



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Wednesday May 24, 2023

BONDS COMMENTARY

5/24/2023

The bias is down but a low is near

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

We see the bounce off yesterday's low as a temporary technical balancing action from the massive and consistent washout of the past two weeks. With the Republicans indicating there are no signs of progress in the debt ceiling talks and many global equity markets down more than 1% overnight, it is possible that treasuries are now seeing a measure of flight to quality buying. In fact, with the US money market assets reaching record high levels, investors are clearly nervous. Along those lines, interest rate yields are becoming very attractive and that should provide buying interest for bonds and notes in the coming weeks. In fact, with the US deadline for the beginning of the default process now less than one week out and the markets beginning to speculate on which payments the US will delay, we suspect flight to quality interest is already beginning to surface. In fact, yesterday's downside breakout extension and reversal was forged on a very significant jump in trading volume and a new high for the move in open interest. Therefore, the trade appears to have found value on the charts and has seen confidence in a debt ceiling deal eroded slightly over the past 24 hours. However, today's US scheduled report slate is virtually empty with the primary release of the session the meeting minutes from the last Fed meeting in the early afternoon. The bias is up but we see many would be buyers remaining hesitant as the potential for a major market paradigm shift is significant. The North American session will start out with MBA mortgage applications for the week ending May 19th, a speech by the Fed's Waller, a 5 year note auction at midsession and the release of the FOMC meeting minutes.



TODAY'S MARKET IDEAS:

We see the potential for a major junction ahead and a possible paradigm shift in treasuries in the coming 5 trading sessions. Obviously, US rates have been pushed sharply higher as if the world markets are now demanding higher returns from the US because of its deteriorating credit standing. However, short rate instruments continue to offer extremely attractive returns, thereby stealing some money from long rate instruments rotating away from equities. As indicated already yesterday's new low/spike down reversal on very active trading volume creates the potential for a technical low especially with negotiations on the debt ceiling likely to become very intense as the deadline to default is now a matter of days.

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.

BONDS TECHNICAL OUTLOOK:

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BONDS (JUN) 05/24/2023: 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 upside closing price reversal on the daily chart is somewhat bullish. It is a slightly negative indicator that the close was lower than the pivot swing number. 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 127-100 and 127-210, while 1st support hits today at 126-140 and below there at 125-280.

10 YR TREASURY NOTES (JUN) 05/24/2023: 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 daily closing price reversal up is a positive indicator that could support higher prices. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 112-305. The next area of resistance is around 113-285 and 114-020, while 1st support hits today at 113-110 and below there at 112-305.

STOCKS COMMENTARY

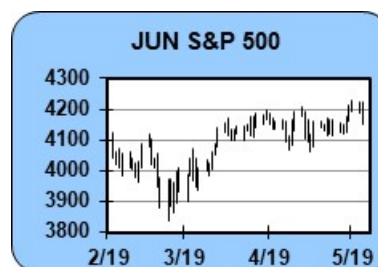
5/24/2023

Investment rotation from stocks to money markets is bearish

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

S&P 500 -10

Global equity markets overnight were lower with many markets declining by more than 1%! In retrospect, bullish resiliency toward equities has ended with the markets disappointed with recent economic data, higher interest rates in New Zealand, regulatory fear for micron technology and a setback in meta-platforms battle against EU regulators all providing a bearish environment. Furthermore, money market assets have reached record levels and that in turn is a sign of rotation away from equities! In the near term, the best the bulls can hope for is a moderation of negative conditions as interest rates look to remain elevated, debt ceiling negotiations look to go down to the wire and recent earnings for US mid-cap retailers have been disappointing.



S&P 500: As indicated already, the bullish resiliency in the S&P has clearly been lost this week with further downside expected and a near-term objective of 4122.00. As in the past, debt ceiling negotiations are not resolved until the very last minute (or are kicked down the road with a continuing resolution) and with only 5-days remaining before technical default, Washington politicians are likely to extend their theatrical antics through the end of this week.

