

**BONDS UPDATE : European bond yields falling and US yet to follow.**

**For me the yield drop is a bigger association with a FAILING stock market.**

- 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) Looking at the previous Equity piece, European stocks look a LONGTERM failure thus I firmly believe this mean BONDS rally.**
- 3) Germany 26's bonds have based well.**
- 4) UK yields have a LOFTY RSI and UKTI POISED to bounce. UK 10yr all eyes on a breach of 1.489 (10yr Gilts).**
- 5) US 10 Breakevens have a LOFTY WEEKLY and DAILY RSI.**
- 6) 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.**

**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.



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US 30yr Monthly : We have a firm rejection at the 61.8% ret 3.2499 and a minor pierce is developing. We now need to breach the 50%ret 3.0281 to see additional FAILURE.



US 30yr weekly : This is the 3<sup>rd</sup> time we have failed at the 0.0% ret 3.2131 and the RSI is in a similar place to see yields stall.



US 30yr daily : The RSI is VERY pronounced and we are now testing the 76.4% ret 3.0762 a close below this will assist further declines.



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



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US 10yr monthly : The RSI is very significant but sadly no levels hit yet. Yields could fail here  
 OR alternatively at 3.0516 or definitely on a break below 2.6437 76.4% ret.





US 10yr weekly : The latest RSI overstretch and the bollinger formation is nicely bearish.  
 IF this RSI is right look at the dimension of the move from Jan 2014.



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.



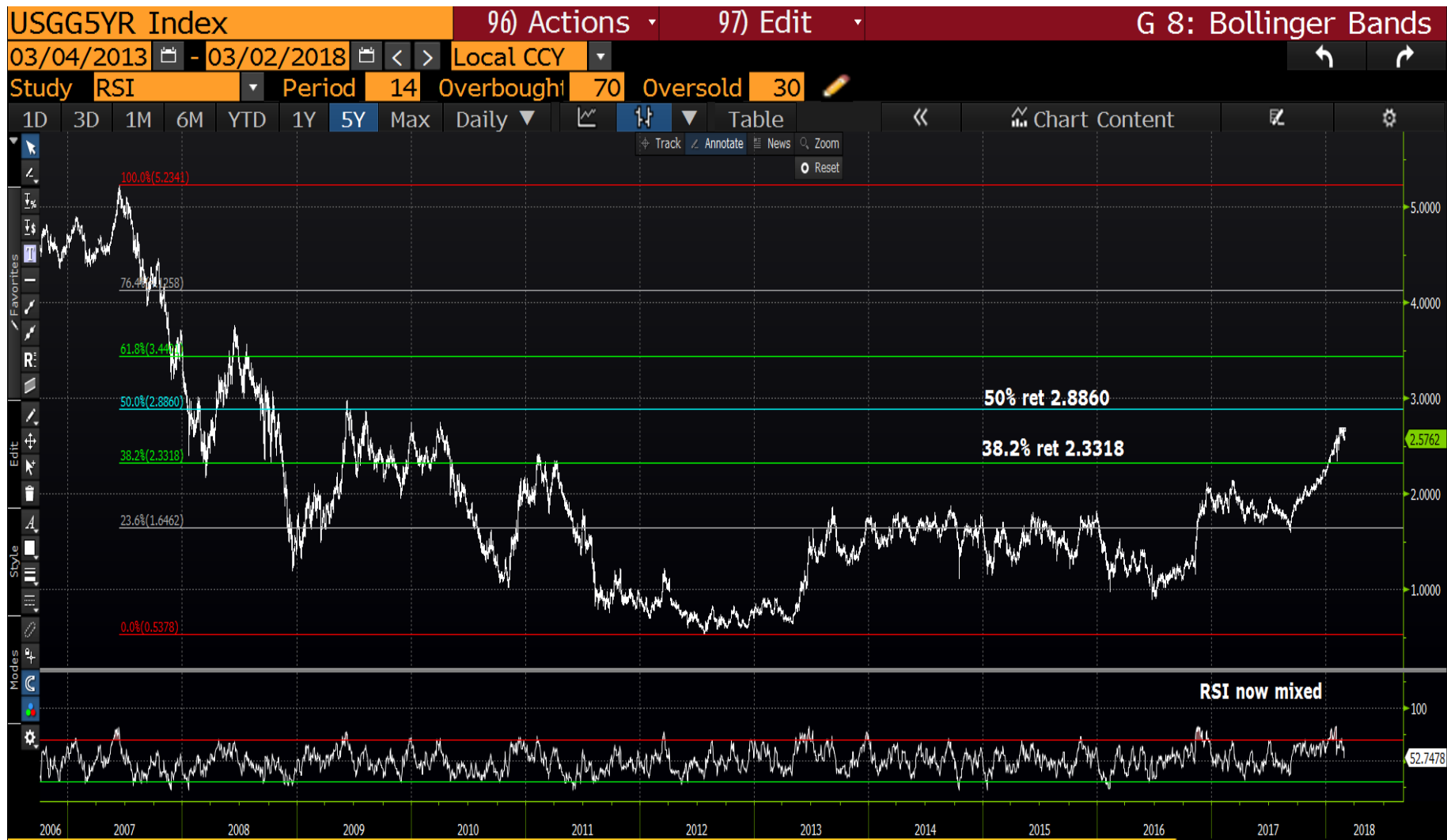
US 5yr monthly : This compliments the previous chart with an RSI dislocation rarely seen.  
We are failing shy of the channel which is a frustration, but failing it is.



