

## **BONDS UPDATE :**

**Currently a quiet environment but US 5yr yields are close to confirming a MAJOR TOP. ALL durations are stretched, quarterly, monthly, weekly and daily... this is RARE!**

**Most US curves have steepened and what's VERY interesting is that MANY have stalled at the SAME multi year 61.8% retracement, implying a very technical BIAS.**

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

**UK yields have a LOFTY RSI.**

**US 10 Breakevens have a LOFTY WEEKLY and DAILY RSI and a TOP forming.**

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



14/02/2018

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 OR NOT.



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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 now seems sufficiently high to see yields stall.



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US 30yr daily : The RSI is VERY pronounced and looking like ROLLING over, the only proviso is remaining sub the bollinger average 3.1303. A lot of potential for yields to DROP but not wholly confirmed yet.

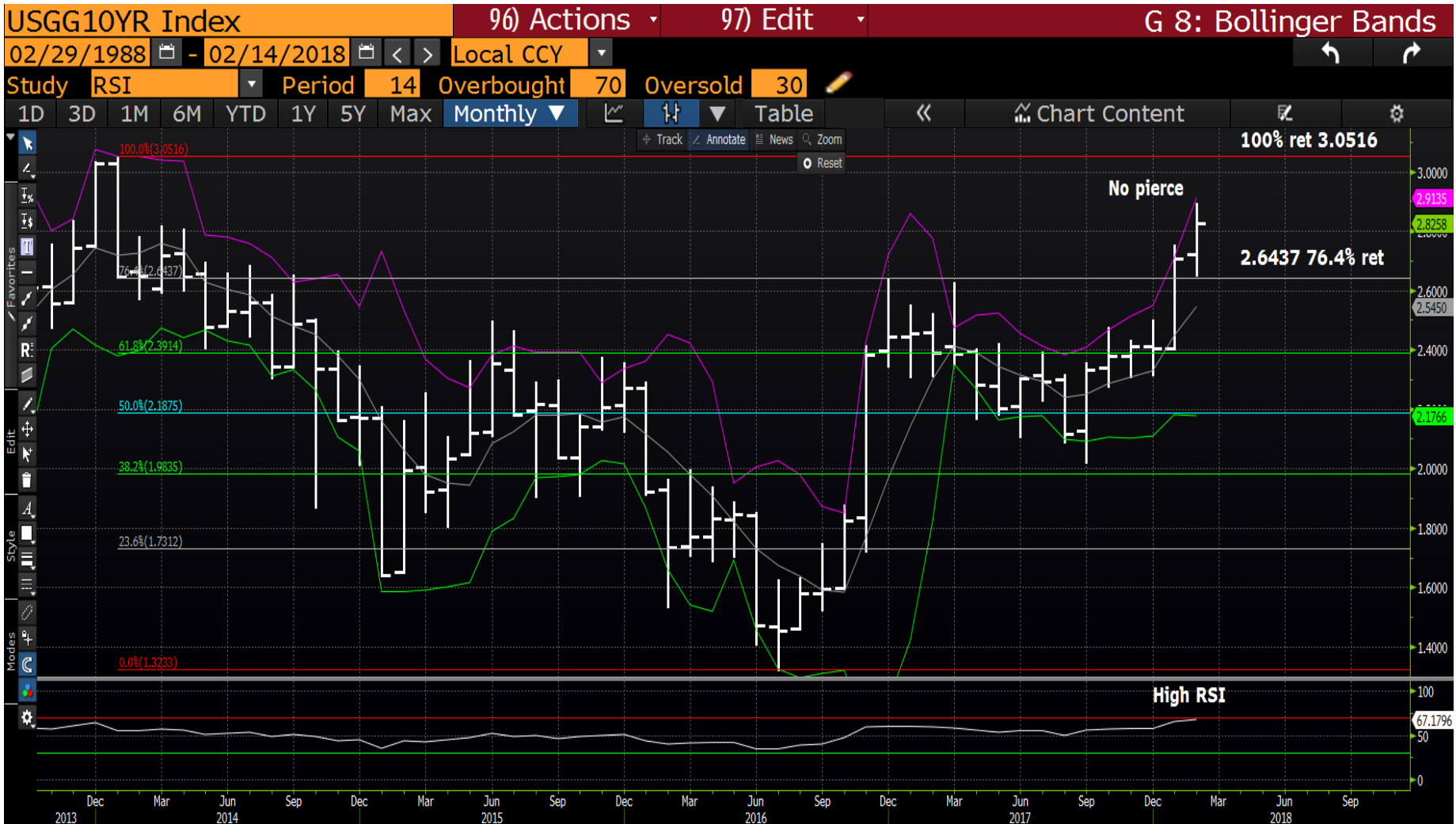


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US 10yr quarterly : A defined break of the multi year trend line.



