



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday May 10, 2023

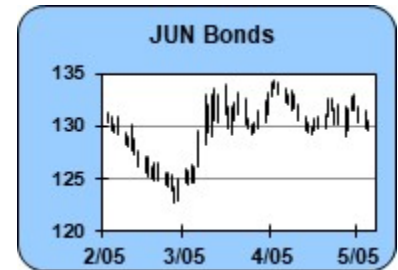
### BONDS COMMENTARY

5/10/2023

#### Renewed flight to quality buying from inflation?

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

While treasury bonds did not technically forge a lower low breakdown overnight, the market remains close to a 6-day low and is facing a potentially critical fundamental CPI report junction today. However, over the past 24 hours a cacophony of recession predictions should firm fundamentally based support for bonds and notes. In fact, treasuries will likely see noted gains if CPI is below expectations as the trade could suddenly embrace the idea that falling inflation is confirmation of US slowing. On the other hand, a much hotter than expected CPI reading could result in flight to quality buying of treasuries off renewed fears that further Fed rate hikes will throw the US economy into recession. In our opinion, the market has favored the flight to quality buying path recently from over tightening fears over classic economic signals. While the markets will see MBA weekly mortgage applications and weekly Redbook index readings today those figures are unlikely to have any impact on prices. Taking a step back we see treasury bond prices sitting near 2 1/2 month consolidation low levels on the charts with general economic views favoring slowing and that should result in treasuries respecting the early May low down at 129-02 in June bonds and at 114-20 in June notes. The North American session will start out with a weekly survey of mortgage applications followed by the highlight for global markets, the April US consumer price index which is expected to hold steady with March's 5.0% year-over-year rate. The April US core consumer price index (excluding food and energy) is forecast to hold steady with March's 5.6% year-over-year rate.



#### TODAY'S MARKET IDEAS:

A large portion of our bullish view toward treasuries is the result of a prevailing bullish resiliency in the markets over the past 3 months. In fact, market action could surprise today with movement counter to classic fundamentals, with a hot inflation reading sparking flight to quality buying again off the idea the Fed will cause a recession by resuming their upward push in interest rates.

#### 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) 05/10/2023: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 128-290. The next area of resistance is around 130-030 and 130-240, while 1st support hits today at 129-060 and below

there at 128-290.

10 YR TREASURY NOTES (JUN) 05/10/2023: 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 tilt is slightly negative with the close under the pivot. The next downside target is now at 114-245. The next area of resistance is around 115-105 and 115-200, while 1st support hits today at 114-290 and below there at 114-245.

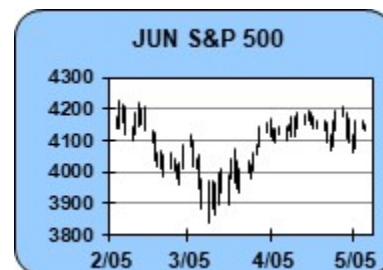
## STOCKS COMMENTARY

5/10/2023

**The path of least resistance is down with uncertainty widespread**

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):**  
**S&P 500 -9**

Global equity markets overnight were mostly lower overnight ranging from a 1.1% decline in Shanghai to a surprise gain in Russian stocks. With classic internal equity market fundamentals favoring the bear camp (disappointing earnings and fears of a debt default) today's US CPI reading will need to be below 0.4% to avoid an extension of this week's downward slide. Earnings announcements will include Walt Disney and Nutrien after the Wall Street close.



**S&P 500:** The path of least resistance from technical and fundamental signals favors the bear camp today with the market facing a series of uncertainties. Typically, investors are discouraged by the presence of "several uncertainties". In conclusion, we see a 0.4% CPI gain as a modest negative, with a reading above that level conclusively bearish. Historically, inflation needs a measure of economic slowing to manifest and therefore a soft inflation reading today is not necessarily a ticket for significant and sustained upward price action ahead. Near term downside targeting is at least 4100 and given the level of uncertainty from several issues, periods of aggressive selling are likely before the close Friday.

