



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday May 26, 2023

BONDS COMMENTARY

5/26/2023

A temporary short covering bounce possible today

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

It appears that several bearish fundamental forces have been aggressively factored into bonds and note prices with several of those fundamental forces potentially reversed next week. Obviously, short-term technical readings like RSI have reached oversold status and adjusted for the slide since the last COT positioning report was measured, it is possible the treasury bond market has shifted from a net short into a net long for the first time since last May. In fact, this week's aggressive declines were forged on significant trading volume and rising open interest potentially signaling capitulation by remaining weak-handed longs. While the recent slide in treasury prices in the face of what should have been a historical flight to quality buying environment for treasuries, appears to signal a shift in fundamental focus, confirmation of a full "paradigm shift" is needed next week for the bears to push prices even lower. In retrospect, this week has presented slightly positive economic readings from the US and a stubbornly high US PCE reading probably adds to expectations of a US rate hike ahead. Another bearish signal for Treasuries is the lack of or delay of a bounce in prices following a shift in views toward the prospects of a US debt ceiling deal. In other words, parties to the debt ceiling negotiations are giving off positive comments and negotiators are leaving Washington for the holidays hopefully signaling their confidence in a deal next week. However, Washington politicians are not concerned with views from their constituents as they have taken holidays despite their claims that the failure to get a deal would be "catastrophic" to the US economy. At first glance today's scheduled data is expected to be mixed with slowing noted in durable goods sales offset by residual strength in personal income and spending. The North American session will start out with April personal income which is expected to have a minimal uptick from March's 0.3% reading, while April personal spending is forecast to have a moderate uptick from March's unchanged reading. April Canadian wholesale sales are expected to have a modest downtick from March's -0.1% reading. April wholesale inventories are forecast to hold steady with the previous unchanged reading. April durable goods are expected to have a sizable downtick from March's 3.2% reading. The April goods trade balance is forecast to have a modest decline from March's \$84.6 billion monthly deficit. A private survey of May consumer sentiment is expected to have a sizable downtick from April's 63.5 reading.



TODAY'S MARKET IDEAS:

If a major paradigm shift has not taken place in treasuries, a key low is near. In fact, downside action in treasury prices in May have been counter to typical fundamental reactions in the treasury markets over the last several years. Therefore, we see the potential for a low but do not rule out a continuation of the current downtrend if the era of low rates for a long period of time has ended!

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) 05/26/2023: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 124-200. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 126-020 and 126-270, while 1st support hits today at 124-310 and below there at 124-200.

10 YR TREASURY NOTES (JUN) 05/26/2023: 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. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 111-285. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 112-315 and 113-200, while 1st support hits today at 112-040 and below there at 111-285.

STOCKS COMMENTARY

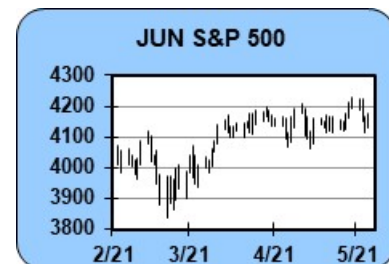
5/26/2023

Treasury yields the key to start action today

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

S&P 500 -4

Global equity markets overnight were mostly higher except for markets in Japan, Germany, Spain, and Hong Kong. However, signs of a debt ceiling deal coming together has not produced significant relief rally action and that should be disappointing to the bull camp. On the other hand, the markets are justified in their skepticism of action from Washington and US treasury yields continue to spark rotation away from equities. Fortunately for the bull camp, optimism from AI has become a primary factor in the markets giving rise to the idea that AI could be a bigger bullish influence than the emergence of electronic business from the early Internet explosion.



S&P 500: As indicated already we are disappointed in the bullish reaction in the S&P to emerging signs of progress in debt ceiling negotiations. However, US interest rates remain high and are pulling capital from stocks and even higher yields ahead could suddenly offset the AI euphoria currently inundating the marketplace. Furthermore, sharp gains in Nvidia shares and total company value reaching historical levels could be a sign of overdone bullish sentiment. From a slightly longer-term perspective, equity markets have largely retained bullish resiliency through very discouraging budget negotiations and therefore this week's low could be a solid low.

