

**Fundamentals:**

U.S. stocks rose sharply on Wednesday, fueled by optimism over a potential deal on the \$31.4 trillion federal debt ceiling and as a rebound in regional bank shares eased concerns about an escalation in the sector's troubles.

President Joe Biden and top U.S. congressional Republican Kevin McCarthy on Wednesday reiterated their determination to strike a deal soon to raise the debt ceiling and avoid an economically catastrophic default.

If an agreement is not reached by June 1, the U.S. Treasury has said it could begin to run out of funds to pay the government's bills, potentially igniting a recession.

A jump in regional bank shares lifted sentiment, led by a 10.19% surge in Western Alliance Bancorp a day after the bank said deposits grew by more than \$2 billion in the quarter ended May 12.

The KBW regional bank shot up 7.28% to notch its biggest one-day percentage gain since Jan. 6, 2021 to close at its highest level since May 1. The S&P 500 banks index also surged 4.46% for its biggest daily percentage gain since Nov. 10.

The Dow Jones Industrial Average rose 408.63 points, or 1.24%, to 33,420.77; the S&P 500 gained 48.87 points, or 1.19%, to 4,158.77; and the Nasdaq Composite added 157.51 points, or 1.28%, at 12,500.57.

The gains marked the biggest one-day percentage climb for each of the three major indexes since May 5.

Also providing support was a 4.41% advance in Tesla shares after its annual shareholder meeting on Tuesday.

Top boss Elon Musk downplayed market speculation he may step down as CEO of Tesla, touched upon two new mass-market models the company is developing, and reaffirmed that deliveries of its long-delayed Cybertruck pickup would start this year.

In addition, a source with direct knowledge of the matter told Reuters the electric vehicle maker has proposed setting up a factory in India for domestic sale and export.

With the rally the S&P is once again near the top of a recent trading range, at about 4,160, which has acted as a resistance point. Analysts said a major catalyst such as a debt ceiling agreement or clarity on the path of interest rate hikes from the Federal Reserve would be needed to push stocks much higher.

Recent data has indicated slowing in the U.S. economy following a string of Fed rate hikes to fight high inflation. That, along with recent negotiations over the U.S. debt ceiling, has focused attention on when the central bank will pause hiking, or cut interest rates.

While the market is pricing in a rate cut by the year-end, recent comments from Fed officials suggested they are not ready to cut rates soon.

Retailers Target Corp and TJX Companies Inc forecast current-quarter profit below expectations despite beating estimates for the first quarter.

Shares of Target rose 2.58%, while TJX Companies closed 0.93% higher after a choppy session. The gains, along with Tesla's rally, helped lift the consumer discretionary sector about 2%.

U.S. Treasury yields rose on Wednesday amid some cautious optimism around lawmakers' talks to raise the U.S. debt ceiling and on the back of strengthening expectations of higher-for-longer interest rates.

President Joe Biden will continue debt ceiling talks with congressional leaders later this week, the White House said on Wednesday, while U.S. House of Representatives Speaker Kevin McCarthy said he believed the government will not default.

"We're going to come together because there's no alternative," Biden told reporters at the White House.

Signs of progress in the discussions contributed to a rise in Treasury yields, which move inversely to prices, particularly on the short-end of the curve.

Investors, however, remained nervous given the tight time-frame to reach a deal, with the federal government potentially running out of money to pay its bills as soon as June 1.

Spreads on U.S. government one-year credit default swaps - market-based gauges of the risk of a default - had declined to 155 basis points on Tuesday as debt ceiling talks progressed, but were slightly up again on Wednesday, at 160 basis points, according to S&P Global Market Intelligence data.

Shorter-dated bond yields, which tend to more closely reflect monetary policy expectations than their longer-dated counterparts, ticked higher also due to lingering uncertainty over monetary policy. A recent string of relatively resilient economic data bolstered expectations that interest rates will remain high for an extended period of time and that another hike in June is not off the table.

Fed funds futures traders were pricing for a 77% probability that the Federal Reserve will keep rates unchanged at its next meeting in June, down from nearly 100% one week ago.

