

Fundamentals:

U.S. stocks closed out the trading week on a soft note on Friday as early gains dissipated after U.S. debt ceiling negotiations in Washington were paused, denting optimism a deal could be reached in coming days to dodge a default.

Stocks had rallied over the past two sessions on growing confidence a deal to raise the \$31.4 trillion debt limit could be reached in coming days, with the benchmark S&P 500 .SPX climbing more than 2%. But an initial advance on Friday reversed on reports of the pause in talks while Federal Reserve Chair Jerome Powell spoke at a monetary policy panel.

The Dow Jones Industrial Average fell 109.28 points, or 0.33%, to 33,426.63, the S&P 500 lost 6.07 points, or 0.14%, to 4,191.98 and the Nasdaq Composite dropped 30.94 points, or 0.24%, to 12,657.90.

For the week, the Dow gained 0.38%, the S&P 500 climbed 1.65% and the Nasdaq advanced 3.04%. The S&P 500 and Nasdaq notched their biggest weekly percentage gains since the final week of March.

The interest rate outlook remained uncertain. Powell said it is still unclear if additional rate increases are needed as the central bank weighs the impact of past hikes as evidenced by the recent troubles in the banking sector.

Also dampening sentiment was a CNN report that U.S. Treasury Secretary Janet Yellen told bank CEOs on Thursday that more bank mergers may be necessary after a series of bank failures.

Shares of regional banks, which were the first in the industry to feel the impact of the Fed's tightening policy, fell, with the KBW Regional Banking Index down nearly 2.17% on the session. Still, the index was up 6.2% on the week to snap a three-week streak of declines as investors viewed the troubles in the sector as largely contained for now.

Shares of Morgan Stanley lost 2.66% after CEO James Gorman announced he would step down from the role in the next 12 months.

Foot Locker Inc plummeted and suffered its biggest daily percentage drop since Feb. 25, 2022 after the footwear retailer cut its annual sales and profit forecasts.

The warning also weighed on Dow component Nike Inc, down 3.46% and Under Armour Inc, which closed 4.20% lower.

Foot Locker's update wraps up a week of caution from other retailers this week, including Target Corp, Home Depot Inc and TJX Companies Inc, as consumers adjust to stubbornly high inflation and higher interest rates.

U.S. Treasury yields ended mostly higher on Friday after an intra-day stumble amid renewed uncertainty over a debt ceiling deal, lingering banking industry concerns, and comments by Federal Reserve Chair Jerome Powell viewed as dovish.

Yields, which move inversely to prices, dropped sharply during a monetary policy panel when Powell said the after-effects of recent banking sector troubles took some pressure off the U.S. central bank to raise rates further.

Two-year yields, in particular, dropped by over 10 basis points, though they then pared some of those losses and ended the day higher at 4.287%.

The risk-off move was also sparked by news of an impasse in lawmakers' negotiations over the U.S. government's debt ceiling.

Talks between U.S. House of Representatives Republicans and Democratic President Joe Biden's administration about raising the federal government's \$31.4 trillion borrowing cap were paused on Friday, though the White House said an agreement was still possible.

Meanwhile, U.S. Treasury Secretary Janet Yellen told bank CEOs on Thursday that more mergers may be necessary after a series of bank failures, CNN reported on Friday, citing two people familiar with the matter.

The meeting with more than two dozen executives came as the banking sector seeks to shake off several weeks of turmoil after the sudden failure of Silicon Valley Bank, which led to regulators seizing two more failing institutions.

Friday's wobble followed a week which saw yields rising to months-highs due to some cautious optimism about a debt ceiling resolution as well as data showing resilience in the U.S. economy despite higher interest rates.

Also, several Fed officials reiterated this week that inflation remained still too high and that additional interest rate increases were not off the table.

In his remarks on Friday, Powell struck a tone that some saw as more dovish, saying it was still unclear if U.S. interest rates would need to rise further.

Fed funds futures traders were pricing for an 83% probability that the Fed will maintain rates steady in the 5%-5.25% range next month after Powell's comments. Earlier on Friday, that probability stood at 60%, according to CME Group data.

Benchmark 10-year yields ended up, adding four basis points to 3.689%, while 30-year bond yields rose by nearly five basis points to 3.946%.

Over the weekend and next week investors will be closely watching for further updates on the debt ceiling.

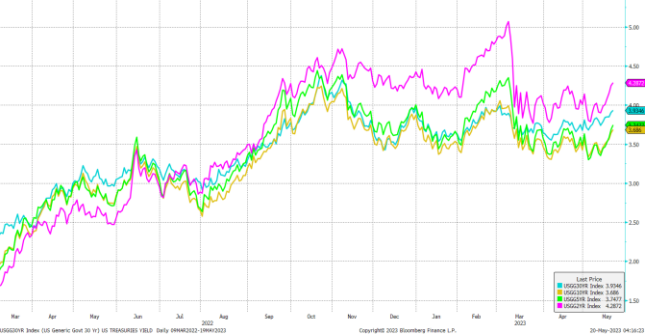
(Source: Reuters)

