

**Fundamentals:**

US stocks capped another listless week with mild losses after long-term inflation expectations unexpectedly climbed to a 12-year high, raising doubts over whether the Federal Reserve could halt its tightening campaign soon.

The S&P 500 Index came off sessions lows Friday to end just 0.2% lower, leaving it down 0.3% for the week. Four of the 11 major industry groups declined, with consumer discretionary and financials the worst performers. The Nasdaq 100 Index dropped 0.4% as bond yields climbed, but finished the week 0.6% higher. The Dow Jones Industrial Average ticked down less than 0.1%, weighed down by bank shares.

While Wall Street hopes that easing inflation may convince the Federal Reserve to hold off on raising interest rates at its meeting in June, concerns linger over the stability of the banking sector and the US debt ceiling. Yet, the S&P 500 has posted tranquil moves since early April and recorded its sixth straight week where it has moved less than 1%. Volatility remains subdued, with the VIX Index back to around 17, nearing its low for the year.

What's more, swaps traders are pricing in a one-in-ten chance that there will be another rate hike at the central bank's next gathering after odds had tilted in favor of a pause earlier this week.

A meeting between President Joe Biden and top lawmakers that was scheduled for Friday was postponed, with leaders agreeing to meet early next week. Weighing on sentiment was a renewed call to raise the debt limit from Treasury Secretary Janet Yellen, though efforts to repair ties between Washington and Beijing have been supportive.

Although reports this week suggested inflation is continuing to moderate from its peak last year, it appears to still be too high for the comfort of American households. Results of a preliminary University of Michigan sentiment survey showed consumers' long-term inflation expectations unexpectedly accelerated in early May to a 12-year high and consumer sentiment soured. Though producer prices rose less than expected Thursday, suggesting Fed tightening may finally be having an effect on cooling prices.

With roughly 90% of the S&P 500 having reported earnings so far, Corporate America's profits have largely been better than feared but done little to lift the S&P 500 after rallying ahead of the reports. The index, which is nearly flat since April 1, is headed for its second straight quarter of a drop in earnings per share from a year earlier.

The Fed remains concerned that if expectations for high inflation become entrenched, it could alter shopping behavior for Americans across the economy. With 90% of the S&P 500 having reported earnings so far, profits have largely been better than feared but done little to lift the S&P 500. Walmart Inc. and Home Depot Inc. are among major US retailers delivering results next week that will provide insight into the resiliency of the consumer in the face of slowing growth.

Chicago Fed President Austan Goolsbee, a voting member of the Fed's policy committee this year, said Friday that the central bank sees signs that it can avoid triggering a recession even as it has raised rates aggressively to put the brakes on inflation. Though Fed Governor Michelle Bowman, who is also a voting official in 2023, said the central bank will likely need to raise borrowing costs further and hold them higher for some time if price pressures don't cool off and the jobs market shows no sign of slowing.

PacWest Bancorp slumped 3% Friday to shed more than 20% in the past five sessions after disclosing a day earlier that there was a flight of deposits from the prior week.

Solar stocks climbed, with First Solar Inc. surging 30% — the best performer in the S&P 500 — after the IRS and Treasury Department issued new guidance on a clean energy tax credit boost for manufacturers that source their components in the US.

Tesla Inc. slumped 2.4% after raising prices in the US, the third change in less than a month, adding \$1,000 to Model X and Model S base and plaid cars.

U.S. Treasury yields rose on Friday after data showed that consumers' long-term inflation expectations increased to their highest reading since 2011 in May, while consumer sentiment slumped to a six-month low.

Bonds rallied earlier this week after consumer and producer price reports showed that inflation is continuing to ease, even though price pressures remain well above the Fed's 2% target. Headline consumer prices rose at an annual rate of 4.9% in April.

Friday's data, however, showed consumers' five-year inflation outlook rising to 3.2%, from 3.0% last month.

The survey's reading of one-year inflation expectations dipped to 4.5% after jumping to 4.6% in April. Consumer sentiment fell on worries that political haggling over raising the federal government's borrowing cap could trigger a recession.

The yield on benchmark 10-year notes rose 6 basis points on the day to 3.461% and two-year yields rose 10 basis points to 4.002%.

The inversion in the yield curve between two-year and 10-year notes deepened to minus 54 basis points.

Fed funds futures traders are pricing in 88% odds that the U.S. central bank will leave rates unchanged in June, and they expect around 68 basis points of cuts by year-end.