Going forward, money market investors were still expecting several rate cuts later this year, but with increasingly less conviction. The probability of a rate cut in September, for instance, stood at 39% on Wednesday from 53% last week, CME Group data showed.

Fed officials this week reiterated that the central bank's fight against inflation still had a ways to go, with Chicago Federal Reserve President Austan Goolsbee saying on Tuesday it was premature to discuss interest rate cuts.

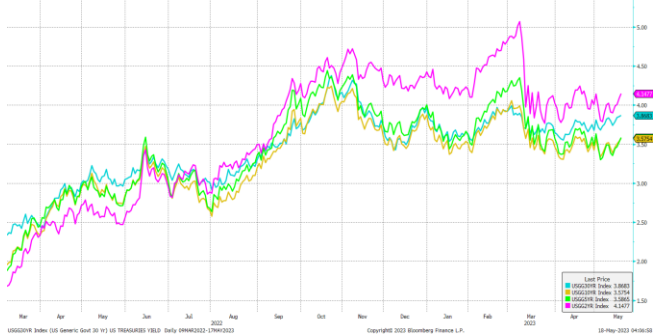
Benchmark 10-year yields rose three basis points to 3.579% while two-year yields added eight basis points to 4.154%.

The Treasury sold \$15 billion of 20-year bonds on Wednesday at a high yield of 3.954% and with a bid-to-cover ratio of 2.56%, which is slightly below the one-year average.

Contract	Close	Change	High	Low
E-Mini Dow JUN 23	33,478.00	414.00	33,540.00	33,062.00
E-Mini S&P JUN 23	4,171.50	48.500	4,179.00	4,122.00
E-Mini NASDAQ JUN 23	13,643.50	165.50	13,669.00	13,474.25
Micro Russell 2K JUN 22	1781	40.1	1783.9	1739.8
USD Nikkei JUN 23	30,545.0	645.0	30,560.00	29,875.00
Euro Dollar JUN 23	94.53	-0.030	94.56	94.51
US Dollar Index	102.88	0.318	103.11	102.54
DJIA	33,420.77	408.630	33,472.38	33,050.41
S&P 500	4,158.77	48.870	4,164.67	4,113.62
NASDAQ	12,500.57	157.520	12,514.07	12,335.02
Nikkei 225	30,093.59	250.600	30,115.32	29,912.44
Hang Seng	19,560.57	-417.680	19,987.93	19,538.09
Straits Times	3,173.84	-40.200	3,208.92	3,168.79
DAX	15,951.30	53.370	15,992.77	15,862.15
CAC	7,389.44	-6.570	7,422.58	7,354.54
FTSE100	7,723.23	-27.850	7,758.15	7,713.03

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	13.60	11.74	13.55	13.40
E-Mini S&P Futures	12.77	12.76	14.81	15.33
E-Mini Nasdaq Futures	14.91	14.10	16.16	15.19

