



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday May 16, 2023

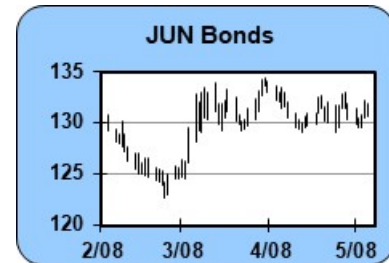
### BONDS COMMENTARY

5/16/2023

**Today the bias is down as the world grows impatient with Washington**

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

We see today's action as a potential major junction for treasury prices for the next several weeks. However, debt ceiling negotiations are unlikely to yield a solution today as Washington typically delays action until there is no time left on the clock. With yields on one month US treasury bills jumping 24 basis points to a new record high of 5.83%, treasury bonds and notes are certainly facing pressure from other maturities. While treasuries will be presented with a string of very critical US scheduled data from retail sales, capacity utilization, and industrial production this morning scheduled data is likely to take a backseat to the debt ceiling negotiations. In fact, treasuries declined yesterday despite a massive drop in the Empire State manufacturing survey! While US retail sales are expected to rebound from the prior month, subsequent data from capacity utilization and industrial production are not expected to show positive economic progression. Even more surprising is the fact that US treasuries have not benefited from flight to quality buying in the face of a significant jump in credit default swaps. While treasuries have rallied in past debt ceiling negotiations there seems to be a different vibe in place in the current situation with US instruments potentially coming under pressure from an exodus of capital from the US if negotiations fail to yield a solution today. The North American session will start out with a private weekly survey of same-store sales followed by April Canadian CPI which is expected to have a modest downtick from March's 4.3% year-over-year rate. April US retail sales are forecast to have a sizable uptick from March's -0.6% reading. April US industrial production is expected to have a moderate downtick from March's 0.4% reading while April US capacity utilization is forecast to hold steady with March's 79.8% reading. March business inventories are expected to hold steady with February's 0.2% reading, while the May NAHB housing market index is forecast to hold steady with April's 45 reading. Cleveland Fed President Mester and Atlanta Fed President Bostic will speak during morning US trading hours while New York Fed President Williams and Dallas Fed President Logan will speak during the afternoon.



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

At present it does not seem like US treasuries are seen as a flight to quality instrument, but instead are being seen as vulnerable to another failure by Washington leaders. At this point a decision to raise the debt ceiling has already been baked into the cake with the push for spending cuts unlikely to yield real results. In other words, the debt ceiling is likely to be raised with simple promises to reduce spending vague. We see an extremely critical pivot point today at 129-20 and again at 129-18. In fact, if treasuries fail at the lower support point this morning it is possible that a return to normal treasury yield curve pricing will be underway with longer rates needing to rise significantly relative to short term rates.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

Long 4 June Bond 129-00 put options from 0-52, and Long a June Bond futures from 134-03. Use an objective on the long June bond future of 134-15. Hold onto the puts for a long-term position.

## BONDS TECHNICAL OUTLOOK:

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**BONDS (JUN) 05/16/2023:** The market back below the 60-day moving average suggests the longer-term trend could be turning down. The downside crossover of the 9 and 18 bar moving average is a negative signal. A crossover down in the daily stochastics is a bearish signal. 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 128-280. The next area of resistance is around 130-110 and 131-030, while 1st support hits today at 129-080 and below there at 128-280.

**10 YR TREASURY NOTES (JUN) 05/16/2023:** The market back below the 40-day moving average suggests the longer-term trend could be turning down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 114-310. The next area of resistance is around 115-135 and 115-195, while 1st support hits today at 115-035 and below there at 114-310.

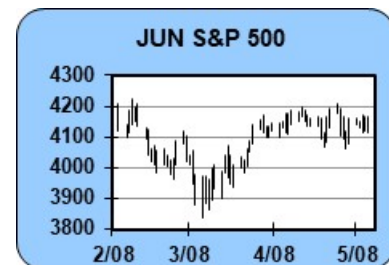
## STOCKS COMMENTARY

5/16/2023

**Positive NASDAQ divergence to continue with the rest of the market**

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):  
S&P 500 -1**

Global equity markets overnight were mixed with Asian stocks lower and European markets tracking minimally higher. With Chinese economic data overnight positive but failing to meet expectations, weakness in Asian stocks was fully justified. Going forward the US debt ceiling negotiations today are obviously the dominating factor determining prices, but we caution against expecting a solution today as Washington typically fails to act until the very last minute.



**S&P 500:** The S&P continues to coil into a very tight formation indicating a key trend decision is imminent on the charts. However economic data from China overnight came in softer than expected and expectations for today's US scheduled data (if realized) would be unlikely to improve economic expectations. However, as indicated yesterday, the net spec and fund short in the Mini S&P contract is the largest short since the subprime crisis, indicating stocks have already factored a very negative outcome from the debt ceiling threat and from the US economy faltering in the face of the historic cycle of higher interest rates. The failure to hold 4111.75 projects a slide down to 4076.95.

