

BONDS UPDATE :

Yields are close to breaching levels where we will see a MAJOR DROP (US 5yr and UK 10yr). ALL durations are stretched, quarterly, monthly, weekly and daily... this is RARE!

Nearly ALL US curves rejected the recent steepening BIAS at MAJOR MULTI YEAR 61.8% ret, the RSI's remain low however.

Germany bonds are struggling to base despite the RSI's.

UK yields have a LOFTY RSI and UKTI POISED to bounce.

US 10 Breakevens have a LOFTY WEEKLY and DAILY RSI.

Bond markets : We continue to struggle especially in EUROPE and Germany struggling to base.

US BONDS : All US yields are now above multi year trendlines but daily RSI's are lofty, especially the 5yr sector. The US 5yr is a special case as the RSI is dislocated on a monthly and quarterly period.

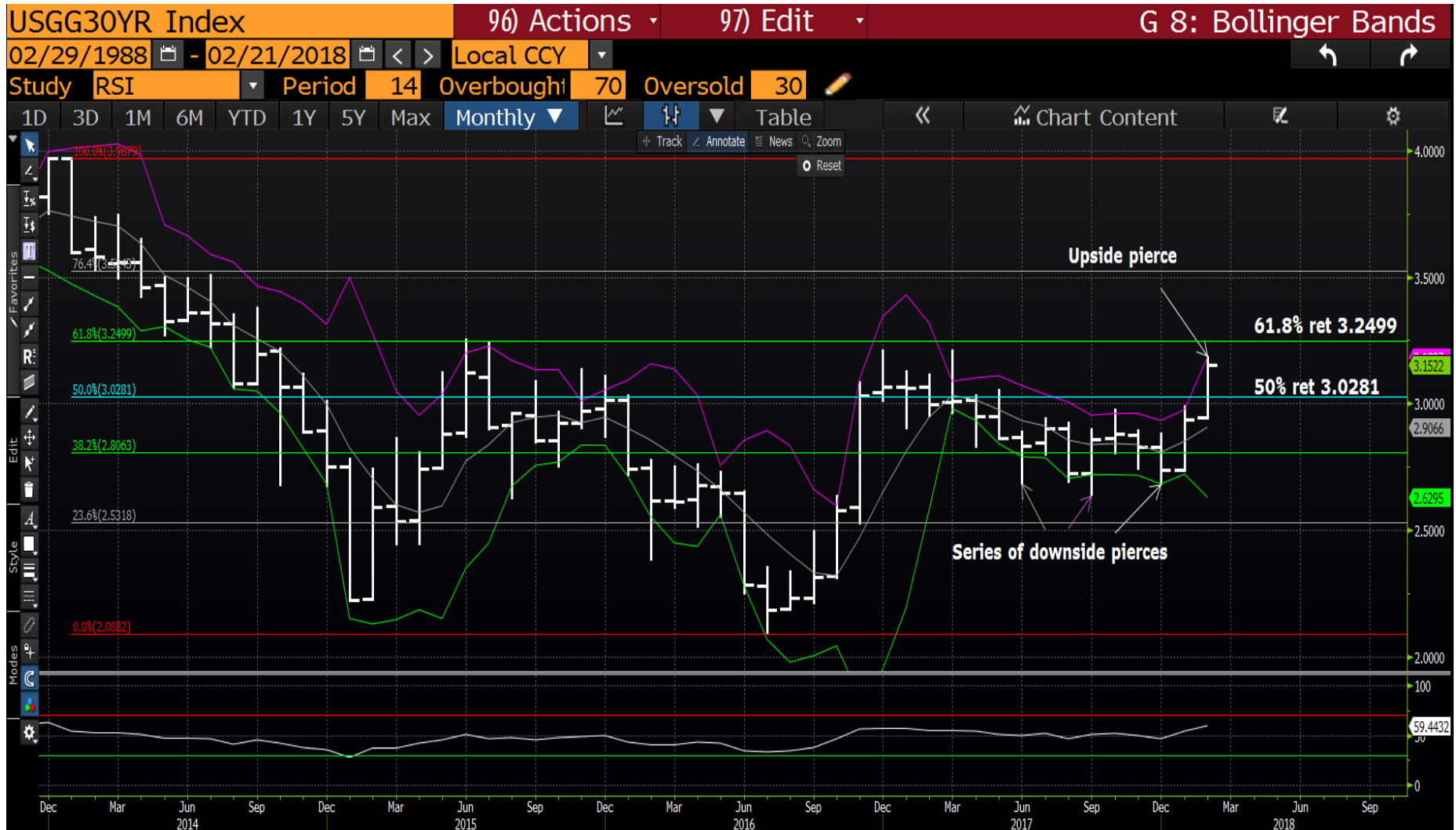
US curves look to have found a BASE against the historically LOW RSI's but have nearly ALL stalled at the multiyear 61.8% ret, its worth waiting for the monthly closes.

