



# DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Monday May 22, 2023

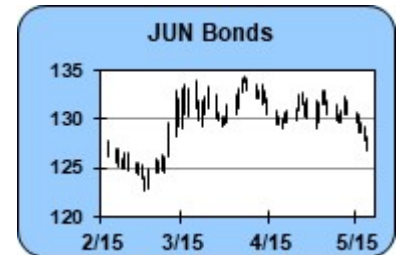
## BONDS COMMENTARY

5/22/2023

The bias is down but a low is near

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

BONDS +0



The charts remain bearish in bonds and notes to start the new trading week with the fundamental bias also favoring the bear camp. Apparently, uncertainty over the prospects of a US default has not so far resulted in flight to quality buying of treasuries which is certainly a deviation from past debt ceiling events. However, it is possible treasuries are tracking expectations that the widely anticipated pause by the Federal Reserve may not be seen in June. In a longer-term development a weekend poll of economists has pushed back expectations of a Fed "cut" into 2024, even though some of those polled still expect to see a recession. On the other hand, the survey also adjusted 2023 inflation readings higher which is why the trade leaves open the potential for another hike by the Fed in their June meeting. In today's action it will be interesting to see if treasuries continue to discount flight to quality, as we think both parties will posture today with fear that no deal will be reached today. From short-term technical perspective treasuries are obviously oversold from the last 2 weeks washout and June bonds have reached a possible chart support point of 127-00 in June bonds. The May 16th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders added 11,416 contracts to their already short position and are now net short 19,872. T-Notes positioning showed Non-Commercial & Non-Reportable traders are net short 597,577 contracts after net buying 35,591 contracts. The North American session will have no top-tier US or Canadian economic numbers. The Speaker of the House and the president are scheduled to meet today at the White House to work on a solution to the looming debt ceiling deadline. Earning announcements will include Zoom Video Communications before the Wall Street opening.

### TODAY'S MARKET IDEAS:

The treasury market is oversold from a technical perspective, but the trade is possibly facing a very critical fundamental junction this week. However, we see treasuries at a very important fundamental junction with the trade on the cusp of bringing rates further off extremely low levels and perhaps reestablishing normal yield curve relationships. In conclusion, we give the edge to the bear camp but see the risk of fresh shorts at current levels as unattractive. In fact, we think aggressive traders should begin to pick chart long entry points below the early lows today to establish fresh longs.

### 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. Hit Objective of 1-25 on one put. Use an objective of 2-01 on the remaining puts.

Commitment of Traders - Futures and Options - 5/9/2023 - 5/16/2023						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Financials</b>						
Bonds	-85,459	-4,713	19,872	+11,415	65,587	-6,703

T-Notes	-723,510	-835	597,577	-35,591	125,933	+36,426
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## BONDS TECHNICAL OUTLOOK:

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**BONDS (JUN) 05/22/2023:** Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 lower than the pivot swing number. The next downside target is 126-010. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 127-310 and 128-240, while 1st support hits today at 126-200 and below there at 126-010.

**10 YR TREASURY NOTES (JUN) 05/22/2023:** Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 112-280. The next area of resistance is around 114-005 and 114-155, while 1st support hits today at 113-070 and below there at 112-280.

## STOCKS COMMENTARY

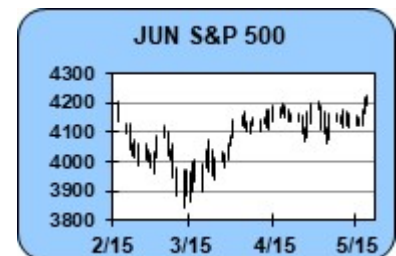
5/22/2023

**We give a slight edge to the bear camp**

### OVERNIGHT CHANGES THROUGH 3:16 AM (CT): S&P 500 -2

Global equity markets overnight were generally higher except for Australian, Spanish, German, and French markets posting minimal losses. The bull camp continues to surprise with the ability to hold up in the face of major uncertainty flowing from Washington. However, US equity markets are short-term

overbought from a technical perspective, and many are suggesting prices are overdone from a fundamental perspective. In our opinion, the bear camp is likely to prevail today as both sides of the political aisle play to their political base with a final wave of stubbornness which in turn will delay a deal until later in the week. Earning announcements will include Zoom Video Communications before the Wall Street opening.



