## BONDS COMMENTARY
*5/23/2023*

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

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



With another new low (upside breakout in yield) the downtrend in treasury bond prices is extended perhaps because of several hawkish Federal Reserve comments yesterday. One Fed member yesterday indicated there could be a pause in the rate hike cycle in June, but that the US probably needs to hike rates another 50 basis points before the end of the year. Furthermore, the J.P. Morgan CEO yesterday suggested investors/traders prepare for a Fed funds rate of 6.75% to 7%! The bearish bias in treasuries is so entrenched that the markets failed to benefit from flight to quality concern after the Federal Reserve Bank President of Minneapolis warned that the US banking crisis might not be over. Perhaps global traders and investors are expressing their disdain for a lack of fiscal responsibility in the US which in turn is perpetually expanding US treasury supply. While we do not think the treasury markets are concerned about the "full faith and credit" of the United States, it makes sense for the markets to demand higher yields for increased uncertainty of US treasury debt instruments. In the past, the failure to succeed in yesterday's budget talks meeting would have provided flight to quality buying of treasuries especially with the May declines in bonds approaching 6 1/2 points and declines in treasury notes this month of 4 points. While we expect scheduled US data to have an impact on treasuries today, we see less than normal reactions to PMI, new home sales and Richmond Fed manufacturing results. The North American session will start out with a weekly private survey of same-store sales followed by the April Canadian industrial product price index (IPPI) which is expected to have a moderate uptick from March's -1.8% year-over-year rate. The May US "flash" manufacturing PMI is forecast to have a minimal uptick from the previous 50.2 reading. April new home sales are expected to have a mild downtick from March's 683,000 annualized rate. The Richmond Fed's May manufacturing index is forecast to have a moderate downtick from April's -10 reading. Dallas Fed President Logan will speak during morning US trading hours.

*TODAY'S MARKET IDEAS:*
With fresh damage on the charts again overnight and the markets not showing long interest in the face of typically bullish fundamental developments, the path of least resistance remains down. At least for the time being, treasuries look to remain out-of-favor possibly because foreign investors no longer see the US as impervious to credit concerns. However, as indicated already significant losses this month and the approach of consolidation low support levels could yield a significant short covering bounce later this week.

*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. *Hit objective on 3 June 129-00 Bond puts at 2-01. Options gain of 36, 1-12 on 3 options. $4,125 options. Implement a stop on the long bond futures at 126-00.

## 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

BONDS (JUN) 05/23/2023: 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 market tilt is slightly negative with the close under the pivot. The next downside target is 125-280. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 127-110 and 128-030, while 1st support hits today at 126-080 and below there at 125-280.
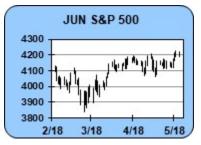
10 YR TREASURY NOTES (JUN) 05/23/2023: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 112-300. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 113-235 and 114-045, while 1st support hits today at 113-045 and below there at 112-300.

# STOCKS COMMENTARY
*5/23/2023*

**Divergence with the NASDAQ strong S&P/Dow vulnerable**

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



Global equity markets overnight were lower except for the FTSE 100. Apparently, US equities continue to look through the prospects of a financial market debacle if US debt ceiling talks fail and a US government shutdown takes place. However, interest rates continue to rise potentially attracting investors away from escalating risk of equity investments. On the other hand, the equity markets took bank sector warnings from the Minneapolis Fed President yesterday in stride and the broad market continues to see support from big tech and the tech sector in general. Earnings announcements will include Lowe's and AutoZone before the Wall Street opening while Intuit, Palo Alto Networks and Agilent Technologies report after the close.

**S&P 500:** As indicated ready, the S&P continues to ignore the lack of leadership in Washington and has also managed to discount fresh warnings regarding US bank sector problems. Even more surprising is the markets discounting comments from the JP Morgan CEO yesterday indicating investors should prepare for a 6.75% to 7% US Fed funds rate! However, the S&P futures and options positioning remains massively net spec and fund short (nearly as bearish as in the financial crisis) and that might leave ammunition for selling limited. In the end, we give kudos to the bull camp for whistling past the debt ceiling graveyard, but the market "needs" a compromise from Washington in the days ahead. Uptrend channel support today is a long way down at 4138.50, with that uptrend channel support line increasing to 4156.15 on Friday.

