



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday May 09, 2023

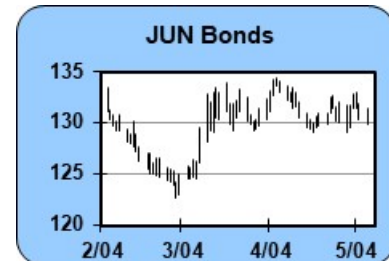
BONDS COMMENTARY

5/9/2023

Renewed flight to quality buying from Washington ineptness

OVERNIGHT CHANGES THROUGH 3:16 AM (CT): BONDS +0

Apparently, the markets take away from the Chinese trade data overnight is a modest measure of disappointment on the status of the Chinese recovery with global equity and commodity markets pressured after the trade data was released. With the Fed yesterday deflating flight to quality interest in treasuries with their assessment that the US banking sector was "well-positioned" to withstand the threat of fleeing deposits, the reversal this morning is likely anticipation of an escalation of US default prospects. In fact, despite a White House meeting scheduled with congressional leaders on the debt ceiling issue, we suspect bonds and notes will extend early gains when the meeting breaks up quickly with no progress. Adding to the potential flight to quality buying interest in treasuries is the ongoing "campaign" by the Treasury Secretary's Fanning anxiety with predictions the US economy will suffer a huge hit with millions of lost jobs. Apparently, the risk of losing millions of US jobs is not a deterrent to the President's unwillingness to "negotiate". However, Washington has yet to be forced by the markets to settle recurring debt ceiling problems with the ultimate outcome always resulting in another increase in US debt ceiling. In fact, the current debt ceiling debate seeing both sides conceding to a higher debt ceiling the day of reckoning is not on the docket. While we do not think the markets have reached the point of stopping the US spending spree, surging US one month treasury bill yields are currently at 5.61% indicating the markets are beginning to raise the cost of US borrowing. In conclusion, economic optimism from last week's US nonfarm payroll gain is set to be eroded by Washington antics which will be accentuated by the US CPI report tomorrow. The North American session will have a monthly private survey of small business optimism and a weekly private survey of same-store sales. Fed Governor Jefferson will speak during morning US trading hours.



TODAY'S MARKET IDEAS:

In addition to a measure of economic uncertainty from Chinese trade data overnight, uncertainty from the US debt ceiling impasse is likely to give the bull camp the edge in bonds and notes today. Furthermore, the charts favor the bull camp with the June bond contract establishing firm support with a rejection of sub 130-00 pricing yesterday and again this morning. With the debt ceiling/budget meeting today unlikely to yield any progress (the parties are miles apart on their demands) a return to 132-00 in June bonds and 116-00 in June notes is likely.

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.

BONDS TECHNICAL OUTLOOK:

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BONDS (JUN) 05/09/2023: The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 downside target is 128-220. The next area of resistance is around 130-230 and 131-270, while 1st support hits today at 129-050 and below there at 128-220.

10 YR TREASURY NOTES (JUN) 05/09/2023: The major trend has turned down with the cross over back below the 40-day moving average. The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 114-210. The next area of resistance is around 115-175 and 116-015, while 1st support hits today at 114-275 and below there at 114-210.

STOCKS COMMENTARY

5/9/2023

The path of least resistance is down with uncertainty widespread

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 -11**

Global equity markets overnight were down with some losses of nearly 1%! Typically, equity markets do not like uncertainty and a negative economic take away from overnight Chinese trade data and a probable lack of progress on US debt ceiling negotiations should give the bear camp an edge today. Furthermore, the bank sector problem in the US remains an issue with gains in Pacific Western Bank shares yesterday failing to hold following the bank's move to cut its dividend to shore up its financial condition. In fact, the markets remain concerned about the US bank sector despite assurances from the US Fed yesterday that the US banking system is "well positioned" to withstand the current crisis. Earnings announcements will include Duke Energy and Global Foundries before the Wall Street opening while Airbnb, Occidental Petroleum and Electronic Arts report after the close.



S&P 500: As indicated already political, fiscal, and economic uncertainty from the US debt ceiling issue is likely to result in selling today. The only positive sign from the debt ceiling situation is the president willingness to sit down with congressional leaders after refusing to negotiate for 97 days. Furthermore, the US Treasury Secretary is instilling investor and consumer anxiety with draconian meltdown predictions. On the other hand, investors could also be undermined by the potential slowing impact on the US economy by spending cuts. In short, the potential bearish outcomes outnumber potential bullish outcomes unless today's meeting shows some negotiating. Near term downside target is 4118.00.