US 10yr monthly : Despite the RSI the market is relentless however the 100% ret 3.0516 should be effective resistance. No upside pierce yet.



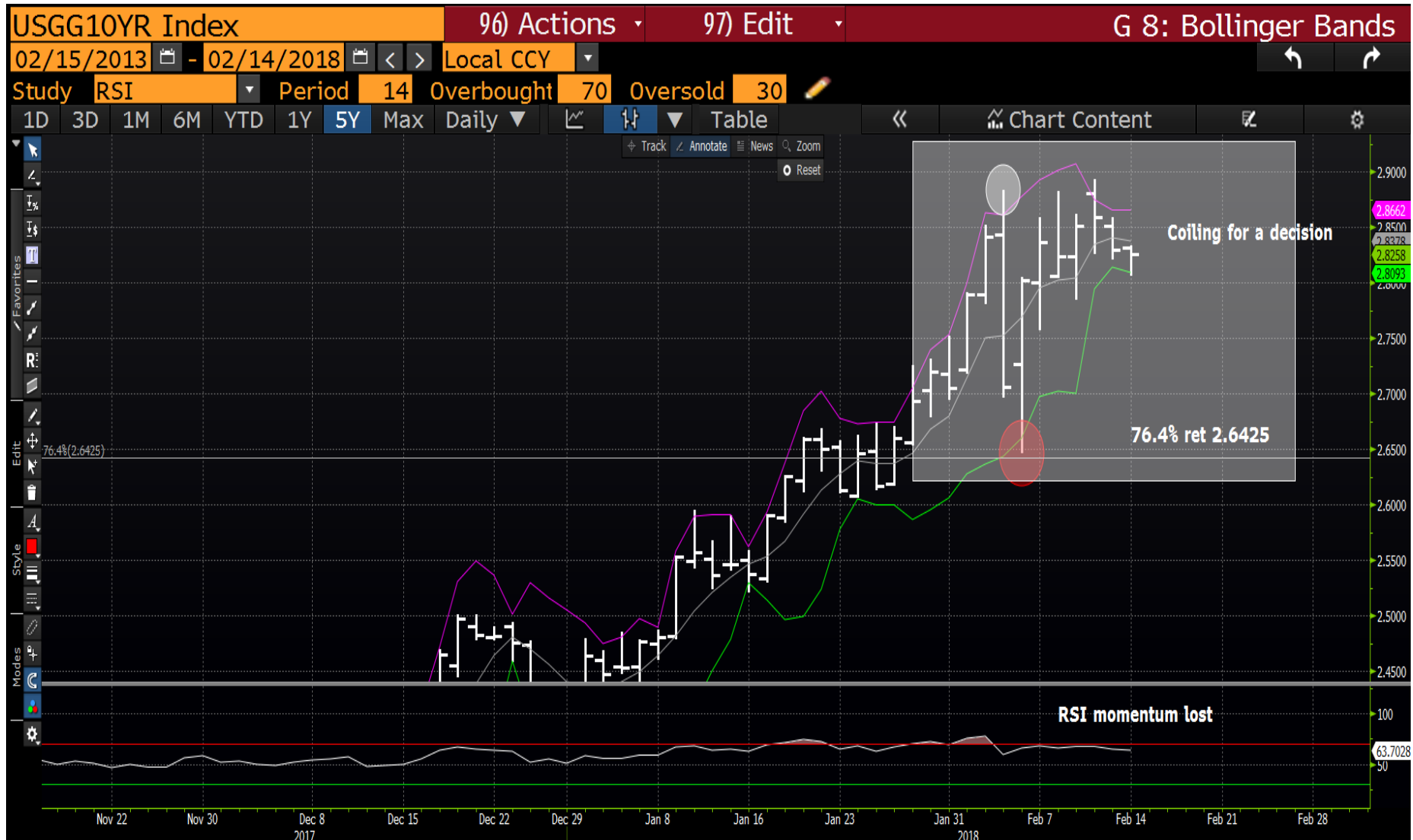


US 10yr weekly : The latest RSI overstretch has taken it to levels matching that of January 2014. We do not yet have a pierce but might stall AT or AHEAD of the 100% ret 3.0516.

