

## BONDS UPDATE :

Germany continues to trade well despite the HIGH daily RSI, CTA's continue to ADD on the trend. The US yields now look to have PEAKED post Mr Powell (see page 11).

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 : For the moment we are above the multi year trend line 2.8727 BUT we have STALLED, we might even witness a FALSE BREAK (See gilts page 22).



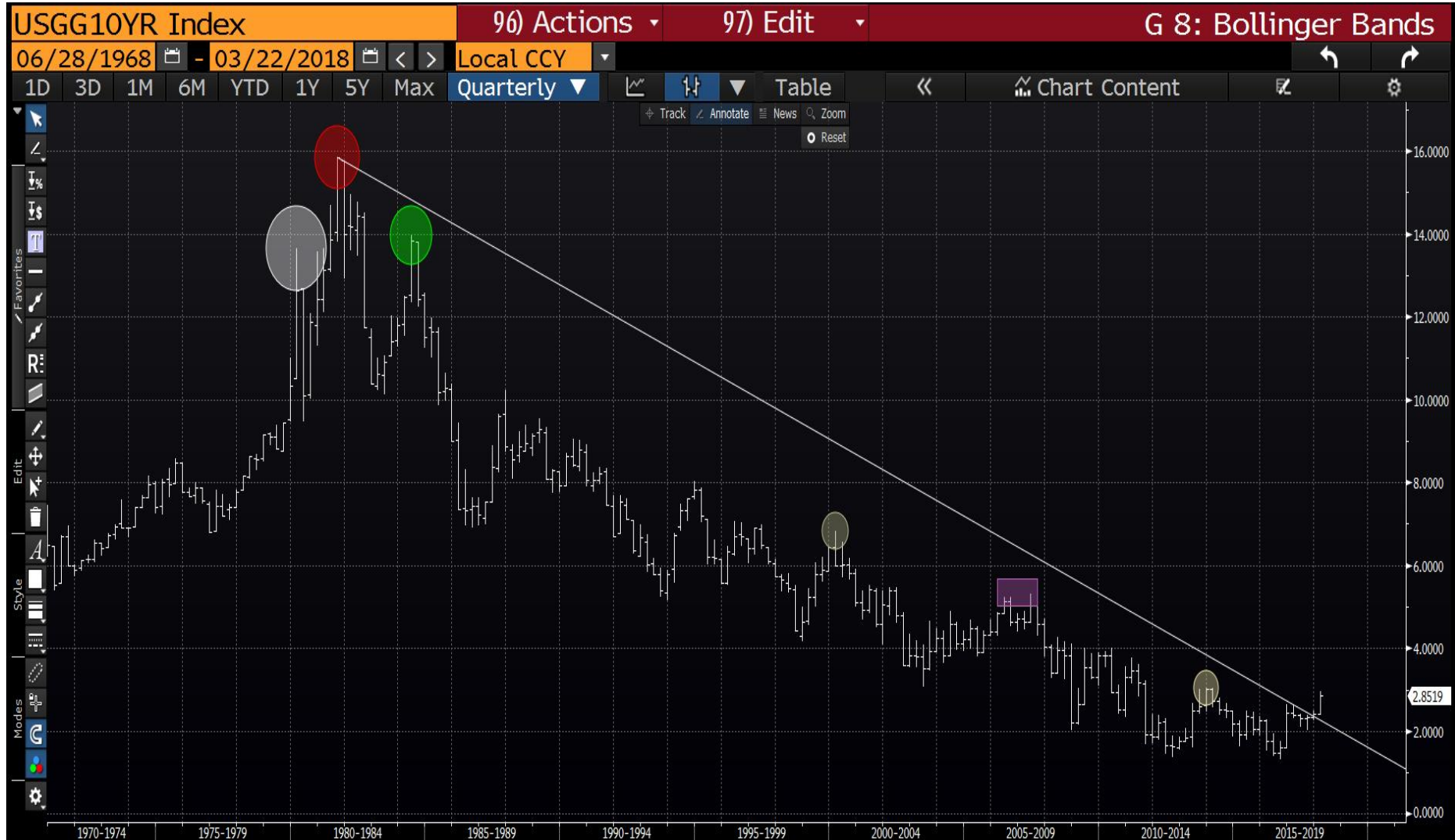
US 30yr Monthly : The upside pierce formulated a nice rejection of the 61.8% ret 3.2499.  
 Closing sub the 50% ret 3.0281 will confirm reversal and a MAJOR run of stops.