Europe is a very mixed bag and PERIPHERAL markets void of REAL MONEY positioning. It has become a bit of a HEDGE FUND CHOP FEST.

US 30yr quarterly : We are now above the multi year trend line 2.8727 BUT a very neutral RSI.



US 30yr Monthly : We have breached the 50% ret 3.0281 BUT be mindful of any subsequent UPSIDE PIERCE once the 61.8% ret 3.2499 is hit.



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US 30yr weekly : Ideally it would have been better to hit the 0.0% ret 3.2131 first BUT the RSI seems sufficiently high to see yields stall.



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US 30yr daily : The RSI is VERY pronounced so we SHOULD stall at the 100% ret 3.2131, if not before.



US 10yr quarterly : A defined break of the multi year trend line.



US 10yr monthly : Despite the RSI the yield rally is relentless but the 100% ret 3.0516 should be effective resistance.

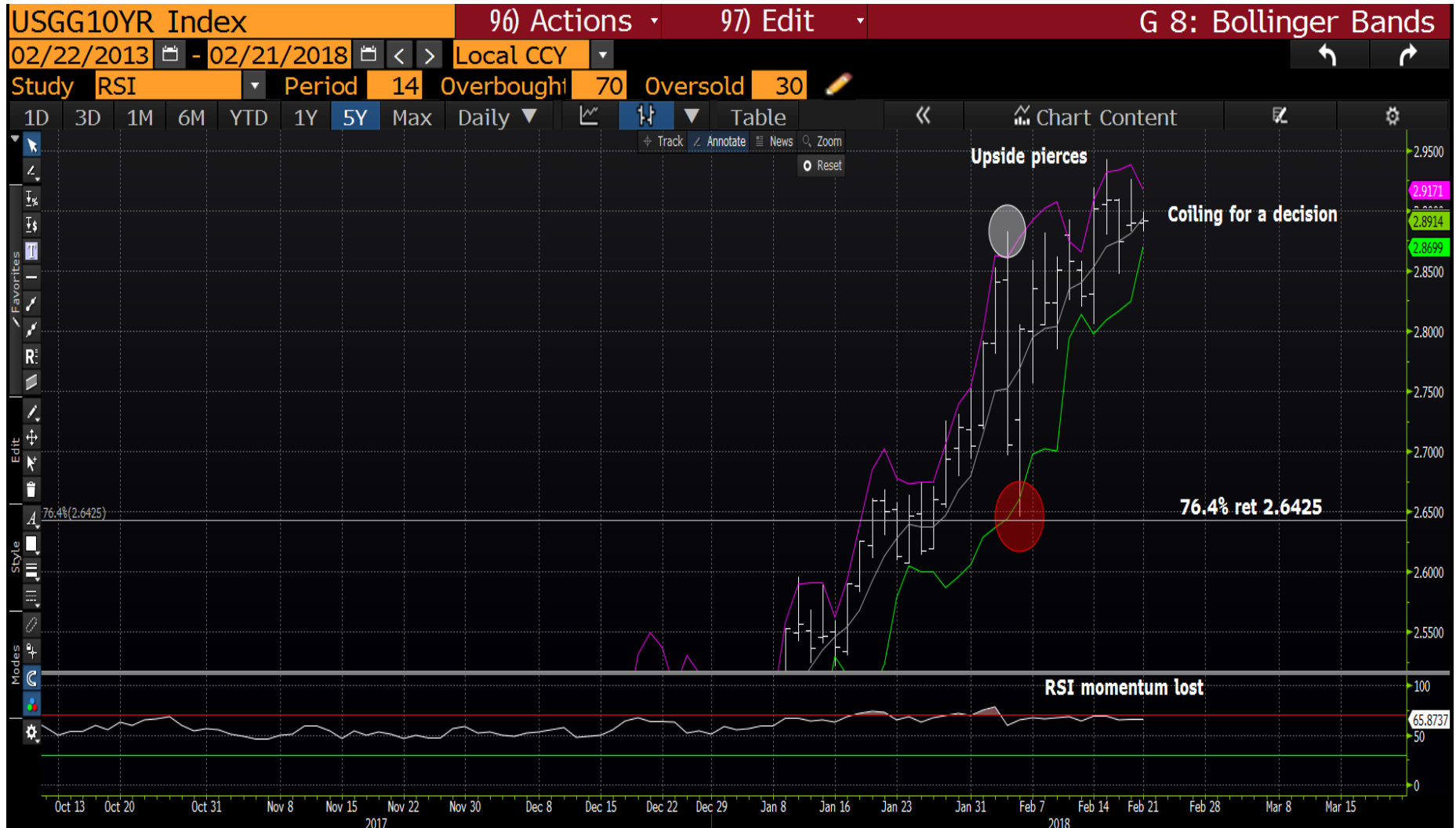


US 10yr weekly : The latest RSI overstretch has taken it to levels matching that of January 2014. We do not yet have a pierce but might stall at the 100% ret 3.0516.



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US 10yr daily : The market is struggling to decide but the latest upside pierce might be giving a CLUE.



US 5yr quarterly : NOT A CHART TO IGNORE given the RSI is as HIGH as 1984!
This long-term chart is backed up by the monthly therefore it's a MAJOR disparity, this could form a long-term peak.



US 5yr monthly : This compliments the previous chart with an RSI dislocation rarely seen. Only REAL question is do we hit the channel first before failing or fail here? Fail we will.



US 5yr weekly : Yet another chart complimenting the HISTORICAL overstretch but the issue is do we fail here or at the 50% ret 2.8843.



US 5yr daily : This isn't giving any instant clues as to where we fail but sub the 38.2% ret 2.3318 will be negative.



US curves are historically OVERSTRETCHED.

- **The recent steepening stalled at several of the multi year 61.8% rets BUT the monthly RSI's are FIRMLY OVERSOLD.**
- **Ideally wait for this months closes to ensure confirmation as so many positioned in the flattener still. IF we do steepen we NOW NEED to breach the RECOGNISED 61.8% rets.**