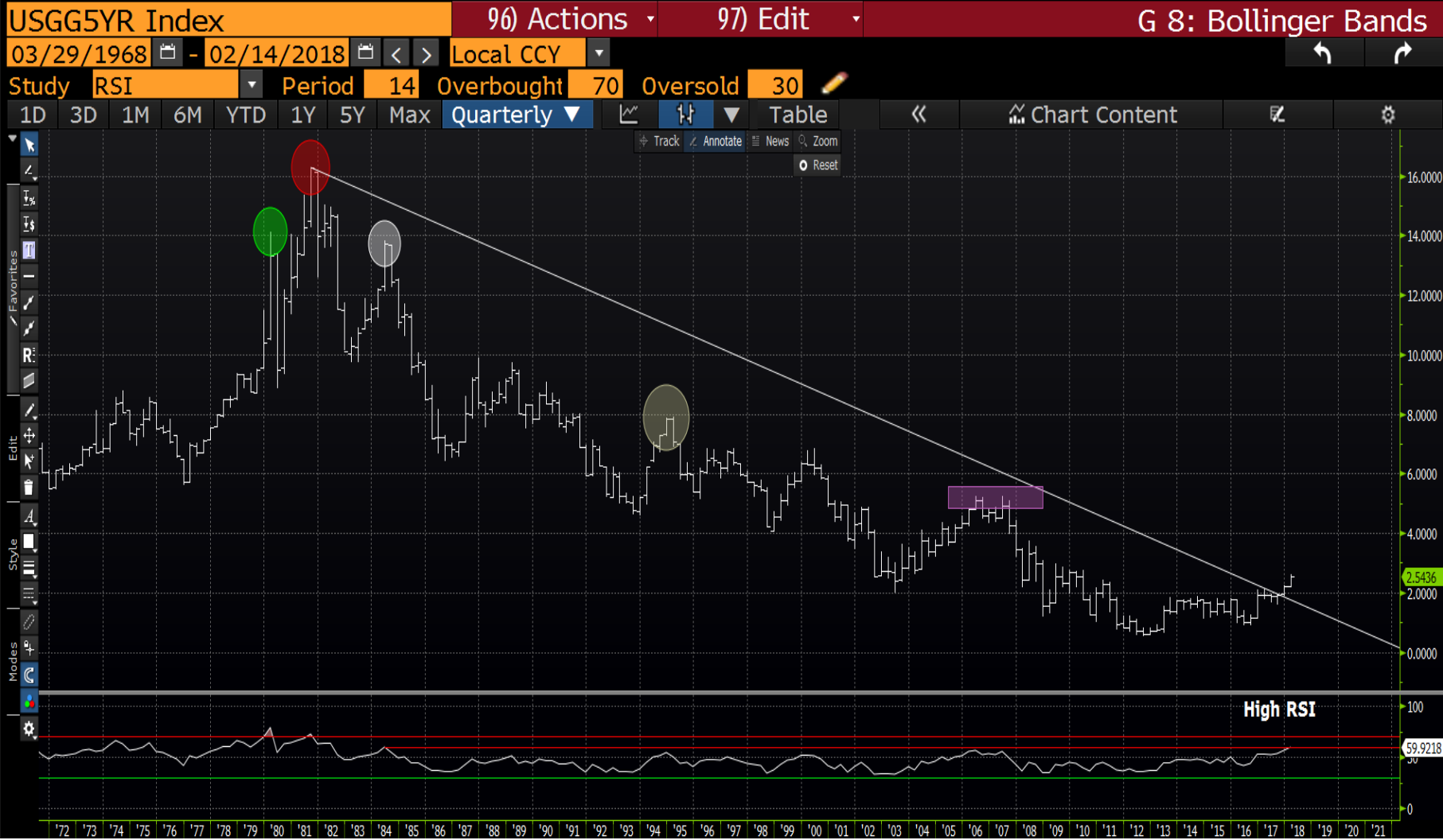


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US 10yr daily : We are coiling for something, we have been in this 2.70-2.90 range for some time.



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 judging by historical performance. Big question is DO we have to visit the 2.8249 channel first.



US 5yr weekly : The bounce continues from the 38.2% ret 2.3298 BUT the RSI speaks for itself. If EVER we close sub the retracement the UNWIND will be spectacular.



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.**

- **There has been some recent steepening and interestingly many have stalled at the MULTI YEAR 61.8% retracements. This indicates to me THESE follow a very TECHNICAL BIAS.**
- **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 : The recent steepening has stalled right at the 49.286 61.8% ret, we need a breach at month end to confirm a longer-term reversal.





US 2-10 curve monthly : Another substantial months steepening but again we need a close above the 61.8% ret 77.675 to confirm.



14/02/2018

17

US 2-30 monthly : A short-term rejection of the 61.8% ret 105.137 BUT the RSI momentum remains. Above the 61.8% ret at month end should be sufficient confirmation.



US 5-10 monthly : Yet another failure at the 61.8% ret 31.868 but this should be short-term given the VERY LOW RSI. A lot of historical steepening potential.



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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. Still a difficult location.



14/02/2018

20

US 10-30 monthly : The LOWEST RSI EVER! Previous examples highlight a sizeable steepening from this dislocation level. We have matched the range of last month already so difficult to recommend anything here, more so when the monthly closes are in.



