



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday May 14, 2024

BONDS COMMENTARY

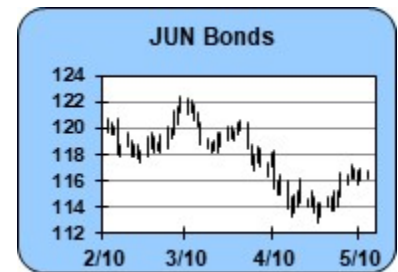
5/14/2024

While we are suspicious of the bull bias, they have the edge today

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

BONDS +0

While international inflation signals may lag instead of lead US inflation signals, overnight inflation readings throughout the world registered sticky or hot readings overnight. Overnight action brought a slight uptick in Japanese producer price index readings for April, a hot German CPI reading for April, stronger than expected GBP average earnings, a hotter than expected Swiss producer and import price reading for April, and a much higher-than-expected Spanish CPI reading for April. Therefore, international inflation readings should increase the focus on US PPI and will likely add to the prospect of a violent initial reaction to today's data. In our opinion, the Fed remains evenly divided with a slight dovish edge with the caveat of a need for further evidence inflation is softening. However, the markets have a distinctly split view on the Fed bias with the CME Fed watch tool not registering a rate cut probability above 50% for any Fed meeting for the rest of the year while equities and yield curve traders are expecting at least one cut. In fact, many Wall Street economists are parroting the statement that "inflation is coming down" while the data shows steady inflation. On the other hand, the US economy has slowed and slowing activity increases the potential for a downtick in one or both of this week's US inflation reports. Not surprisingly, treasuries managed a corrective bounce ahead of this week's key data and have consolidated sideways over the last two weeks suggesting today is likely to a key fundamental junction. The North American session will start out with a weekly private survey of same-store sales and a monthly private survey of small business optimism. The April US producer price index is expected to have a minimal uptick from March's 2.1% year-over-year rate. The April US core producer price index (excluding food and energy) is forecast to hold steady with March's 2.4% year-over-year rate. Fed Chair Powell and Fed Governor Cook will speak during morning US trading hours while Kansas City Fed President Schmid will speak during the late afternoon.



TODAY'S MARKET IDEAS:

While we see US economic data as a leading indicator (not a lagging indicator) hot international inflation readings overnight would accentuate hot or sticky US PPI readings today. As indicated already, treasuries have corrected a significant oversold technical condition with the bounce off last month's lows which could facilitate a large selloff today if PPI is +0.3% or higher. On the other hand, treasury prices could see a large upside extension if PPI is +0.2% (as expected) or lower as treasuries currently hold a measure of bullish resiliency. In fact, with a +0.3% headline reading, and an as expected or lower core rate treasuries should still spike upward. Furthermore, we expect a spike down move off PPI to quickly dissipate and expect fresh buying to emerge.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long June Bonds at 116-04 with an objective of 118-10. Use a stop on the long June Bond at 115-20.

BONDS TECHNICAL OUTLOOK:

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elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

BONDS (JUN) 05/14/2024: 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 market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 116-290. The next area of resistance is around 116-180 and 116-290, while 1st support hits today at 116-010 and below there at 115-260.

10 YR TREASURY NOTES (JUN) 05/14/2024: 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. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 109-030. The next area of resistance is around 108-295 and 109-030, while 1st support hits today at 108-210 and below there at 108-175.

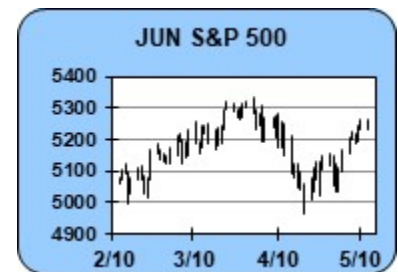
STOCKS COMMENTARY

5/14/2024

The markets maintain a bullish speculative bias

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 +0

Global equity markets overnight were generally weaker except for the markets in Tokyo, London, and Madrid which traded fractionally higher. While Home Depot beat earnings expectations this morning, equities in general showed little reaction to the news perhaps because of a wait and see approach to today's US inflation news. It should be noted that a measure of bullish speculation is showing signs of surfacing again from the meme stock angle, but that influence is likely to be shunted to the back burner this morning by big picture macroeconomic signals in the coming 24 hours.



