



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday May 18, 2023

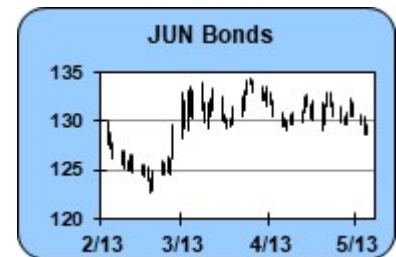
### BONDS COMMENTARY

5/18/2023

**The bias is down but a low is near**

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

With a fresh lower low for the move overnight following a negative reaction to yesterday's 20-year bond auction, the path of least resistance remains down with June bonds likely to fail at the 128-00 level today. Clearly, the treasury trade is factoring in "progress" toward a debt ceiling deal which both sides agree must be achieved. However, we expect the debt ceiling deal to be a "clean bill" meaning the debt ceiling is raised without being encumbered by GOP spending cut demands. In other words, Washington will once again manage to get around its overspending habit and in the process will "kick the can" of burgeoning US debt down the road. Apparently, the Democrats have won the latest battle by keeping the focus on the need to pay for past spending and away from a continuation of aggressive deficit spending. Given surging estimates of the cost of feeding, housing, and providing medical treatment for nearly 150,000 new immigrants per month (estimated at \$151 billion annually) it is surprising that the cost of immigration has not seen the light of day in spending talks! However, global money continues to flow toward the strengthening US dollar and toward ever improving yields on US treasury instruments. While a decline in weekly initial claims is projected by the trade today, the recent pattern of claims has depicted erosion in the US jobs sector and therefore a decline in claims today could add to downside momentum this morning. On the other hand, the US will also be presented with a Philadelphia Fed manufacturing survey for May which follows a massive decline in the New York Empire State manufacturing report earlier this week. The North American session will start out with a weekly reading on initial jobless claims that is expected to have a moderate downtick from the previous 264,000 reading. Ongoing jobless claims are forecast to have a minimal weekly uptick from the previous 1.813 million reading. The May Philly Fed manufacturing survey is expected to have a moderate uptick from April's -31.3 reading. April existing home sales are forecast to have a modest downtick from March's 4.44 million annualized rate. The Conference Board's April reading on leading indicators is expected to have a modest uptick from March's -1.2% reading. Dallas Fed President Logan and Fed Governor Jefferson will speak during morning US trading hours.



#### TODAY'S MARKET IDEAS:

We are surprised with the market's ongoing slide as US economic data continues to soften and that suggests the trade has ultimate confidence in some form of US debt ceiling "deal". However, it is possible that US treasuries have finally entered a new phase where surging US deficits require higher borrowing costs for the US government. Unfortunately for the bear camp, residual strength in the US dollar argues against foreigners turning away from US instruments anytime soon. On the other hand, there does appear to be a shift in yield curve relationships, with market expectations for higher for longer interest rates beginning to surface again! The bias is down but the risk to fresh shorts is escalating rapidly. In fact, we think the bear camp "needs" a noted contraction in claims and positive existing home sales readings to push June bonds below 128-00 and hold prices below that level on a close basis.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

Long 4 June Bond 129-00 put options from 0-52, and long a June Bond future from 134-03. Use an objective on the long June bond future of 134-15. Use an objective on the long June puts of 1-25.

## BONDS TECHNICAL OUTLOOK:

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**BONDS (JUN) 05/18/2023:** Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 128-020. The next area of resistance is around 129-100 and 129-310, while 1st support hits today at 128-120 and below there at 128-020.

**10 YR TREASURY NOTES (JUN) 05/18/2023:** A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 pivot swing number is a mildly negative setup. The next downside target is now at 114-025. The next area of resistance is around 114-275 and 115-090, while 1st support hits today at 114-085 and below there at 114-025.

## STOCKS COMMENTARY

5/18/2023

**The bias remains up as stocks climb a wall of worry**

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

**S&P 500 +8**

Global equity markets overnight were higher except for the Shanghai market which closed fractionally lower. Apparently global equity markets remain hopeful of a US debt ceiling deal with prices showing signs of another session of modest hard-fought gains early on. However, past debt ceiling negotiations have not followed a straight line and we doubt the president will allow progress to be documented while he is out of the country. Furthermore, there is still the issue of GOP demands to "cut spending" which the Democrats have indicated is not negotiable. Nonetheless, the bulls have a slight edge early today and the markets might not be impacted by today's US scheduled data. Earnings announcement will come from Walmart before the Wall Street opening while Applied Materials report after the close.