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



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UK 10yr weekly : The RSI is now becoming LOFTY but as yet we haven't found a level to fail at.



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DBR 46 daily : A troubled bond of late struggling to find a BASE, the RSI isn't at an absolute low so not helping.





DBR 25 daily : We have a VERY oversold situation but yet to find a bounce, ideally we can close the week above the 50% ret 101.186.



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25

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

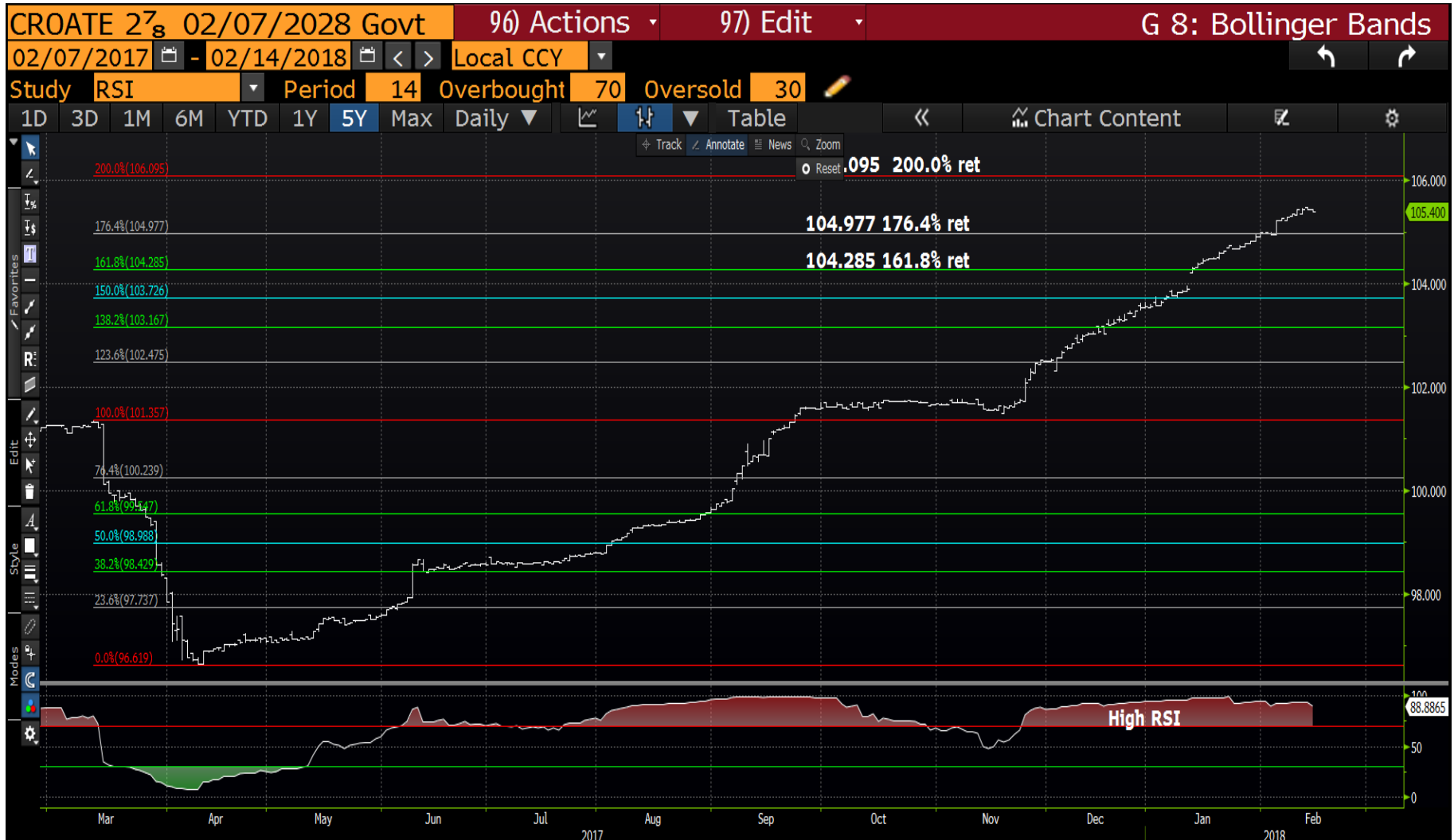


Portugal 27's : We have breached the 23.6% ret 118.671 BUT the RSI is back to the lows again, it might JUST save itself.



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Croatia 28's : We have seen this RSI distortion before so we may just dip to the 104.977  
176.4% ret.



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



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UKTI 47's weekly : The RSI is now dislocated and previous low looms at 178.89.



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. We are gently rolling over so could be the start.



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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