Other US Indexes: Like the S&P, the Dow futures are facing the prospects of escalating investor anxiety, with bearish charts adding to the negative fundamental picture. In fact, large, capitalized companies in the Dow are likely to see further adverse impacts from escalating treasury bill rates. Initial downside targeting in the June Dow futures is 33,400. Surprisingly, the NASDAQ continues to show resiliency in the face of weakness in other sectors of the market. In fact, the NASDAQ this morning is showing very little pressure from news of a job cut announcement from LinkedIn and from an ongoing pattern of disappointing earnings forecasts. In the end, the NASDAQ may stand up better than other segments of the market but ultimately the index will not avoid bearish big picture developments directly ahead.

TODAY'S MARKET IDEAS:

Given the current situations with respect to suspect Chinese growth, residual concern toward Pacific Western Bank shares, fears of a failure to resolve the debt situation and disappointment from earnings the bear camp has the edge. In fact, uncertainty in the markets could expand dramatically if tomorrow's US CPI report shows inflation

remains an issue.

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) 05/09/2023: 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 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 next upside target is 4174.62. The next area of resistance is around 4164.75 and 4174.62, while 1st support hits today at 4141.25 and below there at 4127.63.

MINI-DOW (JUN) 05/09/2023: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The downside closing price reversal on the daily chart is somewhat negative. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 33417. The next area of resistance is around 33831 and 33980, while 1st support hits today at 33549 and below there at 33417.

E-MINI NASDAQ (JUN) 05/09/2023: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 13442.00. The next area of resistance is around 13402.50 and 13442.00, while 1st support hits today at 13289.00 and below there at 13215.00.

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	129-300	42.72	45.76	49.02	45.05	131.23	131.09	130.84	130.86	129.59
TYAAM23	115-065	48.63	50.31	57.93	56.64	115.85	115.44	115.12	114.88	114.11
EPM23	4153.00	54.04	53.90	48.30	49.85	4118.19	4135.53	4147.96	4081.78	4081.45
ENQM23	13345.75	62.30	60.24	68.72	77.43	13197.94	13199.67	13158.25	12932.97	12801.33
YMM23	33690	49.43	50.53	43.07	42.80	33503.25	33713.56	33860.50	33305.29	33391.22

Calculations based on previous session. Data collected 05/08/2023

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	128-210	129-040	130-080	130-230	131-270
TYAAM23	10 Yr Treasury Notes	114-205	114-270	115-110	115-175	116-015
EPM23	S&P E-Mini	4127.62	4141.25	4151.12	4164.75	4174.62
ENQM23	E-Mini NASDAQ	13215.00	13289.00	13328.50	13402.50	13442.00
YMM23	Mini-Dow	33416	33549	33698	33831	33980

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CURRENCIES COMMENTARY

5/9/2023

For the time being the debt ceiling impasse favors the \$

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +175, YEN +14, SWISS -34, CA DOLLAR -40**

Upcoming International Reports (all times CT)

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
05/10 Japan Index of Business Cond
05/10 Japan Leading Indicators 12:00 AM
05/10 UK Industrial Production 1:00 AM
05/10 Canadian Building Permits 7:30 AM
05/10 CPI 7:30 AM
05/10 Real Earnings 7:30 AM
05/10 EIA Energy Stocks 9:30 AM



DOLLAR: While Reuters overnight indicates the dollar is benefiting from flight to quality buying off the US debt ceiling fight, we are suspicious of that type of reaction extending if today's meeting at the White House results in no real negotiations. However, the dollar is probably receiving a measure of flight to quality buying following Chinese trade data which some economists suggested signal a struggling Chinese economy. Furthermore, a looming US CPI report tomorrow could add to capital flowing toward the dollar especially with an "as expected" gain of 0.4% possibly interpreted as a sign the US has a residual inflation problem. Therefore, we give the edge to the bull camp in the dollar but are highly suspicious of the upward track.

