.98	75.43
EU6M23	Euro	109.5912	110.0524	110.4062	110.8674	111.2212
BPAM23	British Pound	124.91	125.79	126.22	127.10	127.53
CAAM23	Canadian Dollar	73.65	74.33	74.59	75.26	75.52
SFAM23	Swiss	111.04	111.91	112.83	113.70	114.61
DAAM23	Australian Dollar	66.79	67.28	67.47	67.96	68.16

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