**Other US Indexes:** With a series of lower highs in place following the recovery off key lows back in early May, the bias in the Dow remains down. Obviously, big cap stocks in the Dow are vulnerable to rising rates and a strengthening dollar and therefore the Dow could be the most vulnerable component of the market to a failure in today's debt ceiling talks. Thin and unreliable support is seen today at 33,180. Surprisingly, the path of least resistance in the NASDAQ remains up despite countervailing action in other sectors of the market. Clearly, hopes for AI driven profits has masked classic slowing evidence and soft corporate earnings news. Furthermore, the NASDAQ has forged periodic higher high breakouts since the late April low giving credence to the presence of an uptrend. Uptrend channel support in the NASDAQ today is far off the market at 13,253 with that support level rising to 13,285 on Wednesday.

**TODAY'S MARKET IDEAS:**

NASDAQ leadership to extend but all markets are likely to plummet if negotiations today failed to yield a debt ceiling agreement.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

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

**STOCKS TECHNICAL OUTLOOK:**

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S&P E-MINI (JUN) 05/16/2023: 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 close over the pivot swing is a somewhat positive setup. The near-term upside target is at 4178.18. The next area of resistance is around 4166.87 and 4178.18, while 1st support hits today at 4133.63 and below there at 4111.69.

MINI-DOW (JUN) 05/16/2023: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. 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 close over the pivot swing is a somewhat positive setup. The next downside objective is 33085. The next area of resistance is around 33545 and 33672, while 1st support hits today at 33251 and below there at 33085.

E-MINI NASDAQ (JUN) 05/16/2023: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 13572.00. The next area of resistance is around 13534.00 and 13572.00, while 1st support hits today at 13404.00 and below there at 13312.00.

**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
<b>FINANCIAL COMPLEX</b>										
USAAM23	129-250	42.85	45.53	40.95	35.73	130.68	130.81	130.86	131.20	129.84
TYAAM23	115-085	47.82	49.87	51.31	46.30	115.66	115.69	115.36	115.25	114.35
EPM23	4150.25	53.35	53.23	53.57	55.75	4145.06	4131.86	4139.31	4101.51	4079.71
ENQM23	13469.00	64.01	61.80	84.57	89.45	13423.81	13304.31	13215.51	13066.63	12859.40
YMM23	33398	43.00	45.84	36.18	31.33	33413.50	33478.00	33681.33	33396.56	33320.72

Calculations based on previous session. Data collected 05/15/2023

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	128-270	129-070	129-310	130-110	131-030
TYAAM23	10 Yr Treasury Notes	114-305	115-030	115-090	115-135	115-195

EPM23	S&P E-Mini	4111.68	4133.62	4144.93	4166.87	4178.18
ENQM23	E-Mini NASDAQ	13312.00	13404.00	13442.00	13534.00	13572.00
YMM23	Mini-Dow	33084	33251	33378	33545	33672

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## CURRENCIES COMMENTARY

5/16/2023

**Bull moves in the dollar are anemic indicating a bear track**

### OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

**US DOLLAR -151, YEN +14, SWISS +25, CA DOLLAR +80**

### Upcoming International Reports (all times CT)

05/16 UK Employment Situation - Cl 1:00 AM  
 05/16 Euro-zone Foreign Trade 4:00 AM  
 05/16 German ZEW Indicator of Econ 4:00 AM  
 05/16 Business Inventories 7:30 AM  
 05/16 Canadian Consumer Price Inde 7:30 AM  
 05/16 Canadian Monthly Survey of M 7:30 AM  
 05/16 Retail Sales 7:30 AM  
 05/16 Capacity Utilization 8:15 AM  
 05/16 Industrial Production 8:15 AM  
 05/16 API Energy Stocks 3:30 PM  
 05/16 Japan GDP 5:50 PM  
 05/16 Japan Industrial Production 11:30 PM  
 05/17 France Unemployment Situatio 12:30 AM  
 05/17 Euro-zone Consumer Price Ind 4:00 AM  
 05/17 Housing Starts 7:30 AM  
 05/17 EIA Energy Stocks 9:30 AM  
 05/17 Japan Trade Balance 6:50 PM



**DOLLAR:** From a technical perspective, the dollar has clearly reversed a 3-week-old uptrend effort as if the trade has soured on the dollar as a flight to quality instrument. In other words, global money flows are likely to leave the US if a debt ceiling deal is not reached today. The markets have already seen record one month US treasury bill yields and a significant jump in US credit default swap rates are indicating a high level of concern and anxiety toward dollar-denominated instruments. In conclusion, traders, investors, and money managers see risk in the US which creates the potential for a major pivot today in the Dollar. We suggest traders go with a breakout of a range defined as 102.54 and 101.75.