**Other US Indexes:** Like the S&P, the Dow continues to absorb bearish body blows from rising interest rates and a lack of leadership in Washington. However, the index is just above a fresh downside breakout this morning and a decline to 33,000 should not be ruled out. With the NASDAQ posting another higher high overnight the index continues to separate from the rest of the market likely off the potential for significant profits from AI. Certainly, bullish sentiment toward the NASDAQ was stoked significantly by comments from Paul Tudor Jones indicating AI will bring about the biggest productivity boom in the last 50 years. The bias is up but the NASDAQ now has the most to lose from a breakdown in debt ceiling talks.

**TODAY'S MARKET IDEAS:**
The bulls in the NASDAQ retain control while the Dow and S&P contracts are vulnerable today. However, general bullish resiliency remains in the market, but the market has factored in a deal already.

**NEW RECOMMENDATIONS:**
None.

## STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/23/2023: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 4240.56. The next area of resistance is around 4224.12 and 4240.56, while 1st support hits today at 4188.88 and below there at 4170.07.

MINI-DOW (JUN) 05/23/2023: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 upside target is 33716. The next area of resistance is around 33531 and 33716, while 1st support hits today at 33217 and below there at 33088.

E-MINI NASDAQ (JUN) 05/23/2023: 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. 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 near-term upside target is at 14044.25. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 13989.25 and 14044.25, while 1st support hits today at 13836.75 and below there at 13739.25.

## 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 | 126-250 | 27.81 | 34.91 | 15.09 | 6.74 | 127.66 | 129.16 | 130.01 | 130.83 | 130.04 |
| TYAAM23 | 113-140 | 29.80 | 37.44 | 21.28 | 9.84 | 113.88 | 114.78 | 115.09 | 115.17 | 114.55 |
| EPM23 | 4206.50 | 62.11 | 59.26 | 71.24 | 80.52 | 4197.75 | 4166.36 | 4153.63 | 4126.07 | 4091.94 |
| ENQM23 | 13913.00 | 75.38 | 70.89 | 91.84 | 93.27 | 13826.69 | 13611.14 | 13421.58 | 13200.20 | 12985.68 |
| YMM23 | 33374 | 45.36 | 46.69 | 33.33 | 35.96 | 33478.00 | 33404.67 | 33569.78 | 33518.49 | 33328.80 |

**Calculations based on previous session. Data collected 05/22/2023**
**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 | 125-270 | 126-070 | 126-310 | 127-110 | 128-030 |
| TYAAM23 | 10 Yr Treasury Notes | 112-295 | 113-040 | 113-170 | 113-235 | 114-045 |
| EPM23 | S&P E-Mini | 4170.06 | 4188.87 | 4205.31 | 4224.12 | 4240.56 |
| ENQM23 | E-Mini NASDAQ | 13739.25 | 13836.75 | 13891.75 | 13989.25 | 14044.25 |
| YMM23 | Mini-Dow | 33088 | 33217 | 33402 | 33531 | 33716 |

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# CURRENCIES COMMENTARY
*5/23/2023*

**For today more dollar gains but a key pivot on Friday**

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):**
**US DOLLAR** +196, **YEN** +11, **SWISS** -37, **CA DOLLAR** -135

**Upcoming International Reports (all times CT)**
```
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
05/24 UK Consumer Price Index 1:00 AM
05/24 UK Producer Price Index 1:00 AM
05/24 German IFO Business Climate 3:00 AM
05/24 EIA Energy Stocks 9:30 AM
```



**DOLLAR:** With the dollar sitting just under a previous double top the technical bias remains up. However, the fundamental bias is not definitive, with other flight to quality instruments like treasuries and gold clearly out-of-favor. Perhaps the trade expects the US interest rate differential edge to expand significantly especially following comments from the J.P. Morgan CEO indicating banks should prepare for Fed funds rates to hit 6% or 7%! In the end, interest toward the dollar is expected to continue as the currency index wins by default against European, Japanese, Swiss, and Japanese currencies. Uptrend channel support in the dollar index is 102.85.

**EURO:** As indicated already the euro remains out of favor and is likely poised to breakout down to the lowest levels since late March. As we also indicated, the euro appears to be suffering from lower interest rate yields relative to US yields and the Euro zone might also be perceived as a more vulnerable economic zone than the US if Washington botches the debt ceiling deadline. Initial and unreliable support in the June euro is 1.0778, with the next downside target projected at 1.0760.

**YEN:** With a fresh technical failure overnight, favorable Japanese manufacturing and services PMI readings for May have been fully discounted. In the near term, a lack of noted progression in the Chinese recovery and a lack of confidence in the US economy the Yen is poised for a return to 72.00.

