



DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Thursday May 30, 2024

BONDS COMMENTARY

5/30/2024

Temporarily oversold but fundamentals point lower

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

BONDS +0

We suspect that the recovery in prices this morning is largely position squaring ahead of what could be a trend setting inflation report flow over the coming 24 hours. However, we see the bear camp maintaining an edge with US economic data remaining mixed and not softening enough to inspire the Fed to take the risk of prematurely easing policy. In retrospect, an avalanche of hawkish (meaning less dovish) Fed speeches, the release of the Fed Beige book which showed an expanding economy and anemic interest in this week's US treasury auction supply leaves the edge with the bear camp. While a portion of the lack of demand for US debt supply this week is attributable to a tidal wave of global sovereign debt offerings, this week's slide in prices is also justified by a recent multiyear net spec and fund long high in bonds has and will likely continue to provide stop loss selling! Even though the primary focus will be on PCE today initial claims and GDP will temporarily drive price action. However, in our opinion inflation data will trump economic activity data unless economic activity data shows much weaker than expected results. It should be noted that treasury Bonds are significantly oversold from the slide of the last three weeks of 4 1/2 points, in the end the Fed clearly wants inflation to come "down" not stabilize at levels above their annual targeting rate! The North American session will start out with first quarter US gross domestic product which is expected to have a minimal downtick from the previous 1.6% annualized rate. First quarter core personal consumption expenditures (a favorite Fed inflation gauge) is forecast to hold steady with the previous 3.7% reading. A weekly reading on initial jobless claims is expected to have a minimal uptick from the previous 215,000 reading. Ongoing jobless claims are forecast to have a modest weekly increase from the previous 1.794 million reading. The April goods trade balance is expected to have a moderate uptick from March's \$91.8 billion reading. April wholesale inventories are forecast to have a mild uptick from the previous -0.4% reading. April pending home sales are expected to have a modest uptick from March's 0.1% year-over-year rate. New York Fed President Williams and Dallas Fed President Logan will speak during afternoon US trading hours.



TODAY'S MARKET IDEAS:

While the treasury markets are short-term and intermediately oversold, we see the ultimate trend remaining down. However, to finish the month of May tomorrow at even lower levels will require quarterly and monthly PCE readings holding at last month's levels or higher. As indicated already, inflation data should dominate the trade over activity readings like GDP and initial claims. On the other hand, if the US economy holds steady, the Fed will become more comfortable leaving rates higher for longer. Key support in September bonds today is 114-13 and we suggest those looking to get short wait for a return to 116-02.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

BONDS TECHNICAL OUTLOOK:

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BONDS (SEP) 05/30/2024: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 113-150. The next area of resistance is around 115-130 and 116-120, while 1st support hits today at 113-310 and below there at 113-150.

10 YR TREASURY NOTES (SEP) 05/30/2024: The downside crossover of the 9 and 18 bar moving average is a negative signal. 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 107-180. The next area of resistance is around 108-125 and 108-255, while 1st support hits today at 107-250 and below there at 107-180.

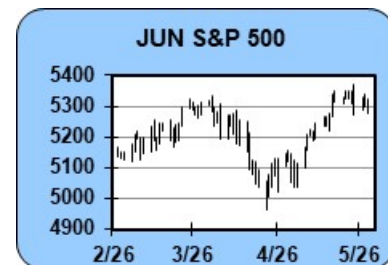
STOCKS COMMENTARY

5/30/2024

Rising rates should create a buying opportunity soon

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
S&P 500 -26

Global equity markets overnight were mixed with markets in Asia and the Pacific rim trading lower and markets in the west generally trading higher. Obviously, surging US interest rates have unnerved investors with the core bullish theme of massive AI profits in the future temporarily shunted to the back burner. However, investors probably backed away following disappointing news yesterday from cyclical companies like airlines (American Airlines) and retailers (Best Buy & Target). Earnings announcements will include Dollar General and Hormel Foods before the Wall Street opening while Costco Wholesale, Dell Technologies, Marvell Technologies, and Autodesk report after the close.



S&P 500: With a lower low and the lowest trade since May 14th the S&P has likely triggered stop loss selling which is accentuated by end of month profit taking. Clearly, the S&P is undermined by the jump in US interest rates this week and should be disheartened by news from cyclical companies. Uptrend channel support drawn from the April and May lows is far off the market today at 5189.85 with that trendline support rising to 5197.90 tomorrow. We suggest traders follow the market's reaction to the US PCE report this morning.

