

BONDS UPDATE :

Yields continue to rise DESPITE MAJOR RSI dislocations REMAIN. 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.
UK yields have a LOFTY RSI.
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 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.



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US 30yr weekly : The RSI is high and would see if it impacts when we reach the 0.0% ret 3.2131.



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US 30yr daily : The RSI is VERY pronounced so we SHOULD stall at the 100% ret 3.2131.



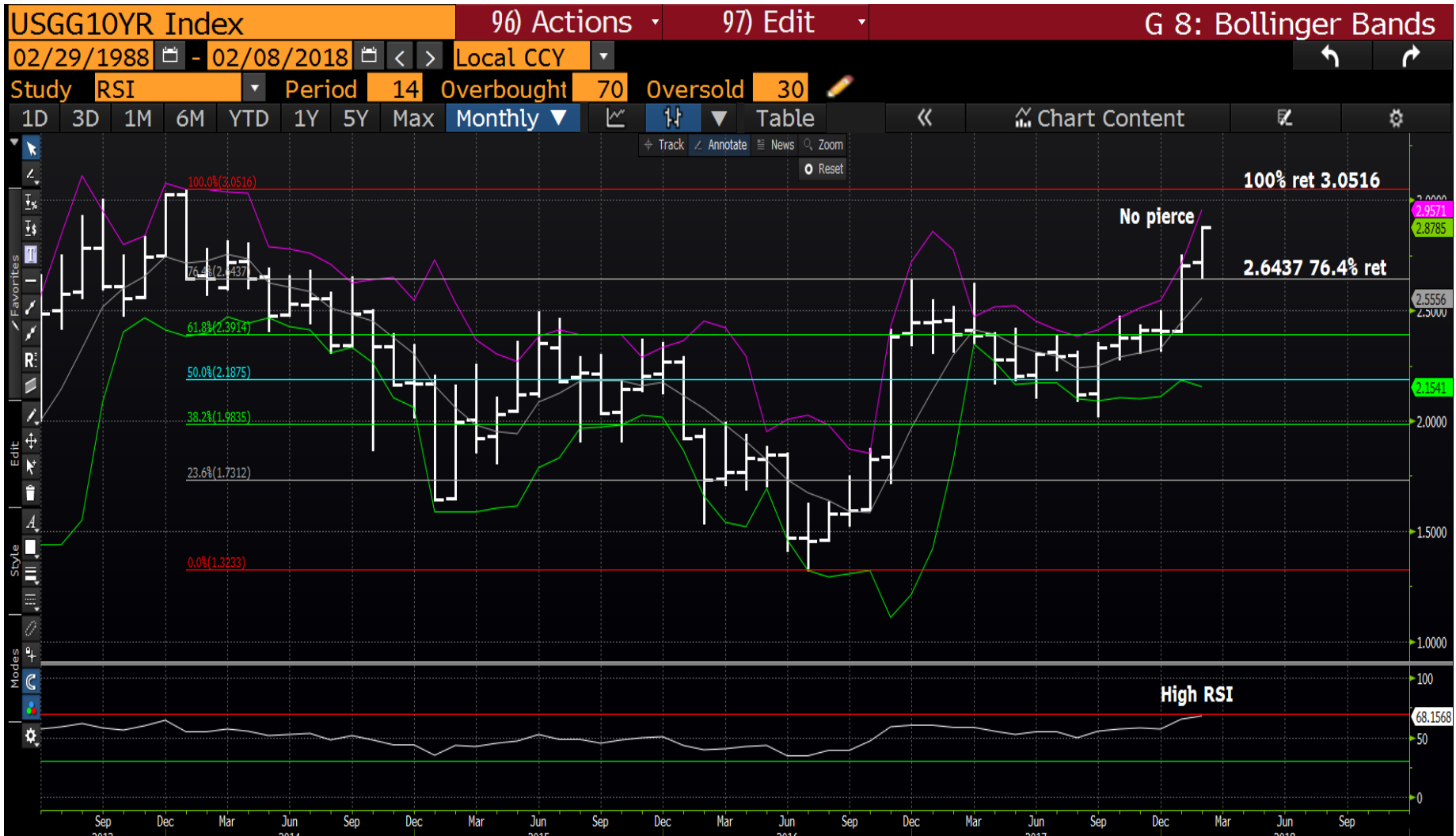
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US 10yr quarterly : A defined break of the multi year trend line.