Economic Releases		Period	Survey	Actual	Prior	Revised
05/19/2023 21:00	Bloomberg May United States Economic Survey					
05/23/2023 20:30	Philadelphia Fed Non-Manufacturing Activity	May	--	--	-22.8	--
05/23/2023 21:45	S&P Global US Manufacturing PMI	May P	50	--	50.2	--
05/23/2023 21:45	S&P Global US Services PMI	May P	52.6	--	53.6	--
05/23/2023 21:45	S&P Global US Composite PMI	May P	--	--	53.4	--
05/23/2023 22:00	New Home Sales	Apr	663k	--	683k	--
05/23/2023 22:00	New Home Sales MoM	Apr	-2.90%	--	9.60%	--
05/23/2023 22:00	Richmond Fed Manufact. Index	May	-8	--	-10	--
05/23/2023 22:00	Richmond Fed Business Conditions	May	--	--	-27	--

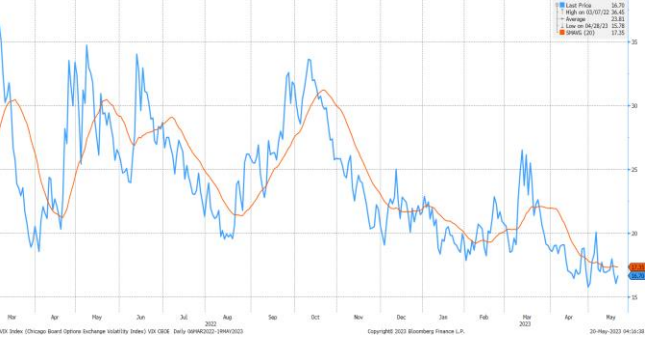
Contract	Close	Change	High	Low
E-Mini Dow JUN 23	33,496.00	-173.00	33,731.00	33,394.00
E-Mini S&P JUN 23	4,204.75	-15.000	4,227.25	4,191.50
E-Mini NASDAQ JUN 23	13,858.00	-58.75	13,960.25	13,814.25
Micro Russell 2K JUN 22	1775	-16.1	1805.2	1770.4
USD Nikkei JUN 23	30,875.0	-75.0	31,005.00	30,690.00
Euro Dollar JUN 23	94.51	0.020	94.54	94.48
US Dollar Index	103.19	-0.393	103.62	103.00
DJIA	33,426.63	-109.280	33,652.90	33,336.66
S&P 500	4,191.98	-6.070	4,212.91	4,180.20
NASDAQ	12,657.90	-30.940	12,731.73	12,624.06
Nikkei 225	30,808.35	234.420	30,924.57	30,679.16
Hang Seng	19,450.57	-276.680	19,610.72	19,352.81
Straits Times	3,202.59	20.040	3,207.24	3,184.91
DAX	16,275.38	112.020	16,331.94	16,203.60
CAC	7,491.96	45.070	7,523.56	7,463.96
FTSE100	7,756.87	14.570	7,790.92	7,742.13

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	10.70	11.89	13.42	13.33
E-Mini S&P Futures	10.30	13.12	14.75	15.28
E-Mini Nasdaq Futures	14.53	14.42	16.32	15.07

U.S. Government Treasuries Yield



CBOE Volatility Index (VIX)



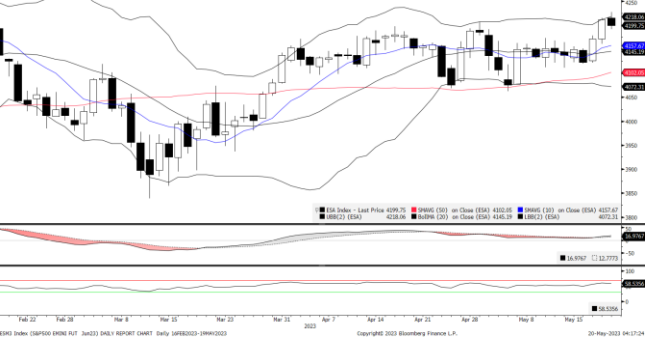
Dollar Index



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:	33998	2nd Resistance:	34501	1st Resistance:	4267.82	2nd Resistance:	4330.89	1st Resistance:	14065.87	2nd Resistance:	14273.74	1st Resistance:	1801.63	2nd Resistance:	1828.25
1st Support:	32994	2nd Resistance:	32491	1st Support:	4141.68	2nd Resistance:	4078.61	1st Support:	13650.13	2nd Resistance:	13442.26	1st Support:	1748.38	2nd Resistance:	1721.75
MACD:	-53.818			MACD:	16.764830			MACD:	187.513			MACD:	-4.149		
MACD DIFF:	-34.081			MACD DIFF:	4.020332			MACD DIFF:	49.302			MACD DIFF:	4.799		
RSI:	47.918			RSI:	58.096720			RSI:	69.000			RSI:	50.837		

Strategy

	Long:	Profit target:	Stop-loss:		Long:	Profit target:	Stop-loss:		Short:	Profit target:	Stop-loss:		Short:	Profit target:	Stop-loss:
Dow	32994	33323	32829		32491	32816	32329		33998	33658	34168		34501	34156	34673
S&P	4141.68	4183.10	4120.97		4078.61	4119.39	4058.21		4267.82	4225.14	4289.16		4330.89	4287.58	4352.55
Nasdaq	13650.13	13786.63	13581.88		13442.26	13576.68	13375.05		14065.87	13925.21	14136.20		14273.74	14131.00	14345.11
Micro Russell	1748.38	1765.86	1739.63		1721.75	1738.97	1713.14		1801.625	1783.61	1810.63		1828.25	1809.97	1837.39

Source: Bloomberg

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