



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday May 16, 2024

BONDS COMMENTARY

5/16/2024

Signs of softer US data and views inflation is falling is bullish

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

BONDS +0

As we indicated earlier this week and recommended a long bond position, the bull camp has fully regained control and has extended its bullish resiliency into the action today. Clearly, the trade parsed the inflation data this week and embraced a narrative which discounted hot components and embraced soothing commentary from the US Federal Reserve Chairman in the immediate aftermath of the first inflation report of the week on Tuesday. However, signs of slowing have also surfaced with yesterday's retail sales unchanged versus expectations of a 0.4% gain. While it feels like the bull camp has managed to spin some of the data into a bullish force, the CME Fed watch tool has bumped up its expectations for a rate cut in September above 50%. Furthermore, the swaps market has raised its expectations for a Fed cut to 61% in the September meeting. Therefore, a small portion of a higher US initial claims reading today might be factored into prices, but a higher number should produce further gains in bonds and notes today. However, the trade is expecting a higher month over month jump in US building permits which should be offset later by potentially disappointing US capacity utilization and industrial production. It is also likely that a speech from the Fed's Barr will support prices as he indicated the Federal Reserve and US banks need to be vigilant for unexpected stresses ahead with specific focus on delinquency rates in commercial real estate loans, sharp gains in credit card past due balances and delinquent auto loans. The North American session will start out with a weekly reading on initial jobless claims that are expected to have a moderate downtick from the previous 231,000 reading. Ongoing jobless claims are forecast to have a minimal weekly decline from the previous 1.785 million reading. The May Philly Fed manufacturing survey is expected to have a moderate downtick from April's 15.5 reading. April US housing starts are forecast to have a modest uptick from March's 1.321 million annualized rate. April US building permits are expected to have a mild uptick from March's 1.467 million annualized rate. April readings for the US import price index and US export price index are both forecast to have mild upticks from their March year-over-year readings. April US industrial production is expected to have a moderate downtick from March's 0.4% reading, while April US capacity utilization is forecast to hold steady at 78.4%. Fed Vice Chair Barr, Richmond Fed President Barkin and Philadelphia Fed President Harker will speak during morning US trading hours while Cleveland Fed President Mester and Atlanta Fed President Bostic will speak during the afternoon.



TODAY'S MARKET IDEAS:

The bull camp has the benefit of the charts and fundamentals with a fresh higher high and the highest trade since April 2nd overnight and with what appears to be a shift to softening US scheduled data. Initial upside targeting in June bonds is 118-28 with key support moving up to 117-23.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long June Bonds at 116-04 with an objective of 118-20. Use a profit stop on the long June Bond at 117-20.

BONDS TECHNICAL OUTLOOK:

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BONDS (JUN) 05/16/2024: The market now above the 60-day moving average suggests the longer-term trend has turned up. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 119-110. The next area of resistance is around 118-300 and 119-110, while 1st support hits today at 117-150 and below there at 116-120.

10 YR TREASURY NOTES (JUN) 05/16/2024: The major trend could be turning up with the close back above the 60-day moving average. 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 bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 110-130. The next area of resistance is around 110-060 and 110-130, while 1st support hits today at 109-125 and below there at 108-255.

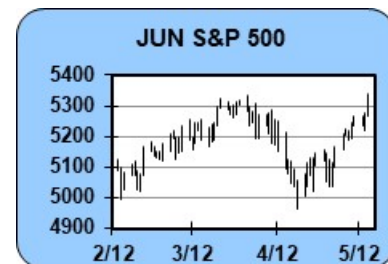
STOCKS COMMENTARY

5/16/2024

The markets maintain a bullish speculative bias

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

Global equity markets overnight were higher in Asia and weaker in Europe in the early trade. The bullish environment looks to extend today with treasury yields falling, rate cut hopes revived, and most importantly, the potential for additional soft US economic data to add to rate cut hopes. While the swaps trade is raising the potential for a Fed pivot in their September meeting, to spark larger gains in equities probably requires claims breaking out to the upside with a reading above 231,000. Earnings announcements will include Walmart and Deere & Company before the Wall Street opening while Applied Materials report after the close.