**Other US Indexes:** While Dow futures might see support at the 33,500 level from classic technical analysis, a temporary slide down to 33,400 is easily achievable if US CPI prompts a risk off environment. Another key downside pivot/target today is 33,347. Even though we expect the NASDAQ to hold up better than other sectors of the market in the event of a risk off wave from today's US CPI report, the index should lag the rest of the markets on the downside. Near term downside support and targeting is 13,173.

### **TODAY'S MARKET IDEAS:**

Typically, the markets falter in the face of a list of concerning issues with an added measure of bearish influence from escalating fears of slowing added to the mix. In our opinion, without a 0.3% or lower CPI reading it could be difficult to unseat the bear camp's control.

### **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) 05/10/2023: 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 close below the 1st swing support could weigh on the market. The near-term upside target is at 4161.25. The next area of resistance is around 4147.50 and 4161.25, while 1st support hits today at 4125.50 and below there at 4117.25.

MINI-DOW (JUN) 05/10/2023: The crossover up in the daily stochastics is a bullish signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance 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 tilt is slightly negative with the close under the pivot. The near-term upside target is at 33833. The next area of resistance is around 33753 and 33833, while 1st support hits today at 33567 and below there at 33460.

E-MINI NASDAQ (JUN) 05/10/2023: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 13378.62. The next area of resistance is around 13313.75 and 13378.62, while 1st support hits today at 13217.25 and below there at 13185.63.

## 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
<b>FINANCIAL COMPLEX</b>										
USAAM23	129-200	41.40	44.84	44.27	35.12	130.66	130.85	130.72	130.96	129.61
TYAAM23	115-035	47.69	49.67	54.65	48.34	115.64	115.39	115.09	114.97	114.14
EPM23	4136.50	50.50	51.58	48.85	50.20	4127.88	4141.03	4146.08	4084.19	4080.60
ENQM23	13265.50	56.55	56.71	71.84	78.44	13239.56	13232.44	13162.42	12953.87	12810.85
YMM23	33660	48.62	49.99	43.52	44.56	33564.25	33736.67	33831.61	33316.40	33376.23

Calculations based on previous session. Data collected 05/09/2023

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>FINANCIAL COMPLEX</b>						
USAAM23	Bonds	128-280	129-050	129-260	130-030	130-240
TYAAM23	10 Yr Treasury Notes	114-240	114-285	115-060	115-105	115-200
EPM23	S&P E-Mini	4117.25	4125.50	4139.25	4147.50	4161.25
ENQM23	E-Mini NASDAQ	13185.62	13217.25	13282.12	13313.75	13378.62
YMM23	Mini-Dow	33459	33566	33646	33753	33833

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## CURRENCIES COMMENTARY

5/10/2023

## We see a dollar rally failing quickly

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):**  
**US DOLLAR +71, YEN -3, SWISS +1, CA DOLLAR -100**

### Upcoming International Reports (all times CT)

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  
05/11 UK Monetary Policy 7:00 AM  
05/11 UK Monetary Policy Minutes 7:00 AM  
05/11 Jobless Claims 7:30 AM  
05/11 PPI 7:30 AM  
05/11 EIA Gas Storage 9:30 AM



**DOLLAR:** While the dollar has posted gains over the past several sessions in anticipation of sticky US inflation, the gains have been very modest and are hardly signaling control by the bull camp. In the past, widely anticipated volatility events could fizzle with data posting as expected results, but the odds of a large reaction to a CPI above or below expectations are very high. It should be noted that German CPI overnight hit expectations but could be considered a sign of ongoing inflation pressures. In the end, we doubt the bulls can maintain control and suggest a rally in the dollar early today will be an opportunity to get short.

**EURO:** With the euro sitting right on 6-week consolidation support levels in the early trade today and the currency seemingly losing its bullish leadership role last week, today's US CPI report is likely to be a key junction for the currency. While we are skeptical of bullish capacity in the dollar, we also see the euro as a less explosive currency now with leadership in the currency markets recently shifting in favor of the British Pound. Nonetheless, if the euro can post a slide below 1.0972 after the US CPI report reaction is registered, traders should get long and implement relatively tight stops.