- **It is tough to decide which combination to chose BUT MANY as reasonable RSI dislocation BUT any use of the 5yr may help.**

US 2-5 curve monthly : A near perfect failure at the multi year 61.8% ret 49.286. The RSI is lacking conviction so more about the monthly close now.



US 2-5 curve weekly : The RSI in reality is neutral but the latest rejection is forecasting a flattening. Given the opposing monthly signal I would wait for the monthly closes.



US 2-10 curve monthly : This RSI is back at previous lows but like the last chart we have struggled to breach the multi year 61.8% ret 77.675. Lets see what the monthly close brings but remember that retracement.



US 2-10 curve weekly : This RSI is off the recent low and the market is rejecting the 73.735 previous low. Again unclear market intentions here so ideally await the monthly close.



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US 2-30 monthly : The RSI is more pronounced and we have recognised the 61.8% ret 105.137. Key close above or below this level.



US 2-30 weekly : The RSI is mixed BUT a hold of the 76.4% ret 79.057 helps the longer-term monthly RSI extension.



US 5-10 monthly : We have a low RSI similar to that of 2015, but the BASE needs to be confirmed. A close above the 61.8% ret 31.868 will help.



US 5-10 weekly : The RSI is neutral and the latest 76.4% ret 30.284 rejection is worrying.
Do wait for the month end close.



US 5-30 monthly : The RSI has a far greater punctuation and previous examples highlighted. A huge range this month and so the REAL steepening cannot be confirmed till above the 61.8% ret 76.976. Mixed here NOW post the retracement failure.



US 5-30 weekly : The RSI remains low but the market needs a “bounce”.



US 10-30 monthly : The LOWEST RSI EVER but we are struggling to gain any steepening traction.



US 10-30 weekly: A VERY LOW RSI but price action inconclusive.



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UK 10yr quarterly : A very inconclusive chart and the RSI could not be more neutral.



UK 10yr weekly : The RSI LOFTY and a break below the 38.2% ret 1.489 will confirm a MAJOR DROP.



DBR 46 daily : A messy bond of late. The RSI is not worth referencing here but and finding a LOW seems to be proving difficult.



