

## **BONDS UPDATE :**

**ALARM BELLS** are ringing. **MANY** long-term yield charts last month left major **UPSIDE BOLLINGER PIERCES**, quarterly's especially. The **US** needs a little **MORE** clarification whilst **GERMANY** seems **ONE WAY** already.

**Germany** and **UK**, although its quiet the quarterly charts are **VERY** terminal, we have two **MASSIVE** reversal rejections. German yields look **ONE WAY** i.e. **LOWER** (see page 26).

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.

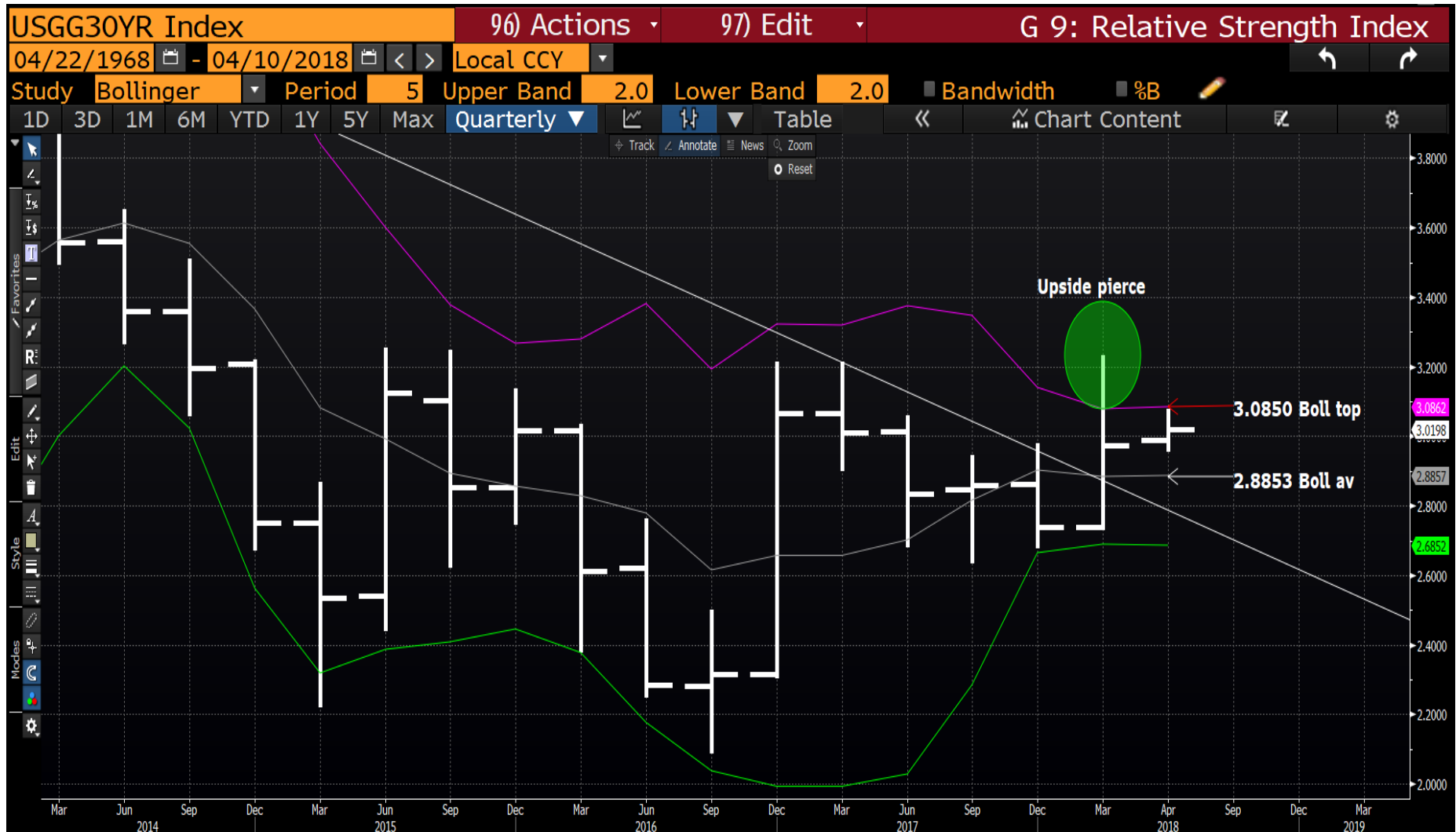
**\*\*\*\*\*Analysing the charts it looks LIKE US 5-30 or 10-30 the ideal steepener in the US.\*\*\*\*\***

US 30yr quarterly : More definition needed here as we have opened up mid range of last quarter.



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US 30yr quarterly : We now have a SOLID UPSIDE pierce and forecast range will be 3.07 – 2.68, ideally closing at the lower end of that. A breach the bollinger average 2.8853 will be a MAJOR step.

