

BONDS UPDATE :

Sentiment remains positive for German and UK bonds but currently need to work off some of the HIGH daily RSI's. 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. ****

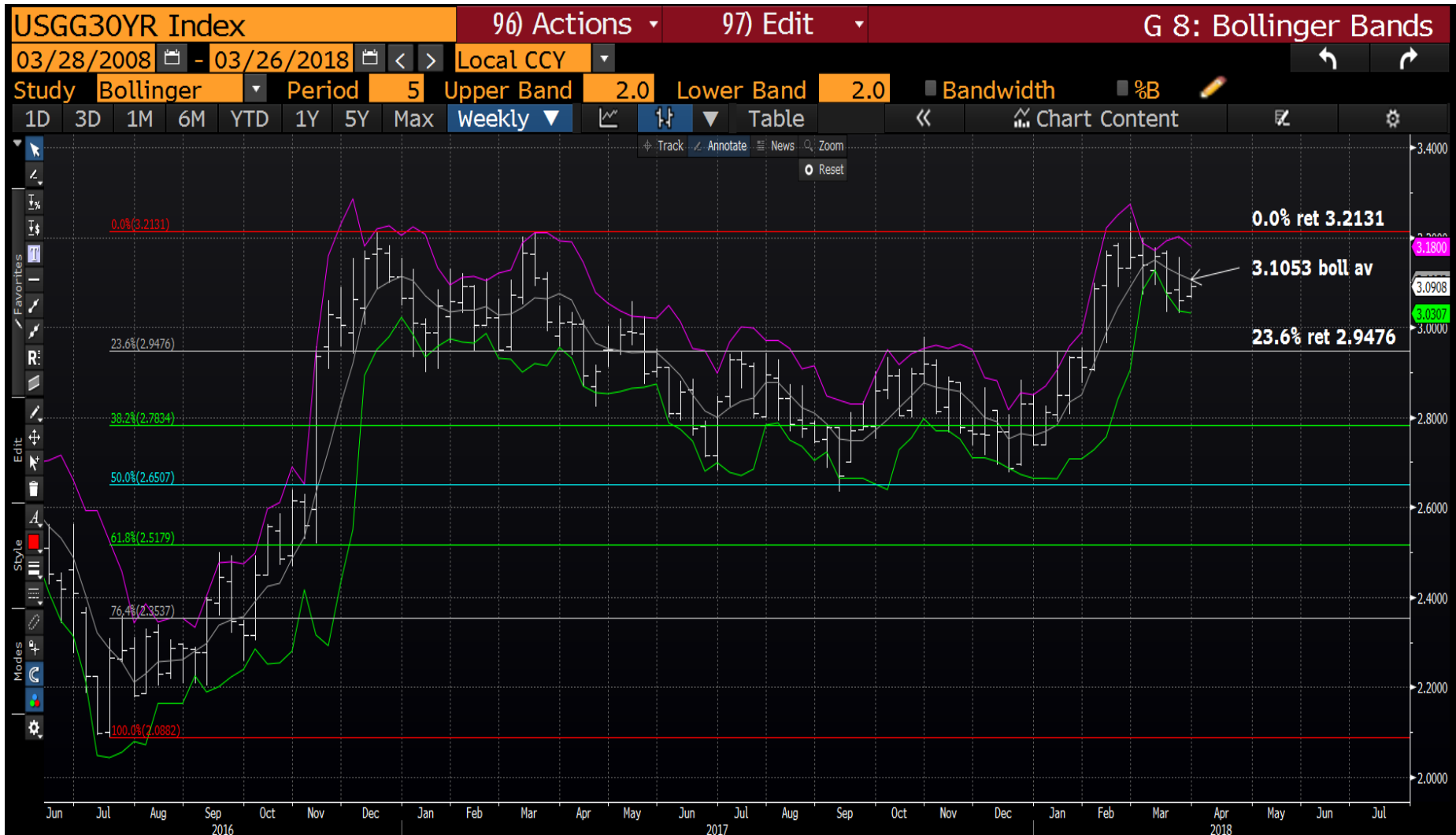
US 30yr quarterly : For the moment we are above the multi year trend line 2.8727 BUT we have STALLED, we might even witness a FALSE BREAK (See gilts page 22).



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.



