



# DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Friday May 24, 2024

## BONDS COMMENTARY

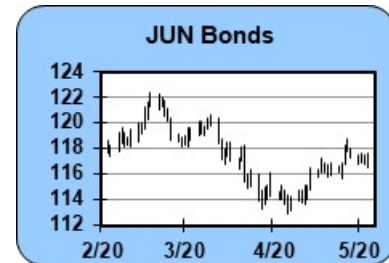
5/24/2024

**The bears have a residual edge but durables should support**

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

**BONDS +0**

In a minimally supportive development yesterday and again overnight, June bonds managed to find support from the 50 day moving average at 116-25. Furthermore, bonds should find additional support if today's US durable goods release posts as expected results with a decline of 0.8%. However, the pendulum has shifted back toward no rate cuts in the near-term and perhaps no rate cuts this year! While not typically a significant report, today's University of Michigan five-year consumer inflation expectations reading for May could be an important influence as residual fear of inflation is a major component of the hesitancy of the Fed to cut rates. On the other hand, today's Michigan consumer inflation expectations report is expected to be unchanged at 3.1% but that reading is the second highest reading over the last 12 months. In an indirect negative for US treasuries, the BOJ announced they will cut the amount of JGB's purchases and begin reducing their balance sheet. In fact, given the BOJ announcement, Japanese 10 year bond yields reached above 1% for the first time since 2012. In another residual negative for treasury prices, the Fed's Bostic yesterday said the US Fed "is not beyond the worry point for inflation". Therefore, it is not surprising to see CME Fed watch rate cut probabilities through the end of the year dropping to levels around 20%. The North American session will start out with April US durable goods which are expected to have a sizable downtick from March's 2.6% reading. March Canadian retail sales are forecast to have a mild downtick from February's 1.2% year-over-year rate. A private survey of May US consumer sentiment is expected to hold steady with the previous 67.4 reading. Fed Governor Waller will speak during morning US trading hours.



### TODAY'S MARKET IDEAS:

Fundamental sentiment into the last trading session of the week remains in favor of the bear camp. However, treasury bonds could find support from recent narrow consolidation low support and the 50 day moving average at 116-22 and from what is expected to be a soft (contraction) in US durable goods. In the end, the longer-term trend is down but chances of a temporary bottom today have ticked higher.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### BONDS TECHNICAL OUTLOOK:

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BONDS (JUN) 05/24/2024: 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 daily closing price reversal down puts the market on the defensive. The swing indicator gave a

moderately negative reading with the close below the 1st support number. The next downside objective is now at 115-250. The next area of resistance is around 117-130 and 118-040, while 1st support hits today at 116-080 and below there at 115-250.

10 YR TREASURY NOTES (JUN) 05/24/2024: The close below the 40-day moving average is an indication the longer-term trend has turned down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 108-050. The next area of resistance is around 109-005 and 109-135, while 1st support hits today at 108-125 and below there at 108-050.

## STOCKS COMMENTARY

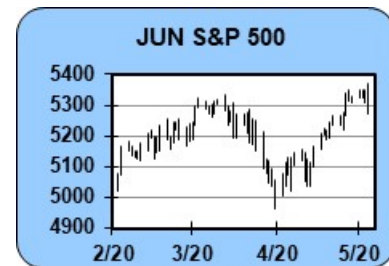
5/24/2024

### Classic technical top signal from the NASDAQ yesterday

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

S&P 500 +9

Global equity markets overnight were sharply lower following massive losses in the US trade on Thursday. However, except for the Australian and Chinese markets, global declines were less than 1%. In retrospect, it appears the markets experienced a classic "buy the rumor, sell the fact" reaction from Nvidia earnings this week. The earnings report from Nvidia was better-than-expected but has been followed by news that the company will cut its Chinese prices in the Chinese specific manufactured chip because of a price war.



**S&P 500:** In addition to the negative news from Nvidia cutting chip prices in China, the markets continue to face headwinds from the pendulum shift in rate cut views in favor of the Hawks. However, stock prices could rebound following US durable goods this morning as expectations call for a decline of 0.8% and that could minimally shift the pendulum of policy views back toward the doves. Without a significant bounce from yesterday's spike down failure early, the bear camp retains a technical edge, and the bulls will need very soft durables and respect of key support at 5266.25 early on to finish the week on a positive track. However, optimism bordering on euphoria from AI prospects has been very resilient and soft durables could save the day.