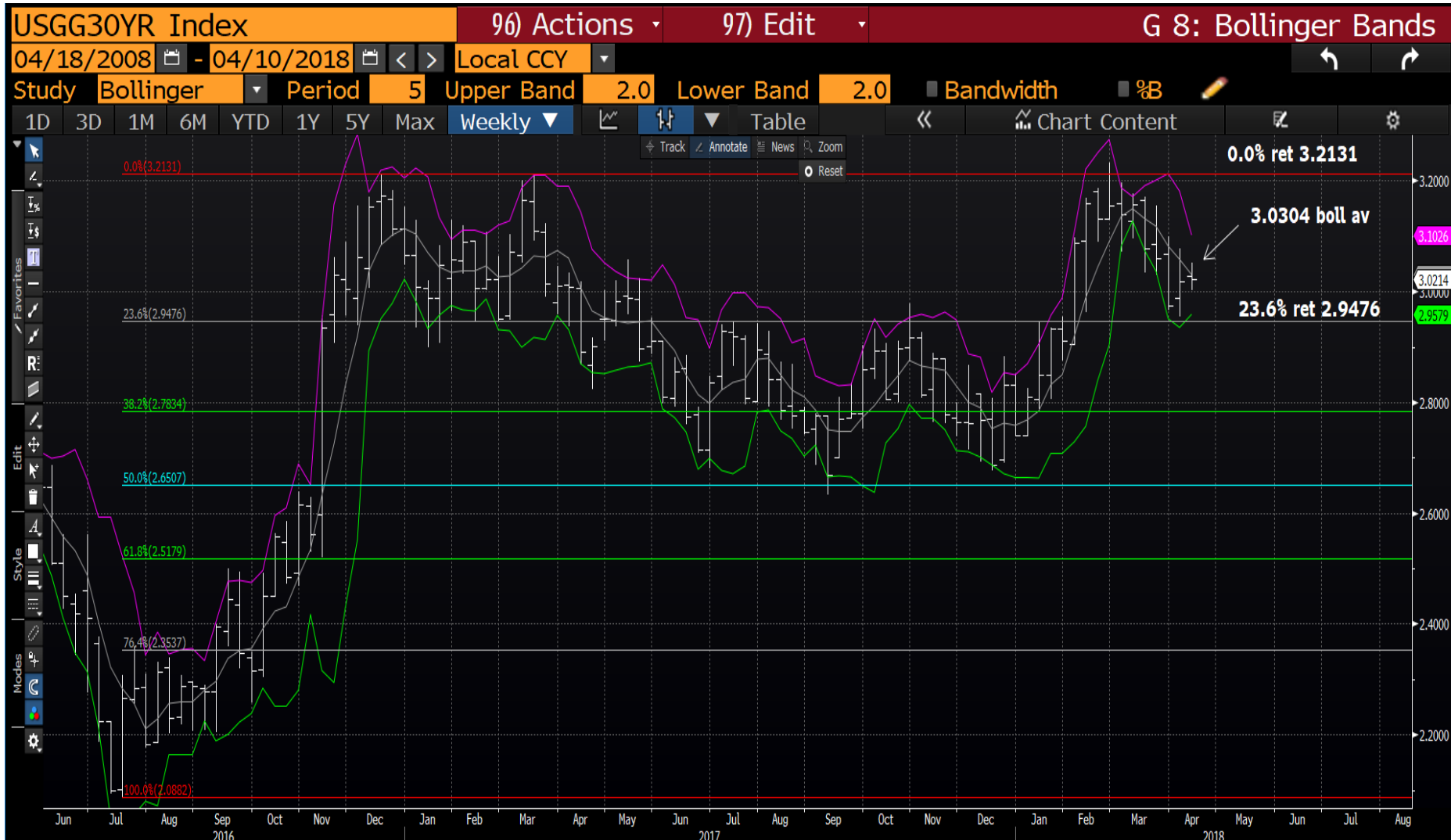


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US 30yr Monthly : Key here is to breach the bollinger average 2.9545 that should trigger stops, whilst the 50% ret 3.0281 is currently offering good resistance.



US 30yr weekly : This is now a VERY NICE formation. We are widening the bollingers and remaining sub the average 3.0304, BIG danger now is a savage DROP.



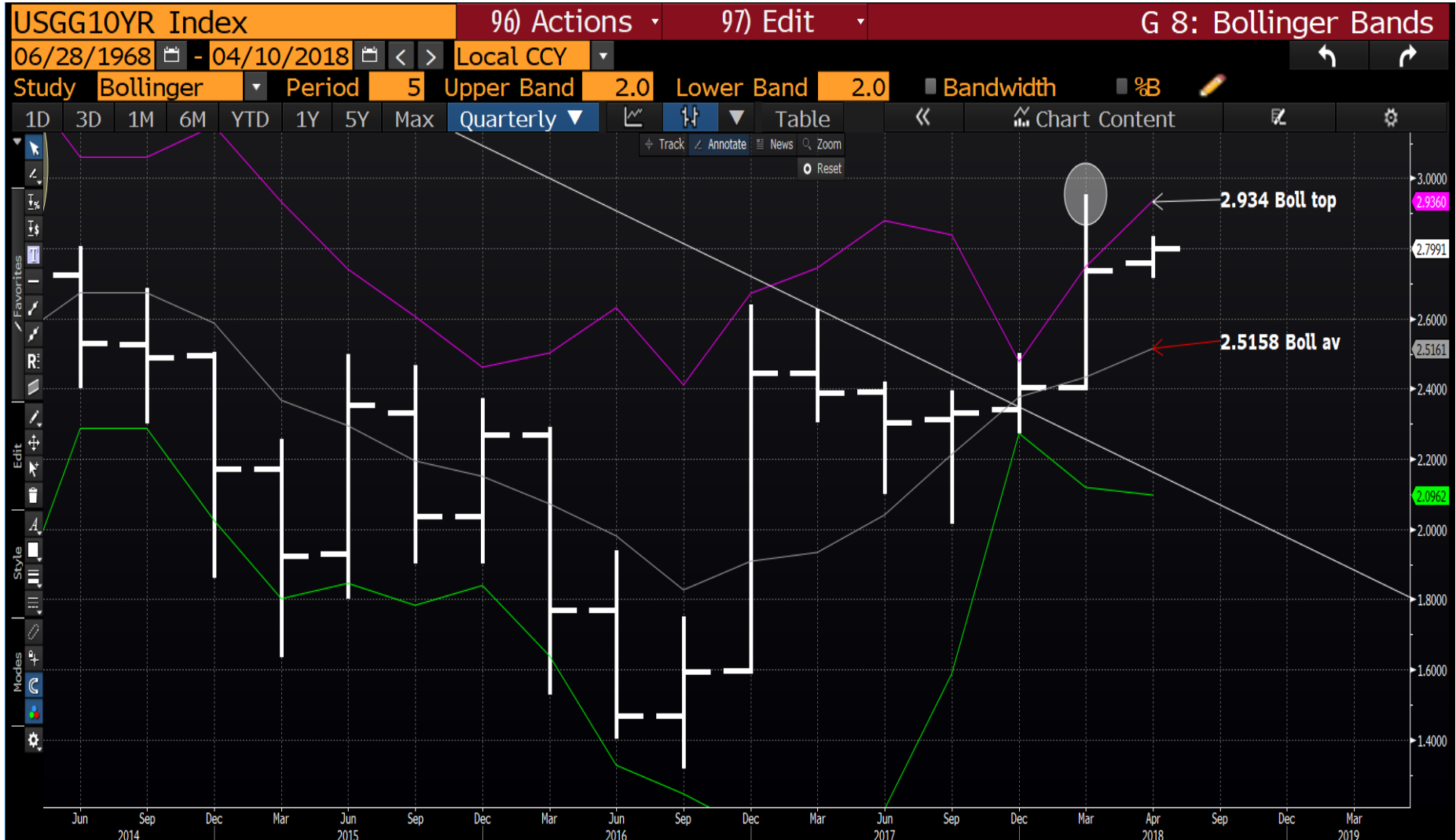
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US 10yr quarterly : Again we are trying to generate a pierce similar to the 30yr. The RSI remains VERY dislocated.