Other US Indexes: Not surprisingly, the Dow has been the leader on the current washout as large, capitalized companies in the Dow suffer from surging capital costs from higher interest rates especially with a lack of speculative interest for non-tech, and non-AI companies. While we do not expect a test of uptrend channel support from the December and April low channel line, that trendline is located at 37,683 today. Closer in support is even numbers at 38,000. Not surprisingly, the NASDAQ has held up better than other sectors of the market, as investors remain confident of solid tech sector returns in the future. However, residual corrective sentiment remains with Salesforce second quarter profit and revenue forecasts below market expectations yesterday. Initial support in the NASDAQ is 18,621.50 but fresh longs might need to risk fresh longs to a trade below 18,430.

TODAY'S MARKET IDEAS:

Lingering corrective action from investor fear of further gains in interest rates. However, if today's or tomorrow's PCE readings show any softening we expect the NASDAQ to recover aggressively. Interest in AI opportunities should continue to dominate over fear of risk.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

STOCKS TECHNICAL OUTLOOK:

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S&P E-MINI (JUN) 05/30/2024: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. 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 now at 5248.57. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 5308.87 and 5339.06, while 1st support hits today at 5263.63 and below there at 5248.57.

MINI-DOW (JUN) 05/30/2024: 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 objective is 38198. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 38741 and 39041, while 1st support hits today at 38319 and below there at 38198.

E-MINI NASDAQ (JUN) 05/30/2024: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close above the 9-day moving average is a positive short-term indicator for trend. The close below the 1st swing support could weigh on the market. The next downside target is 18641.13. The next area of resistance is around 18916.00 and 19030.12, while 1st support hits today at 18721.50 and below there at 18641.13.

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										
USAAU24	114-220	30.09	37.82	48.16	27.81	116.13	116.89	116.78	116.35	117.26
TYAAU24	108-025	30.26	37.38	39.99	20.81	108.68	109.14	109.20	109.09	109.62
EPM24	5286.25	52.53	55.35	81.19	72.52	5304.38	5318.69	5276.74	5210.22	5215.02
ENQM24	18818.75	64.25	62.56	87.86	85.00	18831.63	18773.19	18521.07	18198.47	18239.52
YMM24	38530	29.10	37.72	51.41	27.52	38935.00	39502.78	39447.06	39053.44	39156.30

Calculations based on previous session. Data collected 05/29/2024

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						
USAAU24	Bonds	113-140	113-300	114-290	115-130	116-120
TYAAU24	10 Yr Treasury Notes	107-175	107-245	108-055	108-125	108-255
EPM24	S&P E-Mini	5248.56	5263.62	5293.81	5308.87	5339.06
ENQM24	E-Mini NASDAQ	18641.12	18721.50	18835.62	18916.00	19030.12
YMM24	Mini-Dow	38197	38319	38619	38741	39041

Calculations based on previous session. Data collected 05/29/2024

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CURRENCIES COMMENTARY

5/30/2024

Upcoming quarterly and monthly US PCE to set June trends

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

US DOLLAR -44, YEN +23, SWISS +42, CA DOLLAR -65

Upcoming International Reports (all times CT)

05/30 Swiss Trade Balance 1:00 AM
05/30 Swiss GDP 2:00 AM
05/30 Swiss KOF Leading Indicator 2:00 AM
05/30 Euro-zone Business and Consu 4:00 AM
05/30 Euro-zone ECRI Future Inflat 4:00 AM
05/30 Euro-zone Unemployment Rate 4:00 AM
05/30 Canadian Economic Accounts 7:30 AM
05/30 GDP (Q1 '24) 7:30 AM
05/30 Jobless Claims 7:30 AM
05/30 EIA Gas Storage 9:30 AM
05/30 EIA Energy Stocks 10:00 AM
05/30 Japan Unemployment Rate 6:30 PM
05/30 Japan Retail Sales 6:50 PM
05/31 German Retail Sales 1:00 AM
05/31 Swiss Retail Sales 1:30 AM
05/31 France Consumer Spending 1:45 AM
05/31 France GDP 1:45 AM
05/31 France Producer Price Index 1:45 AM
05/31 Canadian GDP (By Industry) 7:30 AM
05/31 Personal Income 7:30 AM
05/31 Chicago PMI 8:45 AM



DOLLAR: Obviously, this week's rise in US treasury yields has attracted money to the dollar, but upcoming PCE readings are likely to set currency market trends for June! We suspect residual inflation concerns from CPI in Spain and a decline in Italian unemployment last month have prompted long profit taking in the dollar ahead of a potential volatility window following today's US PCE data window. Uptrend channel buying support in the dollar index is 104.34 with would be longs advised to buy noted weakness instead of chasing the dollar higher with orders.