**Other US Indexes:** Not surprisingly, the Dow remains the weakest component of the market with yesterday's very large range down failure, a close near the lows and the inability to forge a meaningful bounce from a compacted oversold condition early today. However, the Dow has respected its 50 day moving average twice this week at 39,153.50 and post durable goods report action is likely to determine the trend of action for the rest of today's session. While we are hesitant to remain bearish toward the NASDAQ in what has been a very resilient bullish environment flowing from AI prospects, action in Nvidia shares has become a temporary negative from Asian chip price cuts and a bearish technical top signal. The bearish chart signal is definitive following yesterday's classic reversal from all-time highs which is defined as a large range up new high for the move, combined with an aggressive reversal, and lower close on heavy trading volume. Therefore, key support in the NASDAQ today is 18,621.

#### TODAY'S MARKET IDEAS:

Even though we give the initial edge to the bear camp prices could rebound temporarily following today's US durable goods report. Furthermore, market sentiment since the middle of last month toward big tech and AI has been very resilient and attacking the short side is not advised.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

## STOCKS TECHNICAL OUTLOOK:

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**S&P E-MINI (JUN) 05/24/2024:** The daily stochastics have crossed over down which is a bearish indication. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is somewhat negative. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 5208.94. The next area of resistance is around 5333.87 and 5398.43, while 1st support hits today at 5239.13 and below there at 5208.94.

**MINI-DOW (JUN) 05/24/2024:** The close under the 60-day moving average indicates the longer-term trend could be turning down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 38555. The next area of resistance is around 39531 and 40090, while 1st support hits today at 38763 and below there at 38555.

**E-MINI NASDAQ (JUN) 05/24/2024:** A crossover down in the daily stochastics is a bearish signal. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is positive on the close above the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 18355.94. The next area of resistance is around 18893.87 and 19159.43, while 1st support hits today at 18492.13 and below there at 18355.94.

## 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>										
USAAM24	116-260	51.66	51.76	71.65	62.85	117.13	117.22	116.49	116.53	117.40
TYAAM24	108-225	45.01	47.26	65.96	52.44	109.02	109.15	108.87	108.95	109.42
EPM24	5286.50	56.25	57.54	90.84	85.51	5323.31	5308.83	5237.22	5209.04	5208.80
ENQM24	18693.00	65.83	62.45	91.72	87.44	18763.31	18635.14	18304.00	18177.21	18218.59
YMM24	39147	41.15	47.04	83.46	69.78	39701.50	39799.89	39343.44	39124.73	39186.80

Calculations based on previous session. Data collected 05/23/2024

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>						
USAAM24	Bonds	115-240	116-070	116-300	117-130	118-040
TYAAM24	10 Yr Treasury Notes	108-045	108-120	108-250	109-005	109-135
EPM24	S&P E-Mini	5208.93	5239.12	5303.68	5333.87	5398.43
ENQM24	E-Mini NASDAQ	18355.93	18492.12	18757.68	18893.87	19159.43
YMM24	Mini-Dow	38554	38763	39322	39531	40090

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## CURRENCIES COMMENTARY

5/24/2024

**Traders should buy a US durable goods dip in the dollar**

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

**US DOLLAR -116, YEN -7, SWISS -1, CA DOLLAR +105**

### Upcoming International Reports (all times CT)

05/24 German GDP - Detailed 1:00 AM

05/24 UK Retail Sales 1:00 AM

05/24 France Business Climate Surv 1:45 AM

05/24 Adv Durable Goods 7:30 AM

05/24 Canadian Retail Trade 7:30 AM



**DOLLAR:** In addition to the currency trade reacting to each shift in expectations for US Fed policy action, the currency markets are also expected to see volatility increase following new US stock trade settlement rules which will require Asian fund managers to make currency trades/adjustments to US action during very thin trade hours in Asia. From a fundamental perspective this week's dollar rally has been against most fundamental developments except for the clean sweep of better-than-expected US PMI readings and lower initial claims yesterday. However, the dollar will be tested somewhat following today's anticipated contraction in US durable goods and from a test of the 50 day moving average at 104.79. In the end, the charts in the dollar remain bullish while fundamentals do not support the bullish track.

