



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday May 25, 2023

### BONDS COMMENTARY

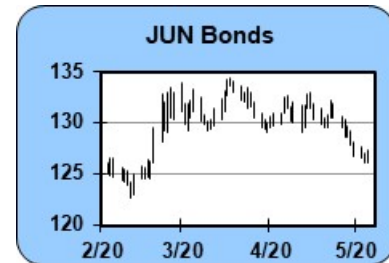
5/25/2023

**The bias is down with a possible paradigm shift in motion**

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

**BONDS -0**

With a fresh downside extension this morning, the bias in treasury prices remains down with the markets showing signs of a fundamental paradigm shift. Granted it typically does not pay to predict major structural changes in the focus of markets, but treasuries are clearly out-of-favor in an environment that would normally foster an aggressive flight to quality buying. One explanation of the March higher in US treasury yields could be the need for a yield premium on US government supply because of a lack of US governance which continues to expand the amount of US treasury supply. Furthermore, a yield premium might also be trickling into treasuries because of the risks of a default and downgrade of US sovereign debt. In fact, ratings agency Fitch overnight put US credit ratings on their watch list. However, treasury bonds have posted a fresh lower low for the move despite Republicans and the White House yesterday afternoon indicating some progress in the debt ceiling talks. Certainly, today's jobs related data will have an impact on prices but without a result significantly off market expectations, classic views on the US economy are likely to have little sustained impact on treasury prices. On the other hand, a key US inflation measure (first quarter core personal consumption expenditures) is expected to rise and that should foster fresh selling off a slight questioning of a June pause by the US Federal Reserve. The North American session will start out with a weekly reading on initial jobless claims which are expected to have a minimal uptick from the previous 242,000 reading. Ongoing jobless claims are forecast to have a modest weekly increase from the previous 1.799 million reading. First quarter US gross domestic product is expected to hold steady with the previous 1.1% annualized rate. First quarter core personal consumption expenditures (a key Fed inflation gauge) are forecast to have a modest uptick from the previous 4.4% reading. The Chicago Fed's April national activity index is expected to have a moderate uptick from March's -0.19 reading. April Canadian manufacturing sales are forecast to hold steady with the previous 0.7% reading. April pending home sales are expected to have a sizable uptick from March's -5.2% reading. The Kansas City Fed's May manufacturing index is forecast to have a moderate uptick from April's -21 reading. Richmond Fed President Barkin and Boston Fed President Collins will speak during morning US trading hours.



#### TODAY'S MARKET IDEAS:

Apparently, the markets continue to think the US will ultimately settle its debt ceiling issue as equities have not faltered significantly despite the likelihood of investment rotation from equities to interest bearing instruments. In fact, as indicated earlier this week short-term T-bill yields are approaching 6% and rates are forging fresh higher highs as we speak, indicating long bonds are not receiving significant inflow yet. In other words, it is possible that a fundamental paradigm shift has taken place in treasuries and global investors are now demanding higher returns for increased credit risk. Even though the 126-00 level in September bonds might offer temporary chart support, the fundamental bias remains down again today.

#### 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) 05/25/2023:** Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. The close below the 1st swing support could weigh on the market. The next downside target is 125-140. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 126-270 and 127-230, while 1st support hits today at 125-230 and below there at 125-140.

**10 YR TREASURY NOTES (JUN) 05/25/2023:** 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 downside closing price reversal on the daily chart is somewhat negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 112-255. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 113-165 and 113-300, while 1st support hits today at 112-305 and below there at 112-255.

## STOCKS COMMENTARY

5/25/2023

**Investment rotation from stocks to money markets is bearish**

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):**  
**S&P 500 +19**

Global equity markets overnight were mostly lower with the markets in France, GBP, and Spain managing to buck the trend and track higher. On one hand, equities have seen pressure this week, but given the potential severe consequences of a US default and growing competition for investment dollars from rising yields on interest-bearing securities, declines this week could have been much more severe. This morning the market is finding fresh support from significant strength in Nvidia shares following a very robust sales forecast likely based off surging optimism toward future AI revenues. Earnings announcements will include Medtronic, NetEase and Dollar Tree before the Wall Street opening while Costco Wholesale, AutoDesk and Marvell Technology report after the close.