**SWISS:** In retrospect, the sharp rally in the Swiss from last week's lows (150 points) leaves the currency vulnerable to significant stop loss selling ahead. Near term targeting in the Swiss is 1.108 with a lower objective down at 1.1049 possible later this week.

**POUND:** At the risk of sounding like a broken record, the Pound has also failed on the charts and continues to see pressure from fundamental issues. In fact, with GBP composite, manufacturing, and services PMI readings for May all weaker than expected (especially manufacturing) the bear camp has significant confidence. Near term downside targeting is seen at 1.2360.

**CANADIAN DOLLAR:** While the Canadian has recently seen its correlation with US dollar decline, ongoing strength in the dollar is likely to produce further selling in the Canadian today. In a bearish but less significant influence, ongoing weakness in key Canadian physical commodity prices and declining Canadian yields adds to the bearish tilt. Near term downside targeting is seen at 73.77.

**TODAY'S MARKET IDEAS:**
Dollar gains look to extend as interest rate and macroeconomic differential readings favor flows toward the US.

## CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/23/2023: 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 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 upside objective is 103.49. The next area of resistance is around 103.32 and 103.49, while 1st support hits today at 102.92 and below there at 102.68.

EURO (JUN) 05/23/2023: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 107.9488. The next area of resistance is around 108.4775 and 108.6587, while 1st support hits today at 108.1225 and below there at 107.9488.

JAPANESE YEN (JUN) 05/23/2023: 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 71.97. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 72.78 and 73.23, while 1st support hits today at 72.16 and below there at 71.97.

SWISS (JUN) 05/23/2023: The daily stochastics gave a bullish indicator with a crossover up. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 112.48. The next area of resistance is around 112.08 and 112.48, while 1st support hits today at 111.38 and below there at 111.08.

CANADIAN DOLLAR (JUN) 05/23/2023: 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 pivot swing number is a mildly negative setup. The next downside objective is now at 73.92. The next area of resistance is around 74.18 and 74.28, while 1st support hits today at 74.00 and below there at 73.92.

BRITISH POUND (JUN) 05/23/2023: 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 123.89. The next area of resistance is around 124.72 and 125.05, while 1st support hits today at 124.15 and below there at 123.89.


## 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 | 103.12 | 66.36 | 61.45 | 84.87 | 88.02 | 103.08 | 102.52 | 101.93 | 101.84 | 102.41 |
| JYAM23 | 72.47 | 28.34 | 32.42 | 21.08 | 10.92 | 72.67 | 73.56 | 73.94 | 75.25 | 75.25 |
| EU6M23 | 108.3000 | 34.63 | 39.42 | 12.16 | 11.61 | 108.26 | 108.78 | 109.58 | 109.59 | 108.94 |
| BPAM23 | 124.44 | 42.37 | 46.58 | 29.59 | 19.97 | 124.51 | 124.95 | 125.34 | 124.61 | 123.65 |
| CAAM23 | 74.09 | 46.68 | 48.67 | 48.72 | 43.73 | 74.15 | 74.22 | 74.17 | 74.07 | 73.83 |
| SFAM23 | 111.73 | 45.78 | 47.89 | 23.13 | 23.93 | 111.45 | 111.89 | 112.36 | 111.78 | 110.98 |
| DAAM23 | 66.58 | 44.69 | 45.85 | 34.61 | 26.06 | 0.67 | 0.67 | 0.67 | 0.67 | 0.67 |

**Calculations based on previous session. Data collected 05/22/2023**
**Data sources can & do produce bad ticks. Verify before use.**


## DAILY SWING STATISTICS

| Contract | | Support 2 | Support 1 | Pivot | Resist 1 | Resist 2 |
|---|---|---|---|---|---|---|
| **CURRENCY COMPLEX** | | | | | | |
| DXAM23 | US Dollar | 102.67 | 102.91 | 103.08 | 103.32 | 103.49 |
| JYAM23 | Japanese Yen | 71.96 | 72.15 | 72.59 | 72.78 | 73.23 |
| EU6M23 | Euro | 107.9487 | 108.1225 | 108.3037 | 108.4775 | 108.6587 |
| BPAM23 | British Pound | 123.88 | 124.14 | 124.47 | 124.72 | 125.05 |
| CAAM23 | Canadian Dollar | 73.91 | 73.99 | 74.09 | 74.18 | 74.28 |
| SFAM23 | Swiss | 111.07 | 111.37 | 111.78 | 112.08 | 112.48 |
| DAAM23 | Australian Dollar | 66.16 | 66.38 | 66.56 | 66.78 | 66.96 |

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