Concerns about Congress not raising the debt ceiling on time have created large distortions in the short-end of the yield curve as investors avoid bills that come due when the Treasury is at risk of running out of funds, and pour into alternative issues.

A debt limit meeting between U.S. President Joe Biden and top lawmakers that had been scheduled for Friday has been postponed, and the leaders agreed to meet early next week.

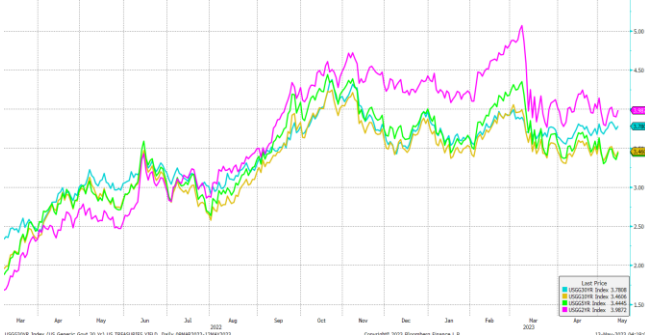
Aides from both sides have started to discuss ways to limit federal spending, as part of an agreement to raise the \$31.4 trillion debt ceiling.

(Source: Bloomberg, Reuters)

Contract	Close	Change	High	Low
E-Mini Dow JUN 23	33,355.00	-66.00	33,544.00	33,163.00
E-Mini S&P JUN 23	4,138.00	-11.250	4,164.50	4,111.75
E-Mini NASDAQ JUN 23	13,396.25	-74.25	13,494.25	13,310.50
Micro Russell 2K JUN 22	1743.1	-6.6	1763	1735
USD Nikkei JUN 23	29,590.0	430.0	29,595.00	29,115.00
Euro Dollar JUN 23	94.58	0.005	94.60	94.57
US Dollar Index	102.71	0.647	102.71	101.94
DJIA	33,300.62	-8.890	33,406.40	33,110.61
S&P 500	4,124.08	-6.540	4,143.74	4,099.12
NASDAQ	12,284.74	-43.770	12,364.65	12,209.58
Nikkei 225	29,388.30	261.580	29,426.06	29,141.52
Hang Seng	19,627.24	-116.550	19,853.37	19,596.49
Straits Times	3,208.55	-21.000	3,223.87	3,196.09
DAX	15,913.82	78.910	15,938.01	15,852.10
CAC	7,414.85	33.070	7,463.70	7,395.60
FTSE100	7,754.62	24.040	7,772.79	7,729.01

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	13.05	10.84	13.87	13.63
E-Mini S&P Futures	14.08	12.30	15.20	15.65
E-Mini Nasdaq Futures	17.19	13.81	15.87	14.99

