**BONDS UPDATE : US 5yr yield drop could be a BIG ONE.**

**1) 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!**

**2) Nearly ALL US curves rejected the recent steepening BIAS at MAJOR MULTI YEAR 61.8% ret, the RSI's remain low however. If the 61.8% ret's are breached we steepen in a BIG WAY.**

**3) Germany 26's bonds are basing finally.**

**4) UK yields have a LOFTY RSI and UKTI POISED to bounce, all eyes on a breach of 1.489 (10yr Gilts).**

**5) US 10 Breakevens have a LOFTY WEEKLY and DAILY RSI.**

Global Investment Strategy, Execution and Risk Management for Institutional Investors

Astor Ridge

Bond markets : Yields are finally stalling against the backdrop of many dislocated RSI's. The closes are important prequal to the end of the month.

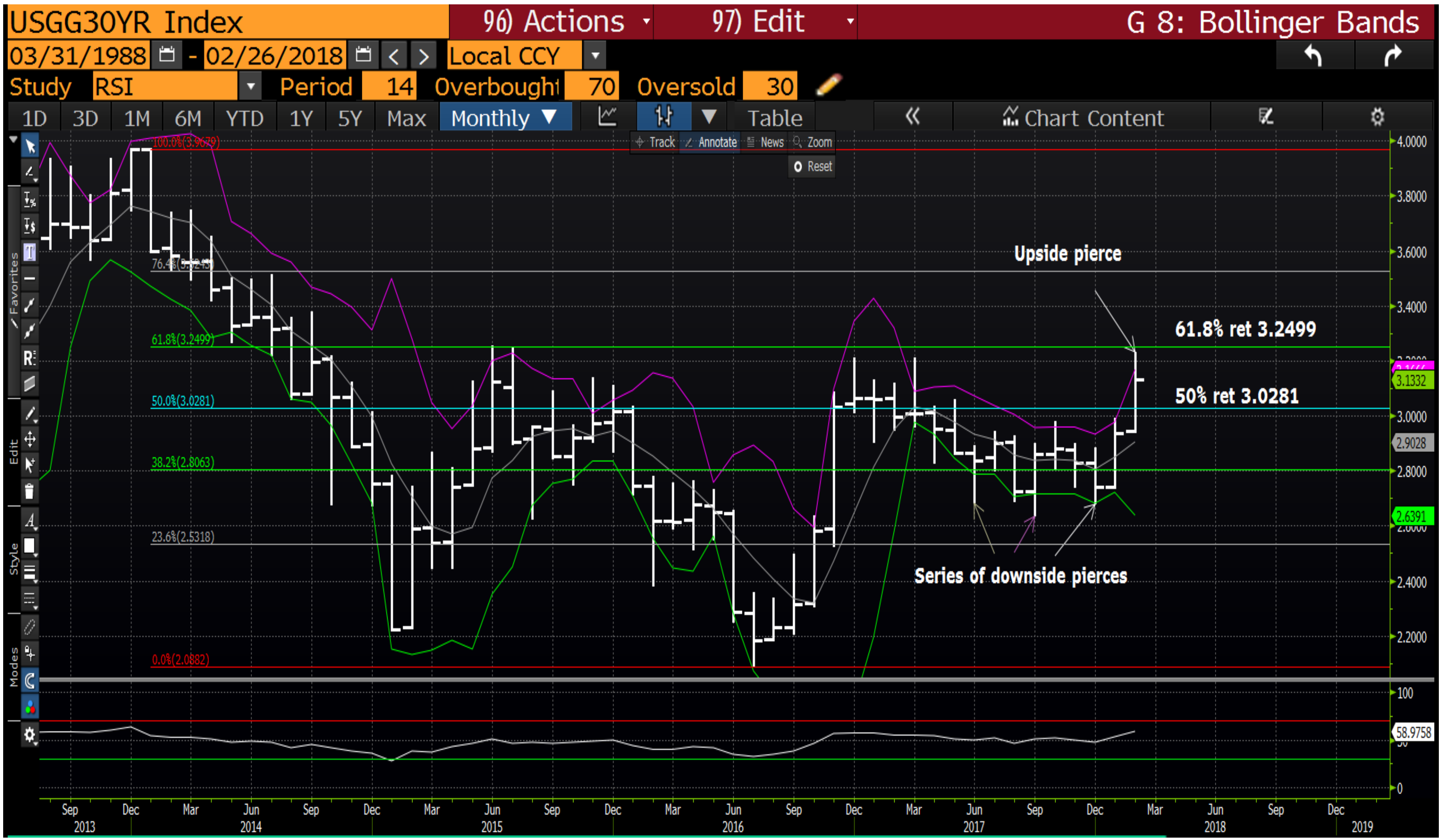
US BONDS : All US yields are now above multi year trendlines but daily RSI's are lofty, especially the 5yr sector. The US 5yr is a special case as the RSI is dislocated on a monthly and quarterly period.

