

BONDS UPDATE : Yields continue to rise BUT US 5yrs are pushing some MAJOR RSI dislocations that won't go AWAY. ALL durations are stretched, quarterly, monthly, weekly and daily... this is RARE!

All parts of the US curve have yields above multi year trend lines BUT the 5yr is now TOO EXTEND. See pages 11-14. US curves continue the struggle to find a base but the RSI's are now VERY LOW.

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

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.

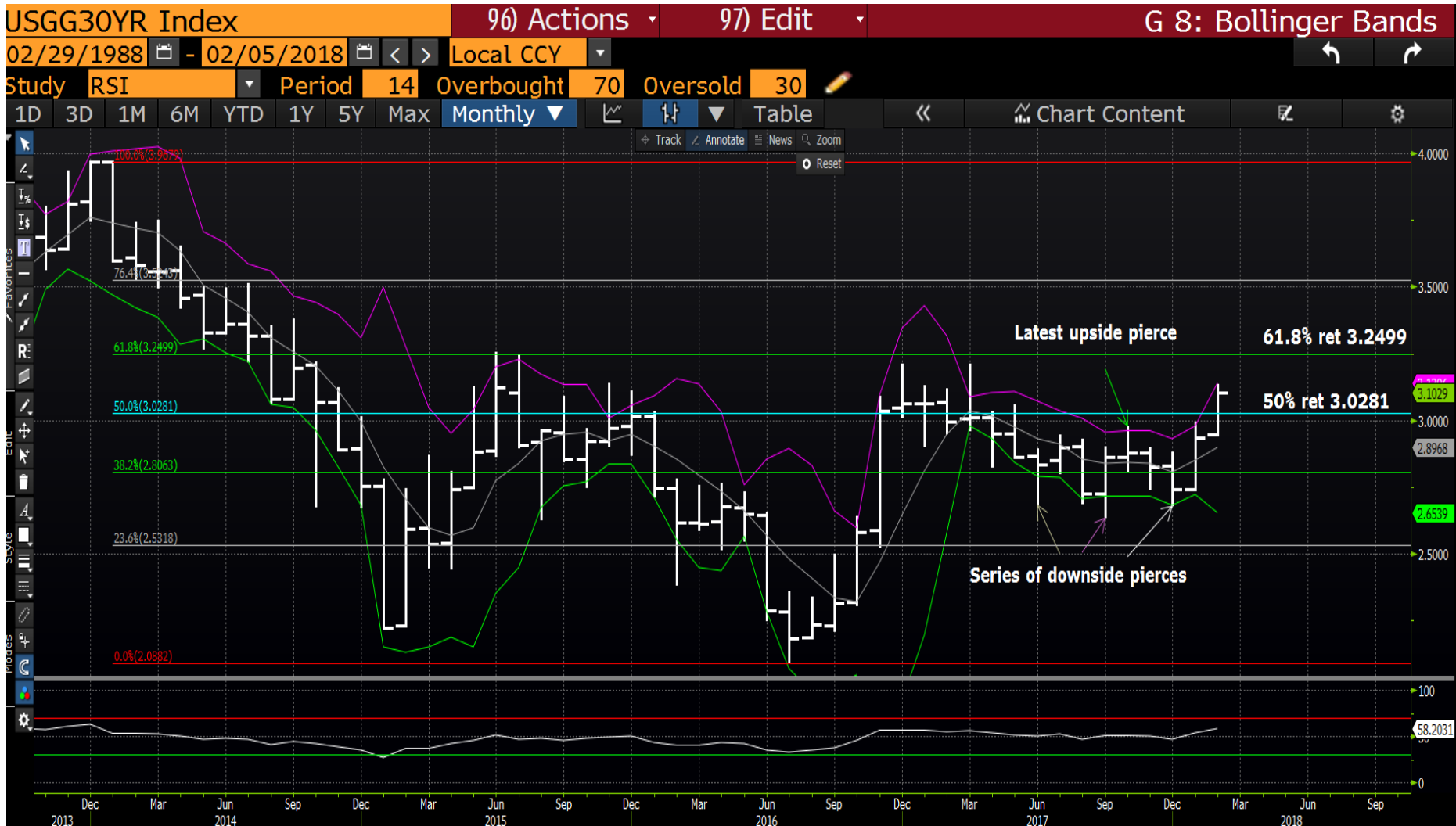
US curves look to have found a BASE against the historically LOW RSI's but given we have had this signal previously its worth waiting for the monthly closes.