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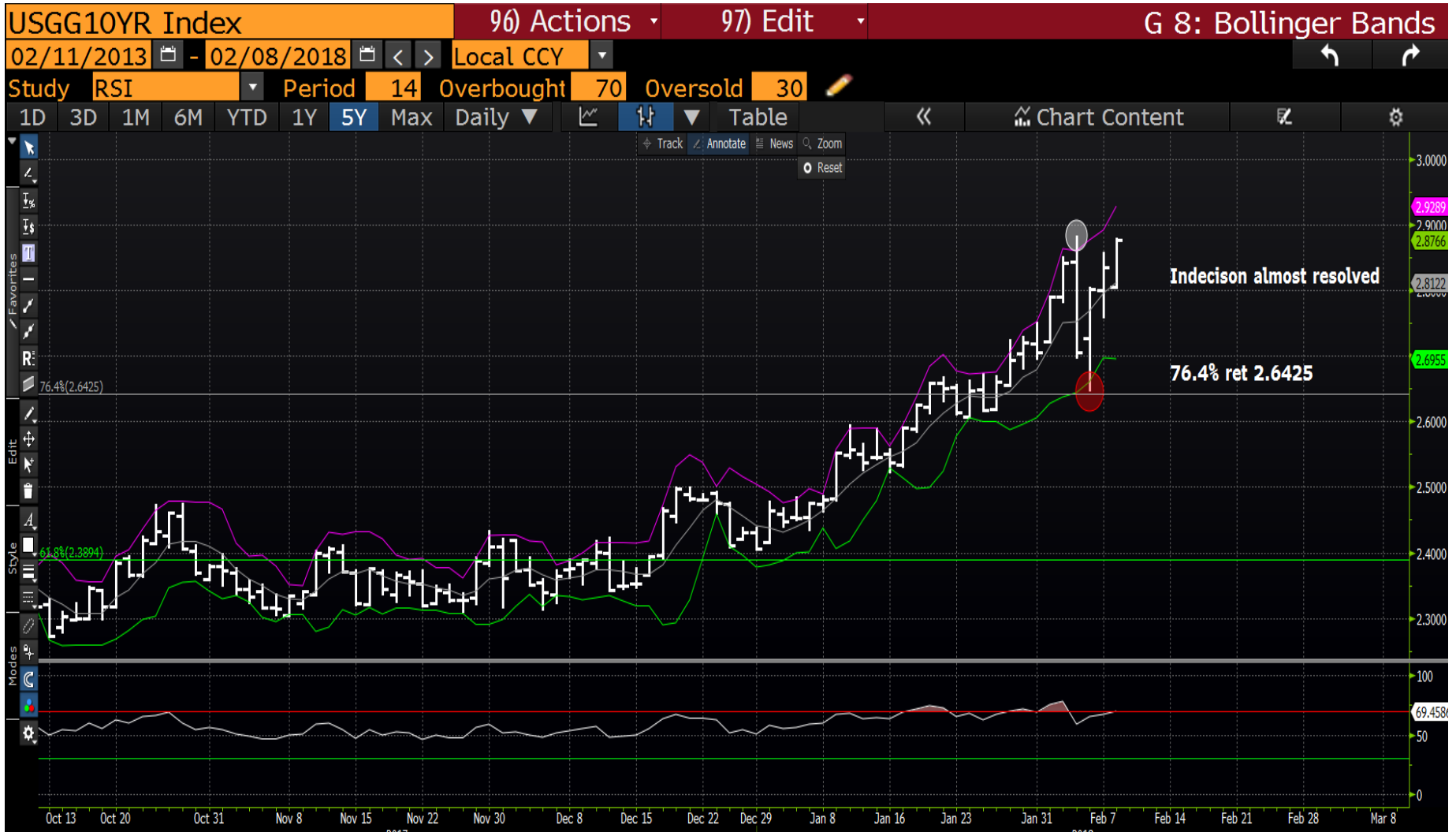
US 10yr monthly : Despite the RSI the market is relentless but the 100% ret 3.0516 should be effective resistance.