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.

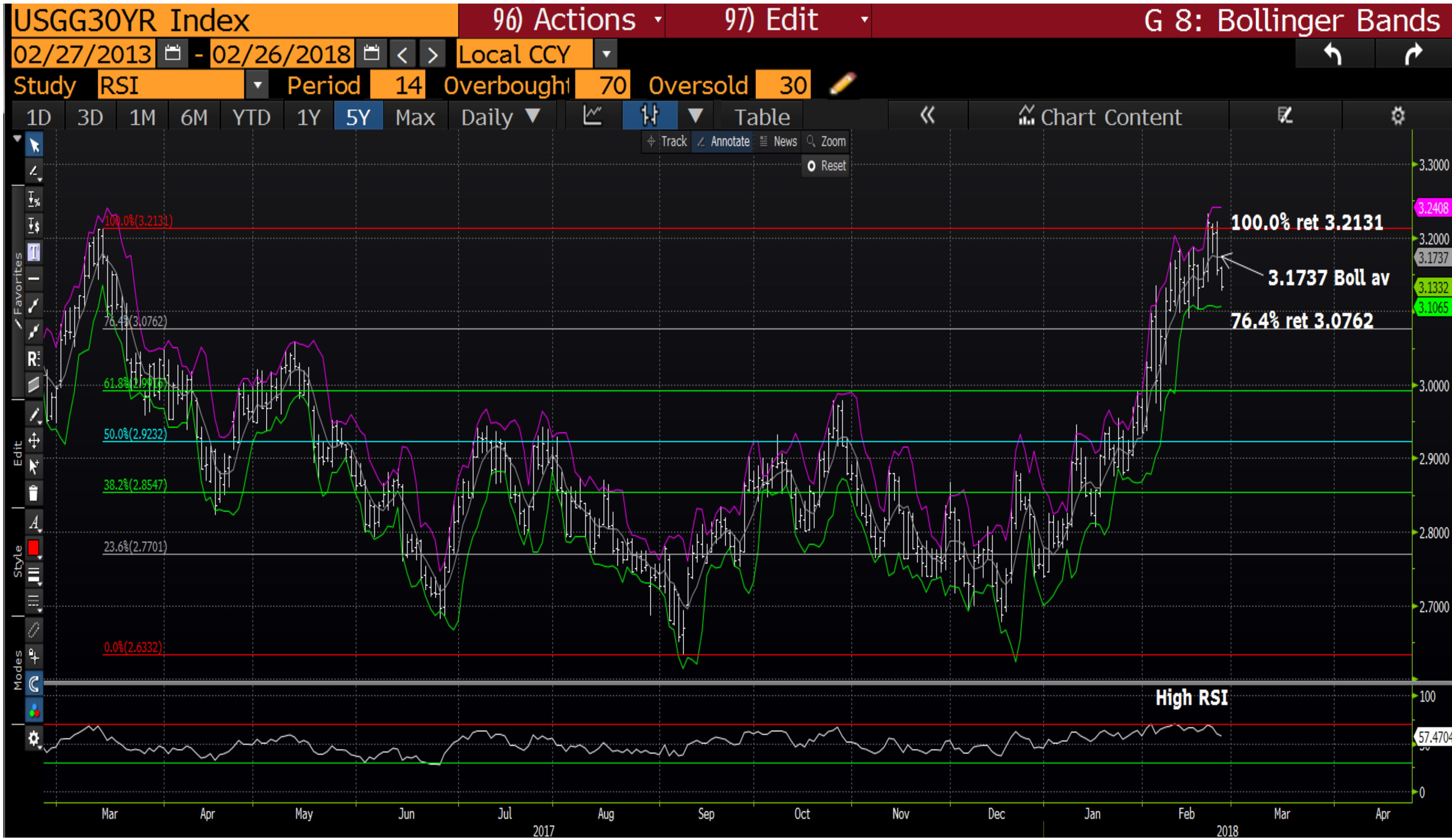
US 30yr quarterly : We are now above the multi year trend line 2.8727 BUT a very neutral RSI.