S&P 500: Even though the initial market reaction to an earnings beat by Home Depot was disappointing, the company did post a larger than expected decline in sales and many analysts view that as a confirmation of US slowing which in turn notches trade expectations of a rate cut higher. Unfortunately for the bull camp, the markets are overbought into what could be a very critical junction following the PPI report today, but ultimately, we see bullish momentum return and renewed fear of missing out resulting in a buying dips attitude. We see buying support in the June S&P at 5188.00 today.

Other US Indexes: As indicated already, we see the markets capable of absorbing mild disappointment on the inflation front but also acknowledge the potential for an initial negative knee-jerk reaction setback. Unfortunately for the bull camp last week's aggressive range up move on Thursday leaves buying support well below the market today at 38,860 in the June Dow futures. While we expect the NASDAQ to be temporarily buffeted by the reaction to this morning's US PPI report, the release of a new free Open AI model and whispers of a return to the Gamestop/AMC trading frenzy provides the bull camp with a backstop in the NASDAQ. Buying support in the NASDAQ today is 18,110.

TODAY'S MARKET IDEAS:

The bull camp looks to retain control, but fresh longs should utilize conservative "buy points" to allow for temporary volatility.

NEW RECOMMENDATIONS:

Buy the June E-Mini S&P 5188 with an objective of 5290. Risk the trade to 5159.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/14/2024: 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. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 5276.43. The next area of resistance is around 5258.12 and 5276.43, while 1st support hits today at 5227.38 and below there at 5214.94.

MINI-DOW (JUN) 05/14/2024: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 39855. The next area of resistance is around 39667 and 39855, while 1st support hits today at 39405 and below there at 39331.

E-MINI NASDAQ (JUN) 05/14/2024: 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 market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 18393.25. The next area of resistance is around 18342.75 and 18393.25, while 1st support hits today at 18235.25 and below there at 18178.25.

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										
USAAM24	116-090	55.95	51.89	74.30	78.42	116.36	116.05	115.11	116.91	117.54
TYAAM24	108-250	54.39	50.88	73.03	77.07	108.85	108.74	108.24	109.19	109.56
EPM24	5242.75	66.39	59.98	83.72	89.92	5233.69	5186.47	5135.36	5193.09	5182.04
ENQM24	18289.00	63.76	57.86	81.89	89.56	18227.56	18059.64	17823.78	18110.91	18140.30
YMM24	39536	68.32	61.72	87.53	91.05	39480.25	39061.56	38719.06	39053.98	39118.62

Calculations based on previous session. Data collected 05/13/2024

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						
USAAM24	Bonds	115-250	116-000	116-110	116-180	116-290
TYAAM24	10 Yr Treasury Notes	108-170	108-205	108-260	108-295	109-030
EPM24	S&P E-Mini	5214.93	5227.37	5245.68	5258.12	5276.43
ENQM24	E-Mini NASDAQ	18178.25	18235.25	18285.75	18342.75	18393.25
YMM24	Mini-Dow	39331	39405	39593	39667	39855

Calculations based on previous session. Data collected 05/13/2024

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CURRENCIES COMMENTARY

5/14/2024

Final inflation ruling looms for the US today

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

US DOLLAR +137, YEN -10, SWISS -5, CA DOLLAR -60

Upcoming International Reports (all times CT)

05/14 German Consumer Price Index 1:00 AM
05/14 UK Employment Situation - Cl 1:00 AM
05/14 Swiss Producer Price Index 1:30 AM
05/14 German ZEW Indicator of Econ 4:00 AM
05/14 Canadian Wholesale Trade 7:30 AM
05/14 PPI 7:30 AM
05/14 API Energy Stocks 3:30 PM
05/15 France Consumer Price Index 1:45 AM
05/15 Euro-zone Industrial Product 4:00 AM
05/15 Canadian Housing Starts 7:15 AM
05/15 Business Inventories 7:30 AM
05/15 Canadian Monthly Survey of M 7:30 AM
05/15 Canadian New Motor Vehicle S 7:30 AM
05/15 CPI 7:30 AM
05/15 Real Earnings 7:30 AM
05/15 Retail Sales 7:30 AM
05/15 EIA Energy Stocks 9:30 AM
05/15 Japan GDP 6:50 PM
05/15 Japan Industrial Production 11:30 PM