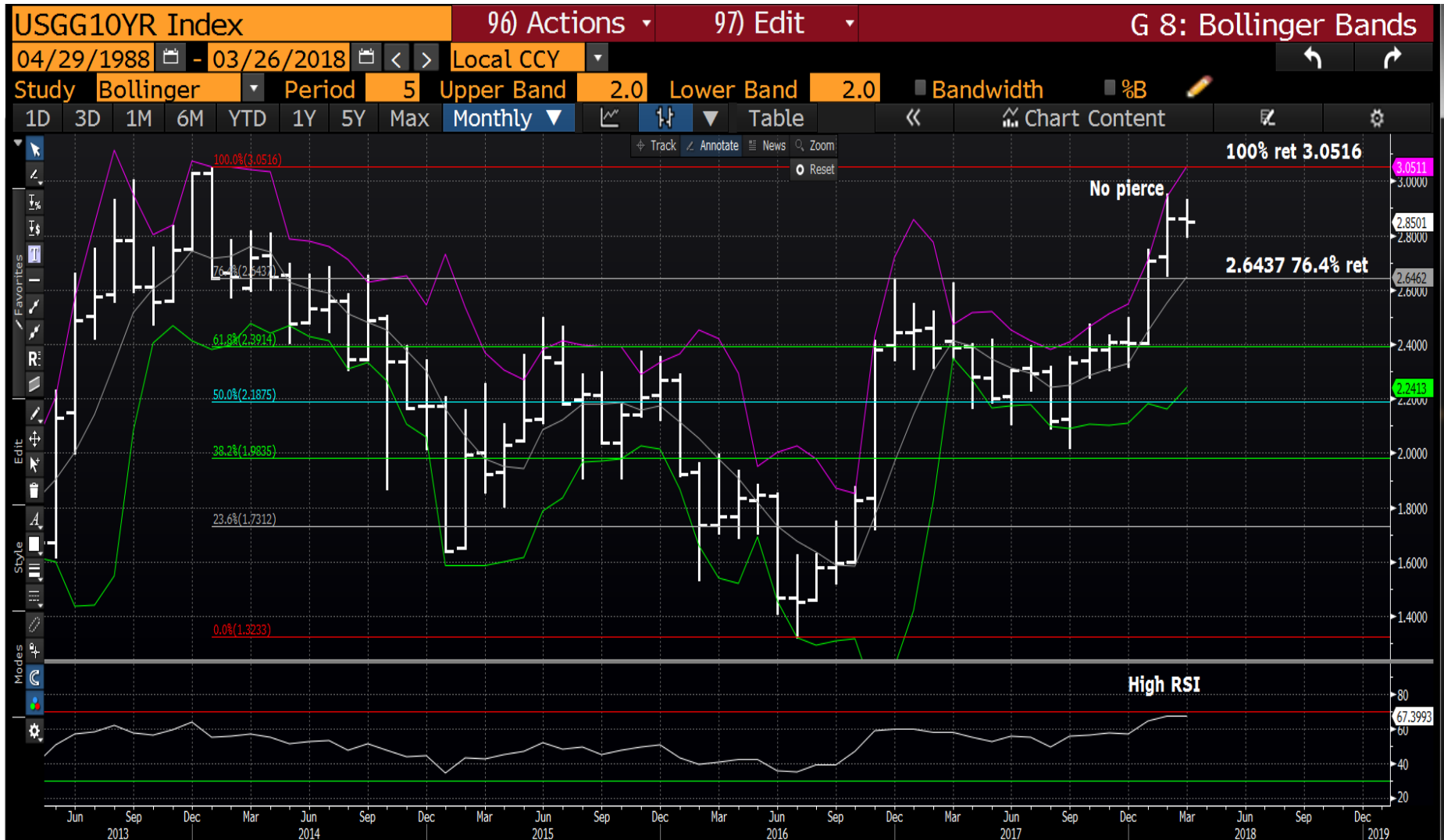
US 30yr weekly : This is a pretty negative formation against the previous high 0.0% ret 3.2131. We need to remain sub the bollinger average 3.1053 and close the week at the lows.



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!
Despite the HIGH RSI and last weeks upside pierce we are struggling to fail.



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. Last weeks upside rejection will help.



US 5yr daily : This innocuous pierce could be the start of a major move lower for yields, a close sub todays bollinger average 2.6462 will help.