US 30yr Monthly : We have STALLED against the 61.8% ret 3.2499 and a minor pierce is developing. Lets see what level the monthly close brings.



US 30yr weekly : We have hit the 0.0% ret 3.2131 and the RSI seems sufficiently high to see yields stall. The bollinger formation is LENDING itself toward a TOP.

US 30yr daily : The RSI is VERY pronounced and we have now dipped below the 3.1737 bollinger average. Sub the 76.4% ret 3.0762 will help the argument further.

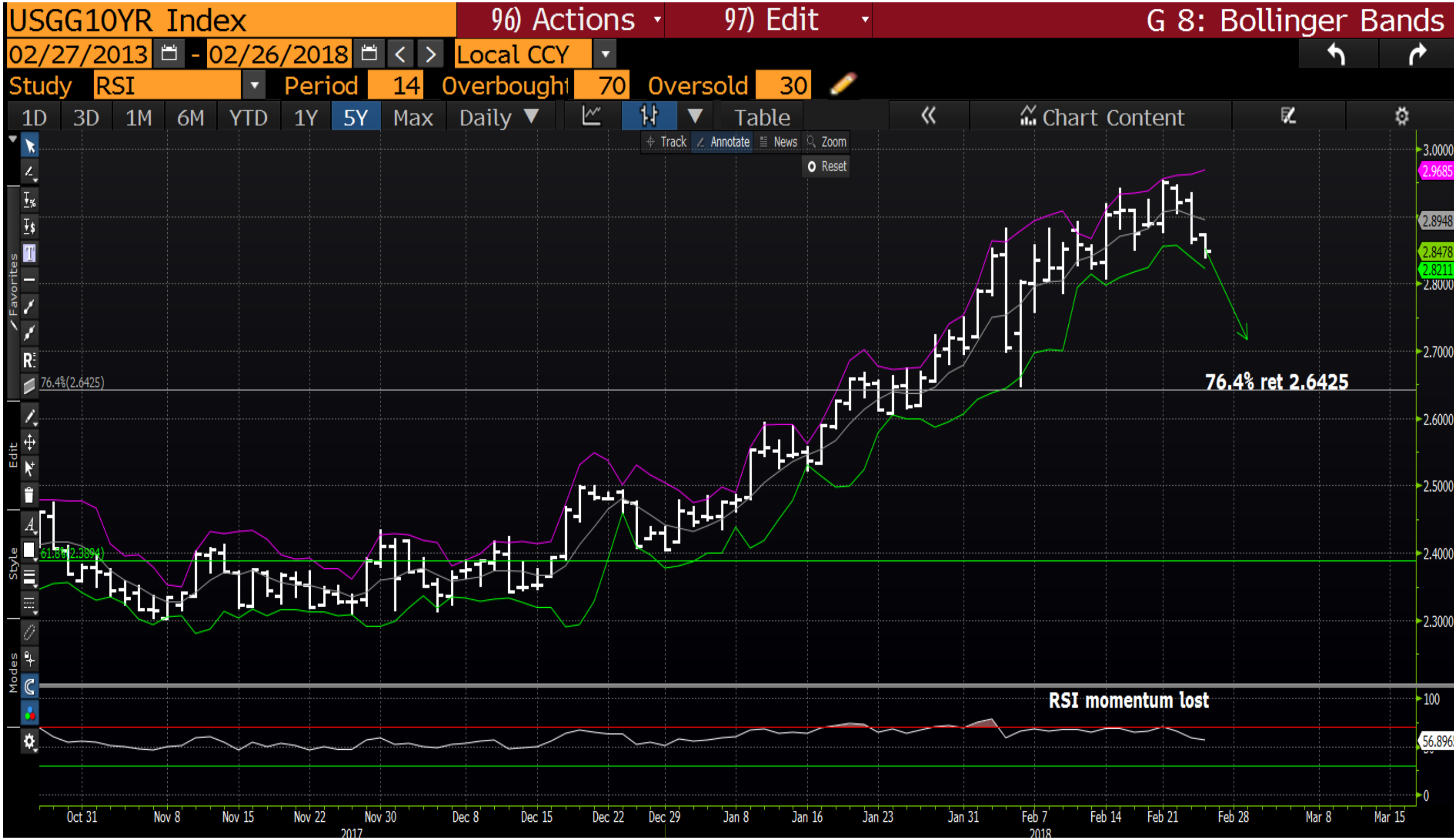


# US 10yr quarterly : A defined break of the multi year trend line.

US 10yr monthly : The RSI is very significant so watching to see if a PIERCE develops.

