



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday May 19, 2023

BONDS COMMENTARY

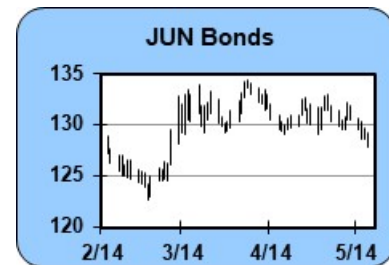
5/19/2023

The bias is down but a low is near

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

In retrospect, treasury prices have slid this week in the face of significant weakness from US Fed manufacturing data perhaps because of a surprisingly upbeat US initial claim reading yesterday. However, it is possible that the overall paradigm in treasuries is shifting with international market forces poised to begin to penalize the US with higher borrowing costs because of its inability to control its deficit.

Certainly, recent history indicates the prospects of a US debt default can result in flight to quality buying of treasuries but this time the markets are giving off signs of a change in fundamental relationships. On the other hand, weakness in US treasury prices this week could be explained by "optimism just from negotiations taking place" on the debt ceiling. Nonetheless, the endgame is looming with the president unlikely to back down especially with a nuclear option from invoking the 14th amendment likely to be implemented. Furthermore, the House Freedom Caucus is reportedly taking a hard-liner stance against extending the debt ceiling without "robust spending cuts" and therefore a showdown is in the offing. While the US press can continue to totally ignore out-of-control US debt growth, with such copious amounts of global sovereign debt sloshing around, the US is likely to see US treasury yields rise sharply to appease lenders. However, we are not ruling out the prospects of a significant surge in flight to quality buying of treasuries early next week, as Washington politicians read from old scripts requiring them to create a disaster for them to ride to the rescue. The most recent treasury cash on hand tally (as of May 17th) was only \$68.3 billion. Therefore, it appears the US has less than one week to resolve its crisis. The North American session will only have one top-tier data point, March Canadian retail sales which are expected to have a sizable downtick from February's -0.2% reading. Fed Chair Powell will give a speech during morning US trading hours, while Fed Governor Bowman and New York Fed President Williams will also speak during the morning. Earnings announcements will include Deere & Company before the Wall Street opening.



TODAY'S MARKET IDEAS:

Many times, a widely advertised/anticipated financial market debacle results in a nonevent, but the current situation has significant historic capacity which in turn should increase reactions throughout financial markets. In retrospect, the status of the US economy is neutral to slightly positive, and therefore volatility in market direction signals are likely to originate from action in the US dollar. Technically the treasury markets are significantly oversold following the recent washout in prices and those expecting a return of flight to quality buying should consider the purchase of June Bond 129 calls.

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:

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical

commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

BONDS (JUN) 05/19/2023: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 126-230. The next area of resistance is around 128-200 and 129-220, while 1st support hits today at 127-050 and below there at 126-230.

10 YR TREASURY NOTES (JUN) 05/19/2023: The major trend has turned down with the cross over back below the 60-day moving average. 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 close below the 2nd swing support number puts the market on the defensive. The next downside target is 113-085. The next area of resistance is around 114-135 and 115-010, while 1st support hits today at 113-175 and below there at 113-085.

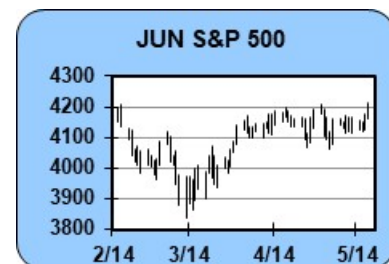
STOCKS COMMENTARY

5/19/2023

We think risk to fresh longs is no longer attractive

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 +4**

Global equity markets overnight were mostly higher except for some Asian markets. In addition to recent signs consumers are shifting purchases away from nonessential items, the retail sector is also facing signs consumers are increasingly turning to discounted products and discount stores. An additional negative ignored by mainstream press and talked about by CNBC this morning, is exploding shrinkage at many retail establishments. Typically, global equity markets and investors do not like uncertainty and the battle over the US debt ceiling could become a major historical event capable of catching markets that are short-term overbought. Earnings announcements will include Deere & Company before the Wall Street opening.



S&P 500: While the equity markets are short-term technically overbought from this week's rally, the S&P futures retain historically large net spec and fund short positions, suggesting the markets are aware of the negatives facing the trade. Certainly, the stock market will extend sharply if the debt ceiling extension is achieved through bipartisan action especially with some spending cuts, but if the debt ceiling is raised by presidential decree without spending cuts a further surge in US interest rates on top of recent gains could result in a massive liquidation next week. Therefore, we suggest traders bank long profits or implement profit stops at 4206.25 or seek protection against long positions through June bear put spreads.