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. The lows are holding.



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. The lows continue to hold.



US 2-30 monthly : We do have a new low BUT the RSI is one of the lowest.



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 remaining above the 61.8% ret 158.55.



BOBL daily : A similar story of downside pierce aiding recovery. The RSI is lofty BUT CTA's have charge, so a fresh HIGH will reignite the rally.



Schatz daily : CTA's have continued to ADD and the RSI has had little IMPACT. We have struggled to breach the 111.970 61.8% ret but a new high will draw CTA's back.



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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.



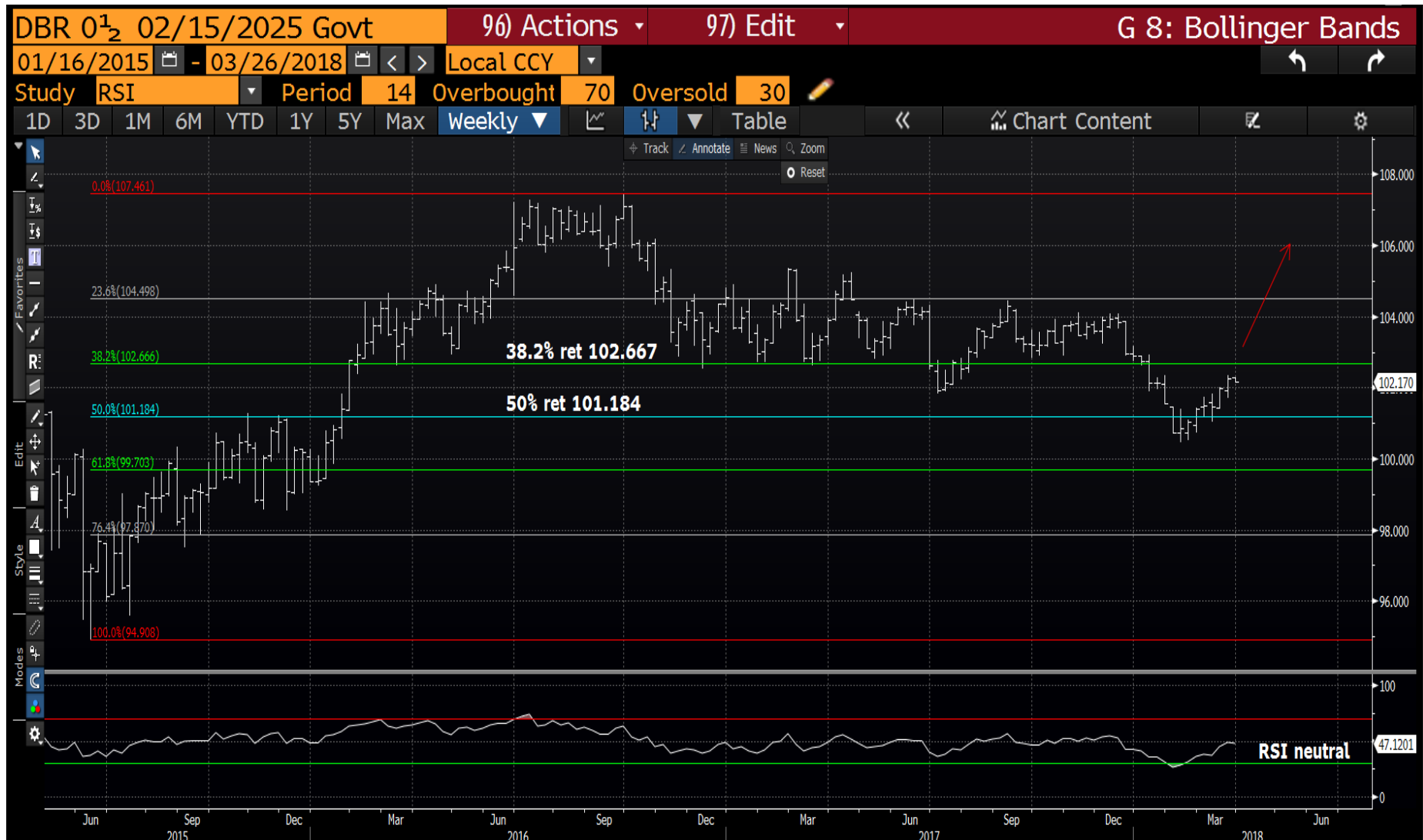
UK 10yr weekly : Having breached the 38.2% ret 1.489 the trend lower is in play.