US 10yr weekly : The latest RSI overstretch has taken it to levels matching that of January 2014. The bollinger formation is lending itself toward a TOP!

US 10yr daily : The market is struggling to decide, but does seem to have a chance of rolling over.

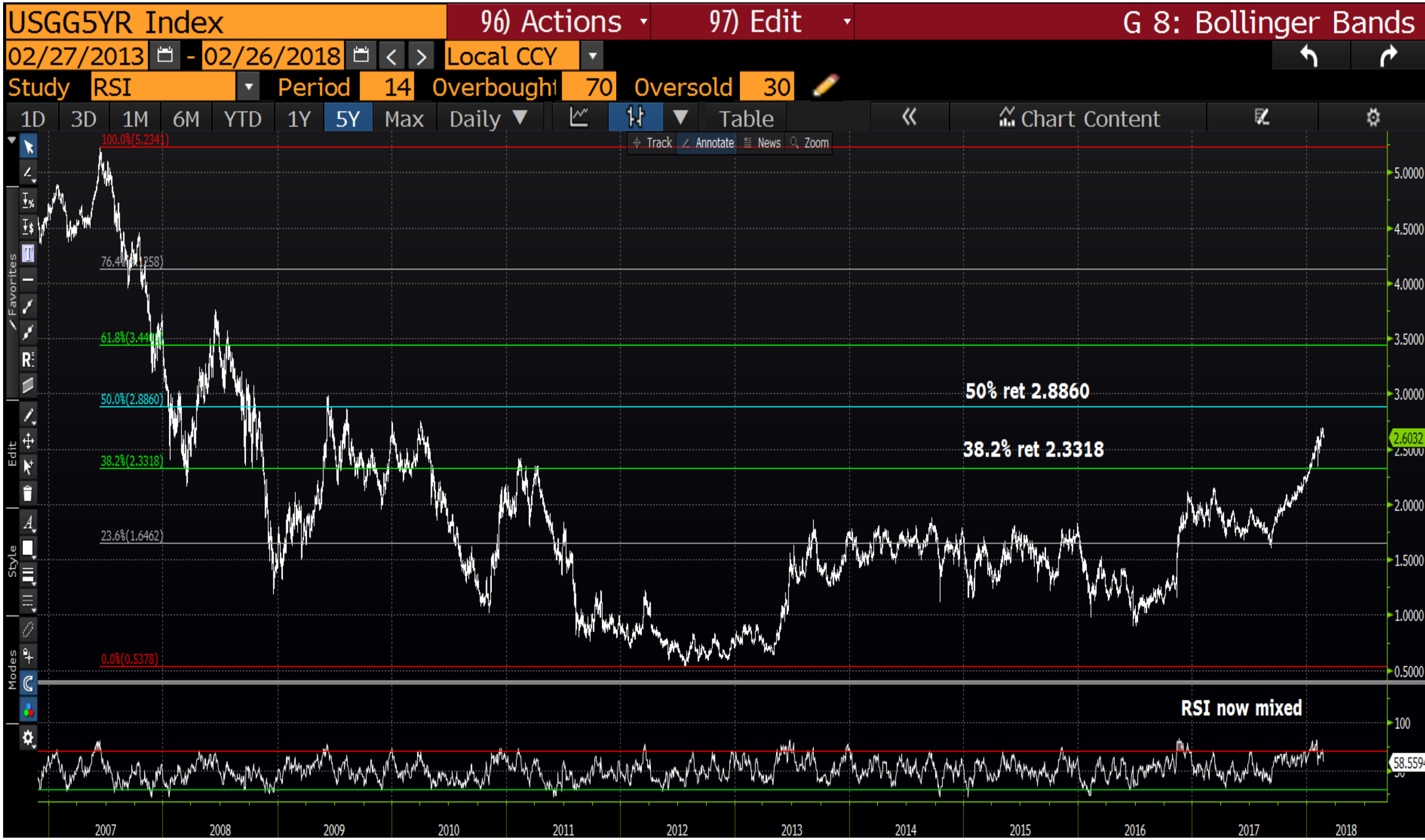


US 5yr quarterly : NOT A CHART TO IGNORE given the RSI is as HIGH as 1984!
This long-term chart is backed up by the monthly therefore it's a MAJOR disparity, this could form a long-term peak.