US 10yr monthly : 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.



US 10yr daily : Indecision almost resolved and the RSI is neutral.



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.



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US 5yr weekly : The bounce continues from the 38.2% ret 2.3298 BUT the RSI speaks for itself.



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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 steepening and potentially strong close.



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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 we have recognised the 61.8% ret 105.137. Key close above or below this level.



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.



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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.



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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.



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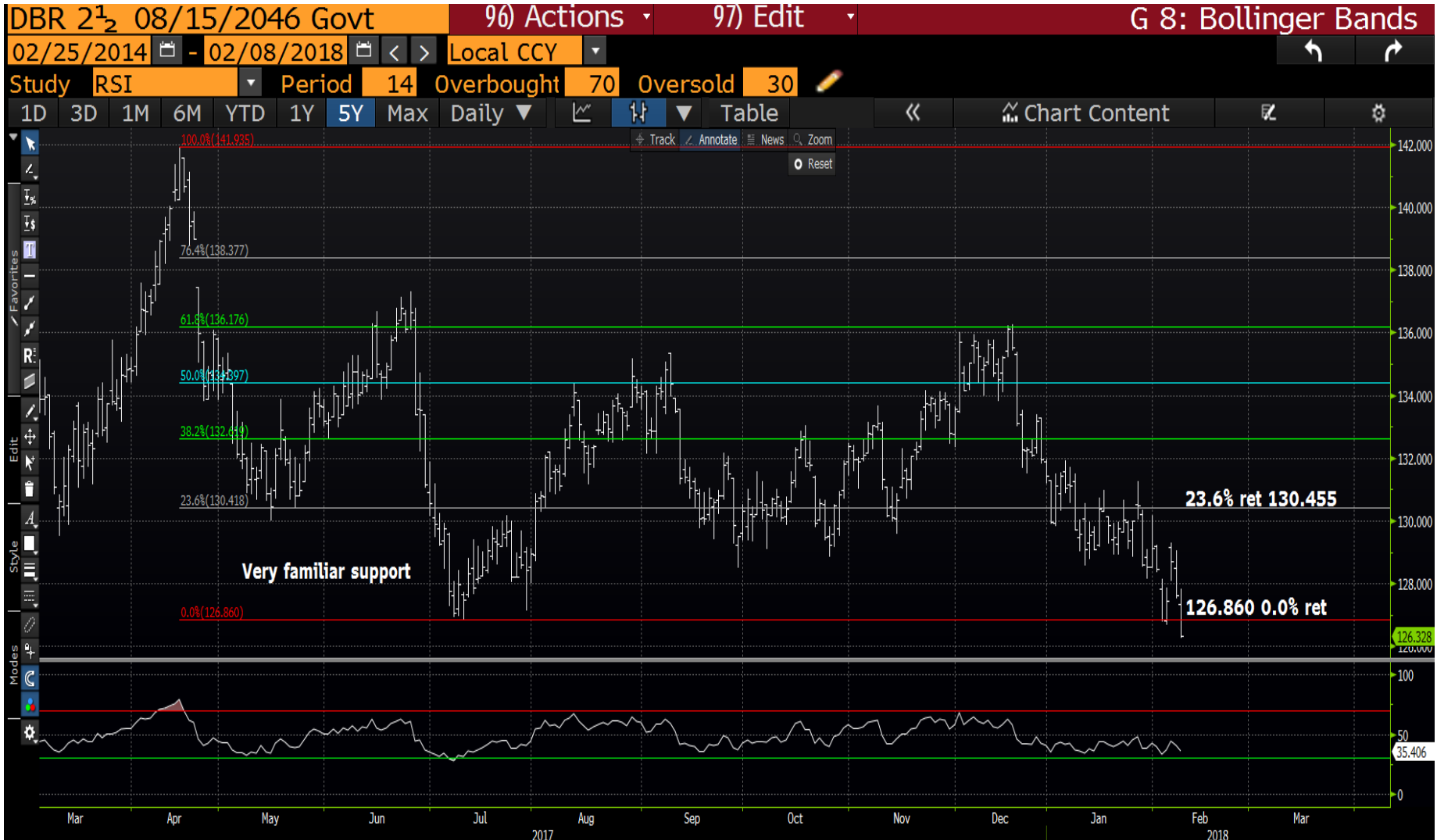
UK 10yr quarterly : A very inconclusive chart and the RSI could not be more neutral.