**EURO:** While the euro has benefited somewhat from recent retrenchment in the dollar, talk that the ECB might have to raise rates two more times threatens the European recovery and in turn discourages some inflows to the euro from money exiting the US. The lack of significant upside action in the euro following a slight improvement in euro zone employment and a slight moderation of Italian inflation is partially explained by soft euro zone ZEW surveys of economic sentiment and by weak German ZEW survey figures of economic sentiment. The bias is pointing minimally higher today with the euro capable of falling along with the dollar in the face of major risk off signals flowing from US equities later today.

**YEN:** While the Yen has managed to bounce off yesterday's spike low, the currency is not showing signs of benefiting from escalating flight to quality uncertainty emanating from the US debt ceiling threat. Therefore, we see the downtrend in the Yen extending with ultimate targeting seen down at 73.00.

**SWISS:** With the Swiss plummeting more than 200 points off the early May high and eventually rejecting a quasi-double low at 1.1170 the currency might be poised to win at the expense of the dollar. However, the Swiss bulls likely need a failure to reach a deal in US government negotiations on the debt ceiling which in turn should ratchet

up financial market uncertainty to a fever pitch. Financial market anxiety should be measured by the magnitude of losses in US equities and by action in credit default swaps. We suggest traders consider the purchase of June Swiss calls.

**POUND:** Like the Swiss, the Pound aggressively corrected the early May rally with a new low for the month at the end of last week. GBP jobs-related data released overnight showed a much larger than expected jump in unemployment claimant figures for April and saw an uptick in the unemployment rate for March. Therefore, the Pound is facing internal economic data headwinds and could fail to benefit from a dollar breakdown if the trade fears an emerging UK recession.

**CANADIAN DOLLAR:** The path of the Canadian in the coming sessions is likely to be fraught with volatility as increased volatility in the dollar is likely to spill over into the Canadian trade. However, Canadian consumer price readings for April later this morning could temporarily steal the focus of the Canadian dollar trade away from US developments. Expectations for the main headline consumer price index reading from Canada call for a modest downtick which should not markedly impact the Bank of Canada interest in hiking rates in the future. Key support in the Canadian today is 74.12 and then again down at 73.77.

**TODAY'S MARKET IDEAS:**

Instead of flight to quality status, the dollar is expected to fall further from favor if US debt ceiling negotiations breakup without a deal today.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CURRENCIES TECHNICAL OUTLOOK:**

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**US DOLLAR (JUN) 05/16/2023:** The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. 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 upside objective is 102.71. The next area of resistance is around 102.45 and 102.71, while 1st support hits today at 102.07 and below there at 101.94.

**EURO (JUN) 05/16/2023:** The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 108.4813. The next area of resistance is around 109.2025 and 109.3912, while 1st support hits today at 108.7475 and below there at 108.4813.

**JAPANESE YEN (JUN) 05/16/2023:** The daily stochastics have crossed over down which is a bearish indication. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 73.55. The next area of resistance is around 74.05 and 74.24, while 1st support hits today at 73.71 and below there at 73.55.

**SWISS (JUN) 05/16/2023:** Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot

swing number. The next downside objective is 111.50. The next area of resistance is around 112.42 and 112.62, while 1st support hits today at 111.86 and below there at 111.50.

CANADIAN DOLLAR (JUN) 05/16/2023: The market now above the 60-day moving average suggests the longer-term trend has turned up. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving average. The outside day up is a positive signal. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is 73.59. The next area of resistance is around 74.59 and 74.76, while 1st support hits today at 74.01 and below there at 73.59.

BRITISH POUND (JUN) 05/16/2023: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is now at 124.29. The next area of resistance is around 125.85 and 126.10, while 1st support hits today at 124.95 and below there at 124.29.

## 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	102.26	61.76	56.37	64.11	77.10	101.98	101.53	101.50	101.90	102.52
JYAM23	73.88	37.89	39.94	47.86	44.02	74.42	74.51	74.61	75.64	75.43
EU6M23	108.9750	36.44	42.46	25.32	13.62	109.29	109.90	110.14	109.46	108.80
BPAM23	125.40	50.76	53.10	62.39	49.98	125.38	125.83	125.33	124.32	123.32
CAAM23	74.30	51.92	52.11	55.98	53.47	74.28	74.36	74.05	73.95	73.80
SFAM23	112.14	44.01	49.16	40.15	27.39	112.29	112.76	112.72	111.52	110.72
DAAM23	67.09	49.65	49.66	58.86	53.23	0.67	0.67	0.67	0.67	0.67

Calculations based on previous session. Data collected 05/15/2023

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM23	US Dollar	101.93	102.06	102.32	102.45	102.71
JYAM23	Japanese Yen	73.54	73.70	73.89	74.05	74.24
EU6M23	Euro	108.4812	108.7475	108.9362	109.2025	109.3912
BPAM23	British Pound	124.28	124.94	125.19	125.85	126.10
CAAM23	Canadian Dollar	73.58	74.00	74.17	74.59	74.76
SFAM23	Swiss	111.50	111.86	112.06	112.42	112.62
DAAM23	Australian Dollar	66.28	66.75	66.96	67.43	67.64

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