S&P 500: The S&P has posted higher highs overnight and has apparently embraced favorable news Netflix hit 40 million users for an add supported subscription plan and will likely see additional buying from a buyout announcement from Brookshire for a portion of Chubb. Adding into bullishness throughout the markets is congressional efforts to provide \$32 billion funding for the US AI industry to compete on level ground with China. Upside targeting is difficult to quantify given all-time high price levels, which leaves psychological even number targeting of 5400.00 as our prediction.

Other US Indexes: Obviously, the Dow is benefiting significantly from the lower rate pattern in treasuries from the renewed hope of a September US rate cut. The Dow and other sectors of the market should see investor sentiment improve further following news that Berkshire Hathaway has utilized a small portion of its massive war chest which the company has been building up. Key support in the Dow is 39,948 and initial targeting/resistance today is 40,190. Despite a setback in widely touted meme stock shares (Game Stop and AMC) the NASDAQ is catching lift from big picture macroeconomic optimism, a possible US government AI industry assistance package of \$32 billion and from news Netflix reached 40 million users for a new ad supported subscription. It should be noted that one year ago the Netflix ad supported service had only 5 million customers. Key support in the NASDAQ is a past double high of 18,623 and the only upside targeting we can produce is even numbers of 19,000.

TODAY'S MARKET IDEAS:

The bull camp looks to control again today, with buying potentially expanding significantly if claims post a higher

high for the move and US interest rate hopes climb further.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/16/2024: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 5385.62. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5363.00 and 5385.62, while 1st support hits today at 5292.00 and below there at 5243.63.

MINI-DOW (JUN) 05/16/2024: 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's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 40346. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 40219 and 40346, while 1st support hits today at 39809 and below there at 39525.

E-MINI NASDAQ (JUN) 05/16/2024: 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 18929.25. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 18837.50 and 18929.25, while 1st support hits today at 18523.50 and below there at 18301.25.

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	118-060	69.54	61.41	80.79	87.78	116.82	116.58	115.45	116.75	117.52
TYAAM24	109-250	68.19	60.41	79.85	87.14	109.09	109.00	108.42	109.10	109.53
EPM24	5327.50	76.85	67.81	89.20	94.20	5270.25	5234.47	5165.65	5196.79	5189.93
ENQM24	18680.50	74.60	65.71	88.39	94.46	18404.00	18267.36	17955.92	18119.18	18162.42
YMM24	40014	76.58	68.03	91.02	94.52	39716.50	39389.33	38913.44	39076.27	39144.27

Calculations based on previous session. Data collected 05/15/2024

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	116-110	117-140	117-270	118-300	119-110
TYAAM24	10 Yr Treasury Notes	108-250	109-120	109-190	110-060	110-130
EPM24	S&P E-Mini	5243.62	5292.00	5314.62	5363.00	5385.62
ENQM24	E-Mini NASDAQ	18301.25	18523.50	18615.25	18837.50	18929.25

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CURRENCIES COMMENTARY

5/16/2024

Market views of US slowing signals more dollar declines

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
US DOLLAR +28, YEN +12, SWISS +19, CA DOLLAR -105

Upcoming International Reports (all times CT)

05/16 Housing Starts 7:30 AM
05/16 Jobless Claims 7:30 AM
05/16 Capacity Utilization 8:15 AM
05/16 Industrial Production 8:15 AM
05/16 EIA Gas Storage 9:30 AM
05/17 France Unemployment Situatio 12:30 AM
05/17 UK Consumer Price Index 1:00 AM
05/17 Swiss Industrial Production 1:30 AM
05/17 Euro-zone Consumer Price Ind 4:00 AM



DOLLAR: Even though the dollar rejected a trade below 104.00, the bear camp should maintain control given newfound concerns of a softening of the US economy. As indicated in other coverage this morning, seeing US initial claims post a higher high (above 231,000) should rekindle selling and result in the dollar piercing 104.00 support and heading toward the next target of 103.79.