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



DBR 46 daily : A messy bond of late. The RSI isn't at an absolute low so finding a LOW seems to be proving difficult.



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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? BUT we are struggling to bounce.



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



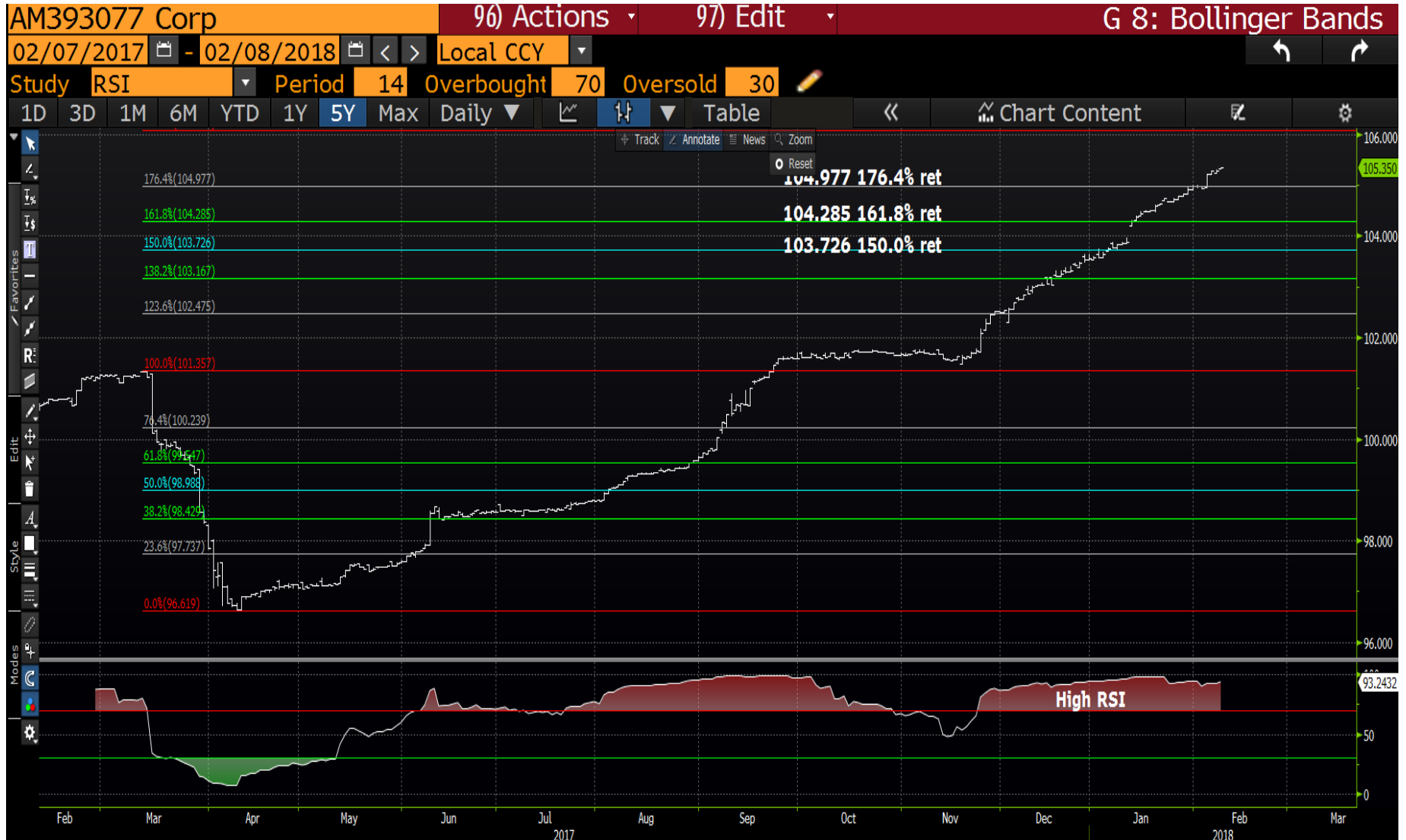
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Portugal 27's : As mentioned to me this is the “gift that keeps giving”. It feels like this is a KEY test level as may create a head and shoulders if the 23.6% ret 118.671 is breached.