DOLLAR: While we expect the currency markets to be a secondary and perhaps a backwater trade after today's US PPI report is released, traders should expect at least a brief volatility surge! However, we see the dollar generally remaining out-of-favor unless today's PPI is above the expectation of +0.2%. It should be noted that international inflation readings overnight (especially in Europe, UK, and Japan) registered hot readings which could add to dollar selling with as expected or lower inflation result. We suggest aggressive traders initiate short dollar positions ahead of the report, while conservative traders should look to sell a post report dollar rally to 105.45.

Other Currencies: According to Reuters, fundamental euro resistance continues to flow from residual respect for the dollar. However, the euro should draft a measure of long interest from inflationary euro zone data points released overnight, but as usual the euro will see a knee-jerk impact from the dollar following this morning's data. In the end, the trend has shifted up in the euro with buying support today pegged at 1.072. Even though charts in the Pound are not strong as in the euro, a significant surge in UK pay of 6% in the first quarter decreases the prospect of a summer rate cut by the BOE and that should provide fundamental support for the currency. Uptrend channel buying support in the Pound today is 1.2480. In retrospect, the Canadian bull camp should be very discouraged with the inability to sustain last Friday's sharp Canadian rally following a much stronger than expected addition of jobs last month. However, the Canadian trade is also focused on inflation and a slower than expected Canadian wage reading keeps the prospects of a June rate cut alive and in turn has punctured the bull bias toward the currency.

TODAY'S MARKET IDEAS:

Without a PPI reading "well off expectations" we see the dollar failing to hold rallies, while the euro and pound reject selloffs.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/14/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 104.78. The next area of resistance is around 105.26 and 105.40, while 1st support hits today at 104.95 and below there at 104.78.

EURO (JUN) 05/14/2024: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 108.4500. The next area of resistance is around 108.2600 and 108.4500, while 1st support hits today at 107.8500 and below there at 107.6300.

JAPANESE YEN (JUN) 05/14/2024: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. 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 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 64.12. The next area of resistance is around 64.52 and 64.74, while 1st support hits today at 64.21 and below there at 64.12.

SWISS (JUN) 05/14/2024: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's short-term trend is negative as the close remains below the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside target is 111.17. The next area of resistance is around 110.83 and 111.17, while 1st support hits today at 110.32 and below there at 110.15.

CANADIAN DOLLAR (JUN) 05/14/2024: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 73.33. The next area of resistance is around 73.27 and 73.33, while 1st support hits today at 73.13 and below there at 73.03.

BRITISH POUND (JUN) 05/14/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close above the 9-day moving average is a positive 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 objective is 124.99. The next area of resistance is around 125.82 and 126.02, while 1st support hits today at 125.30 and below there at 124.99.

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										
DXAM24	105.10	45.90	49.67	41.52	38.50	105.20	105.19	105.48	104.64	104.31
JYAM24	64.36	38.52	38.49	55.20	51.40	64.56	64.92	64.85	66.11	66.54
EU6M24	108.0550	60.58	55.14	70.40	75.91	107.90	107.76	107.42	108.06	108.29
BPAM24	125.56	56.29	52.26	65.99	64.64	125.27	125.37	125.01	125.84	126.11
CAAM24	73.20	53.30	50.17	57.16	59.04	73.11	73.10	73.07	73.42	73.57
SFAM24	110.57	49.20	46.32	58.92	63.14	110.71	110.60	110.41	111.49	112.33
DAAM24	66.14	59.12	56.88	75.56	75.07	0.66	0.66	0.65	0.66	0.66

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM24	US Dollar	104.77	104.94	105.09	105.26	105.40
JYAM24	Japanese Yen	64.11	64.20	64.43	64.52	64.74
EU6M24	Euro	107.6300	107.8500	108.0400	108.2600	108.4500
BPAM24	British Pound	124.98	125.30	125.50	125.82	126.02
CAAM24	Canadian Dollar	73.02	73.12	73.18	73.27	73.33
SFAM24	Swiss	110.15	110.32	110.66	110.83	111.17
DAAM24	Australian Dollar	65.71	65.93	66.14	66.36	66.57

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