**S&P 500:** With a slight recovery off yesterday's low correcting the oversold condition from the washout from last week's high, selling rallies today could prove fruitful. Certainly, the S&P will see some indirect support from the bullish buzz flowing from AI, but the risk of investment rotation away from equities is both real and potentially very significant. Pushed into the market, we favor the downside with key support levels today seen at 4131.50 and then again down at 4114.00.

**Other US Indexes:** With higher highs in US treasury yields again this morning, the Dow futures appear to be anticipating noted outflow of capital for better risk and reward investments. Obviously, rising interest rates and a stronger dollar create adverse conditions for large multinational companies in the Dow, especially those with large debt structures. Therefore, we see the Dow sliding below 32,500 before the end of this week. With Nvidia smashing sales forecasts and striking another big win for AI prospects, the NASDAQ should continue to outperform other sectors of the market. Limiting the upside this morning is another wave of layoffs from Meta platforms Inc. and tenuous tech sector related tensions between the US and Chinese government. Nonetheless,

near-term upside targeting, and first resistance is 13,979.25 and a key pivot point support level is seen at 13,710.00.

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

The path of least resistance remains down but surprisingly the markets continue to avoid anxiety and wholesale liquidation. In fact, the NASDAQ continues to remain buoyant because of the unrelenting optimism toward AI. However, in the coming sessions macroeconomic/ and political issues could overshadow AI optimism and equities could decline sharply.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **STOCKS TECHNICAL OUTLOOK:**

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S&P E-MINI (JUN) 05/25/2023: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend has turned down with the cross over back below the 18-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 4091.57. The next area of resistance is around 4173.62 and 4196.06, while 1st support hits today at 4121.38 and below there at 4091.57.

MINI-DOW (JUN) 05/25/2023: 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's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 32581. The next area of resistance is around 33112 and 33337, while 1st support hits today at 32734 and below there at 32581.

E-MINI NASDAQ (JUN) 05/25/2023: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal up on the daily chart is somewhat positive. The market tilt is slightly negative with the close under the pivot. The next downside target is 13514.38. The next area of resistance is around 13872.25 and 13924.37, while 1st support hits today at 13667.25 and below there at 13514.38.

#### **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
<b>FINANCIAL COMPLEX</b>										
USAAM23	126-090	26.47	33.61	10.59	6.07	126.79	128.16	129.52	130.65	130.11
TYAAM23	113-075	29.31	36.61	14.78	8.49	113.47	114.22	114.92	115.11	114.62
EPM23	4147.50	47.18	49.85	69.60	64.84	4178.19	4167.50	4151.38	4132.68	4097.03
ENQM23	13769.75	63.34	63.28	87.93	83.54	13815.19	13683.53	13472.74	13243.14	13039.20
YMM23	32923	34.29	39.25	29.83	24.35	33225.25	33306.67	33456.83	33540.36	33329.47

Calculations based on previous session. Data collected 05/24/2023

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	125-130	125-220	126-180	126-270	127-230
TYAAM23	10 Yr Treasury Notes	112-250	112-300	113-115	113-165	113-300
EPM23	S&P E-Mini	4091.56	4121.37	4143.81	4173.62	4196.06
ENQM23	E-Mini NASDAQ	13514.37	13667.25	13719.37	13872.25	13924.37
YMM23	Mini-Dow	32581	32734	32959	33112	33337

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## CURRENCIES COMMENTARY

5/25/2023

**Bullish fundamentals for the dollar abound**

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):**  
**US DOLLAR +186, YEN -14, SWISS -3, CA DOLLAR +0**

### Upcoming International Reports (all times CT)

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  
 05/26 UK Retail Sales 1:00 AM  
 05/26 France Consumer Confidence 1:45 AM  
 05/26 Adv Durable Goods 7:30 AM  
 05/26 Canadian Economic Accounts 7:30 AM  
 05/26 Personal Income 7:30 AM



**DOLLAR:** With another new high for the move and the highest dollar trade since March 16th, the upward track in the dollar has extended. However, headlines toward the US are becoming extremely bearish suggesting the market is nearing a temporary overdone status. We suspect that surging US treasury yields are attracting foreign capital and in turn lifting the dollar. However, a portion of the currency trade thinks the US interest rate gap with foreign instruments will narrow, but that premise could be tested significantly today following a key US inflation measure (PCE). The path of least resistance is up with near term targeting in the dollar at 104.40 and a key pivot point support level at 103.49.