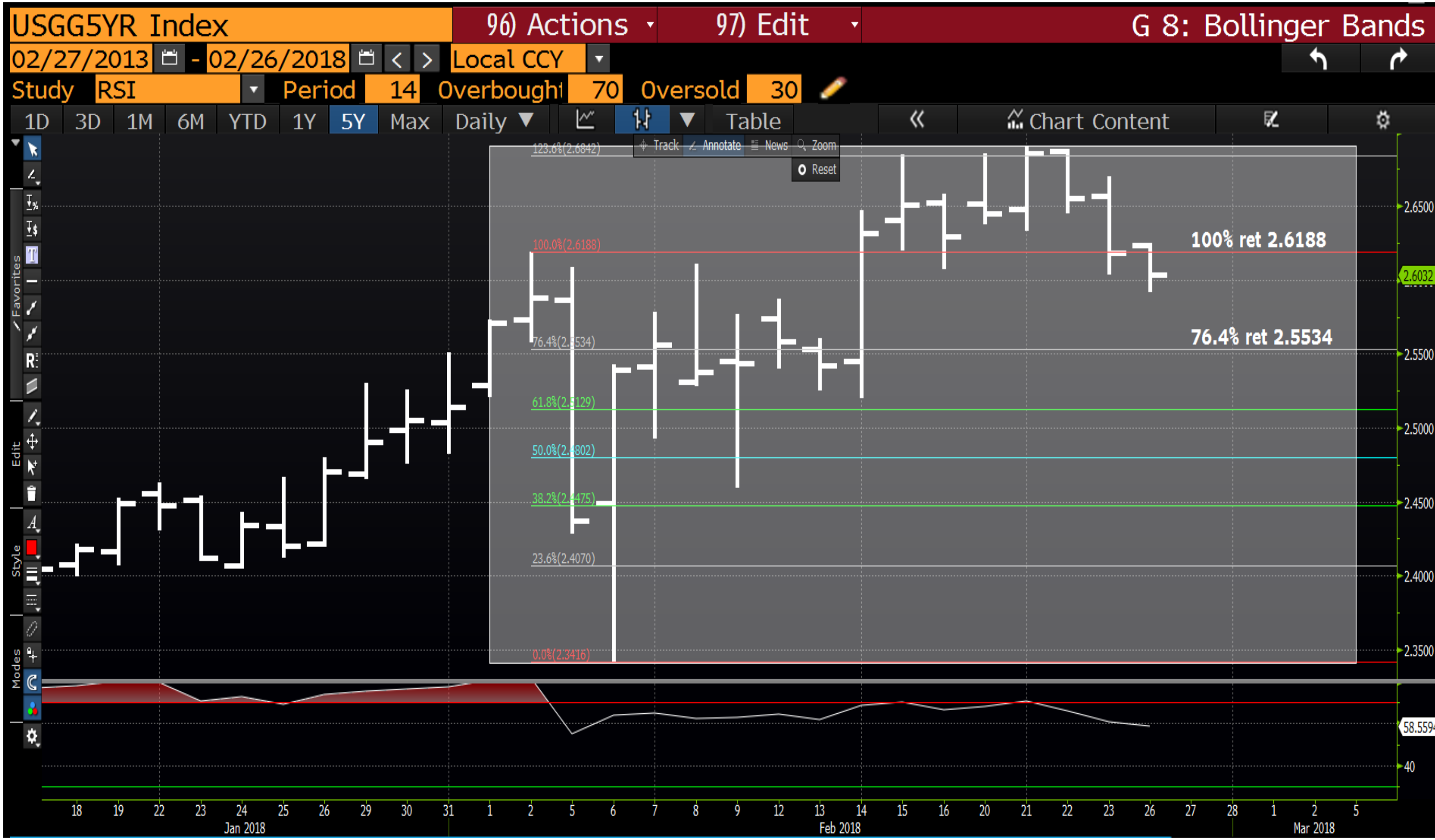
US 5yr monthly : This compliments the previous chart with an RSI dislocation rarely seen. We are shy of the channel but might just be NEAR ENOUGH to FAIL.