Other US Indexes: With the Dow futures this morning approaching 7-day highs, we suspect the markets are anticipating strong earnings from Deere & Company early today. However, we suspect the positive impact from Deere & Company earnings will be truncated, as the markets jockey for position ahead of a weekend likely to present the market with developments capable of producing a very wild Monday morning opening trade. As in the S&P, we suggest Dow longs implement profit stops at 33,540 and or hedge longs with bear put spreads in options. With the NASDAQ aggressively outperforming the rest of the markets over the last 30 days, the index has the most to lose if the US debt ceiling condition blows up. However, investors are likely to continue to rotate money toward tech sector stocks seeing those stocks with the most return potential and the best chance of holding up against big picture negatives.

TODAY'S MARKET IDEAS:

From classic technical measures equity markets are short-term overbought but in a strange twist stock index futures maintain excessive bearish positioning from COT readings. Certainly, equities could weave their way through the upcoming financial quagmire and extend on the upside but the risk and reward of holding longs

through a major volatility event on a short-term technical overbought status are unattractive.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long a June Nasdaq 14,200 Call from 90. *Hit objective of 95.00.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/19/2023: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 4254.81. The next area of resistance is around 4239.87 and 4254.81, while 1st support hits today at 4185.63 and below there at 4146.32.

MINI-DOW (JUN) 05/19/2023: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. The crossover up in the daily stochastics is a bullish signal. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 33909. The next area of resistance is around 33798 and 33909, while 1st support hits today at 33428 and below there at 33170.

E-MINI NASDAQ (JUN) 05/19/2023: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 14105.37. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 14035.50 and 14105.37, while 1st support hits today at 13762.00 and below there at 13558.38.

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	127-280	32.71	38.53	24.09	11.87	128.89	129.78	130.57	131.05	129.98
TYAAM23	113-315	34.30	40.79	33.80	19.69	114.68	115.16	115.33	115.25	114.48
EPM23	4212.75	65.11	60.94	61.25	73.20	4165.00	4152.97	4141.82	4115.58	4085.82
ENQM23	13898.75	78.94	72.71	90.53	95.16	13626.75	13481.19	13316.71	13146.48	12928.82
YMM23	33613	52.45	51.15	30.77	32.58	33387.25	33459.11	33588.28	33467.38	33319.53

Calculations based on previous session. Data collected 05/18/2023

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	126-220	127-040	128-060	128-200	129-220
TYAAM23	10 Yr Treasury Notes	113-080	113-170	114-045	114-135	115-010
EPM23	S&P E-Mini	4146.31	4185.62	4200.56	4239.87	4254.81

ENQM23	E-Mini NASDAQ	13558.37	13762.00	13831.87	14035.50	14105.37
YMM23	Mini-Dow	33169	33428	33539	33798	33909

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CURRENCIES COMMENTARY

5/19/2023

The dollar retains the edge but historical judgment looms

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

US DOLLAR -150, YEN +25, SWISS +25, CA DOLLAR +150

Upcoming International Reports (all times CT)

05/19 German Producer Price Index 1:00 AM

05/19 Canadian Retail Trade 7:30 AM



DOLLAR: The dollar appears to have paused its upward march with a double top overnight perhaps because of a trio of US Federal Reserve speeches today. However, as in the US treasury markets, the dollar/currency markets could be facing a major junction for US financial instruments. In other words, the dollar, treasuries, and gold have historically benefited from flight to quality buying into highly uncertain events and therefore the May rally in the dollar is not surprising. On the other hand, US treasuries and gold have faltered significantly this week off "hope" of a US debt ceiling deal, while the dollar has benefited. Therefore, the dollar needs a debt deal and could see a significant loss of favor if the typical Washington result plays out over the coming sessions. At this point, it is very difficult if not folly to attempt to predict the outcome of the political battle ahead and therefore we suggest dollar traders consider utilizing June options as protection against dollar futures.

EURO: As indicated in dollar coverage today, action in the currency markets into the latest economic/financial/political debacle has been atypical, with the dollar gaining on declining flight to quality interest. On the other hand, if there is a global financial market meltdown because of a failure to achieve a US deal, it is possible that the euro will continue lower, and the dollar will rally further. In other words, the trend is down in the euro, as a US inspired financial market crisis will likely increase headwinds capable of stalling the European economy. Therefore, we leave the edge with the bear camp in the euro but suggest those holding short euro futures consider purchasing temporary hedge coverage in June calls.