Other Currencies: We suspect the euro fell back from the new high for the move overnight because of a slight downtick in Italian CPI. However, as indicated already we think the potential for further escalation of US rate cut prospects will be seen today if US claims come in above last week. We suggest aggressive traders buy the March euro at 1.0863. We see the Pound continuing as the leadership currency against the dollar despite a lack of fresh supportive internal/domestic developments. Nonetheless, with significant upside gains forged this week traders should be conservative with long entry prices by placing orders below 1.2625. Even though the Canadian has initially posted a double top on the charts, signs of softening in the US, increased hope of a US rate cut and the potential for Canada to benefit from a US/China tariff war should leave the trend pointing up in the Canadian. We see aggressive buying support in the Canadian at 73.32.

TODAY'S MARKET IDEAS:

We leave the bias down in the dollar with the pound remaining the leadership currency followed closely by the Canadian dollar and euro.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/16/2024: The close below the 60-day moving average is an indication the longer-term trend has turned down. 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. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 103.58. The next area of resistance is around 104.55 and 105.14, while 1st support hits today at 103.78 and below there at 103.58.

EURO (JUN) 05/16/2024: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 109.5525. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 109.3599 and 109.5525, while 1st support hits today at 108.6300 and below there at 108.0925.

JAPANESE YEN (JUN) 05/16/2024: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside target is 63.96. The next area of resistance is around 65.28 and 65.52, while 1st support hits today at 64.50 and below there at 63.96.

SWISS (JUN) 05/16/2024: The market now above the 40-day moving average suggests the longer-term trend has turned up. 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 111.82. The next area of resistance is around 111.61 and 111.82, while 1st support hits today at 110.94 and below there at 110.46.

CANADIAN DOLLAR (JUN) 05/16/2024: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. 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 next upside target is 73.88. The next area of resistance is around 73.74 and 73.88, while 1st support hits today at 73.35 and below there at 73.10.

BRITISH POUND (JUN) 05/16/2024: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside target is at 127.65. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 127.38 and 127.65, while 1st support hits today at 126.36 and below there at 125.60.

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
CURRENCY COMPLEX										
DXAM24	104.16	30.63	38.79	33.46	22.48	104.85	105.01	105.32	104.73	104.34
JYAM24	64.89	49.93	46.19	52.36	51.61	64.51	64.85	64.77	65.91	66.43
EU6M24	108.9950	74.42	65.46	79.50	89.32	108.33	108.05	107.64	108.01	108.29
BPAM24	126.87	72.56	63.99	70.16	77.24	125.91	125.58	125.27	125.76	126.12
CAAM24	73.54	64.20	57.46	64.10	73.71	73.31	73.17	73.15	73.38	73.55
SFAM24	111.27	59.75	53.37	64.01	70.70	110.82	110.79	110.46	111.31	112.19
DAAM24	67.00	70.91	64.94	78.33	83.20	0.66	0.66	0.66	0.66	0.66

Calculations based on previous session. Data collected 05/15/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM24	US Dollar	103.57	103.77	104.35	104.55	105.14
JYAM24	Japanese Yen	63.96	64.50	64.73	65.28	65.52
EU6M24	Euro	108.0924	108.6299	108.8225	109.3599	109.5525
BPAM24	British Pound	125.59	126.35	126.62	127.38	127.65
CAAM24	Canadian Dollar	73.10	73.35	73.49	73.74	73.88
SFAM24	Swiss	110.45	110.93	111.14	111.61	111.82
DAAM24	Australian Dollar	66.06	66.61	66.83	67.38	67.60

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