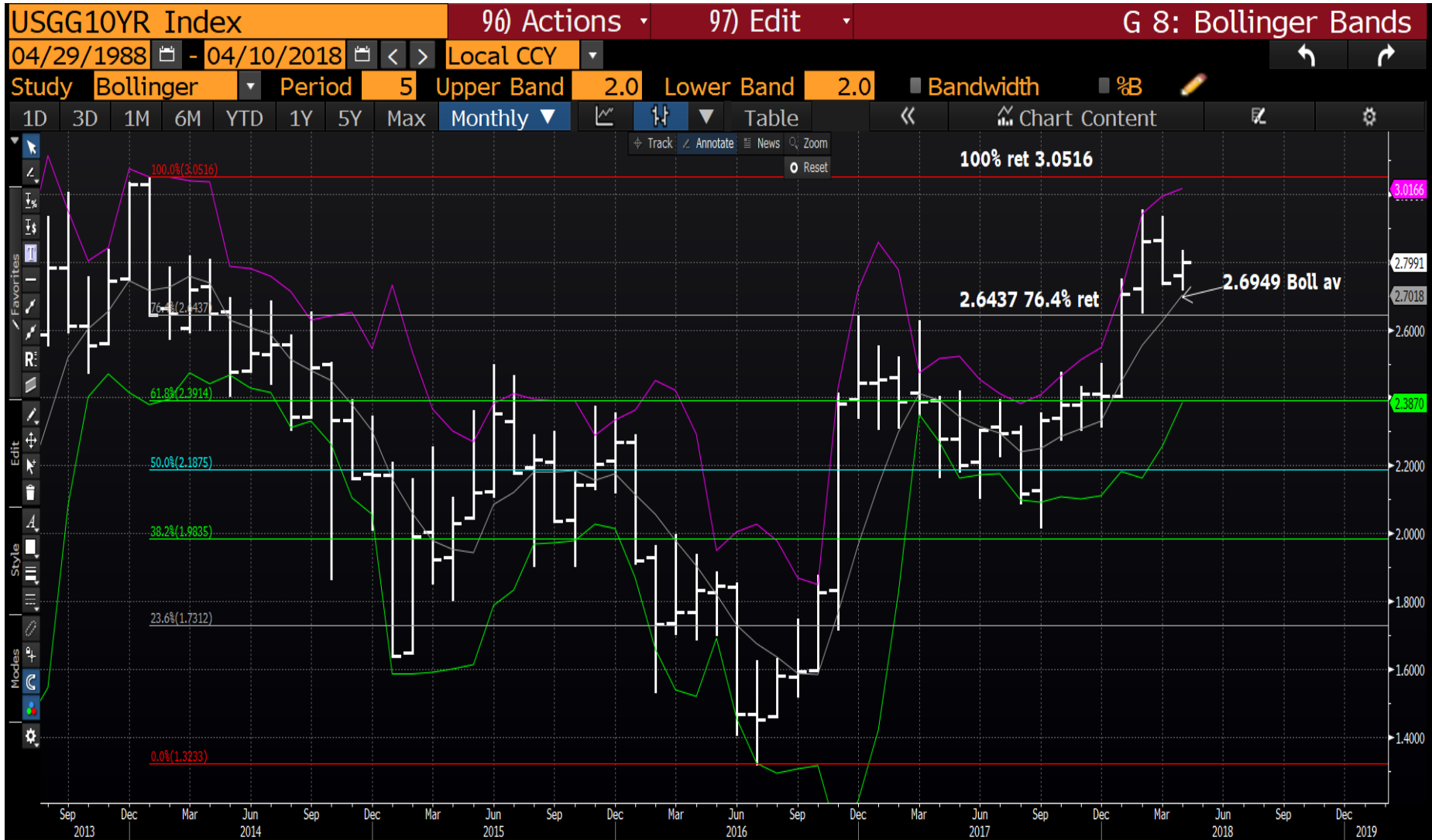
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US 10yr quarterly : Last quarter we generated a nasty PIERCE STATEMENT, we could still test the 2.9109 bollinger top but certainly this is forecasting lower yields overall.



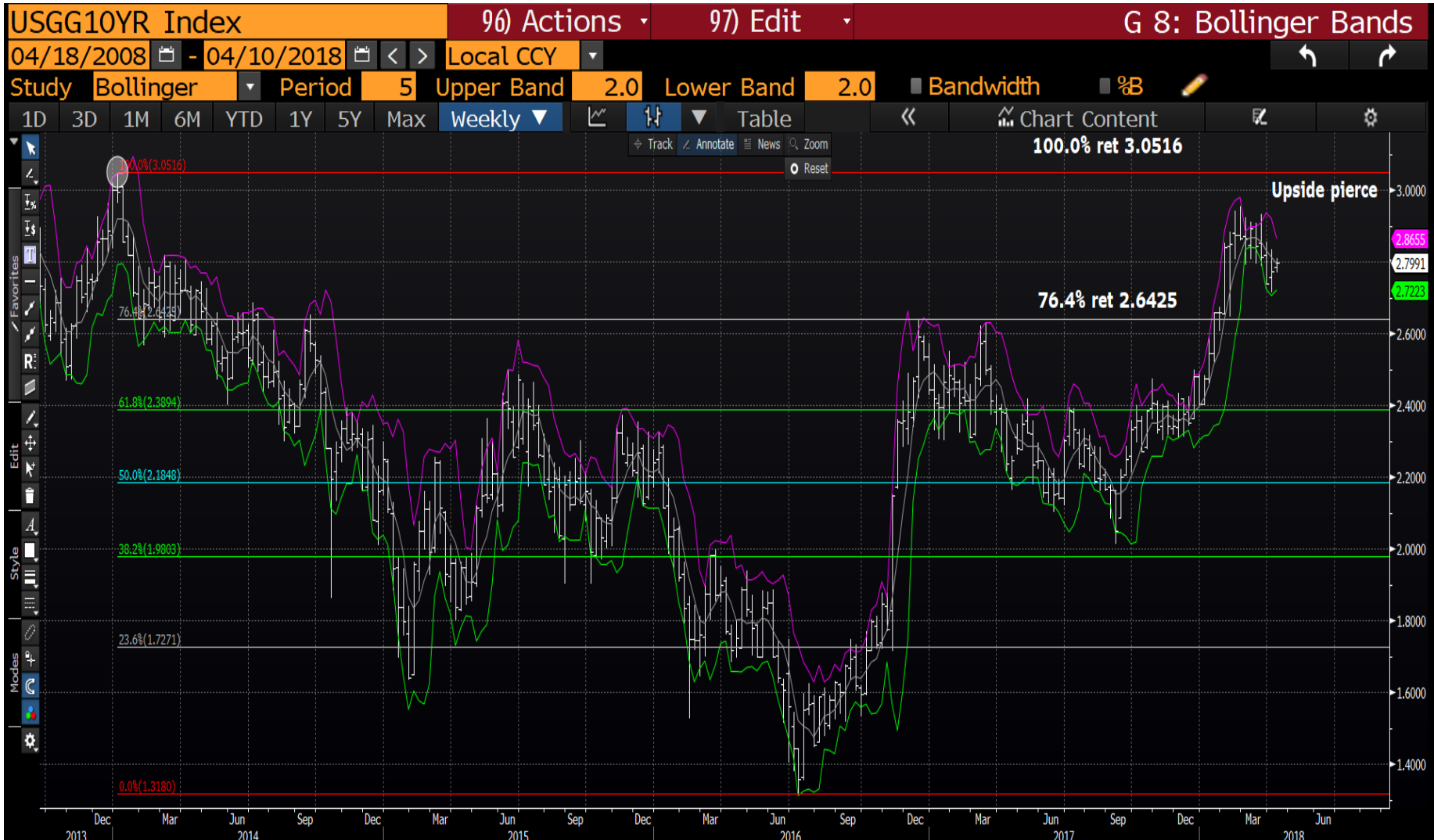


US 10yr monthly : A move below the 2.6949 bollinger average will be a significant statement.