**S&P 500:** With the June S&P breaking out to the upside early today and reaching the highest level since May 2nd, the trade is clearly whistling past the graveyard with respect to the debt ceiling issue. Apparently, investors are not discouraged by slack and anemic US scheduled data or by a cautious tone from Target suggestions that consumers are avoiding non-essential purchases. On the other hand, expectations are for an explosive Memorial Day travel holiday which gives the bull camp something hopeful to embrace. Critical support moves up to 4156.25 and targeting today is seen up to 4191.50.

**Other US Indexes:** While the Dow has forged a higher high this morning the market has only posted a 4-day high, leaving it as the laggard in the marketplace. However, interest rates continue to penalize large, capitalized companies which are also out-of-favor because of a fresh ripple of bank sector concern. On the other hand, US regional bank shares yesterday managed to rally off news of deposit growth at Western Alliance. Pivot point support today is at 33,397 and upside targeting is seen at 33,683. Favorable news from the chip sector overnight, signs of possible advertising by Tesla and ongoing hope of avoiding a debt default, adds to the pre-existing upward bias in the NASDAQ today. Near term upside targeting is 13,750.

### TODAY'S MARKET IDEAS:

The markets continue to factor in a solution to the debt ceiling conflict and are also discounting signs of US slowing from scheduled data.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

Long a June Nasdaq 14,200 Call from 90. Use an objective of 95.00.

**STOCKS TECHNICAL OUTLOOK:**

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S&P E-MINI (JUN) 05/18/2023: The upside crossover of the 9 and 18 bar moving average is a positive signal. A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 4218.12. The next area of resistance is around 4200.25 and 4218.12, while 1st support hits today at 4143.25 and below there at 4104.13.

MINI-DOW (JUN) 05/18/2023: 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 close above the 9-day moving average is a positive short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 32913. The next area of resistance is around 33719 and 33868, while 1st support hits today at 33241 and below there at 32913.

E-MINI NASDAQ (JUN) 05/18/2023: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. 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 upside objective is 13804.68. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 13745.62 and 13804.68, while 1st support hits today at 13550.88 and below there at 13415.19.

**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
<b>FINANCIAL COMPLEX</b>										
USAAM23	128-270	37.66	42.01	30.37	18.70	129.62	130.14	130.73	131.11	129.96
TYAAM23	114-180	39.90	44.70	40.78	28.63	115.04	115.35	115.38	115.26	114.45
EPM23	4171.75	57.86	55.98	55.34	60.05	4145.00	4145.97	4138.79	4110.78	4083.17
ENQM23	13648.25	71.69	67.01	88.34	92.37	13496.44	13416.61	13269.92	13120.25	12902.76
YMM23	33480	48.55	48.65	30.02	26.82	33313.75	33474.33	33610.56	33442.98	33316.58

Calculations based on previous session. Data collected 05/17/2023

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	128-010	128-110	129-000	129-100	129-310
TYAAM23	10 Yr Treasury Notes	114-020	114-080	114-215	114-275	115-090
EPM23	S&P E-Mini	4104.12	4143.25	4161.12	4200.25	4218.12

ENQM23	E-Mini NASDAQ	13415.18	13550.87	13609.93	13745.62	13804.68
YMM23	Mini-Dow	32912	33241	33390	33719	33868

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## CURRENCIES COMMENTARY

5/18/2023

**For the coming sessions the dollar remains King**

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):**  
**US DOLLAR +254, YEN -18, SWISS -23, CA DOLLAR -120**

### Upcoming International Reports (all times CT)

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  
 05/19 German Producer Price Index 1:00 AM  
 05/19 Canadian Retail Trade 7:30 AM



**DOLLAR:** With the dollar strengthening in the face of suspect/mixed US economic data, it appears that the trade is factoring in a debt ceiling deal and is also confident in the US economy. However, it is also possible that attractive US treasury yields are pulling in foreign money especially from China where economic activity has been disappointing and the Bank of China remains in an easing posture. We also think that residually hot euro zone inflation combined with European economic uncertainty is resulting in capital exodus toward the US dollar. Near term upside targeting in the dollar index is close at 103.14 and then again up at 103.33.

**EURO:** With fresh technical damage in the euro to start today, ongoing bullish momentum in the dollar and very attractive interest rate returns in the US, we see the euro falling below 1.08 today. Near term downside targeting levels in the euro are 1.0790 and 1.0765.