DBR 25 daily : A close above the 50% ret 101.186 is the only likely way to confirm a BASE and RECOVERY.



Italian generic 10yr daily : A very very neutral performance and RSI despite the elections.

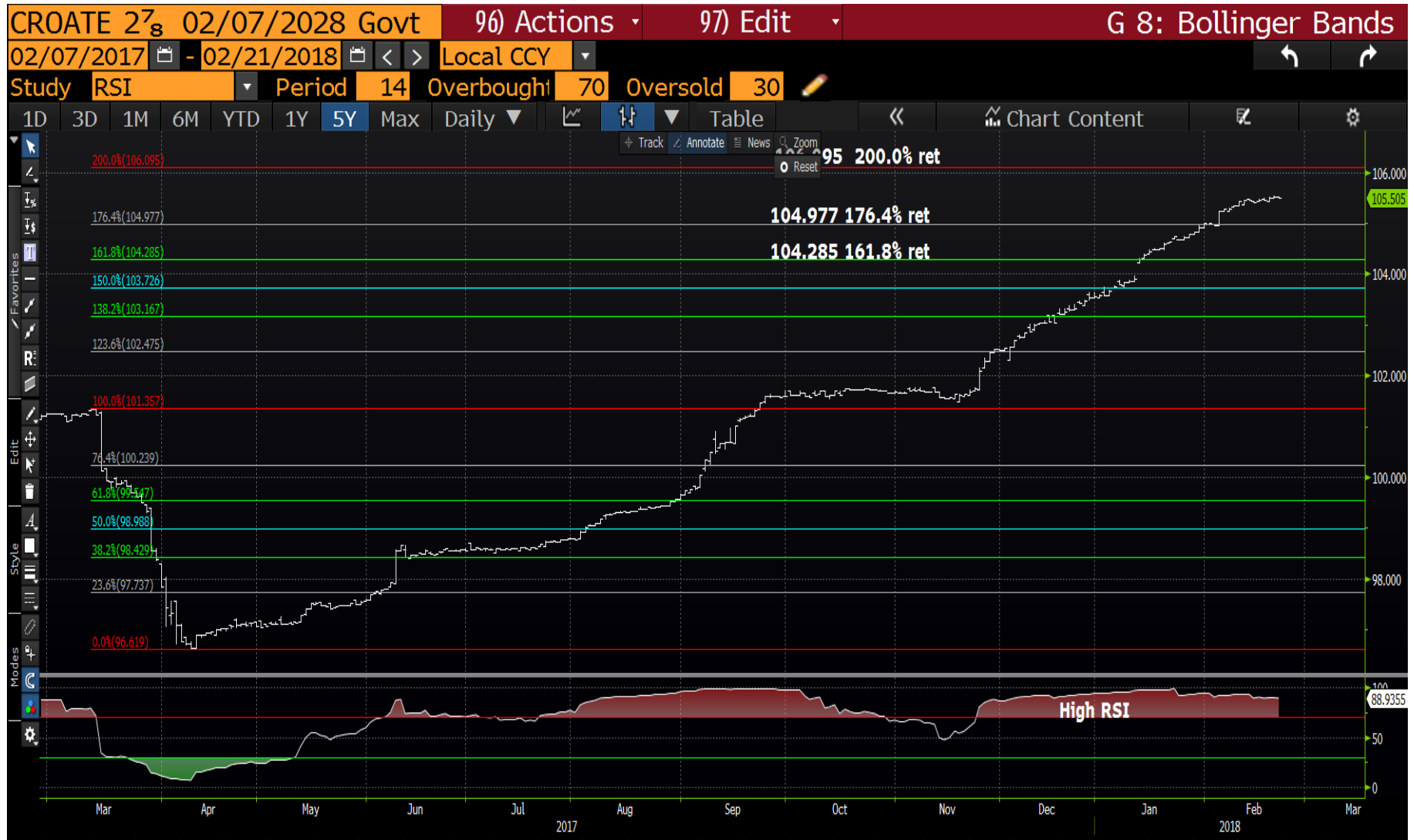


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Portugal 27's : A VERY sideways market and RSI.



Croatia 28' daily : The RSI is high but has been for some time in this “trending” scenario.



UK 10yr breakevens daily : A VERY sideways formation, with little to add!