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, holding above the 38.2% ret 132.16 is positive.



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 is lofty but we may still stretch to the 38.2% ret 102.668.



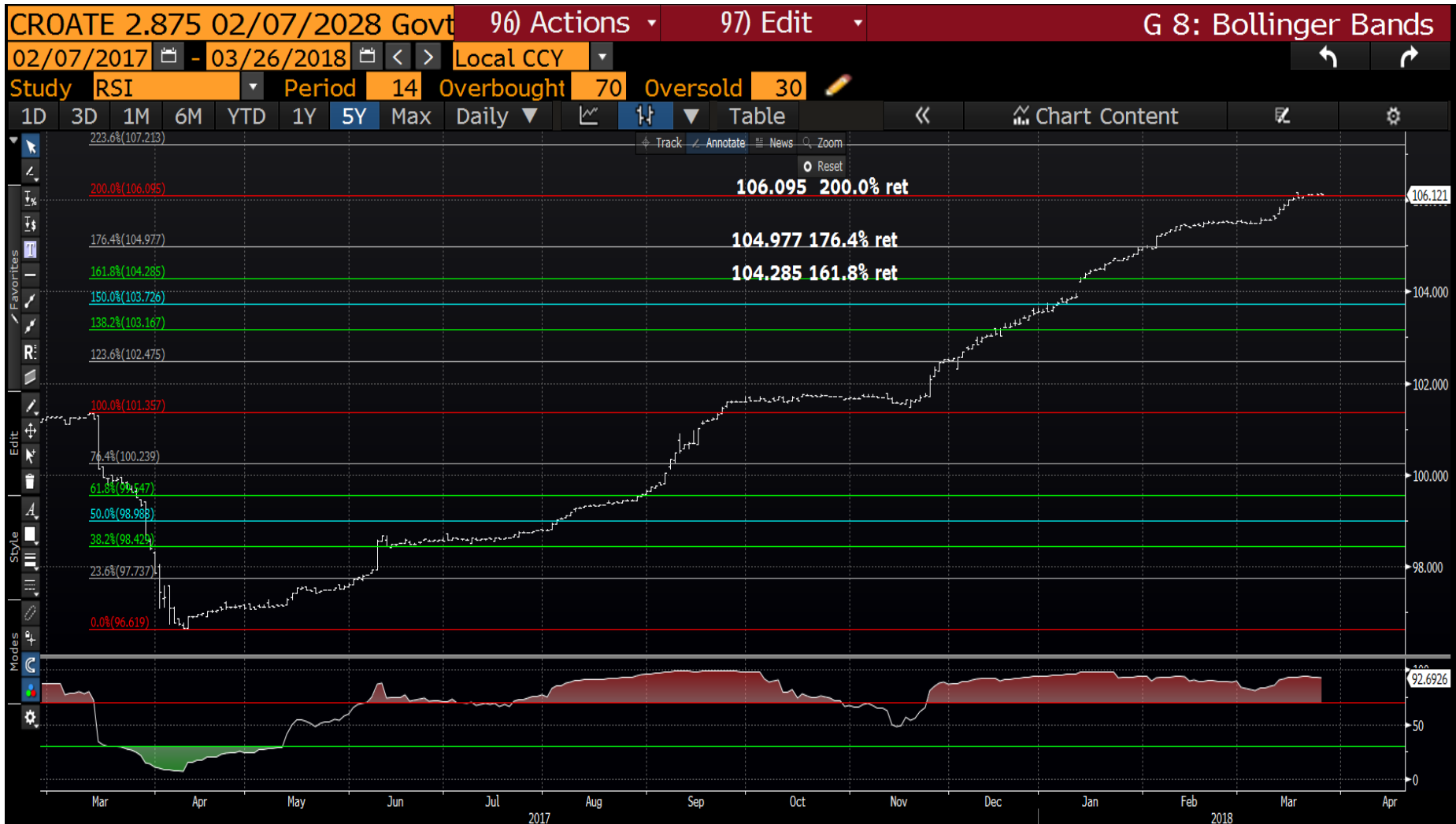
Italian generic 10yr daily : A very mixed RSI BUT we are finding support at the 38.2% ret 1.862.



