



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday May 17, 2023

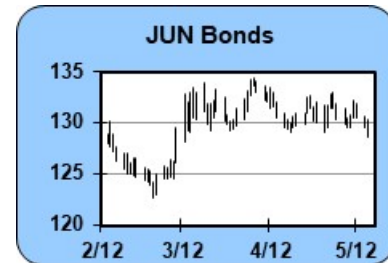
BONDS COMMENTARY

5/17/2023

Be careful pressing the short side at current levels

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

While the 46-day low in bonds yesterday was forged on a jump in trading volume and expansion in open interest, it is possible that action signals a bottom instead of confirmation of a downtrend pattern. In fact, fundamental impacts favor the bull camp with most US scheduled reports over the prior 4 trading sessions signaling weakening of the US economy and therefore those pressing the short side of bonds could be pressing their luck. On the other hand, there appears to be negotiations taking place on the debt ceiling, with both sides of the aisle clearly indicating there will not be a default and that should take a measure of anxiety out of the markets. Unfortunately for traders, it is not clear if US treasury bonds will be a "flight to quality instrument" if the US appears on the cusp of a default especially with treasury prices falling consistently over the prior several weeks in the wake of the president unwillingness to "negotiate". However, the dollar has come back into vogue and that should add impetus to Treasury bottom pickers. Traders should take note of a 20-year bond auction later today, as the highest yields since March 13th could stoke demand and in turn add substance to yesterday's low as a key low. Certainly, today's US housing starts and permits data will have an impact, but we suspect that impact will be undersized and brief. Expectations call for housing permits to rise and for housing starts to moderate, which in our opinion is not a positive forward-looking development for the economy. In conclusion, we see shorts assuming significant risk relative to fresh longs. The North American session will start out with a weekly private survey of mortgage applications followed by April housing starts which are forecast to have a modest downtick from March's 1.42 million annualized rate. April building permits are expected to have a minimal uptick from March's 1.43 million annualized rate. Earnings announcements will include TJX and Target before the Wall Street opening while Cisco Systems, Synopsis and Copart report after the close.



TODAY'S MARKET IDEAS:

As indicated ready we think bonds made a key bottom yesterday unless the trade is presented with additional debt ceiling progress from negotiations overnight. Unfortunately for the bull camp treasury bond prices have not benefited recently from soft data indicating the potential of a major shift in international perceptions toward US treasuries. In other words, if fears of default escalate significantly that could result in further liquidation of treasury bonds and a probe below 128-00 in June Bonds. In our opinion, yesterday was a traders' low and June bonds will return to the middle of the prior two months trading range around 130-17.

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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elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

BONDS (JUN) 05/17/2023: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 now at 127-230. The next area of resistance is around 130-030 and 131-020, while 1st support hits today at 128-140 and below there at 127-230.

10 YR TREASURY NOTES (JUN) 05/17/2023: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A negative signal was given by the outside day down. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 114-060. The next area of resistance is around 115-115 and 115-285, while 1st support hits today at 114-165 and below there at 114-060.

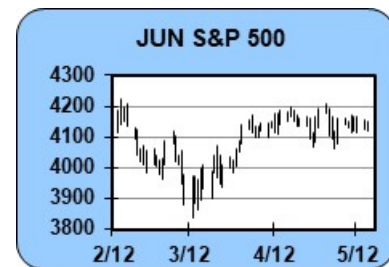
STOCKS COMMENTARY

5/17/2023

The path of least resistance remains up in the NASDAQ

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

Global equity markets overnight saw more losers than winners with the weakness primarily centered in Asia. Coiling action continues in US equities with the leadership role clearly resting with NASDAQ stocks. However, the lack of optimism from a measure of progress in the debt ceiling talks yesterday should discourage the bull camp, which in turn is facing three weeks of anxiety until Washington politicians save the country just ahead of June 1st from damages created by themselves. Earnings announcements will include TJX and Target before the Wall Street opening while Cisco Systems, Synopsis and Copart report after the close.