US 10yr weekly : We have a NEW yield low already so the clock is ticking.



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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.

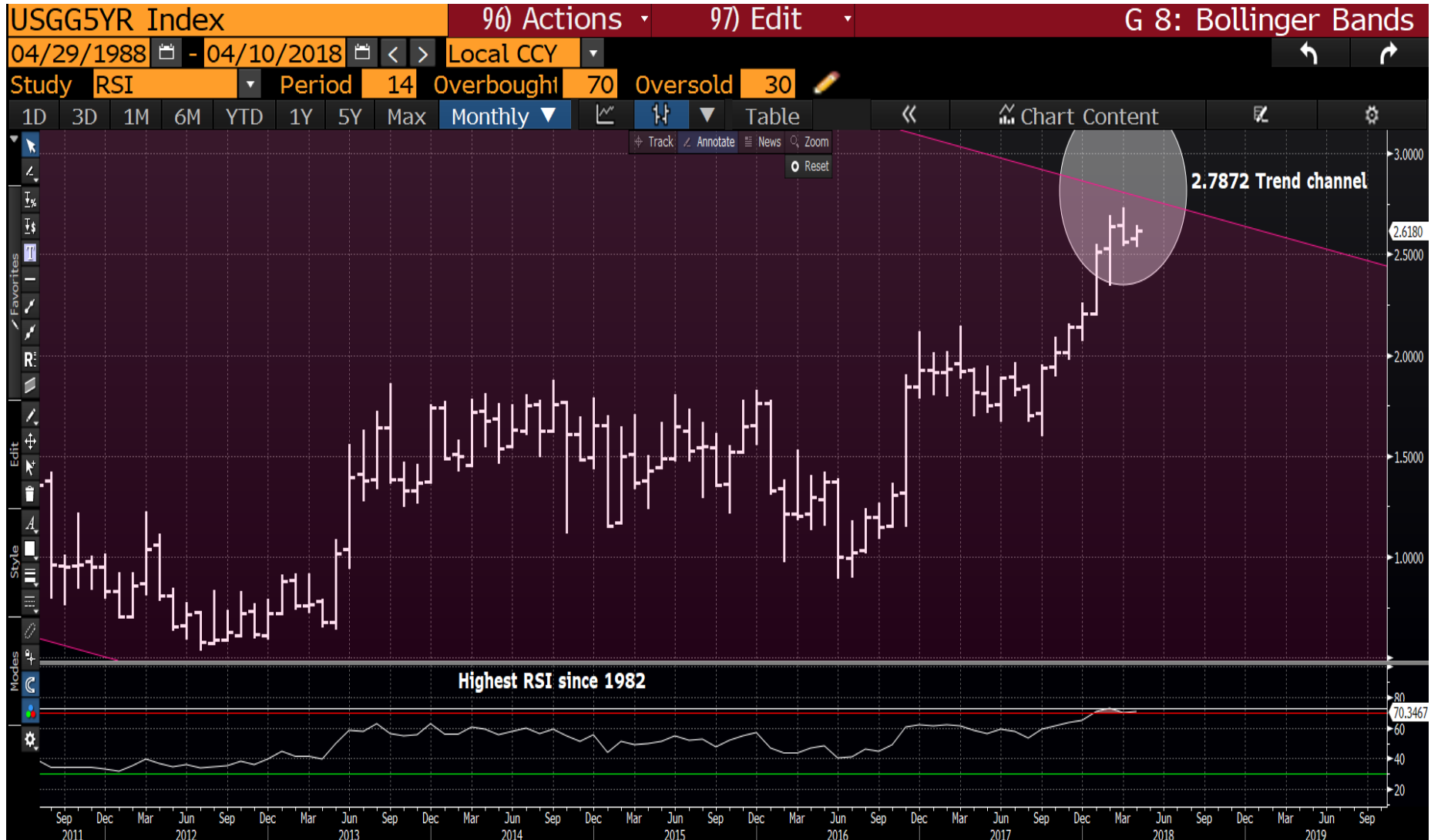


US 5yr monthly : This compliments the previous chart with an RSI dislocation rarely seen.  
We are finally rejecting the channel and NOW the RSI can unwind SOME of the RSI expectation that is built in.



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US 5yr monthly : If we don't roll over immediately then sizeable resistance should kick in at 2.7872. The RSI still remains VERY over extended.



US 5yr weekly : We now have an upside rejection so JUDGING by the RSI we have a good yield drop looming.



## US curves are historically OVERSTRETCHED.

- **\*\*\*\*\*Analysing the charts it looks LIKE US 5-30 or 10-30 the ideal steepener in the US.\*\*\*\*\***
- **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 JUST.