**Other Currencies:** As in the dollar index, a pre-existing trend remains in the euro, but the trend is down instead of up. In fact, we are very skeptical of the strength in the dollar which provides some pause in selling the euro. However, we have the sense that the ECB is dovish biased, seemingly less concerned about inflation and more interested in supporting their economy. In today's action the euro might derive temporary support from a double low overnight at 1.081 and from a minimally positive German GDP of +0.2%. Another key pivot point for the euro today is the 50 day moving average down at 1.0803. Residual strength in the dollar and disappointing GBP retail sales overnight leaves the Pound in a corrective track. Furthermore, the reversal from a new high for the move on Wednesday and a lower high and lower low pattern since then leaves a very critical pivot point today down at 1.2677. Not surprisingly, the bias in the Canadian is down from this week's series of chart failures, from residual strength in the dollar, and from a potential anemic Canadian retail sales release later this morning. Fortunately for the bull camp, the Canadian has a suspect double low support point at 72.81 this morning but the bull case is deflated by surging open interest and a jump in trading volume on yesterday's massive range down move.

### TODAY'S MARKET IDEAS:

The dollar maintains a very slim edge with gains likely to be very measured especially against the Pound. In fact, its primary challenger (the Pound) has seen two straight days of negative data and nondollar charts are conclusively bearish.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/24/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 105.42. The next area of resistance is around 105.25 and 105.42, while 1st support hits today at 104.69 and below there at 104.30.

EURO (JUN) 05/24/2024: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. 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 107.7625. The next area of resistance is around 108.5150 and 108.9025, while 1st support hits today at 107.9450 and below there at 107.7625.

JAPANESE YEN (JUN) 05/24/2024: 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 market's close below the pivot swing number is a mildly negative setup. The next downside objective is 63.69. The next area of resistance is around 64.09 and 64.24, while 1st support hits today at 63.82 and below there at 63.69.

SWISS (JUN) 05/24/2024: The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term is given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 109.29. The next area of resistance is around 109.79 and 110.00, while 1st support hits today at 109.44 and below there at 109.29.

CANADIAN DOLLAR (JUN) 05/24/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 72.47. The next area of resistance is around 73.07 and 73.39, while 1st support hits today at 72.62 and below there at 72.47.

BRITISH POUND (JUN) 05/24/2024: The daily stochastics have crossed over down which is a bearish indication. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. 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 lower than the pivot swing number. The next downside target is now at 126.45. The next area of resistance is around 127.28 and 127.69, while 1st support hits today at 126.66 and below there at 126.45.

## 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>										
DXAM24	104.97	54.59	52.31	30.77	40.78	104.72	104.64	104.97	104.94	104.45
JYAM24	63.95	34.50	36.65	29.52	18.10	64.15	64.37	64.62	65.43	66.11
EU6M24	108.2300	50.36	52.03	77.70	68.46	108.48	108.55	108.09	107.91	108.27
BPAM24	126.97	65.39	61.45	86.00	84.44	127.08	126.73	126.02	125.69	126.15
CAAM24	72.84	35.27	40.57	63.65	47.56	73.16	73.30	73.17	73.28	73.47
SFAM24	109.62	33.37	37.26	43.28	26.66	109.89	110.37	110.42	110.78	111.71
DAAM24	66.08	46.19	50.42	72.13	58.43	0.66	0.67	0.66	0.66	0.66

Calculations based on previous session. Data collected 05/23/2024

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAM24	US Dollar	104.29	104.68	104.86	105.25	105.42
JYAM24	Japanese Yen	63.68	63.81	63.96	64.09	64.24
EU6M24	Euro	107.7625	107.9450	108.3325	108.5150	108.9025
BPAM24	British Pound	126.44	126.66	127.07	127.28	127.69
CAAM24	Canadian Dollar	72.46	72.61	72.93	73.07	73.39
SFAM24	Swiss	109.28	109.43	109.64	109.79	110.00
DAAM24	Australian Dollar	65.63	65.80	66.19	66.36	66.75

**Calculations based on previous session. Data collected 05/23/2024**

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