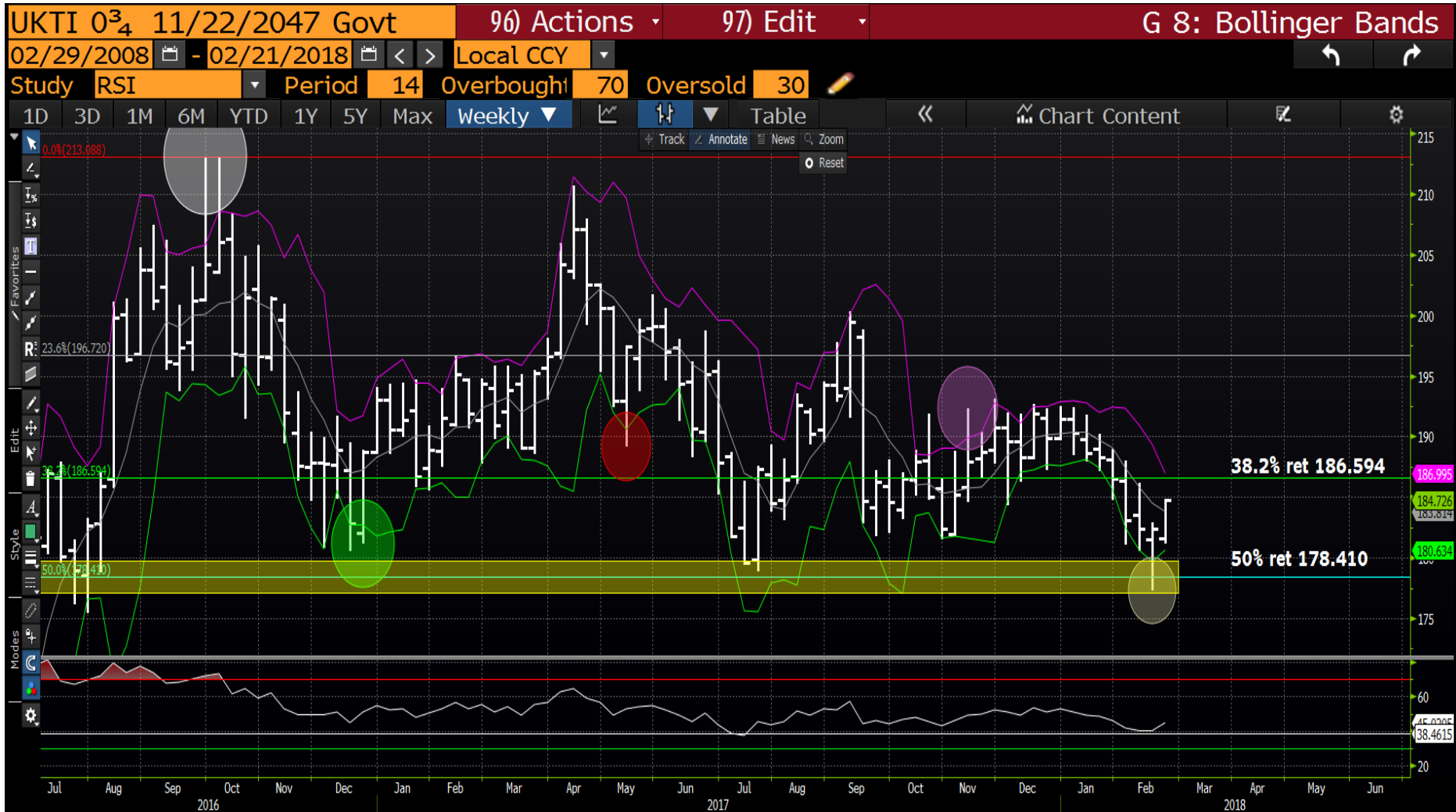
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UKTI 47's weekly : The RSI is reasonably low and we have held the 50% ret 178.10. Last week we formulated a decent downside pierce ..** A positive chart **.



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UKTI 47's weekly : A blow up of the chart accentuates the downside pierce and low RSI.



US 10yr breakevens weekly : This is a big test given we are up at the 23.6% ret 2.0665, the RSI matches that of the 2016 failure.



US 5yr breakevens weekly : The RSI is high and previous high 2.0809 solid resistance.



This research was prepared by Chris Williams. He is a self-employed contractor with Astor Ridge. A history of his research can be provided upon request in compliance with the European Commission's Market Abuse Regulation.

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