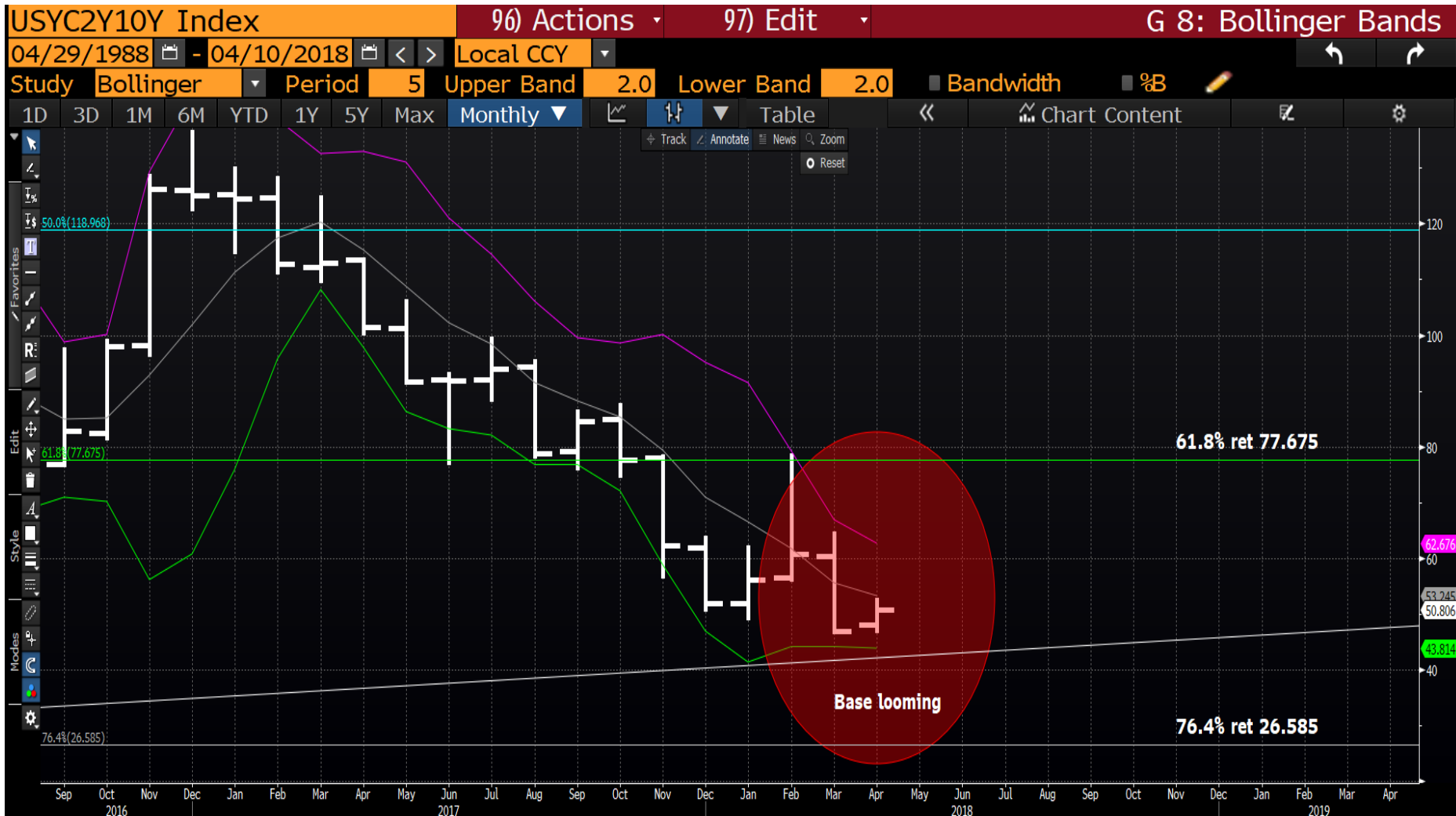




US 2-10 curve monthly : A VERY negative close on last months BAR but I still think the low RSI will override that and see us steepen THROUGH the 61.8% ret 77.675. The lows continue to hold JUST.



US 2-10 curve monthly : The bottom bollinger is trying aid a recovery and HOLD. A move above the average 53.245 will help.

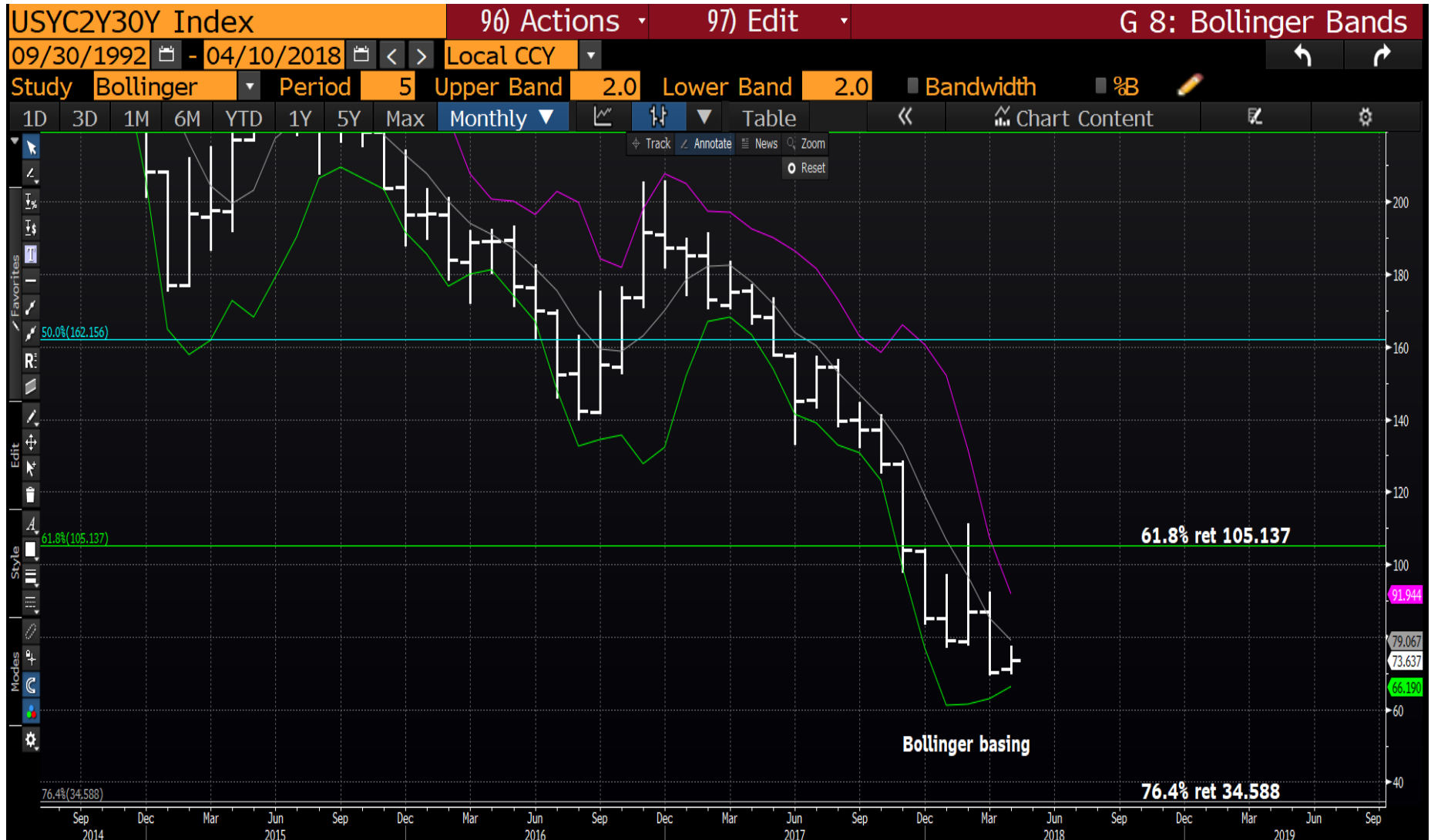


US 2-30 monthly : We do have a new low BUT the RSI is one of the lowest.



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US 2-30 monthly : The bollinger envelope is attempting a BASE.