US 30yr weekly : This is a pretty negative formation against the previous high 0.0% ret 3.2131. We need to eradicate the downside pierce from last week.



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



US 10yr monthly : The RSI remains high but the pull back so far hasn't been HUGE, THAT will change with a close sub 2.6437 76.4% ret.



US 10yr weekly : A messy and in conclusion last few weeks BUT the bollingers are COILING!  
The RSI has plenty of room.



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. Yesterdays upside rejection will help.



US 5yr daily : This innocuous pierce could be the start of a major move lower for yields.



## **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 : 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 : There was an air of inevitability when the downside pierces were initiated. The rally has been good aided most days by CTA buying. All eyes on the RSI and 61.8% ret 158.55.



BOBL daily : A similar story of downside pierce aiding recovery. The RSI is lofty again BUT CTA's have charge.



Schatz daily : CTA's have continued to ADD and the RSI has had little IMPACT.



UK 10yr monthly : We continue to TEASE the 1.4470 trend line. Given this is now a false break yields should head lower. Lets see if this is the forerunner to the US 30yr chart.



UK 10yr weekly : The RSI LOFTY 2013 – 2014 levels. Having breached the 38.2% ret 1.489 the trend lower is in play.



DBR 46 daily : A superbly technical chart which has witnessed a sizeable rally, the RSI is lofty so might be wise to reduce some (NOT ALL) risk. Lets see if the RSI can turn momentum.





DBR 25 weekly : This has been a VERY USEFUL weekly chart now that we are above the 50% ret 101.184, next target is the 38.2% ret 102.667.



DBR 25 daily : The RSI has room for a possible stretch to the 38.2% ret 102.668.