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. We do seem to be rolling over.



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 have stalled again at the previous high, all that remains is to breach the 38.2% ret 2.6100.



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## 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.
- **\*\* Do not get put off by the last months failure \*\***
- 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 : Despite the near perfect failure at the multi year 61.8% ret 49.286  
 I would still look for the curve to steepen ESPECIALLY if the or ANY 61.8% retracements  
 are breached.



US 2-10 curve monthly : A VERY negative close on last months BAR but I still think the low RSI will override that and see us steepen THROUGH the 61.8% ret 77.675.



US 2-30 monthly : Last months extended bar and close may have put off having a steeper but the RSI says it all! ADD on any break of the 61.8% ret 105.137.



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 : A base seems to be forming against the LOW RSI. Certainly the stop is cheap sub last months low.



US 10-30 monthly : The LOWEST RSI EVER but we are struggling to gain any steepening traction, any move above the 61.8% ret will be a significant statement.



UK 10yr quarterly : We are teasing the 1.4800 trendline, sub it has triggered some stops already AND set a new trend.



UK 10yr weekly : The RSI LOFTY 2013 – 2014 levels and we have breached the 38.2% ret 1.489, should be the start of a new trend lower for yields.



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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 POSITIVE.



DBR 25 weekly : A nice BASE has now formed! This bond does seem to be VERY TECHNICAL as we have stopped at various retracements.



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



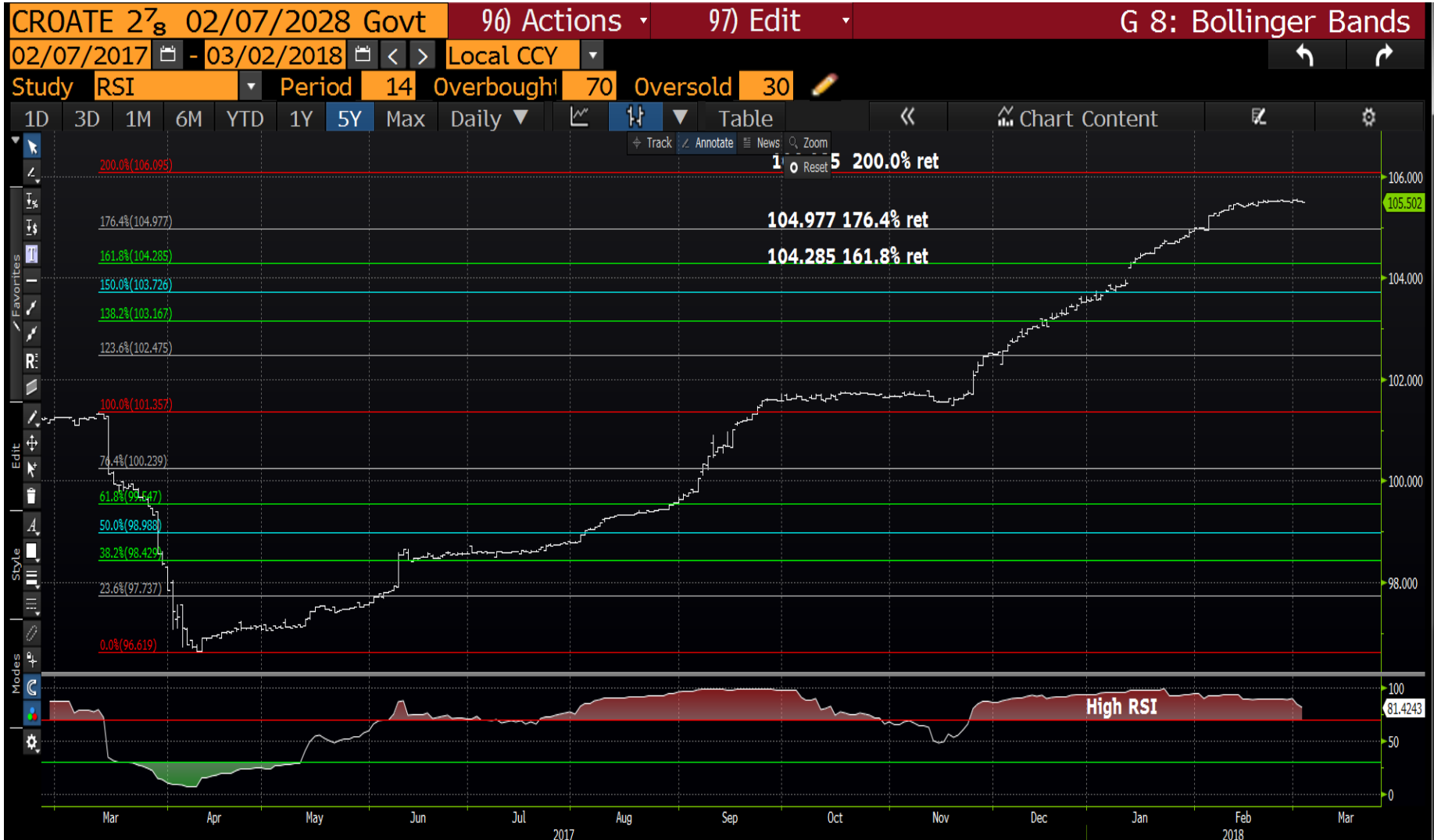
Italian generic 10yr daily : A very neutral RSI BUT rejection of the 23.6% ret 2.054. Yields to head LOWER.