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 just above the multi year trend line 2.8727 BUT a very neutral RSI.



US 30yr Monthly : We have breached the 50% ret 3.0281 and now look like attempting the 61.8 % ret 3.2499.



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US 30yr weekly : The RSI is lofty but not at an ABSOLUTE over bought state,yet.



US 30yr daily : The RSI is VERY pronounced here, equivalent to areas where we stalled before.

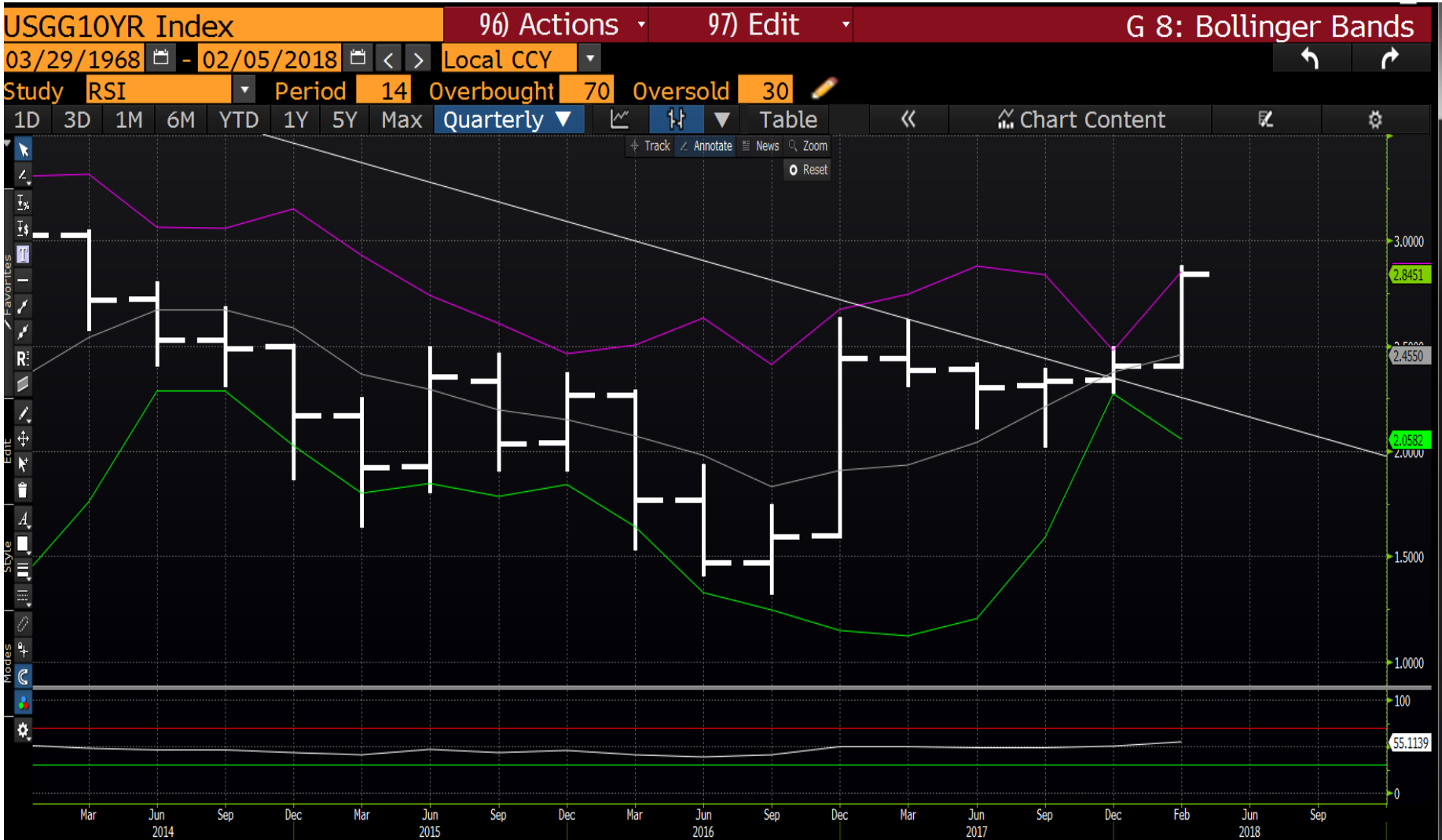


US 10yr quarterly : A defined break of the multi year trend line.



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US 10yr quarterly : We witnessed a major coiling of the bollingers last month so this should forecast a MAJOR follow through move!



US 10yr monthly : The latest RSI overstretch has taken it to levels matching that of January 2014.



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US 10yr daily : The RSI is lofty but as yet we have not found a level to fail at.



US 5yr quarterly : This has been the most POSITIVE (yield higher) chart and made ALL the running BUT has it gone historically too far. The circles HIGHLIGHT the subsequent yield drop at the RSI dislocations SIMILAR to now.



US 5yr monthly : The monthly is ALSO in an overbought situation similar to the quarterly so a lot of potential for yields to fail looking at the historical performance.



US 5yr weekly : The market has opened strong but the RSI is clearly stretched.