S&P 500: As indicated already, the S&P continues to coil, which is justified by the potential for several hugely different economic outcomes in the coming weeks. Clearly, US scheduled economic data continues to be disappointing and at times negotiators in the debt ceiling crisis suggest the two sides remain far apart. While the politicians have widely touted a default will not take place, posturing by politicians should be expected to smash investor sentiment many times before June 1st. Fortunately for the bull camp, the net spec and fund short in the S&P remains at levels signaling extremely dire conditions like those present in the financial crisis in 2008/2009. Key but unreliable support in the June S&P is 4111.75 and pushed into the market we favor the downside.

Other US Indexes: With damage on the charts again yesterday a lack of bullish reaction to signs of minimal progress in debt ceiling negotiations, the outlook for the Dow is negative. However, the market has the potential to respect the 33,000 level, which has been a key pivot point on many occasions since last July. Pushed into the market we are a seller of rallies back to 33,302. As indicated already, the NASDAQ remains the bull leader in the equity markets with ideas that tech related companies will be able to sustain near term economic and political headwinds in the US. In fact, the charts in the NASDAQ are uniformly bullish, with higher lows and higher highs very consistent since the first week of May.

TODAY'S MARKET IDEAS:

The NASDAQ continues to climb a "wall of worry" with the markets banking on tech related companies traversing temporary political and economic headwinds.

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) 05/17/2023: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates 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 now at 4099.25. The next area of resistance is around 4141.50 and 4162.25, while 1st support hits today at 4110.00 and below there at 4099.25.

MINI-DOW (JUN) 05/17/2023: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 32782. The next area of resistance is around 33260 and 33511, while 1st support hits today at 32896 and below there at 32782.

E-MINI NASDAQ (JUN) 05/17/2023: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 13620.56. The next area of resistance is around 13558.37 and 13620.56, while 1st support hits today at 13430.13 and below there at 13364.07.

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	129-080	39.85	43.51	36.54	27.72	130.32	130.51	130.80	131.18	129.91
TYAAM23	114-300	44.01	47.41	46.93	38.42	115.41	115.58	115.38	115.27	114.40
EPM23	4125.75	46.97	49.31	52.85	51.63	4137.94	4134.97	4137.67	4105.27	4081.03
ENQM23	13494.25	65.23	62.59	86.16	89.52	13443.88	13348.75	13237.63	13092.25	12880.09
YMM23	33078	34.79	40.33	31.53	22.42	33285.00	33440.00	33634.89	33411.67	33314.47

Calculations based on previous session. Data collected 05/16/2023

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	127-220	128-130	129-120	130-030	131-020
TYAAM23	10 Yr Treasury Notes	114-055	114-160	115-010	115-115	115-285
EPM23	S&P E-Mini	4099.25	4110.00	4130.75	4141.50	4162.25
ENQM23	E-Mini NASDAQ	13364.06	13430.12	13492.31	13558.37	13620.56
YMM23	Mini-Dow	32781	32895	33146	33260	33511

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CURRENCIES COMMENTARY

5/17/2023

For the coming sessions the dollar remains King

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +336, YEN -41, SWISS -35, CA DOLLAR -230

Upcoming International Reports (all times CT)

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
05/18 Canadian New Housing Price I 7:30 AM
05/18 Jobless Claims 7:30 AM
05/18 Existing Home Sales 9:00 AM
05/18 EIA Gas Storage 9:30 AM
05/18 UK Consumer Confidence 6:01 PM
05/18 Japan Consumer Price Index 6:30 PM



DOLLAR: The dollar has definitively extended the May rally with the highest trade since March 27th, with the gains likely fostered by rising US T-bill, T-Note, and T-bond yields. However, we are highly suspicious of the view that uncertainty on the US debt ceiling issue is attracting global capital to the Dollar especially with treasury prices falling over the last 5 trading sessions in the wake of soft data. Therefore, foreign interest in today's 20-year US treasury bond auction could be a key junction for the dollar, which is likely to continue the upside action with a target of 103.145.

EURO: In addition to knee-jerk liquidation/stop loss selling in the euro from chart violations, the euro remains out of favor as US interest rates offer an expanding edge over euro zone yields. Adding further to the negative fundamental bias in the euro is evidence of sticky inflation which complicates ECB intentions to raise rates two more times. Near-term downside targeting is seen at 1.080.

YEN: Strength in the dollar is simply overpowering would be buyers of the Yen, with the currency likely to fail at the next key support level of 73.05. Clearly, sellers of the Japanese Yen are not deterred by favorable Japanese and industrial production readings released overnight. Unfortunately for the bull camp a failure at the May lows leaves little in the way of support until a previous gap is encountered down at 73.00.