Other Currencies: In addition to the ongoing market view that the ECB is closer to cutting rates than the US Fed, euro zone business climate, consumer confidence, economic sentiment, and industrial confidence readings overnight highlight a soft European economy. However, Spanish CPI remained hot, while Italian and euro zone unemployment rate readings for April declined! Therefore, the prospects of a June ECB rate cut have likely been tempered but have not been surrendered. Unfortunately for the bull camp, the euro overnight has damaged its charts leaving the 1.080 level a bull/bear line into the US PCE release. Despite the chart failure overnight in the Pound, UK inflation readings this week should temper Bank of England rate cut prospects and potentially leave the 1.270 level in the Pound as a value zone. Furthermore, with the Pound showing noted strength against the euro recently and building a consolidation around 1.270, the currency has likely found a value zone with suggested stops for newly implemented long positions at 1.2650. We maintain our view that the Canadian is caught in a trading range bound by 73.50 and 72.75. Unfortunately for the bull camp, the charts favor the bear tilt this morning, the US dollar generally remains in favor and expectations for tomorrow's Canadian GDP signal a stagnating economy leaving the Canadian in a bearish track. Initial support is at 72.75 with the US PCE reaction possibly setting the early June trend in the Canadian.

TODAY'S MARKET IDEAS:

The dollar holds a minimal edge unless quarterly US PCE are below previous monthly readings.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CURRENCIES TECHNICAL OUTLOOK:

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US DOLLAR (JUN) 05/30/2024: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend could be turning up with the close back above the 18-day moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 105.46. The next area of resistance is around 105.31 and 105.46, while 1st support hits today at 104.78 and below there at 104.38.

EURO (JUN) 05/30/2024: The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates 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 107.6788. The next area of resistance is around 108.4275 and 108.8687, while 1st support hits today at 107.8325 and below there at 107.6788.

JAPANESE YEN (JUN) 05/30/2024: 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. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is 63.36. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 63.78 and 64.02, while 1st support hits today at 63.46 and below there at 63.36.

SWISS (JUN) 05/30/2024: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 now at 109.38. The next area of resistance is around 109.88 and 110.11, while 1st support hits today at 109.51 and below there at 109.38.

CANADIAN DOLLAR (JUN) 05/30/2024: The market back below the 40-day moving average suggests 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 close under the 18-day moving average indicates 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 objective is 72.65. The next area of resistance is around 73.15 and 73.43, while 1st support hits today at 72.77 and below there at 72.65.

BRITISH POUND (JUN) 05/30/2024: A bearish signal was triggered on a crossover down in the daily stochastics. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. 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 126.46. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 127.40 and 127.94, while 1st support hits today at 126.66 and below there at 126.46.

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	105.04	55.97	53.09	41.11	49.43	104.72	104.68	104.81	105.01	104.53
JYAM24	63.62	28.67	33.04	16.33	8.30	63.83	64.13	64.49	65.23	65.91
EU6M24	108.1300	45.96	49.27	69.70	61.88	108.41	108.55	108.30	107.89	108.25
BPAM24	127.03	59.12	58.98	85.13	81.94	127.23	127.14	126.36	125.76	126.18
CAAM24	72.96	42.80	44.74	52.42	43.47	73.07	73.23	73.20	73.24	73.44
SFAM24	109.69	37.83	39.59	26.09	17.43	109.70	110.00	110.40	110.60	111.48
DAAM24	66.21	48.60	51.43	57.31	47.82	0.66	0.67	0.66	0.66	0.66

Calculations based on previous session. Data collected 05/29/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
CURRENCY COMPLEX						
DXAM24	US Dollar	104.37	104.77	104.91	105.31	105.46
JYAM24	Japanese Yen	63.36	63.45	63.69	63.78	64.02
EU6M24	Euro	107.6787	107.8325	108.2737	108.4275	108.8687
BPAM24	British Pound	126.46	126.66	127.20	127.40	127.94
CAAM24	Canadian Dollar	72.64	72.76	73.04	73.15	73.43
SFAM24	Swiss	109.37	109.51	109.74	109.88	110.11
DAAM24	Australian Dollar	65.77	65.94	66.32	66.48	66.87

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