

BONDS UPDATE :

KEEP an eye on GERMANY this week : Providing it can maintain steady gains then this should lead to a more major BOND BOUNCE. We have NEW years highs on schatz! Should we achieve additional highs across the rest of the curve then this will KICK START many of the WEEKLY and MONTHLY RSI dislocations.

The next BIG TRADE is US STEEPENERS : As mentioned before many RSI's are WAY over sold and the recent POP to the 61.8% rets served to recognise the BIG BREAK level. If we close above any of the 61.8% rets this should TRIGGER a sustained long-term steepening.

- 1) Yields are close to breaching levels where we will see a MAJOR DROP**
 - 2) (US 5yr and UK 10yr). ALL durations are stretched, quarterly, monthly, weekly and daily... this is RARE!**
 - 3) 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 based well as do the FUTURES post yesterdays intraday REVERSAL.**
 - 4) UK yields have a LOFTY RSI and UKTI POISED to bounce. UK 10yr all eyes on a continued 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.**
- ** US curves will be a BIG trade once the 61.8% retracements are breached. ****

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



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



US 30yr weekly : This is the 3rd time we have failed at the 0.0% ret 3.2131 and the RSI is in a similar place to see yields stall. The bollingers are coiling nicely so a BREAK OUT is looming, aided by the over bought RSI.



US 30yr daily : The RSI is more neutral now so IDEALLY we close near or BELOW the 3.0762
76.4% ret.



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



US 10yr monthly : The RSI remains very stretched so its inevitable we reverse and see yields drop. I would definitely fade a pop to 3.05 and ADD to any bond longs sub 2.643.



US 10yr weekly : A pretty obvious RSI dislocation and the LATEST bollinger compression highlights AN EXPLOSIVE situation. A close SUB 2.800. WE ARE COILING FOR A MAJOR RELOACTION.



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US 10yr daily : This daily chart is in desperate need of direction.



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 2.8060 which is a frustration, but failing it is.
 Again SHOULD we hit the channel FADE it, or go with a weak CLOSE.



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 : We have stalled again at the previous high, all that remains is to breach the 38.2% ret 2.6100. It is a shame we didn't close last week sub the 38.2% ret. Another daily chart needing direction.



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 this 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.



Bund daily : The reason for this chart is to highlight the recent opposing pierces and the LATEST downside ones. Should the pierces remain and we breach 157.80 BUNDS will fly! For me this chart has made the RALLY call ALREADY, just need confirming.



BOBL daily : Another dramatic pierce left post Mr Draghi and any subsequent breach of 130.57 will be MEGA BOND BULLISH.



Schatz daily : Another major pierce and NEW YEAR HIGH. This should lead the CHARGE given CTA's will be forced to buy.



UK 10yr monthly : We are teasing the 1.4470 trend line, sub it has triggered some stops already AND set a new trend.



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



UK 10yr daily : Recent daily ranges have been subdued BUT the UPSIDE pierce of the 6th REMAINS in play, obviously it looks similar to that of Feb 15th!



DBR 46 daily : A superbly technical chart given we held and bounced off the trend channel, a close above 131.25 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. A close above 102.00 will be a VERY BULLISH long-term signal. The RSI has room!