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 5yr daily : We are making some progress price wise we are sub the 100% ret 2.6188.



## 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.**

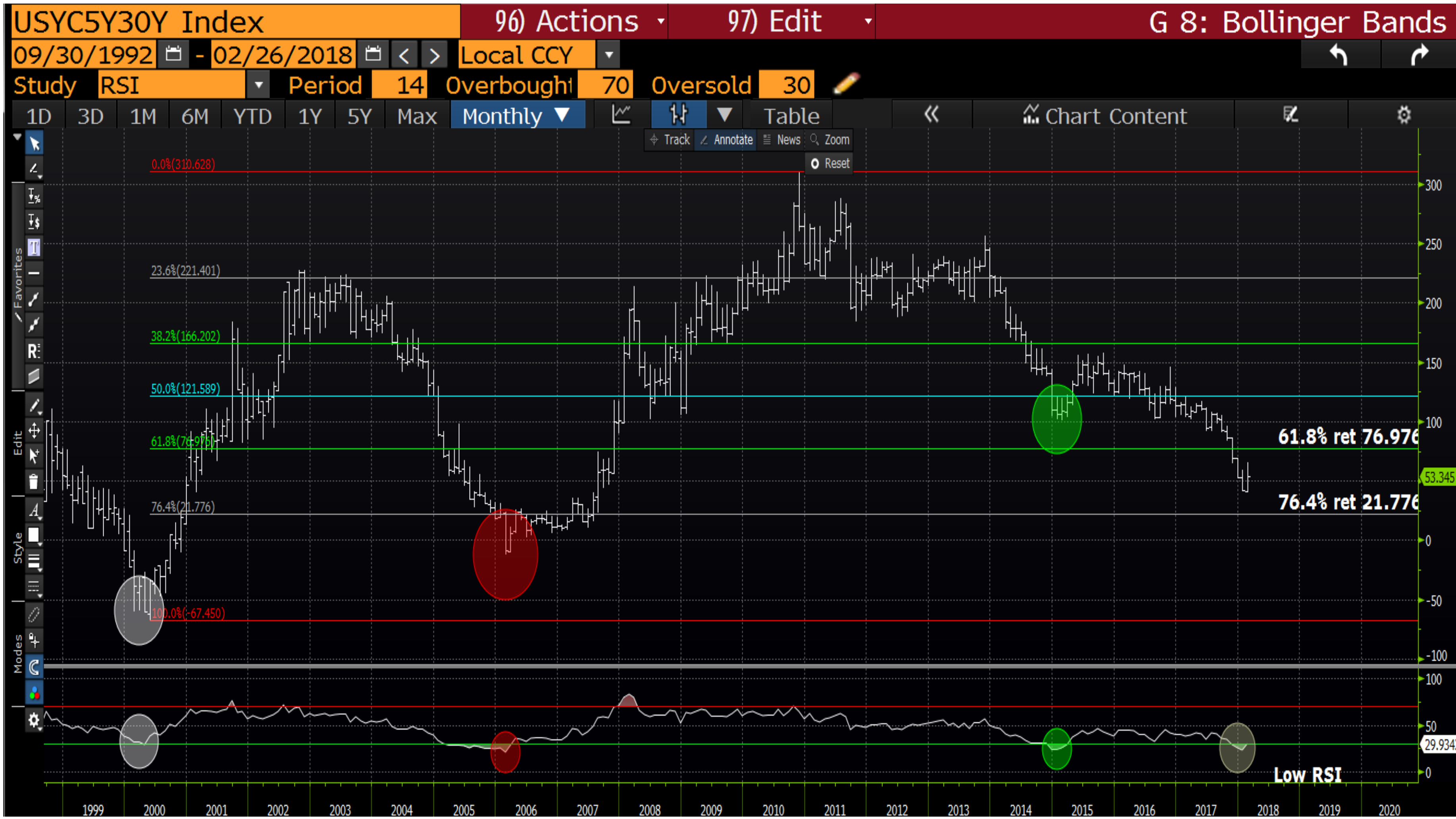
US 2-5 curve monthly : A near perfect failure at the multi year 61.8% ret 49.286. The RSI is lacking conviction so more about the monthly close now.

US 2-10 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.