**YEN:** With a fresh lower low for the move overnight and the prospect of a temporary dollar rally later today, the bear camp should hold serve in the Japanese Yen. Overnight Japanese economic news favored the bear camp with a Japanese coincident index reading only a tick above expectations and Japanese leading economic index figures posting a moderate decline. Unfortunately for the bull camp the Japanese Yen has little in the way of support close to the early trade today with a logical support/targeting level seen at 73.83.

**SWISS:** As in the euro coverage today we see the Swiss entering today's potentially critical US inflation data window with less bullish resiliency than was present prior to the mid-April top. In fact, with the prospects of initial strength in the dollar following the CPI report today the Swiss is likely to test 1.120. However, aggressive traders should look to buy a sub-1.120 trade and implement relatively tight stops.

**POUND:** With the Pound overbought into the high on Monday and currently in a corrective posture, we suspect post US CPI report selling. Near term downside support and targeting in the June Pound is 1.2480 and a slide below that level should be considered a buying opportunity. However, as indicated in other nondollar currency coverage today, those buying dips should implement relatively tight stops.

**CANADIAN DOLLAR:** Unfortunately for the bull camp in the Canadian the market is significantly overbought from the sharp rally off last week's low. While the Canadian would ordinarily be supported by the prospects of an Indian/UK trade deal talk, US inflation readings should dominate and will probably push the Canadian lower. The obvious support and a failure price today is 74.65 with the overbought status leaving the currency without credible close-in support on the charts.

### TODAY'S MARKET IDEAS:

None.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CURRENCIES TECHNICAL OUTLOOK:**

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US DOLLAR (JUN) 05/10/2023: 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is now at 100.93. The next area of resistance is around 101.66 and 101.88, while 1st support hits today at 101.18 and below there at 100.93.

EURO (JUN) 05/10/2023: 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 close below the 1st swing support could weigh on the market. The next downside target is 109.2963. The next area of resistance is around 110.2175 and 110.5862, while 1st support hits today at 109.5725 and below there at 109.2963.

JAPANESE YEN (JUN) 05/10/2023: 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's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 74.82. The next area of resistance is around 74.60 and 74.82, while 1st support hits today at 74.25 and below there at 74.12.

SWISS (JUN) 05/10/2023: 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 tilt is slightly negative with the close under the pivot. The next downside target is 112.07. The next area of resistance is around 113.15 and 113.42, while 1st support hits today at 112.47 and below there at 112.07.

CANADIAN DOLLAR (JUN) 05/10/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 75.00. The next area of resistance is around 74.90 and 75.00, while 1st support hits today at 74.67 and below there at 74.55.

BRITISH POUND (JUN) 05/10/2023: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The upside daily closing price reversal gives the market a bullish tilt. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 126.89. The next area of resistance is around 126.66 and 126.89, while 1st support hits today at 126.06 and below there at 125.68.

**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
<b>CURRENCY COMPLEX</b>										
DXAM23	101.42	49.55	47.39	47.04	45.59	101.18	101.35	101.41	102.12	102.61

JYAM23	74.42	44.14	43.61	40.28	47.82	74.65	74.32	74.77	75.69	75.54
EU6M23	109.8950	44.58	49.41	51.92	40.86	110.26	110.38	110.30	109.25	108.70
BPAM23	126.36	64.89	62.47	79.19	84.02	126.28	125.73	125.10	123.86	123.02
CAAM23	74.78	64.84	60.54	49.48	66.67	74.61	74.11	74.14	73.80	73.83
SFAM23	112.81	53.54	56.06	60.05	55.69	113.02	112.82	112.72	111.23	110.54
DAAM23	67.73	61.81	56.91	58.30	73.83	0.68	0.67	0.67	0.67	0.67

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM23	US Dollar	100.92	101.18	101.40	101.66	101.88
JYAM23	Japanese Yen	74.11	74.24	74.46	74.60	74.82
EU6M23	Euro	109.2962	109.5725	109.9412	110.2175	110.5862
BPAM23	British Pound	125.67	126.05	126.28	126.66	126.89
CAAM23	Canadian Dollar	74.54	74.67	74.77	74.90	75.00
SFAM23	Swiss	112.06	112.47	112.74	113.15	113.42
DAAM23	Australian Dollar	67.34	67.52	67.75	67.93	68.15

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