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

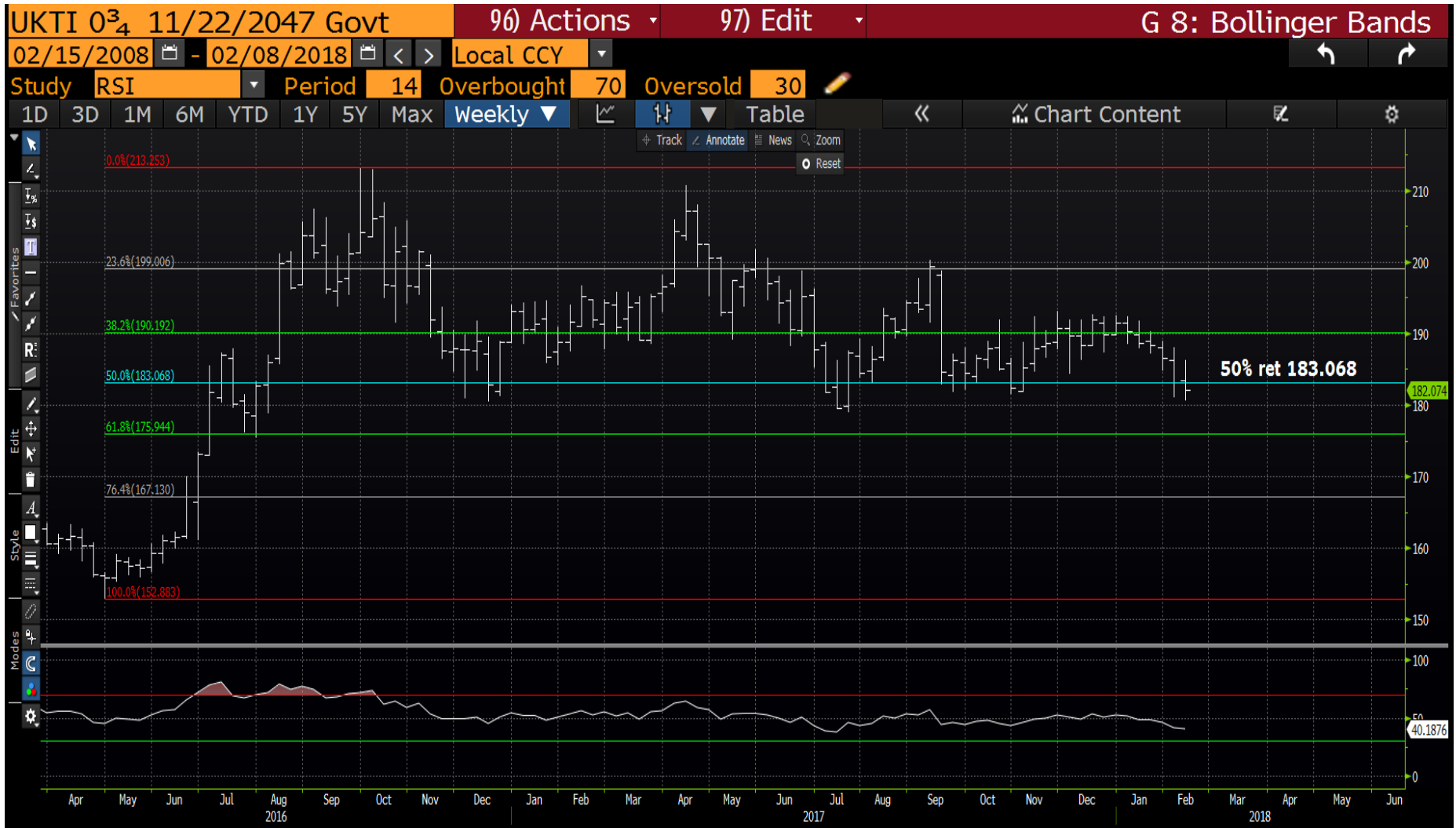


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UK 10yr breakevens daily : A VERY sideways formation, with little to add!



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.



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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