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



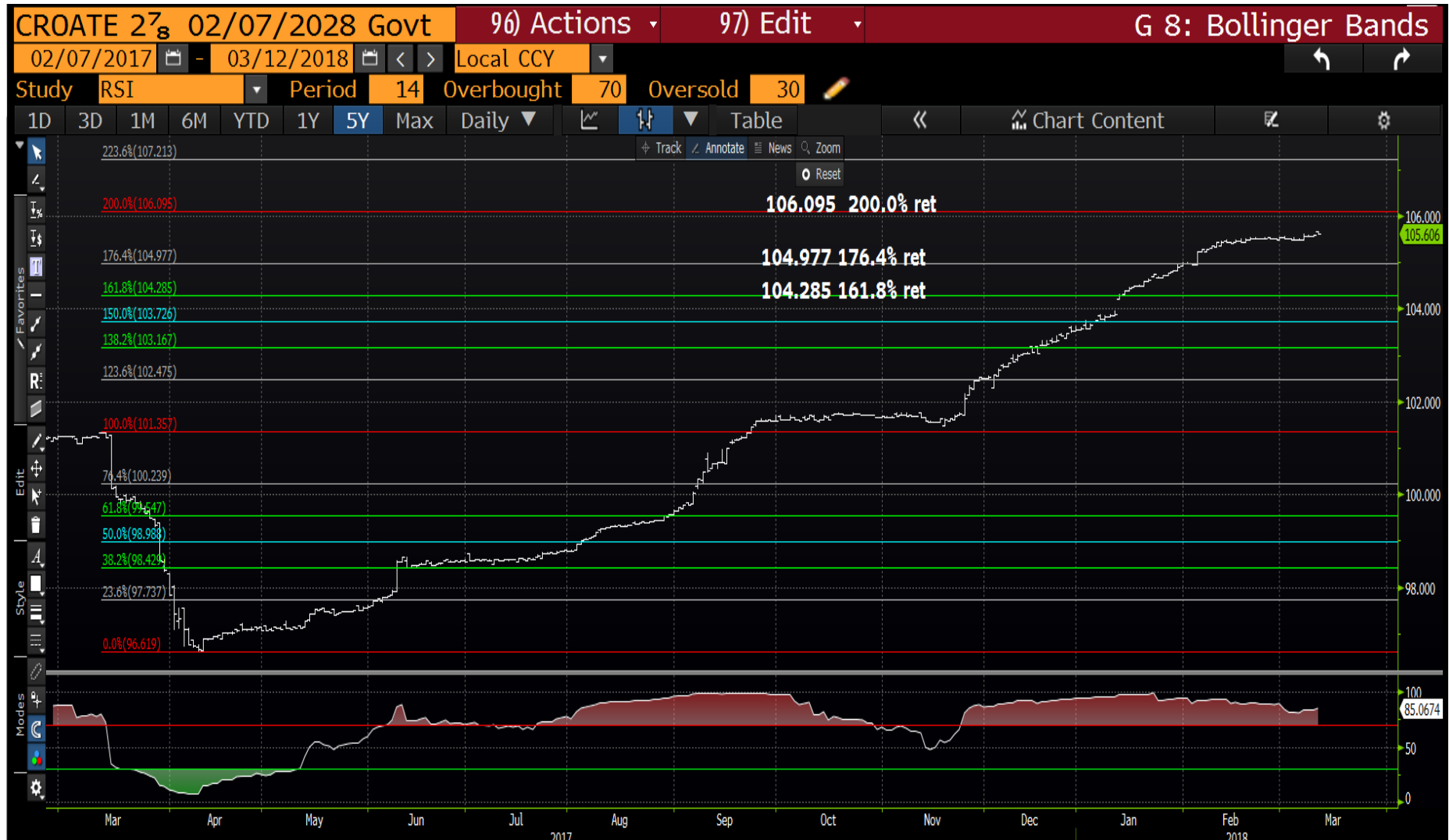
Italian generic 10yr daily : A very neutral RSI and post the election we have reversed fortunes, technically no big trade here.



Portugal 27's : A short-term test as we hit the previous high and the RSI is lofty again, but trend followers won't be letting go in a hurry.