**S&P 500:** As indicated several times last week, equity markets typically do not like uncertainty and this week is very clearly poised to scare investors. As indicated already, politicians still have time to take hardline positions in efforts to push the deal in their favor. Therefore, we give the bear camp the edge to start the week especially if the job of the equity market later this week is to send a loud message to Washington of the need to get a deal! While the net spec and fund short in the S&P might be overstated given the rally after the report was measured, the net spec and fund short is approaching the vicinity of record spec short positioning from the financial crisis. In other words, futures traders have already priced in significant negative outcomes for the US economy. E-Mini S&P positioning in the Commitments of Traders for the week ending May 16th showed Non-Commercial & Non-Reportable traders are net short 426,390 contracts after net selling 13,803 contracts. We see a failure with trade below 4186.50 today with uptrend channel buying support for later in the week not seen until 4130.65. That uptrend channel support line increases to 4144.40 on Wednesday.

**Other US Indexes:** We see the Dow vulnerable to the uncertainty of debt ceiling negotiations and to the prospects of further gains in US interest rates. Downtrend channel selling resistance in the Dow today is 33,685. Like the S&P, the Dow futures are significantly net spec and fund short with positioning hovering at the largest levels since the beginning of the pandemic. The May 16th Commitments of Traders report showed Dow Jones \$5 Non-Commercial & Non-Reportable traders were net short 26,787 contracts after increasing their already short position by 1,910 contracts. While we expect the NASDAQ to hold up better than the rest of the market this week,

the index should not be immune to downside work early this week as Washington politicians scare investors until default is imminent. The May 16th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 7,846 contracts after net selling 3,369 contracts.

#### TODAY'S MARKET IDEAS:

We give the edge to the bear camp from a fundamental perspective and to a lesser degree from a technical perspective.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/9/2023 - 5/16/2023						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Financials</b>						
E-Mini S&P	-382,378	-6,553	426,389	+13,803	-44,012	-7,250

#### STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/22/2023: 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 down puts the market on the defensive. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 4240.06. The next area of resistance is around 4217.12 and 4240.06, while 1st support hits today at 4181.38 and below there at 4168.57.

MINI-DOW (JUN) 05/22/2023: The close under the 40-day moving average indicates the longer-term trend could be turning down. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 33849. The next area of resistance is around 33631 and 33849, while 1st support hits today at 33295 and below there at 33176.

E-MINI NASDAQ (JUN) 05/22/2023: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 14009.62. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 13913.00 and 14009.62, while 1st support hits today at 13767.00 and below there at 13717.63.

#### 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	127-090	29.95	36.52	19.53	10.26	128.27	129.50	130.29	130.93	130.02

TYAAM23	113-195	31.18	38.48	27.16	14.39	114.26	114.98	115.21	115.20	114.52
EPM23	4199.25	60.90	58.45	66.67	77.10	4178.31	4158.58	4146.97	4121.23	4088.99
ENQM23	13840.00	73.23	69.28	91.11	92.19	13724.13	13538.67	13368.64	13173.26	12957.53
YMM23	33463	47.92	48.32	32.09	34.60	33408.75	33435.56	33574.11	33498.78	33326.03

Calculations based on previous session. Data collected 05/19/2023

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	126-000	126-190	127-120	127-310	128-240
TYAAM23	10 Yr Treasury Notes	112-275	113-065	113-215	114-005	114-155
EPM23	S&P E-Mini	4168.56	4181.37	4204.31	4217.12	4240.06
ENQM23	E-Mini NASDAQ	13717.62	13767.00	13863.62	13913.00	14009.62
YMM23	Mini-Dow	33175	33294	33512	33631	33849

Calculations based on previous session. Data collected 05/19/2023

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## CURRENCIES COMMENTARY

5/22/2023

**The dollar retains the edge but historical judgment looms**

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

**US DOLLAR +31, YEN +9, SWISS +27, CA DOLLAR +5**

### Upcoming International Reports (all times CT)

05/22 Swiss Industrial Production 1:30 AM  
05/23 France Manufacturing PMI Fla 2:15 AM  
05/23 France Services PMI Flash 2:15 AM  
05/23 Euro-zone Balance of Payment 3:00 AM  
05/23 Canadian Industrial Product 7:30 AM  
05/23 New Home Sales 9:00 AM  
05/23 API Energy Stocks 3:30 PM



**DOLLAR:** Even though the dollar has come into favor this month, like US treasuries the index is not seeing the usual aggressive flight to quality inflow typical in the face of major financial market concerns. However, the rally this month in the dollar probably signals the relatively better economic positioning in the US than in Europe. We give the edge to the bull camp, but we are extremely suspicious of the market's capacity to end this week higher. Nonetheless, support in the dollar this week starts at 102.73 and resistance is last week's double high at 103.49. The Commitments of Traders report for the week ending May 16th showed Dollar Non-Commercial & Non-Reportable traders reduced their net long position by 266 contracts to a net long 12,349 contracts.