EURO: It appears that the euro will continue to falter at the expense of the dollar and British Pound, possibly because of very disappointing German economic data recently. In other words, the largest EU economy is a liability to ECB policy makers seeking to raise rates again this month. We also think the euro is vulnerable as a "recovery currency" as deterioration in global economic sentiment from the US debt ceiling battle is likely to push the euro below key support at 1.097.

YEN: The technical and fundamental path of least resistance remains down in the Japanese Yen, with the bane of the Japanese economy (household spending) posting a sharp contraction for the month of March. It should be noted that sagging Japanese household spending has been a decade old problem! Furthermore, a negative Takeaway from Chinese trade data adds to the prospects of a Yen trade below 74.00 in the coming sessions.

SWISS: Like the euro, we see the Swiss as a "recovery currency" facing the potential for deterioration in global economic psychology. In fact, with the Swiss correcting its oversold condition with the bounce off last Friday's low, and intense focus on the US debt ceiling battle, a return to 1.12 is likely in the coming sessions.

POUND: While we think the British Pound is benefiting by "win by default", the path of least resistance is likely to favor the bull camp. The Pound should be supported by an increase in Like-for-like retail sales readings for April and perhaps indirectly by a slight contraction in Halifax house price readings. In other words, seeing the UK economy trundled forward with a slight moderation of a key inflation measure reduces the difficulty facing the Bank of England. Unfortunately for the bull camp, the Pound violated uptrend channel support at 1.2632 overnight leaving the prospect of a further corrective slide to 1.2364.

CANADIAN DOLLAR: Obviously, the massive downside extension in the Canadian after major declines in the prior 5 trading sessions leaves the technical set up very negative for the currency. While the surging US treasury

bill rate is likely siphoning money from Canada, interest rate differential impacts on the Canadian could see a major junction following tomorrow's US CPI report. In the near term, the path of least resistance is down, and a sub 73.00 trade is likely.

TODAY'S MARKET IDEAS:

None.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/09/2023: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 100.72. The next area of resistance is around 101.36 and 101.46, while 1st support hits today at 100.99 and below there at 100.72.

EURO (JUN) 05/09/2023: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The daily closing price reversal down puts the market on the defensive. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 109.8800. The next area of resistance is around 110.5750 and 110.9600, while 1st support hits today at 110.0350 and below there at 109.8800.

JAPANESE YEN (JUN) 05/09/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 74.88. The next area of resistance is around 74.67 and 74.88, while 1st support hits today at 74.32 and below there at 74.18.

SWISS (JUN) 05/09/2023: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 112.42. The next area of resistance is around 113.21 and 113.54, while 1st support hits today at 112.66 and below there at 112.42.

CANADIAN DOLLAR (JUN) 05/09/2023: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 75.32. The next area of resistance is around 75.06 and 75.32, while 1st support hits today at 74.65 and below there at 74.51.

BRITISH POUND (JUN) 05/09/2023: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. 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 objective is 126.98. The next area of resistance is around 126.58 and 126.98, while 1st support hits today at 126.02 and below there at 125.86.

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	101.17	44.24	44.28	47.77	42.08	101.11	101.33	101.37	102.20	102.64
JYAM23	74.49	44.99	44.15	36.65	47.14	74.63	74.44	74.87	75.68	75.58
EU6M23	110.3050	51.03	53.43	57.45	52.68	110.52	110.47	110.35	109.17	108.66
BPAM23	126.30	64.43	62.17	76.78	83.63	126.14	125.55	125.04	123.69	122.94
CAAM23	74.85	66.95	61.82	40.86	59.74	74.32	73.95	74.16	73.76	73.83
SFAM23	112.93	55.93	57.51	62.23	59.46	113.19	112.83	112.75	111.11	110.50
DAAM23	67.91	66.99	59.59	50.23	68.59	0.67	0.67	0.67	0.67	0.67

Calculations based on previous session. Data collected 05/08/2023

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM23	US Dollar	100.71	100.98	101.09	101.36	101.46
JYAM23	Japanese Yen	74.17	74.31	74.52	74.67	74.88
EU6M23	Euro	109.8800	110.0350	110.4200	110.5750	110.9600
BPAM23	British Pound	125.86	126.02	126.42	126.58	126.98
CAAM23	Canadian Dollar	74.50	74.65	74.91	75.06	75.32
SFAM23	Swiss	112.41	112.65	112.97	113.21	113.54
DAAM23	Australian Dollar	67.23	67.59	67.87	68.23	68.50

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