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

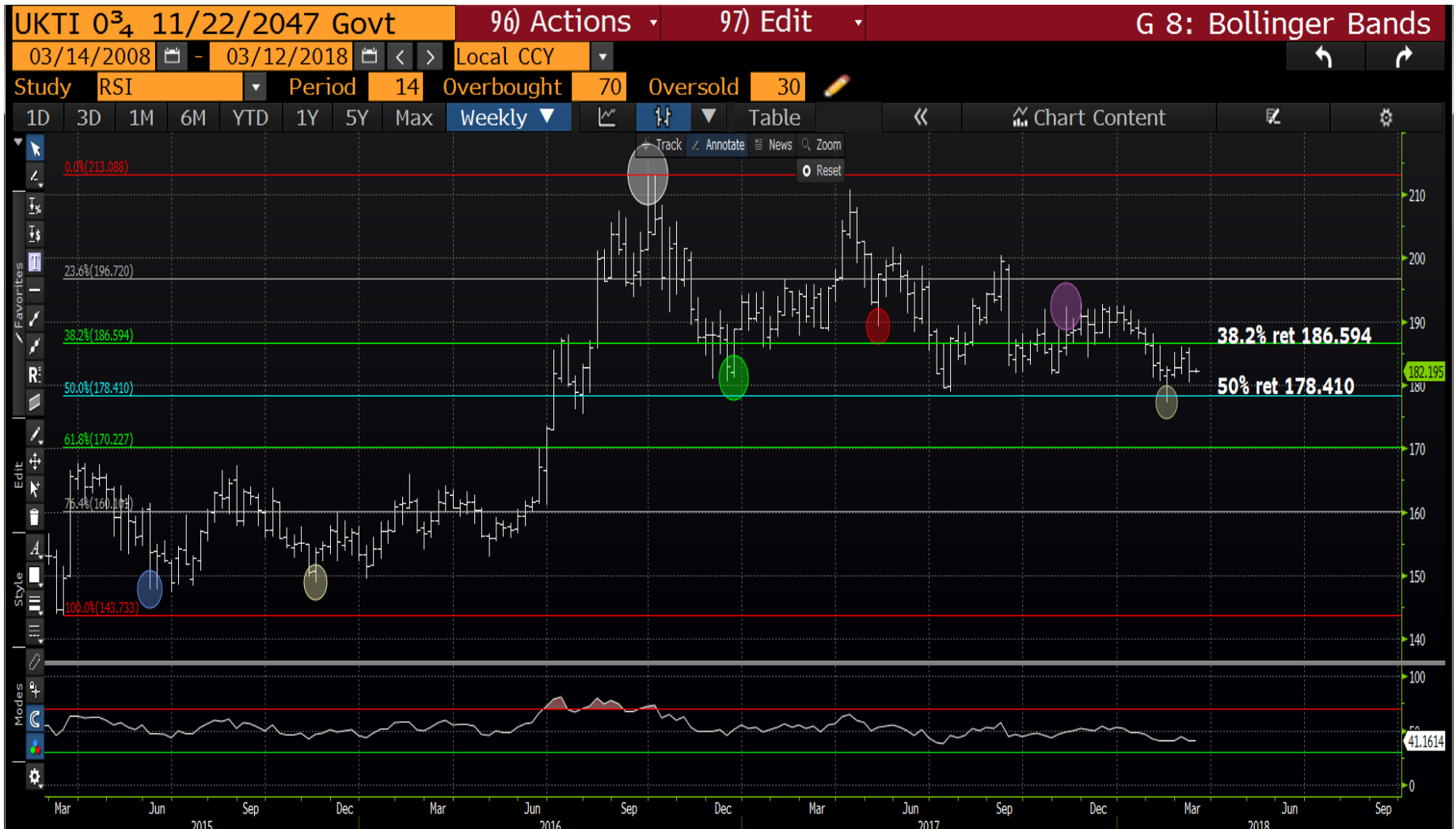


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UK 10yr breakevens daily : A VERY sideways formation, with little to add!



UKTI 47's weekly : This is doing well post the downside pierce-50% ret 178.10 hit.
** A positive chart **. We just need a close above the 38.2% ret 186.594.



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 : We continue to grind higher but the RSI is VERY STRETCHED.



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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