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US 5yr daily : This has made all the running on the yield rally BUT the RSI is lofty again.
A close BELOW the 38.2% ret 2.3318 should warrant some position reduction.



US curves are historically OVERSTRETCHED.

- The US flattener has been a trade for many but do **BEWARE** the following charts highlight the RSI's is hitting previous lows.
- It is tough to decide which combination to chose **BUT MANY** as reasonable RSI dislocation **BUT** any use of the 5yr may help.
- Ideally wait for this months closes to ensure confirmation as so many positioned in the flattener still. **IF** we do steepen it should be a long-term scenario given the RSI dislocation.

US 2-5 curve monthly : A nice BASE is in post the stable range of the last 3 months, the RSI is not dislocated but above 49.286 61.8% ret will aid any steepening.



US 2-10 curve monthly : This RSI is low and now we have a BASE, a move above the 61.8% ret 77.675 will help confirmation.



US 2-30 monthly : The RSI is more pronounced and a push above the 61.8% ret 105.137 will help.



US 5-10 monthly : We have a low RSI similar to that of 2015, but the BASE needs to be confirmed.



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US 5-30 monthly : The RSI has a far greater punctuation and previous examples highlighted. Picking level entry is tough but the over stretch is there.



US 10-30 monthly : The LOWEST RSI EVER! Previous examples highlight a sizeable steepening from this dislocation level. The only worry is that location wise this isn't a LEVEL.