Portugal 27's : The RSI is HIGH so lets see if it has any bearing on price, sub the 0.0% ret 121.153 may force some profit taking.



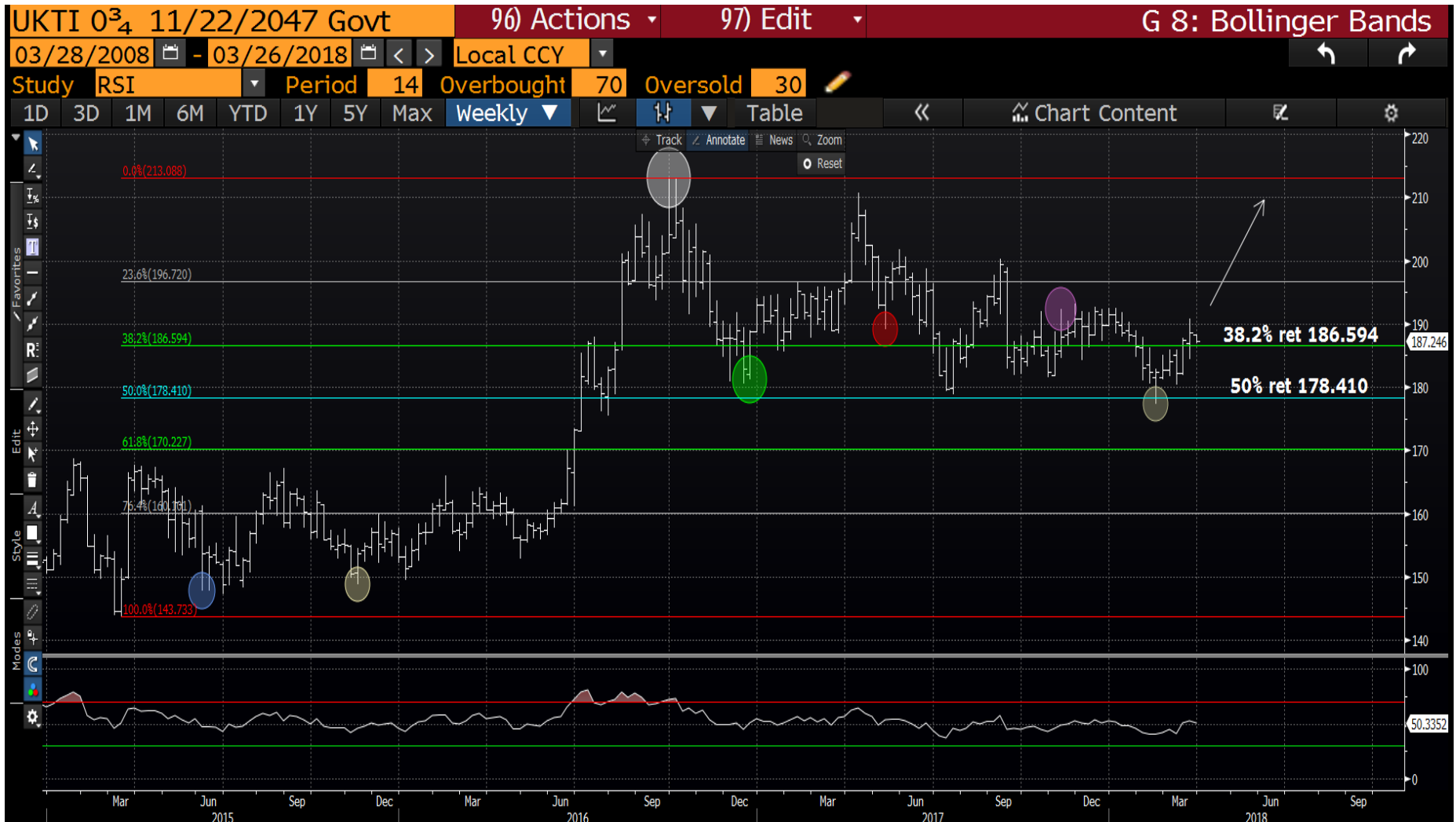
Croatia 28' daily : The RSI is of little use as we hit the previous high 106.095 200% ret.



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



UKTI 47's weekly : We have had a good bounce and so momentum should continue providing we are 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.



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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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