**EURO:** In addition to unending spillover pressure from the dollar, the euro sees additional selling off overnight headlines touting the beginning of a German recession in the first quarter. In fact, German GDP data showed a much larger than expected contraction and that follows deterioration in business sentiment from earlier this week. Fortunately for the bull camp Euro zone consumer sentiment improved, but predictions for a 2nd half recession should ultimately leave the trend down in the euro. A near term downside target is 1.0690.

**YEN:** With a fresh lower low and the failure at a key chart level of 72.00, the Yen has entered a gap on the charts, with a gap filling price down at 70.32. Sentiment toward the Yen remains bearish today despite improvements in a Japanese government view on their economy.

**SWISS:** While we are not surprised with this week's pattern of lower lows, we are surprised that Swiss declines have not been more significant. Unlike other analysts we think US interest rate yield differentials will grow in favor of US investments and that should leave the Swiss on track to retest 1.100.

**POUND:** Even though the Pound has forged a lower low and extended a very uniform downtrend pattern on the charts, declines continue to be measured. Unfortunately for the bull camp, UK retail sales declined this month, but

sentiment in the UK appears to have improved. In conclusion, we expect declines to be limited, with the potential for solid support seen at 1.2293.

**CANADIAN DOLLAR:** Apparently the Canadian will continue to lose because of economic uncertainty spillover from the US debt default threat. We see the Canadian under additional pressure from ongoing weakness in key Canadian commodities and from disappointing prospects for Canadian exports to China. Initial support from a recent consolidation low zone is 73.39 today, but significant upside extension in the dollar through Friday's close targets 73.23.

**TODAY'S MARKET IDEAS:**

Surging yield opportunities in the US are likely to extend and perhaps quicken foreign investment.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CURRENCIES TECHNICAL OUTLOOK:**

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US DOLLAR (JUN) 05/25/2023: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 104.23. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 104.06 and 104.23, while 1st support hits today at 103.50 and below there at 103.10.

EURO (JUN) 05/25/2023: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 107.2638. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 107.9575 and 108.3337, while 1st support hits today at 107.4225 and below there at 107.2638.

JAPANESE YEN (JUN) 05/25/2023: 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 outside day down is somewhat negative. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 71.42. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 72.39 and 72.87, while 1st support hits today at 71.67 and below there at 71.42.

SWISS (JUN) 05/25/2023: The close below the 60-day moving average is an indication the longer-term trend has turned down. 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 110.15. The next area of resistance is around 111.20 and 111.65, while 1st support hits today at 110.45 and below there at 110.15.

CANADIAN DOLLAR (JUN) 05/25/2023: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. 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 73.13. The next area of resistance is around 73.92 and 74.33, while 1st support hits today at 73.32 and

below there at 73.13.

BRITISH POUND (JUN) 05/25/2023: The close under the 60-day moving average indicates the longer-term trend could be turning 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 outside day down is a negative signal. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 122.83. The next area of resistance is around 124.29 and 125.10, while 1st support hits today at 123.16 and below there at 122.83.

## 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	103.78	74.06	67.14	88.89	93.23	103.33	102.97	102.19	101.89	102.38
JYAM23	72.02	24.79	29.83	14.06	7.63	72.43	72.99	73.69	75.05	75.17
EU6M23	107.6900	28.30	34.95	9.41	6.34	108.03	108.35	109.27	109.55	108.97
BPAM23	123.73	34.85	41.47	21.64	12.83	124.26	124.55	125.18	124.66	123.76
CAAM23	73.62	36.10	41.77	41.24	30.60	73.97	74.08	74.18	74.11	73.84
SFAM23	110.82	34.39	39.91	20.59	16.36	111.34	111.54	112.19	111.83	111.10
DAAM23	65.49	30.71	36.30	23.82	12.98	0.66	0.66	0.67	0.67	0.67

Calculations based on previous session. Data collected 05/24/2023

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM23	US Dollar	103.09	103.49	103.66	104.06	104.23
JYAM23	Japanese Yen	71.41	71.66	72.14	72.39	72.87
EU6M23	Euro	107.2637	107.4225	107.7987	107.9575	108.3337
BPAM23	British Pound	122.83	123.16	123.97	124.29	125.10
CAAM23	Canadian Dollar	73.13	73.32	73.73	73.92	74.33
SFAM23	Swiss	110.14	110.44	110.90	111.20	111.65
DAAM23	Australian Dollar	64.78	65.06	65.63	65.91	66.49

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