Other US Indexes: With fresh damage on the Dow charts overnight, the violation of 33,000, interest rate pressure expanding on large cap companies and disappointing economic views dominating, the path of least resistance remains down in the Dow with a near term target of 32,863. However, stock index futures are already massively net spec and fund short and consistent declines into the June 1st technical default date next week could fully price in the rumor of default. Nonetheless, the path of least resistance remains down with a close below 33,000 today potentially producing very bearish momentum. As indicated already, a legal setback for Meta-platforms Inc. in their regulatory battle against EU courts and given fresh confirmation of large fine (\$1.3 billion) from Ireland's national data protection commission, the tech sector is obviously facing negative conditions. Furthermore, the NASDAQ is easily the most overbought from a short-term perspective and support at 13,628 is unlikely to hold in the coming days.

TODAY'S MARKET IDEAS:

The path of least resistance remains down as the charts have been freshly damaged and fundamental news flow continues to be negative. More importantly, the equity markets are facing rotation to attractive yields in money market funds!

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/24/2023: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day down is somewhat negative. The close below the 2nd swing support number puts the market on the defensive. The near-term upside objective is at 4242.56. The next area of resistance is around 4192.62 and 4242.56, while 1st support hits today at 4122.88 and below there at 4103.07.

MINI-DOW (JUN) 05/24/2023: The close below the 60-day moving average is an indication the longer-term trend has turned down. A bearish signal was triggered on a crossover down in the daily stochastics. 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 setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 32793. The next area of resistance is around 33333 and 33610, while 1st support hits today at 32925 and below there at 32793.

E-MINI NASDAQ (JUN) 05/24/2023: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The outside day down and close below the previous day's low is a negative signal. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 13516.07. The next area of resistance is around 13860.62 and 14054.56, while 1st support hits today at 13591.38 and below there at 13516.07.

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	126-280	28.91	35.49	12.73	8.02	127.18	128.74	129.81	130.76	130.07
TYAAM23	113-195	32.89	39.12	17.93	11.02	113.64	114.53	115.03	115.16	114.58
EPM23	4157.75	49.46	51.36	71.87	72.93	4194.81	4167.08	4153.69	4128.74	4094.50
ENQM23	13726.00	61.35	61.98	90.05	86.40	13848.81	13646.75	13447.61	13219.16	13011.55
YMM23	33129	38.92	42.47	32.45	30.50	33397.50	33355.78	33527.67	33526.18	33332.62

Calculations based on previous session. Data collected 05/23/2023

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	126-130	126-240	127-100	127-210
TYAAM23	10 Yr Treasury Notes	112-300	113-105	113-160	113-285	114-020
EPM23	S&P E-Mini	4103.06	4122.87	4172.81	4192.62	4242.56
ENQM23	E-Mini NASDAQ	13516.06	13591.37	13785.31	13860.62	14054.56

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CURRENCIES COMMENTARY

5/24/2023

Flight to quality and attractive rates bullish to the \$

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR -15, YEN -5, SWISS +6, CA DOLLAR -210**

Upcoming International Reports (all times CT)

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
05/25 German GDP - Detailed 1:00 AM
05/25 German GfK Consumer Confiden 1:00 AM
05/25 France Business Climate Surv 1:45 AM
05/25 GDP (Q1 '23) 7:30 AM
05/25 Jobless Claims 7:30 AM
05/25 EIA Gas Storage 9:30 AM



DOLLAR: It appears that the bullish vibe in the dollar has been extended with the index seemingly returning to flight to quality status. In addition to a widening interest rate differential gap, the dollar should see technical based buying from the upside extension overnight. However, the dollar will encounter the FOMC meeting minutes release this afternoon and given gains this month, the bull camp probably needs a measure of hawkish dialogue in the report today. In retrospect, yesterday's US auction saw strong demand and we expect strong demand today from the 5-year note auction, which should set the table for a trade above 104.00.

EURO: With the euro posting a new low for the move following disappointing German IFO business climate and current assessment readings for May overnight slowing fears increase the potential for lower European yields. Furthermore, as indicated already, US money market yields have become very attractive, and capital flows have resulted in record US money market holdings which in turn should facilitate even capital flow from Europe to the US. The next downside target in the euro is close at 1.0761 but that level is unlikely to provide solid support.