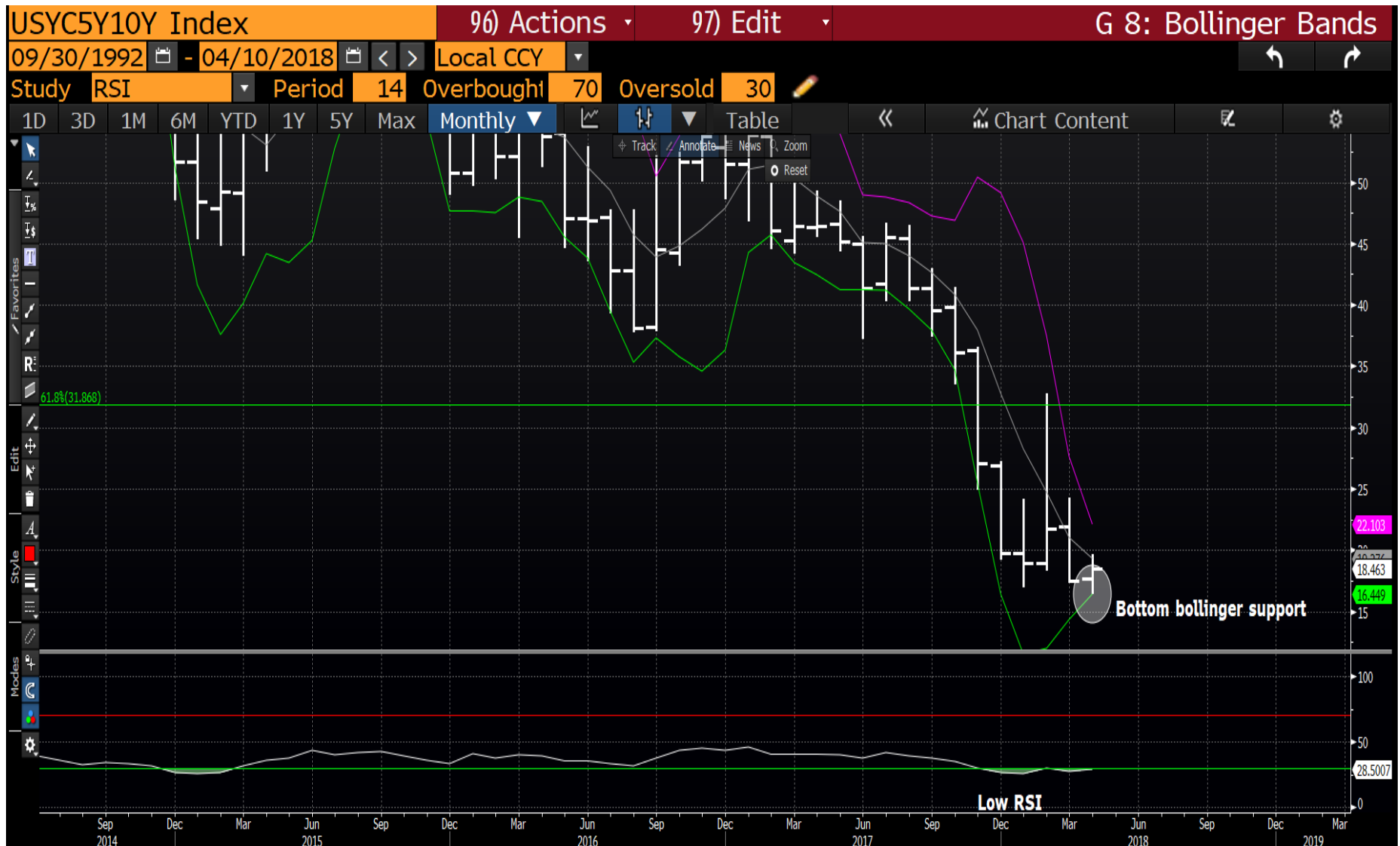


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US 5-10 monthly : We have a VERY low RSI similar to that of 2015, but the BASE needs to be confirmed. A close above the 61.8% ret 31.868 will help and spark a MAJOR steepening.



US 5-10 monthly : A more encouraging chart given the BOTTOM bollinger is offering SOLID support.

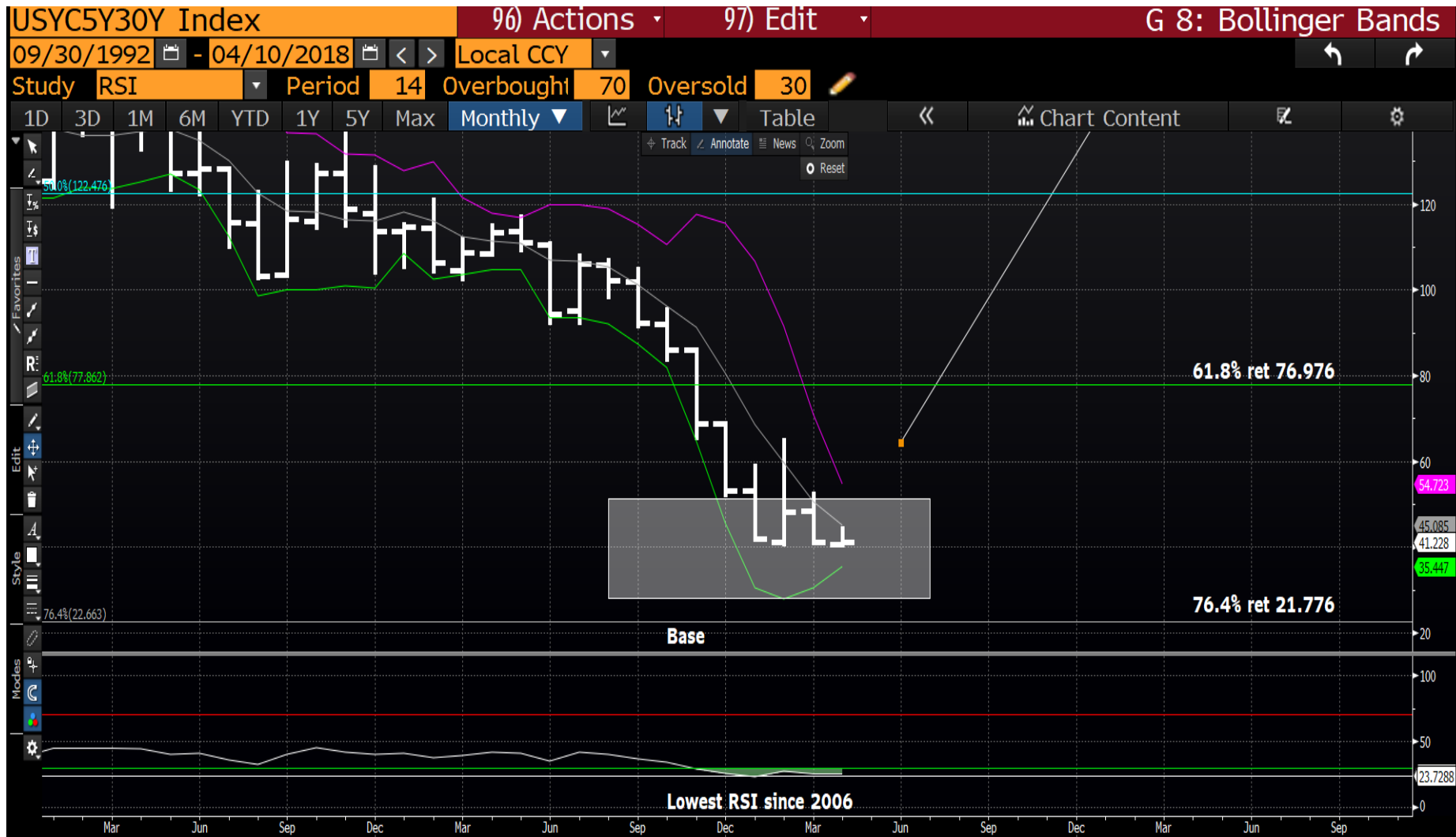


US 5-30 monthly : A base seems to be forming against the LOW RSI. Certainly the stop is cheap sub last months low. THIS could be the one STEEPENER to go for.