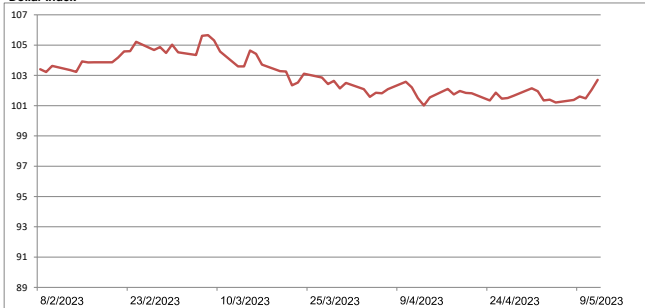
**U.S. Government Treasuries Yield**



**CBOE Volatility Index (VIX)**



**Dollar Index**

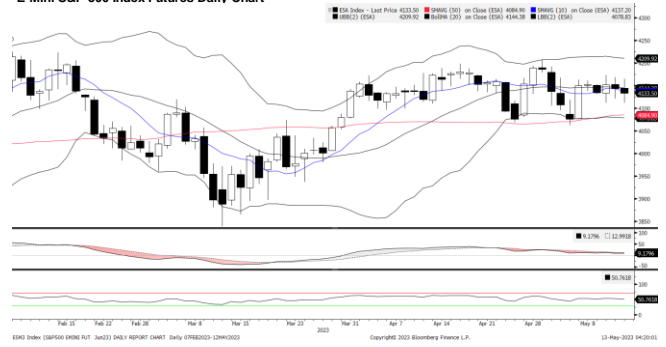


Economic Releases	Period	Survey	Actual	Prior	Revised	
05/12/2023 20:30	Import Price Index MoM	Apr	0.30%	0.40%	-0.60%	-0.80%
05/12/2023 20:30	Import Price Index ex Petroleum MoM	Apr	-0.30%	-0.10%	-0.60%	--
05/12/2023 20:30	Import Price Index YoY	Apr	-4.80%	-4.80%	-4.60%	-4.80%
05/12/2023 20:30	Export Price Index MoM	Apr	0.20%	0.20%	-0.30%	-0.60%
05/12/2023 20:30	Export Price Index YoY	Apr	-5.50%	-5.90%	-4.80%	-5.20%
05/12/2023 22:00	U. of Mich. Sentiment	May P	63	57.7	63.5	--
05/12/2023 22:00	U. of Mich. Current Conditions	May P	67.5	64.5	68.2	--
05/12/2023 22:00	U. of Mich. Expectations	May P	60.8	53.4	60.5	--
05/12/2023 22:00	U. of Mich. 1 Yr Inflation	May P	4.40%	4.50%	4.60%	--
05/12/2023 22:00	U. of Mich. 5-10 Yr Inflation	May P	2.90%	3.20%	3.00%	--

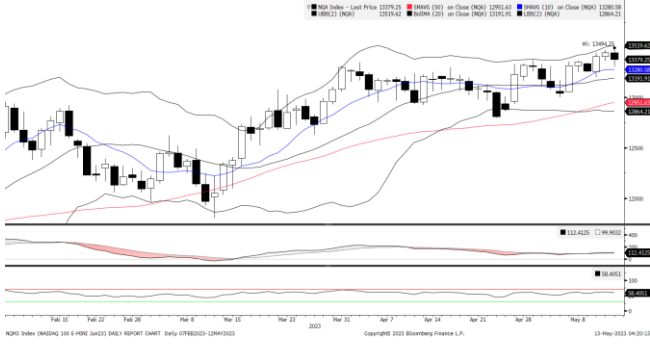
**E-Mini Dow Index Futures Daily Chart**



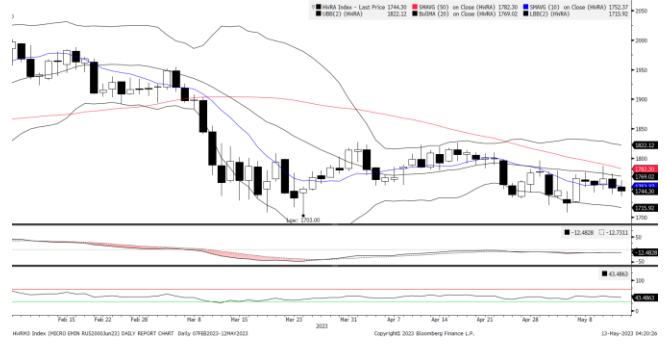
**E-Mini S&P 500 Index Futures Daily Chart**



**E-Mini NASDAQ 100 Index Futures Daily Chart**



**Micro E-Mini Russell 2000 Index Futures Daily Chart**



**Technical Analysis**

Dow				S&P				Nasdaq				Micro Russell			
1st Resistance:	33855	2nd Resistance:	34356	1st Resistance:	4200.07	2nd Resistance:	4262.14	1st Resistance:	13597.19	2nd Resistance:	13798.14	1st Resistance:	1769.25	2nd Resistance:	1795.39
1st Support:	32855	2nd Support:	32354	1st Support:	4075.93	2nd Support:	4013.86	1st Support:	13195.31	2nd Support:	12994.36	1st Support:	1716.95	2nd Support:	1690.81
MACD:	-23.657			MACD:	9.117389			MACD:	111.899			MACD:	-12.573		
MACD DIFF:	-78.944			MACD DIFF:	-3.884220			MACD DIFF:	12.041			MACD DIFF:	0.169		
RSI:	43.811			RSI:	50.621348			RSI:	58.120			RSI:	43.252		

**Strategy**

	Long:	Profit target:	Stop-loss:	Long:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:
Dow	32855	33183	32690	32354	32678	32193	33855	33517	34025	34356	34012	34527
S&P	4075.93	4116.69	4055.55	4013.86	4054.00	3993.79	4200.07	4158.07	4221.07	4262.14	4219.52	4283.45
Nasdaq	13195.31	13327.26	13129.33	12994.36	13124.31	12929.39	13597.19	13461.22	13665.18	13798.14	13660.16	13867.13
Micro Russell	1716.95	1734.12	1708.37	1690.81	1707.72	1682.35	1769.2465	1751.55	1778.09	1795.393	1777.44	1804.37

Source: Bloomberg

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