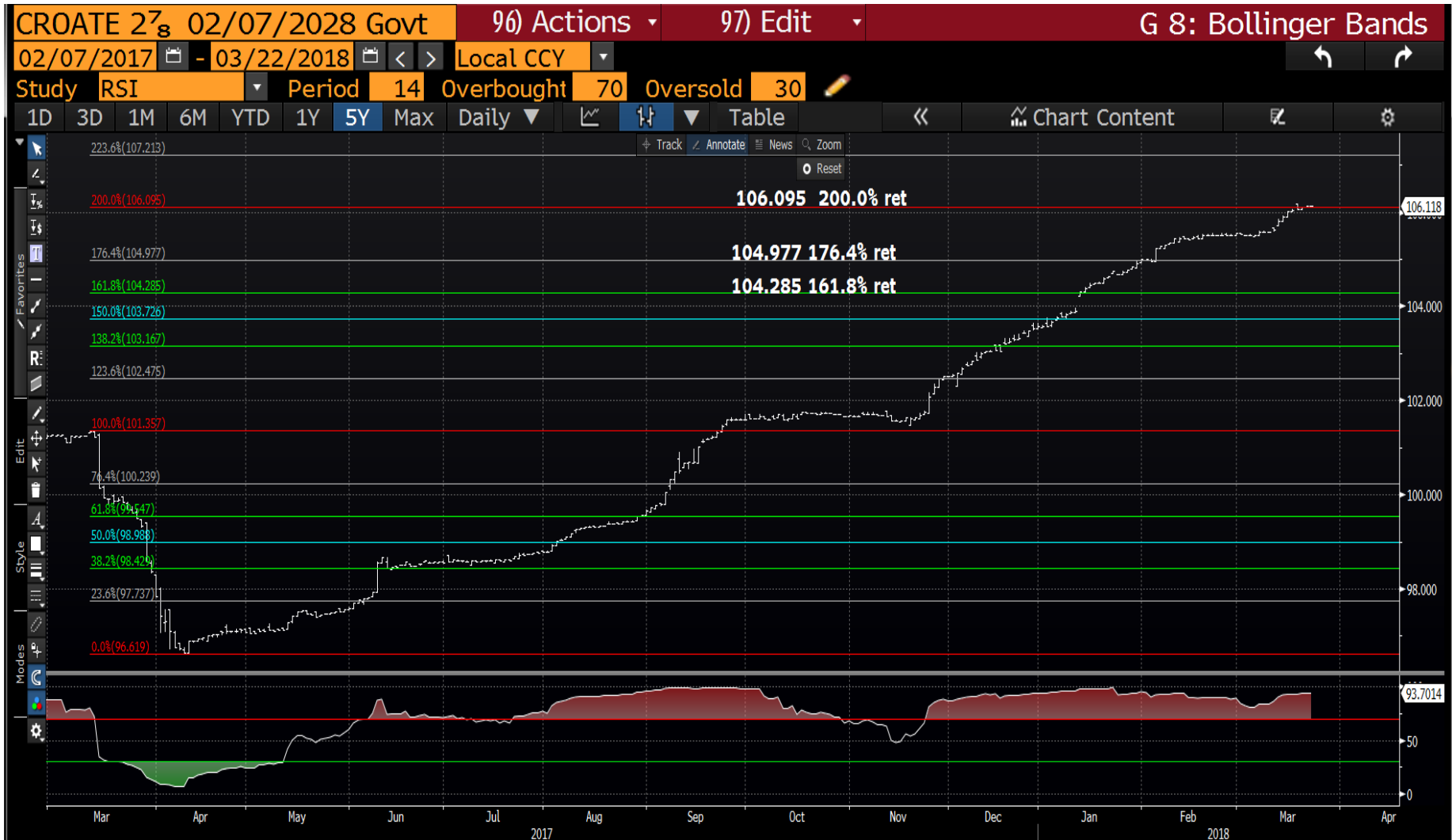
Italian generic 10yr daily : A very neutral RSI and post the election we have reversed fortunes, technically no big trade here. The 38.2% ret 1.862 a key test.



Portugal 27's : The RSI is HIGH again so lets see if it has any bearing on price.



Croatia 28' daily : The RSI is of little use as we hit the previous high 106.095 200% ret.



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



22/03/2018

30

UKTI 47's weekly : This based nicely at the 50% ret 178.10 and looks well on it way to a sizeable recovery.



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.

Astor Ridge takes no proprietary trading risk, has no market making facilities, and has no position in any security we discuss in this e-mail. The views in this e-mail are those of the author(s) and are subject to change, and Astor Ridge has no obligation to update its opinions or the information in this publication. If this e-mail contains recommendations, those recommendations reflect solely and exclusively those of the author, and such opinions were prepared independently of any other interests, including those of Astor Ridge and/or its affiliates.

This publication does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the clients who receive it. The securities discussed herein may not be suitable for all investors. Astor Ridge recommends that investors independently evaluate each issuer, security or instrument discussed herein, and consult any independent advisors they believe necessary.

The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

You should not use or disclose to any other person the contents of this research, nor take copies. This is not a representation or warranty and is not intended nor should it be taken to create any legal relations, contractual or otherwise. This research and any files transmitted with it are confidential, may be legally privileged, and are for the sole use of the intended recipient. Copyright in this research and any accompanying document created by Astor Ridge LLP is owned by Astor Ridge LLP.

Astor Ridge LLP is regulated by the Financial Conduct Authority (FCA): Registration Number 579287

Astor Ridge LLP is Registered in England and Wales with Companies House: Registration Number OC372185

Astor Ridge NA LLP is a member of FINRA/SIPC: CRD Number 282626

Astor Ridge NA LLP is Registered in England and Wales with Companies House: Registration Number OC401796