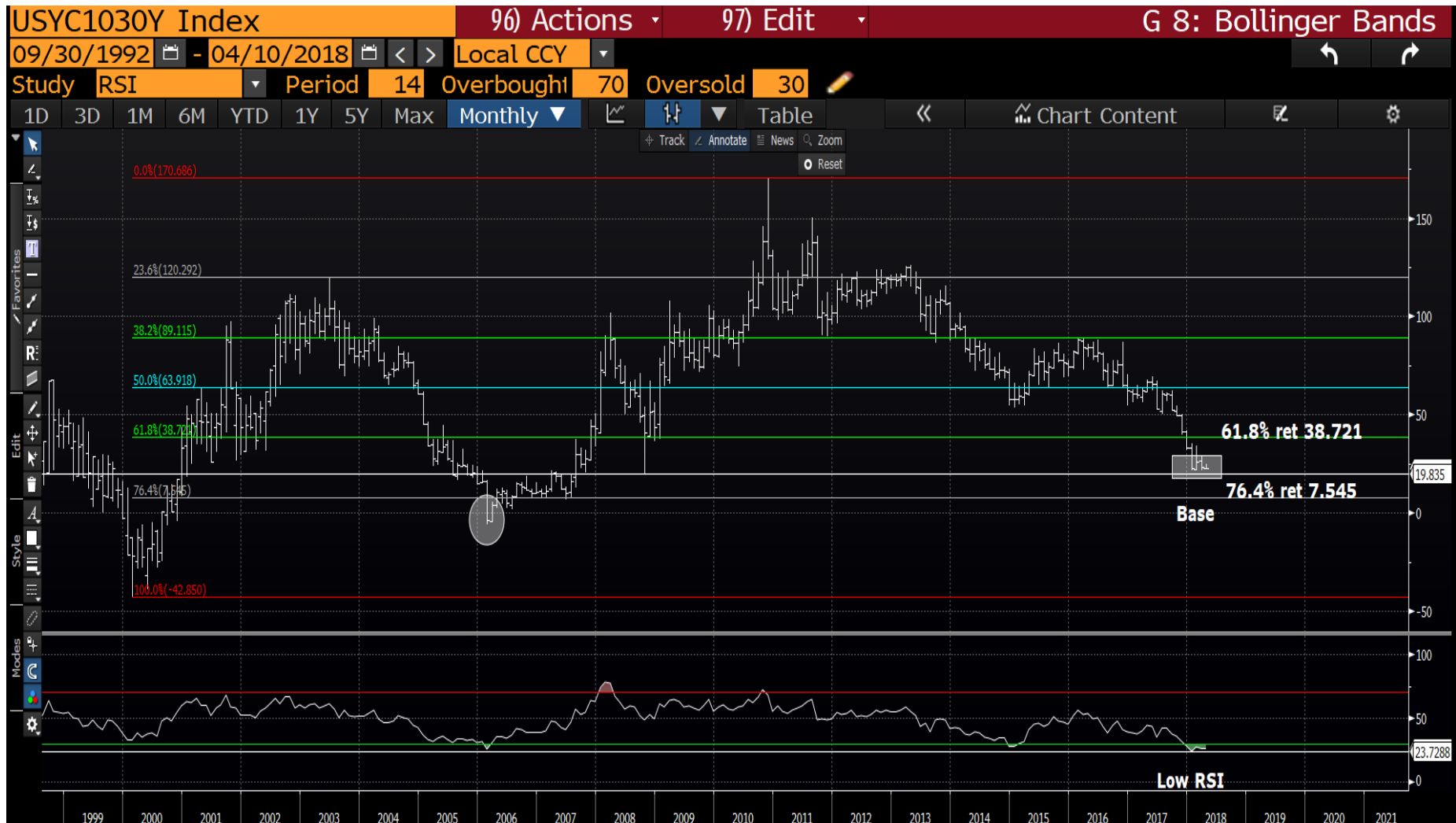




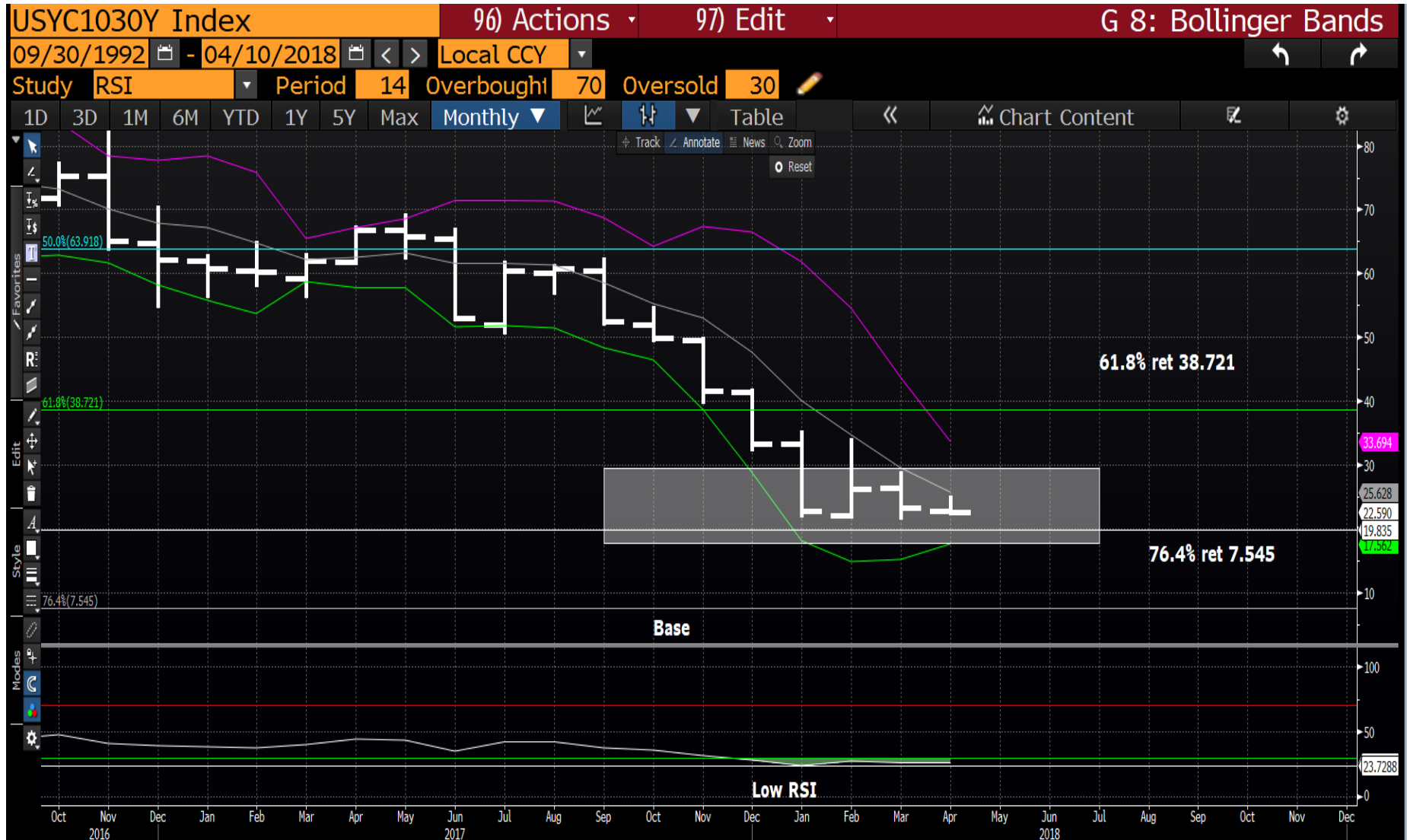
US 5-30 monthly : We are close to the lows but the bottom bollinger and 2006 RSI should help form a BASE.