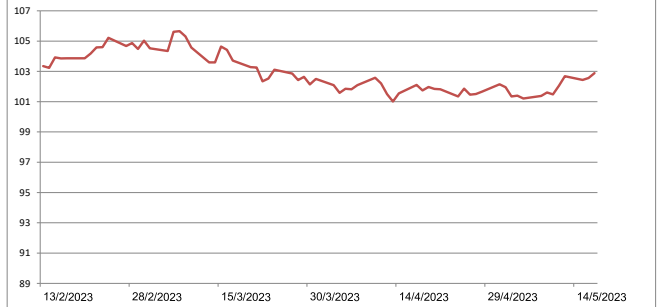
**U.S. Government Treasuries Yield**



**CBOE Volatility Index (VIX)**

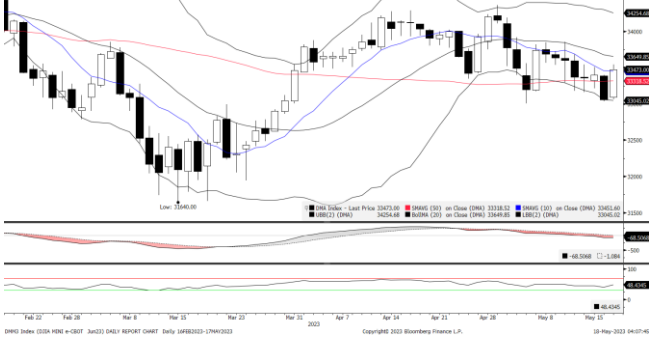


**Dollar Index**

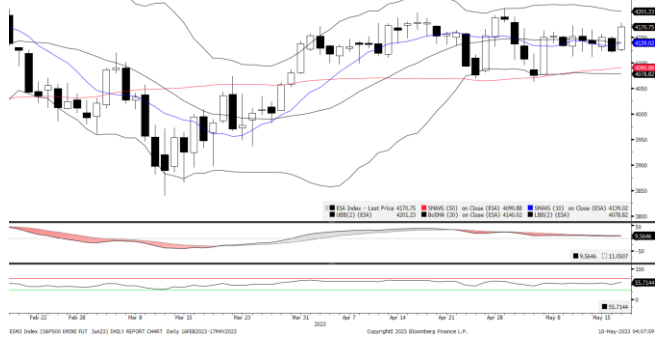


Economic Releases	Period	Survey	Actual	Prior	Revised	
05/17/2023 19:00	MBA Mortgage Applications	May-12	--	-5.70%	6.30%	--
05/17/2023 20:30	Revisions: Housing Starts / Permits					
05/17/2023 20:30	Housing Starts	Apr	1400k	1401k	1420k	1371k
05/17/2023 20:30	Building Permits	Apr	1430k	1416k	1413k	1437k
05/17/2023 20:30	Housing Starts MoM	Apr	-1.40%	2.20%	-0.80%	-4.50%
05/17/2023 20:30	Building Permits MoM	Apr	0.00%	-1.50%	-8.80%	-3.00%

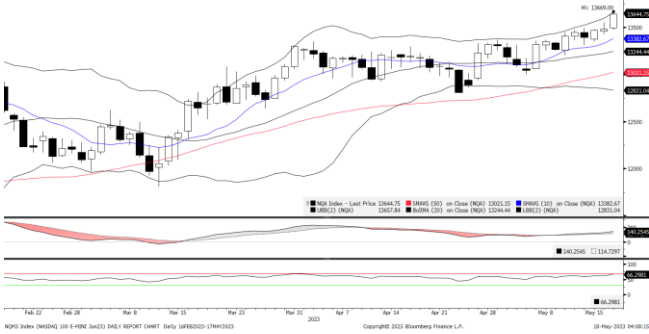
**E-Mini Dow Index Futures Daily Chart**



**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:	33980	2nd Resistance:	34482	1st Resistance:	4234.07	2nd Resistance:	4296.65	1st Resistance:	13948.15	2nd Resistance:	14052.81	1st Resistance:	1807.72	2nd Resistance:	1834.43
1st Support:	32976	2nd Resistance:	32474	1st Support:	4108.93	2nd Resistance:	4046.36	1st Support:	13438.85	2nd Resistance:	13234.20	1st Support:	1754.29	2nd Resistance:	1727.57
MACD:	-68.327			MACD:	9.633156			MACD:	140.600			MACD:	-8.456		
MACD DIFF:	-67.406			MACD DIFF:	-1.442409			MACD DIFF:	25.768			MACD DIFF:	2.890		
RSI:	48.459			RSI:	55.815005			RSI:	66.405			RSI:	52.459		

**Strategy**

	Long:	Profit target:	Stop-loss:	Long:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:
Dow	32976	33306	32811	32474	32798	32311	33980	33640	34150	34482	34138	34655
S&P	4108.93	4150.02	4088.38	4046.36	4086.82	4026.12	4234.07	4191.73	4255.24	4296.65	4253.68	4318.13
Nasdaq	13438.85	13573.24	13371.65	13234.20	13366.54	13168.02	13848.15	13709.67	13917.39	14052.81	13912.28	14123.07
Micro Russell	1754.29	1771.83	1745.51	1727.57	1744.85	1718.93	1807.715	1789.64	1816.75	1834.43	1816.09	1843.60

Source: Bloomberg

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