Other US Indexes: Despite the Dow trading in positive territory at times early today, classic chart signals remain bearish and short-term technical readings are not registering excessive oversold readings yet. However, the Dow has suffered significant fundamental pressure from default fears and surging interest rates, and it is possible that one or both of those negatives might reverse next week. However, we see support at 32,619 as suspect until an actual debt ceiling deal is inked. As indicated already AI optimism continues to support a large portion of the markets and that optimism is not likely to abate easily. Furthermore, the classic chart set up in the NASDAQ favors more gains.

TODAY'S MARKET IDEAS:

The path of least resistance this morning is up but is not definitive and is unlikely to become entrenched today.

While we think the markets have overestimated the potential for a June rate hike, the S&P and Dow futures need Goldilocks data today to reassure investors concerned about recession without pushing the needle closer to a rate hike. Indian, the equity markets have displayed the ability to "look through" the debt ceiling battle, but the lack of a strong rally over the last 24 hours questions the bullish impact of the deal next week.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/26/2023: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The close over the pivot swing is a somewhat positive setup. The next downside target is 4112.63. The next area of resistance is around 4181.75 and 4200.62, while 1st support hits today at 4137.75 and below there at 4112.63.

MINI-DOW (JUN) 05/26/2023: 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 market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 32492. The next area of resistance is around 32953 and 33081, while 1st support hits today at 32659 and below there at 32492.

E-MINI NASDAQ (JUN) 05/26/2023: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 13723.44. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 14100.37 and 14179.93, while 1st support hits today at 13872.13 and below there at 13723.44.

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	125-160	23.05	31.03	9.24	5.51	126.45	127.61	129.30	130.52	130.15
TYAAM23	112-175	23.81	32.43	12.53	6.82	113.26	113.92	114.82	115.04	114.66
EPM23	4159.75	50.14	51.66	66.25	59.08	4169.38	4170.94	4150.46	4136.58	4099.39
ENQM23	13986.25	70.66	68.31	88.79	88.78	13869.19	13759.81	13515.40	13269.46	13070.39
YMM23	32806	32.05	37.60	26.10	19.86	33049.00	33245.33	33381.11	33548.38	33320.67

Calculations based on previous session. Data collected 05/25/2023

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	124-190	124-300	125-230	126-020	126-270
TYAAM23	10 Yr Treasury Notes	111-280	112-035	112-240	112-315	113-200
EPM23	S&P E-Mini	4112.62	4137.75	4156.62	4181.75	4200.62

ENQM23	E-Mini NASDAQ	13723.43	13872.12	13951.68	14100.37	14179.93
YMM23	Mini-Dow	32491	32658	32786	32953	33081

Calculations based on previous session. Data collected 05/25/2023

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CURRENCIES COMMENTARY

5/26/2023

Bullish fundamentals for the dollar entrenched

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

US DOLLAR -170, YEN +18, SWISS +30, CA DOLLAR +100

Upcoming International Reports (all times CT)

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: In retrospect, the dollar has rallied in a flight to quality manner since the early May lows from a combination of fear of a US default, rising US recession concerns, and from increasingly attractive US yields. With chatter of a potential debt ceiling deal combined with a modestly positive economic activity take away from US data this week, the dollar should be facing a very critical junction. Unfortunately for the bull camp even with a significant deflating of flight to quality from a debt ceiling deal, US yields offer significant premiums over a vast majority of foreign sovereign bonds and that could bring the dollar through next week's financial event pivot with residual strength!

EURO: Unfortunately for the bull camp in the euro slightly improved US economic conditions (from data) and from predictions of a US debt deal have not shifted sentiment toward the euro in favor of the bull camp. As indicated already, US interest rates remain more attractive than European rates with the chatter of an ECB hike seemingly lost in the shuffle. In the end, the chart trend remains down, and the euro is not showing signs of embracing typical bullish fundamentals!