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



US 10-30 monthly : The LOWEST RSI EVER and we do appear to be basing.



German 10yr yield quarterly : The upside rejection last quarter is VERY evident and the last time we saw this was 2013. All we need is a close at the yield lows and inside the channel 0.466.



DBR 46 daily : We have been sideways for a while but this isn't a reason to go short or flat. Continue to favour higher prices here especially if any of the related futures contracts make a new HIGH, this will reignite the CTA's to ADD.



DBR daily: We have worked off some of the over bought RSI, but are close to making new highs.





Bund daily : The rally has been good aided most days by CTA buying. We have seen little pull back so the upward momentum remains. BUY new highs OR if stocks in Germany make a new lows.





BOBL daily : We have paused awaiting a fresh push higher.



Schatz daily : This has seen more of a DIP but again little dent in the overall trend.



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UK 10yr quarterly : We have a major pierce-rejection whilst the channel will exert resistance pressure. This is an opportunity to position for lower yields.



UK 10yr monthly : We have breached the 1.414 trend line in style leaving a SUBSTANTIAL false break, yields should head lower. Lets see if this is the forerunner to the US 30yr yield chart.



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Italian generic 10yr daily : We have a low RSI but as yet haven't found a decent support level.

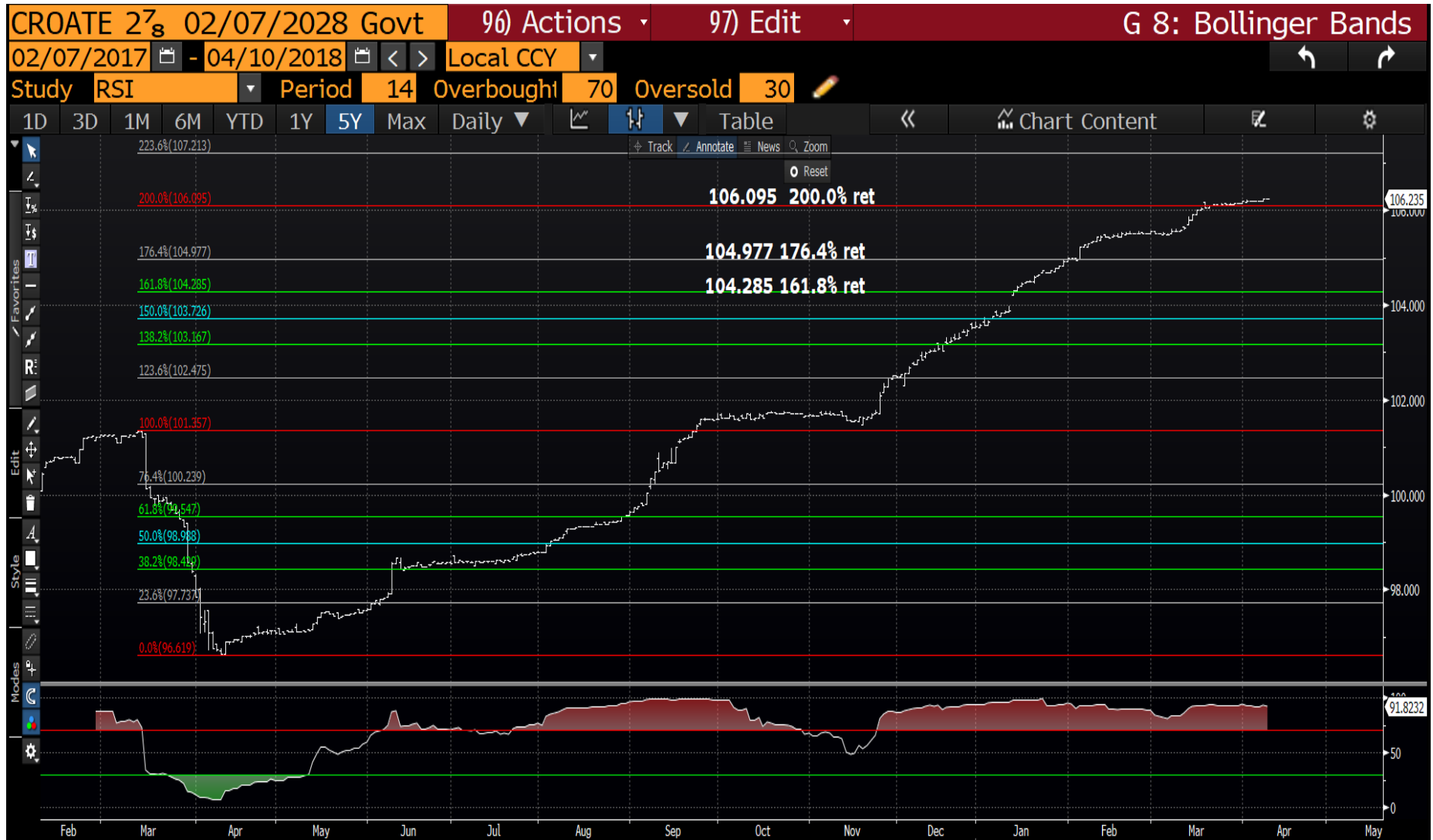


Portugal 27's : The RSI is HIGH so lets see if it has any bearing on price, it may force some profit taking.





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!



09/04/2018

37

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.



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US 10yr breakevens weekly : This is a big test given we are up at the 23.6% ret 2.0665, the RSI is now neutral.



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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