YEN: While the Yen has managed to respect yesterday's low, we see the gains as mostly short covering. However, Japanese National Consumer Price Index readings for April came in much hotter than expected and were even hotter excluding food and energy! Therefore, the Bank of Japan remains in a very difficult position exaggerated by a vulnerable economy. In fact, overnight Japanese Tertiary Industry Index readings for March contracted significantly, highlighting a conundrum of the need to battle inflation within a struggling economy. The path of least resistance is down but short-term technical oversold conditions make risk and reward untenable for fresh shorts.

SWISS: At the risk of sounding like a broken record, the trend in the Swiss is also pointing down, largely because of the persistent strength in the dollar. Like other nondollar currencies, the Swiss is extremely oversold from the May washout, leaving shorts facing significant and likely temporary adversity from a looming volatility event. In conclusion, the fundamental trend is down in the Swiss, but volatility might result in temporary untenable pressure on the bears.

POUND: While we leave the edge with the bear camp in the Pound, the currency may have the best chance of holding up against further dollar gains because of 4th straight month of improving British consumer confidence especially with that confidence reading posting the highest result in 15 months. On the other hand, the actual consumer confidence reading remained deep in negative territory highlighting a measure of vulnerability in the UK. In the end, the Pound and all other nondollar currencies will remain victim to the action in the dollar which

itself is facing a very critical judgment by world financial markets!

CANADIAN DOLLAR: With the Canadian basically chopping within a range for the last 2-months, and in the process losing daily correlation with the dollar, the Canadian might see the least amount of volatility in the US debt ceiling end game. Unfortunately for the bull camp, the Canadian could be undermined from noted weakness in March retail sales readings this morning and could see a retest of sub-70.00 pricing in the coming sessions.

TODAY'S MARKET IDEAS:

While the US dollar holds an edge because of its historic global reserve currency status, there are signs the world is growing impatient with US uncontrolled deficit spending. Therefore, traders should not rule out a massive volatility event directly ahead and traders should consider migrating positions to risk defined strategies. In fact, with June currency options carrying only 21 days until expiration the cost of using options is attractive.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/19/2023: 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 104.07. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 103.81 and 104.07, while 1st support hits today at 102.98 and below there at 102.40.

EURO (JUN) 05/19/2023: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 107.2238. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 108.3475 and 108.9337, while 1st support hits today at 107.4925 and below there at 107.2238.

JAPANESE YEN (JUN) 05/19/2023: 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. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is now at 71.84. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 72.80 and 73.37, while 1st support hits today at 72.04 and below there at 71.84.

SWISS (JUN) 05/19/2023: 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 market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 110.02. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 111.37 and 112.05, while 1st support hits today at 110.36 and below there at 110.02.

CANADIAN DOLLAR (JUN) 05/19/2023: The close under the 40-day moving average indicates the longer-term trend could be turning down. A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. 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 73.77. The next area of resistance is around 74.32 and 74.55, while 1st support hits today at 73.94 and below there at 73.77.

BRITISH POUND (JUN) 05/19/2023: The close under the 40-day moving average indicates the longer-term trend could be turning down. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside target is now at 123.33. The next area of resistance is around 124.67 and 125.34, while 1st support hits today at 123.67 and below there at 123.33.

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	103.39	74.64	66.11	80.14	90.06	102.70	102.11	101.74	101.84	102.46
JYAM23	72.42	24.46	30.34	31.51	17.34	73.26	73.97	74.26	75.45	75.31
EU6M23	107.9200	26.07	34.72	13.99	7.54	108.58	109.18	109.82	109.56	108.88
BPAM23	124.17	37.26	43.80	40.35	24.09	124.84	125.35	125.33	124.53	123.51
CAAM23	74.13	46.29	48.44	53.66	50.06	74.26	74.39	74.09	74.03	73.82
SFAM23	110.86	28.81	38.15	25.01	14.68	111.68	112.17	112.49	111.66	110.86
DAAM23	66.31	37.56	41.51	44.27	31.07	0.67	0.67	0.67	0.67	0.67

Calculations based on previous session. Data collected 05/18/2023

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM23	US Dollar	102.39	102.97	103.23	103.81	104.07
JYAM23	Japanese Yen	71.83	72.03	72.60	72.80	73.37
EU6M23	Euro	107.2237	107.4925	108.0787	108.3475	108.9337
BPAM23	British Pound	123.32	123.66	124.33	124.67	125.34
CAAM23	Canadian Dollar	73.76	73.93	74.15	74.32	74.55
SFAM23	Swiss	110.01	110.35	111.03	111.37	112.05
DAAM23	Australian Dollar	65.73	65.99	66.37	66.63	67.00

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