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



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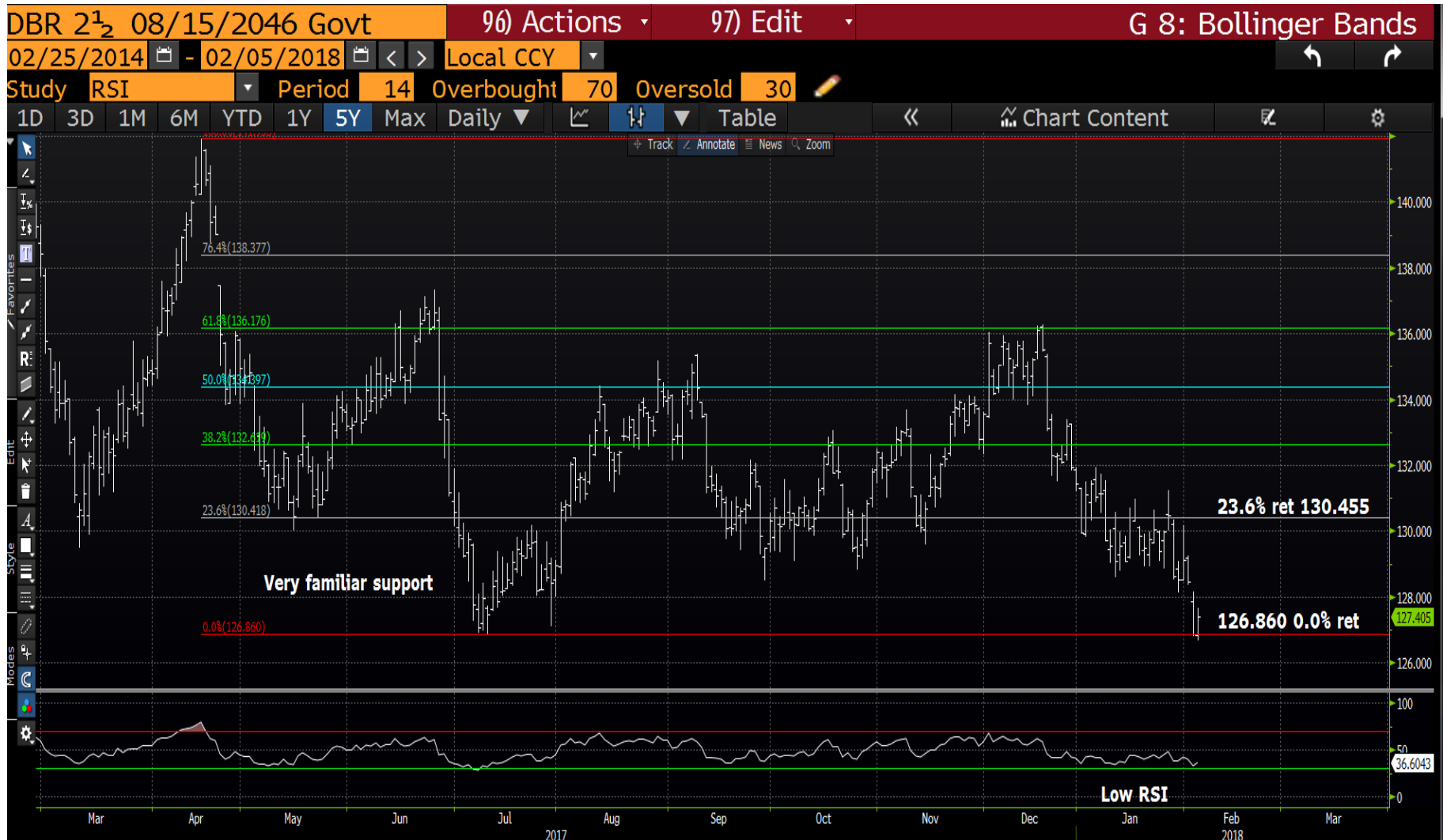
UK 10yr weekly : We are above the 1.489 38.2% ret BUT the RSI is lofty as is failure here before.



German generic 30yr weekly : This hasn't strayed far from the moving average.



DBR 46 daily : The RSI isn't at an absolute low but is tying in well with the previous low of July 2017 126.860.



DBR 25 daily : We have breached the 50% ret 101.186 and this has thrown up a very major RSI dislocation, so how much lower can we go?