Portugal 27's : A VERY sideways market and RSI, BUT positive AS ALWAYS.



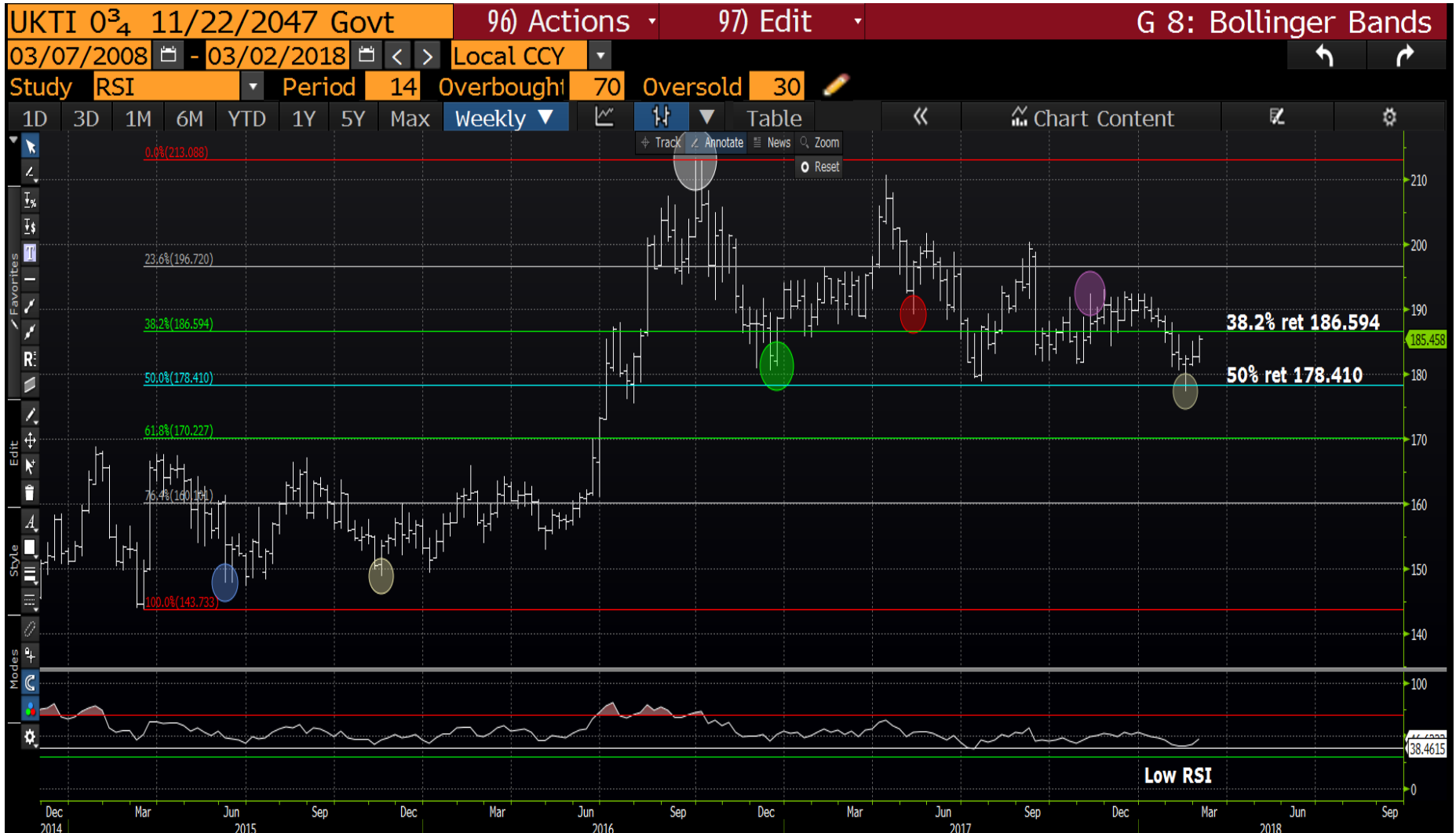
Croatia 28' daily : The RSI is high but has been for some time in this “trending” scenario.



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



UKTI 47's weekly : This is doing well post the downside pierce-50% ret 178.10 hit.  
 \*\* 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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