SWISS: With the US dollar surging, the massive washout in the Swiss is expected to extend. In fact, it is possible that a glimmer of hope of a US debt ceiling agreement is accentuating the washout in the Swiss today with the currency likely to proceed directly down to 1.110.

POUND: While the damage to the British Pound chart is not as significant as in other nondollar currencies the technical picture favors more declines. Furthermore, negative economic projections from the UK Finance Minister with respect to the conflict between untethered immigration and tight labor markets creates a conundrum for the Bank of England. Adding into the negative view toward the Pound are warnings from an automaker indicating British car factories will be forced to close and thousands of jobs will be lost unless the BREXIT deal is renegotiated. Near term downside targeting in the Pound is the next consolidation low down at 1.2401.

CANADIAN DOLLAR: Fortunately for the bull camp in the Canadian the currency looks to avoid concentrated pressure from a strengthening US dollar. However, a rising tide in the US dollar typically results in pressure on all currencies including the Canadian. An additional negative for the Canadian is the prospects of further weakness in key Canadian export commodities but that weakness could be offset by an increase in foreign investment in Canadian securities in today's report. Therefore, the June Canadian looks to respect thin consolidation low support down at 73.77.

TODAY'S MARKET IDEAS:

The bias in the dollar remains up but we doubt the flows are flight to quality interest!

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/17/2023: 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 daily closing price reversal up on the daily chart is somewhat positive. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 102.87. The next area of resistance is around 102.71 and 102.87, while 1st support hits today at 102.23 and below there at 101.89.

EURO (JUN) 05/17/2023: The close below the 60-day moving average is an indication the longer-term trend has turned down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal down puts the market on the defensive. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 108.4113. The next area of resistance is around 109.0775 and 109.4212, while 1st support hits today at 108.5725 and below there at 108.4113.

JAPANESE YEN (JUN) 05/17/2023: 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 market tilt is slightly negative with the close under the pivot. The next downside objective is 73.20. The next area of resistance is around 73.98 and 74.31, while 1st support hits today at 73.42 and below there at 73.20.

SWISS (JUN) 05/17/2023: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 111.45. The next area of resistance is around 112.27 and 112.71, while 1st support hits today at 111.65 and below there at 111.45.

CANADIAN DOLLAR (JUN) 05/17/2023: 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 could take on a defensive posture with the daily closing price reversal down. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 73.84. The next area of resistance is around 74.49 and 74.82, while 1st support hits today at 74.00 and below there at 73.84.

BRITISH POUND (JUN) 05/17/2023: 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 market could take on a defensive posture with the daily closing price reversal down. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 124.22. The next area of resistance is around 125.30 and 125.83, while 1st support hits today at 124.50 and below there at 124.22.

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	102.47	64.44	58.27	70.49	83.24	102.28	101.68	101.55	101.89	102.49
JYAM23	73.70	35.82	38.58	44.48	37.82	74.11	74.44	74.53	75.59	75.40
EU6M23	108.8250	34.77	41.28	20.46	10.79	108.97	109.67	110.07	109.48	108.83
BPAM23	124.90	45.33	49.42	54.93	40.08	125.02	125.73	125.35	124.38	123.37
CAAM23	74.24	50.78	51.34	55.00	53.04	74.14	74.42	74.05	73.97	73.80
SFAM23	111.96	41.48	47.43	34.33	22.39	112.05	112.59	112.68	111.55	110.76
DAAM23	66.63	43.69	45.67	54.86	46.89	0.67	0.67	0.67	0.67	0.67

Calculations based on previous session. Data collected 05/16/2023

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM23	US Dollar	101.88	102.22	102.37	102.71	102.87
JYAM23	Japanese Yen	73.19	73.42	73.75	73.98	74.31
EU6M23	Euro	108.4112	108.5725	108.9162	109.0775	109.4212
BPAM23	British Pound	124.21	124.49	125.02	125.30	125.83
CAAM23	Canadian Dollar	73.83	73.99	74.32	74.49	74.82
SFAM23	Swiss	111.44	111.64	112.08	112.27	112.71
DAAM23	Australian Dollar	66.17	66.33	66.75	66.92	67.34

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