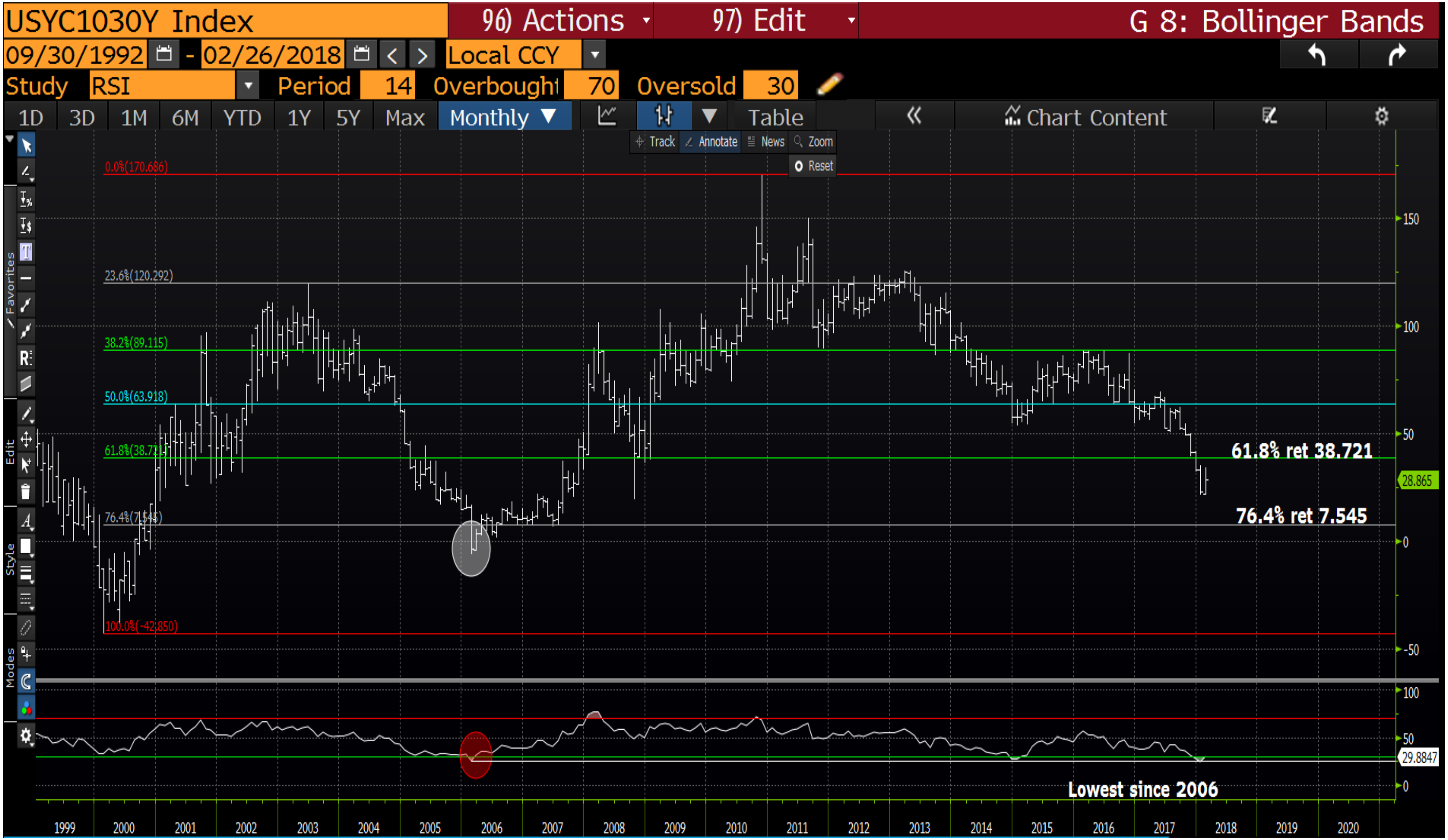
US 2-30 monthly : The RSI is more pronounced and we have recognised the 61.8% ret 105.137. Key close above or below this level.

US 5-10 monthly : We have a VERY 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 and spark a MAJOR steepening.

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



UK 10yr quarterly : A very inconclusive chart and the RSI could not be more neutral BUT sub 1.4800 we should see yields drop.

UK 10yr weekly : The RSI LOFTY 2013 – 2014 levels and a break below the 38.2% ret 1.489 will confirm a MAJOR DROP.