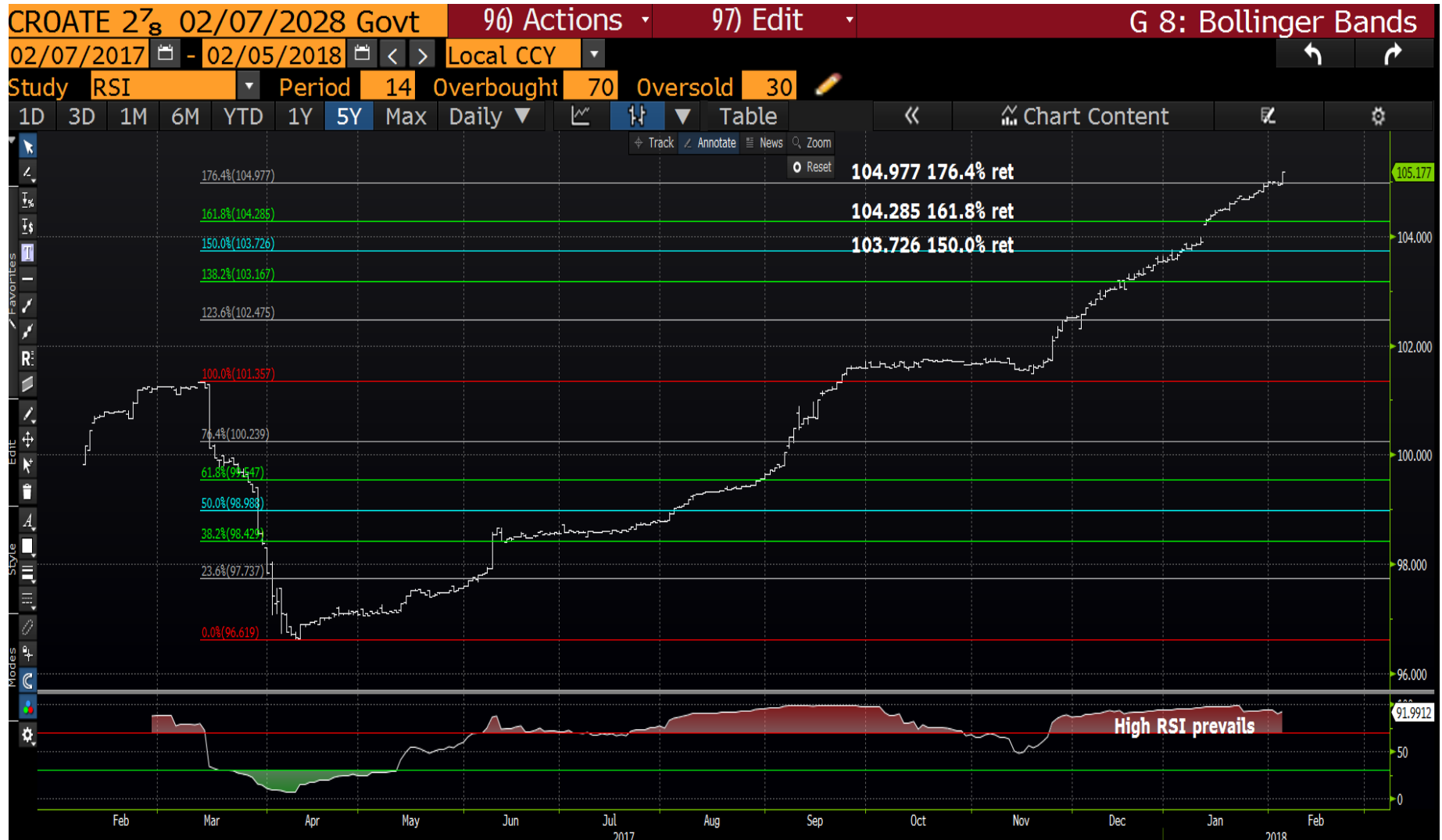
Italian generic 10yr daily : A very nice performance AROUND the various retracements
but the RSI over all is neutral.



Portugal 27's : As mentioned to me this is the “gift that keeps giving”. We have just nipped outside channel support 120.283 and the RSI is not in the SAME dislocation as January.



Croatia 28's : We have seen this RSI distortion before and meant a sideways "TIMEOUT" period than a price STALL.



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



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UKTI 47's weekly : We are testing the 50% ret 183.068 but little momentum in the 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.



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US 5yr breakevens overlay USGG5yr weekly : The RSI relates to the breakeven but there is a big disparity between this and the USGG5yr.



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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