**YEN:** Not surprisingly, the Yen has re-damaged its charts in the early action today and in the process the currency has reached the lowest levels since November. Obviously, Japanese export and import data for April fosters macroeconomic selling of the Yen despite evidence of stronger foreign investment flows into Japanese bonds and stocks. However, Japanese export growth reached a 2-year low reportedly because of very soft demand from China. Near-term downside targeting in the Yen is the top of an old gap at 72.74.

**SWISS:** With residual dollar strength and fresh downside action in the euro, yen, and Pound early on the lack of a downside extension in the Swiss is very surprising. Nonetheless, the path of least resistance is still down in the Swiss from both fundamental and technical perspectives especially with the bull case toward the dollar seemingly solid. Initial and unreliable support in the June Swiss is 1.1116.

**POUND:** Like the Swiss, the Pound has not posted an early lower low for the move, but we suspect a downside breakout is in the offing. In fact, we suspect the Pound will remain soft even if US scheduled data depicts weakness today. With recent gains in the UK jobless rate and predictions of another round of price hikes by British businesses that leaves the Bank of England and the Pound in a negative fundamental position. Initial and highly unreliable support is seen at 1.2430 today with near term targeting seen down at 1.2400.

**CANADIAN DOLLAR:** The Canadian continues to be partially immune to residual dollar strength, partially because of ongoing expectations of another interest rate hike by the Bank of Canada. However, the Canadian might see a ripple of selling if new house price index readings this morning show as expected contraction. We see solid support at 73.93 with a key pivot point support at 74.16 applicable through today's Canadian scheduled data

window.

**TODAY'S MARKET IDEAS:**

The Dollar holds an edge as hope springs maternal on the ability to get a debt ceiling deal. However, long interest in the dollar is firmly underpinned by the growing attractiveness of US treasury yields!

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CURRENCIES TECHNICAL OUTLOOK:**

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US DOLLAR (JUN) 05/18/2023: The major trend could be turning up with the close back above the 60-day moving average. 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 103.27. The next area of resistance is around 103.01 and 103.27, while 1st support hits today at 102.43 and below there at 102.11.

EURO (JUN) 05/18/2023: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 107.9750. The next area of resistance is around 108.9000 and 109.2350, while 1st support hits today at 108.2700 and below there at 107.9750.

JAPANESE YEN (JUN) 05/18/2023: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 72.46. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 73.37 and 73.91, while 1st support hits today at 72.65 and below there at 72.46.

SWISS (JUN) 05/18/2023: The major trend has turned down with the cross over back below the 40-day moving average. 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 market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 110.71. The next area of resistance is around 112.15 and 112.61, while 1st support hits today at 111.20 and below there at 110.71.

CANADIAN DOLLAR (JUN) 05/18/2023: 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. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 74.83. The next area of resistance is around 74.66 and 74.83, while 1st support hits today at 74.13 and below there at 73.76.

BRITISH POUND (JUN) 05/18/2023: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 123.97. The next area of resistance is around 125.41 and 125.74, while 1st support hits today at 124.53 and below there at

123.97.

## 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	102.72	67.73	60.63	75.14	85.21	102.48	101.84	101.61	101.85	102.47
JYAM23	73.01	28.98	33.81	38.44	26.10	73.68	74.22	74.41	75.53	75.37
EU6M23	108.5850	32.20	39.44	17.19	10.46	108.78	109.46	109.98	109.53	108.86
BPAM23	124.97	45.49	49.54	48.47	35.15	124.96	125.62	125.38	124.47	123.45
CAAM23	74.39	53.82	53.33	55.46	55.82	74.20	74.48	74.08	74.01	73.81
SFAM23	111.67	37.09	44.44	30.18	21.13	111.92	112.39	112.63	111.61	110.81
DAAM23	66.69	44.04	45.89	50.91	43.02	0.67	0.67	0.67	0.67	0.67

Calculations based on previous session. Data collected 05/17/2023

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM23	US Dollar	102.10	102.42	102.69	103.01	103.27
JYAM23	Japanese Yen	72.45	72.64	73.19	73.37	73.91
EU6M23	Euro	107.9750	108.2700	108.6050	108.9000	109.2350
BPAM23	British Pound	123.96	124.52	124.85	125.41	125.74
CAAM23	Canadian Dollar	73.75	74.12	74.29	74.66	74.83
SFAM23	Swiss	110.70	111.19	111.65	112.15	112.61
DAAM23	Australian Dollar	66.19	66.46	66.64	66.91	67.09

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