DBR 46 daily : A difficult and sideways market of late but we finally look like seeing this bond rally, a close above the 23.6% ret 130.455 will be VERY POSITVE.

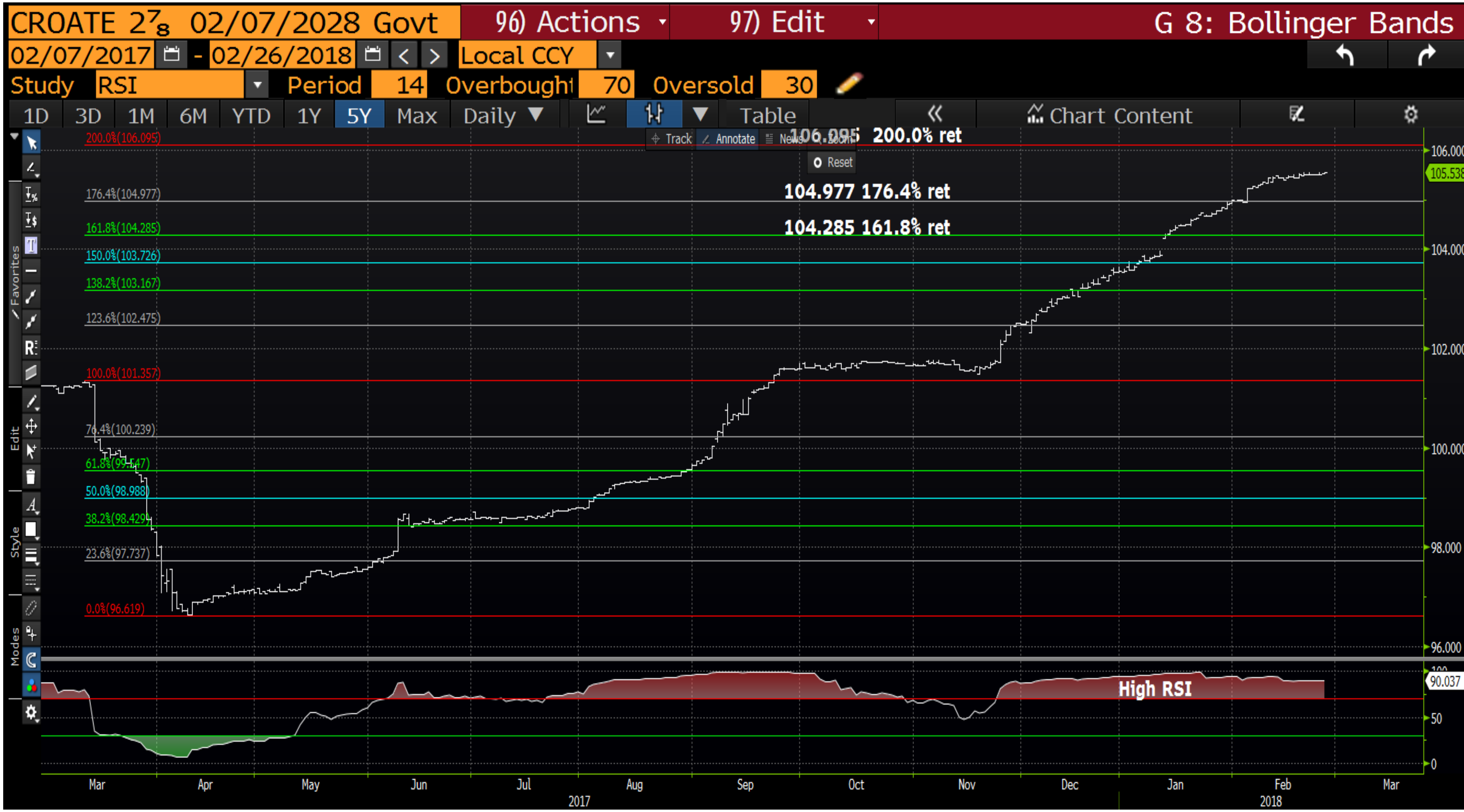
DBR 25 weekly : A much more attractive chart, RSI lowest ever and a close above the 50% ret 101.184 is POSITIVE.

DBR 25 daily : A close above the 50% ret 101.186 is confirming a BASE and RECOVERY.

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

Portugal 27’s : A VERY sideways market and RSI, BUT positive.

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!

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 **.

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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