**EURO:** While the washout in the euro might have become overdone from a technical perspective at the end of last week, we see the fundamental bias remaining in favor of the bear camp. In fact, adding to the negative economic view toward the euro zone is a significant dip in euro zone construction output readings for March. Even though we see the path of least resistance pointing down early this week, a hard break in the euro might provide a fresh long entry at attractive levels. The May 16th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders net bought 4,816 contracts and are now net long 245,103 contracts. Our projection for a low in the June euro is 1.0759.

**YEN:** Like the euro, the Yen starts the new trading week with fresh fundamental pressure following much weaker than expected Japanese machinery orders report for March. Also like the euro, the Yen remains mired in bearish charts with near term downside targeting this week pegged at the top of an old gap down at 71.94.

**SWISS:** We think the aggressive reversal from last week's low in the Swiss signals the currency's capacity to become one of the primary flight-to-quality markets into the debt ceiling end game this week. In fact, with the Swiss already regaining the first retracement from the May washout, we see a continuation above the 50% retracement level of 1.1232 and an ultimate continuation to the 3rd retracement up at 1.1279.

**POUND:** The Pound appears to have built a shelf of technical support at 1.24 but is likely to remain pinned to that level because of global economic uncertainty flowing from the US debt ceiling deadline. Trendline support today is 1.2412 and we expect that level to temporarily fail. However, a hard break in the Pound later this week below 1.2364 should be considered a fresh long entry point especially given improving the UK housing market confidence.

**CANADIAN DOLLAR:** Like the Pound, the Canadian looks to build consolidation around the 74.00 level this week, with possible retest of the key double low support level at 73.77 seen periodically. While the bull camp might see Bank of Canada indications that it is premature to consider cut interest rates as supportive, weakness in Canadian retail sales leaves the bear camp with a fundamental edge.

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

The Swiss looks to become the leadership currency in the lead up to the debt ceiling deadline directly ahead.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

### **CURRENCIES TECHNICAL OUTLOOK:**

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**US DOLLAR (JUN) 05/22/2023:** 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 market tilt is slightly negative with the close under the pivot. The next upside objective is 103.74. The next area of resistance is around 103.37 and 103.74, while 1st support hits today at 102.75 and below there at 102.50.

**EURO (JUN) 05/22/2023:** Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 107.4913. The next area of resistance is around 108.5925 and 108.8812, while 1st support hits today at 107.8975 and below there at 107.4913.

**JAPANESE YEN (JUN) 05/22/2023:** 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 market has a slightly positive tilt with the close over the swing pivot. The next downside objective is now at 72.12. The next area of resistance is around 73.14 and 73.44, while 1st support hits today at 72.49 and below there at 72.12.

**SWISS (JUN) 05/22/2023:** The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is 110.36. The next area of resistance is around 112.02 and 112.42, while 1st support hits today at 111.00 and below there at 110.36.

**CANADIAN DOLLAR (JUN) 05/22/2023:** 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 73.82. The next area of resistance is around 74.25 and 74.42, while 1st support hits today at 73.95 and below there at 73.82.

BRITISH POUND (JUN) 05/22/2023: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. 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 has a slightly positive tilt with the close over the swing pivot. The next downside objective is 123.60. The next area of resistance is around 125.00 and 125.41, while 1st support hits today at 124.10 and below there at 123.60.

## 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	103.06	66.36	61.45	83.30	89.08	102.92	102.33	101.83	101.83	102.43
JYAM23	72.81	32.13	34.99	26.48	16.29	73.00	73.79	74.12	75.36	75.29
EU6M23	108.2450	33.49	38.78	12.42	9.55	108.39	108.95	109.71	109.58	108.92
BPAM23	124.55	43.51	47.37	34.32	22.27	124.63	125.16	125.35	124.58	123.59
CAAM23	74.10	46.68	48.67	51.21	46.31	74.21	74.30	74.13	74.06	73.83
SFAM23	111.51	41.20	45.13	22.73	18.37	111.51	112.01	112.42	111.71	110.92
DAAM23	66.58	44.69	45.85	38.88	28.11	0.67	0.67	0.67	0.67	0.67

Calculations based on previous session. Data collected 05/19/2023

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM23	US Dollar	102.50	102.75	103.12	103.37	103.74
JYAM23	Japanese Yen	72.11	72.48	72.78	73.14	73.44
EU6M23	Euro	107.4912	107.8975	108.1862	108.5925	108.8812
BPAM23	British Pound	123.59	124.09	124.50	125.00	125.41
CAAM23	Canadian Dollar	73.82	73.95	74.12	74.25	74.42
SFAM23	Swiss	110.35	110.99	111.38	112.02	112.42
DAAM23	Australian Dollar	65.97	66.29	66.55	66.87	67.14

Calculations based on previous session. Data collected 05/19/2023

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