YEN: As in other nondollar currencies the technical set up in the Yen remains entrenched in the Bear's favor with positive overnight fundamental news from Japan failing to produce a notable bounce from a significant oversold condition. In the end, the trade sees interest-rate divergence between the US and Japan as the most extreme which will likely send the Yen toward 70.00 in the coming weeks.

SWISS: With a series of lower lows this week and lingering expectations of significant volatility, the Swiss remains vulnerable to significant losses and a trade below 1.10 in the coming weeks. It goes without saying that a decline in flight to quality from a US debt deal and surging US treasury yields will continue to pull money from Switzerland toward the US.

POUND: The Pound remains in a uniform bearish pattern on the charts with the declines so orderly it is rational to assume the trend has momentum. However, the Pound might have the best odds of recovery of nondollar currencies next week if a US budget deal is reached. However, there is a fundamental cushion for the Pound from the early action today following a stronger than expected GBP retail sales reading for April. The trend in the Pound is down but we suggest the shorts implement stops up at 1.240.

CANADIAN DOLLAR: The downtrend in the Canadian has thoroughly entrenched this week with two trading sessions displaying significant downside momentum. While the prospects of weakness in key Canadian commodities adds to the bear case, that influence might moderate ahead. However, the interest rate differential edge for the dollar remains dominating. We see a near term downside target at 73.00.

TODAY'S MARKET IDEAS:

Fundamental and technical forces remain in favor of dollar bulls.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/26/2023: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. 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 objective is at 104.56. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 104.41 and 104.56, while 1st support hits today at 103.95 and below there at 103.63.

EURO (JUN) 05/26/2023: 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 close below the 1st swing support could weigh on the market. The next downside target is 106.9200. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 107.6050 and 107.9000, while 1st support hits today at 107.1150 and below there at 106.9200.

JAPANESE YEN (JUN) 05/26/2023: 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 close below the 1st swing support could weigh on the market. The next downside target is now at 71.04. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 71.97 and 72.49, while 1st support hits today at 71.25 and below there at 71.04.

SWISS (JUN) 05/26/2023: 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 tilt is slightly negative with the close under the pivot. The next downside target is 110.22. The next area of resistance is around 110.84 and 111.10, while 1st support hits today at 110.40 and below there at 110.22.

CANADIAN DOLLAR (JUN) 05/26/2023: 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 now at 73.11. The next area of resistance is around 73.50 and 73.73, while 1st support hits today at 73.20 and below there at 73.11.

BRITISH POUND (JUN) 05/26/2023: 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's close below the pivot swing number is a mildly negative setup. The next downside target is now at 122.60. The next area of resistance is around 123.65 and 124.19, while 1st support hits today at 122.85 and below there at 122.60.

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
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CURRENCY COMPLEX

DXAM23	104.18	77.41	69.87	90.99	95.09	103.61	103.15	102.31	101.93	102.38
JYAM23	71.61	21.60	27.44	11.73	6.24	72.18	72.73	73.60	74.92	75.13
EU6M23	107.3600	25.24	32.66	7.98	5.31	107.80	108.19	109.12	109.52	108.98
BPAM23	123.25	30.68	38.38	17.16	8.63	123.92	124.40	125.08	124.67	123.82
CAAM23	73.35	31.42	38.34	33.94	19.92	73.78	74.03	74.15	74.12	73.84
SFAM23	110.62	32.85	38.77	18.00	12.80	111.12	111.41	112.11	111.84	111.15
DAAM23	65.09	27.15	33.51	18.26	7.82	0.66	0.66	0.67	0.67	0.67

Calculations based on previous session. Data collected 05/25/2023

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM23	US Dollar	103.62	103.94	104.09	104.41	104.56
JYAM23	Japanese Yen	71.03	71.25	71.76	71.97	72.49
EU6M23	Euro	106.9200	107.1150	107.4100	107.6050	107.9000
BPAM23	British Pound	122.59	122.85	123.39	123.65	124.19
CAAM23	Canadian Dollar	73.10	73.19	73.41	73.50	73.73
SFAM23	Swiss	110.22	110.40	110.66	110.84	111.10
DAAM23	Australian Dollar	64.71	64.85	65.18	65.32	65.64

Calculations based on previous session. Data collected 05/25/2023

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