YEN: While the Yen has managed to build consolidation lows around 72.41, fundamental issues remain negative and a downside breakout to 72.00 is likely. In addition to disappointing Chinese economic activity news, the interest rate differential with the US continues to widen and that is likely to quicken Japanese investment toward foreign bonds.

SWISS: As indicated on Monday, the significant bounce from last week's low balanced the oversold technical condition of the Swiss and leaves the currency the most vulnerable to large declines ahead. Initial and unreliable support is now 1.1074 with significantly lower targeting likely in the coming 5-days as flight to quality interest in the dollar expands rapidly.

POUND: With the Pound posting a bounce off yesterday's low of 100 points the oversold technical condition from the May slide was corrected, setting the stage for consistent lower lows ahead. In fact, the inability to find support after a smaller than expected decline in UK inflation, the Pound is not showing interest in bullish fundamental developments.

CANADIAN DOLLAR: In addition to a general pattern of weakness in key Canadian commodities and bearish views toward Canadian tech and industrial shares the bias remains down in the Canadian. However, the Canadian looks to avoid aggressive declines with a series of minimally lower lows possible.

TODAY'S MARKET IDEAS:

The dollar is back in the driver's seat with very attractive US money market rates attracting money from around the globe.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/24/2023: 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 103.86. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 103.69 and 103.86, while 1st support hits today at 103.21 and below there at 102.89.

EURO (JUN) 05/24/2023: 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. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 107.3675. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 108.1650 and 108.5675, while 1st support hits today at 107.5650 and below there at 107.3675.

JAPANESE YEN (JUN) 05/24/2023: 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 tilt is slightly negative with the close under the pivot. The next downside objective is now at 72.09. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 72.63 and 72.80, while 1st support hits today at 72.27 and below there at 72.09.

SWISS (JUN) 05/24/2023: The daily stochastics have crossed over down which is a bearish indication. 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. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 110.65. The next area of resistance is around 111.58 and 111.99, while 1st support hits today at 110.91 and below there at 110.65.

CANADIAN DOLLAR (JUN) 05/24/2023: The downside crossover of the 9 and 18 bar moving average is a negative signal. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. 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 under the swing pivot. The next downside target is 73.70. The next area of resistance is around 74.25 and 74.40, while 1st support hits today at 73.91 and below there at 73.70.

BRITISH POUND (JUN) 05/24/2023: 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. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 123.46. The next area of resistance is around 124.59 and 124.93, while 1st support hits today at 123.85 and below there at 123.46.

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	103.45	70.64	64.55	86.98	91.18	103.27	102.76	102.06	101.85	102.39
JYAM23	72.45	28.16	32.29	17.11	9.16	72.52	73.29	73.79	75.16	75.21
EU6M23	107.8650	29.97	36.17	10.92	8.47	108.07	108.53	109.43	109.58	108.96
BPAM23	124.22	39.87	44.93	25.92	18.12	124.35	124.72	125.29	124.65	123.71
CAAM23	74.08	46.84	48.76	46.38	41.69	74.07	74.14	74.20	74.10	73.84
SFAM23	111.24	39.58	43.66	22.71	21.87	111.36	111.71	112.29	111.82	111.04
DAAM23	66.15	38.34	41.73	29.13	18.19	0.66	0.67	0.67	0.67	0.67

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM23	US Dollar	102.88	103.20	103.37	103.69	103.86
JYAM23	Japanese Yen	72.08	72.27	72.44	72.63	72.80
EU6M23	Euro	107.3675	107.5650	107.9675	108.1650	108.5675
BPAM23	British Pound	123.45	123.85	124.19	124.59	124.93
CAAM23	Canadian Dollar	73.69	73.90	74.05	74.25	74.40
SFAM23	Swiss	110.64	110.90	111.32	111.58	111.99
DAAM23	Australian Dollar	65.74	65.88	66.28	66.42	66.82

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