

BONDS UPDATE :

ALARM BELLS are ringing. **MANY** long-term yield charts last month left major **UPSIDE BOLLINGER PIERCES**.

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.

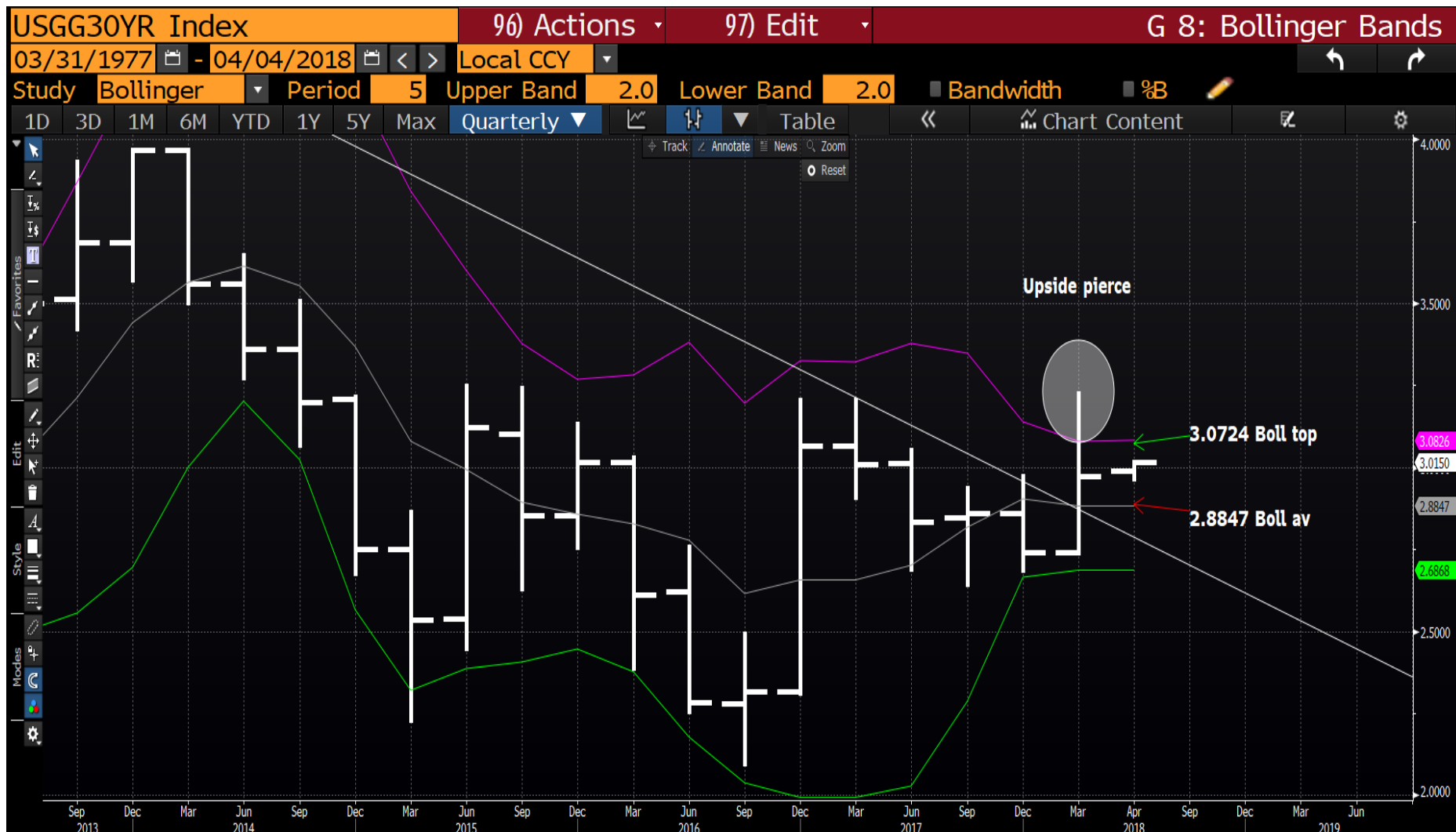
*********Analysing the charts it looks **LIKE** **US 5-30** or **10-30** the ideal steepener in the **US**.*********

- 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**.

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



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 2.8847 will be a MAJOR step.



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.



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US 30yr weekly : This is now a VERY NICE formation. We are widening the bollingers and remaining sub the average 3.0536, BIG danger now is a savage DROP.



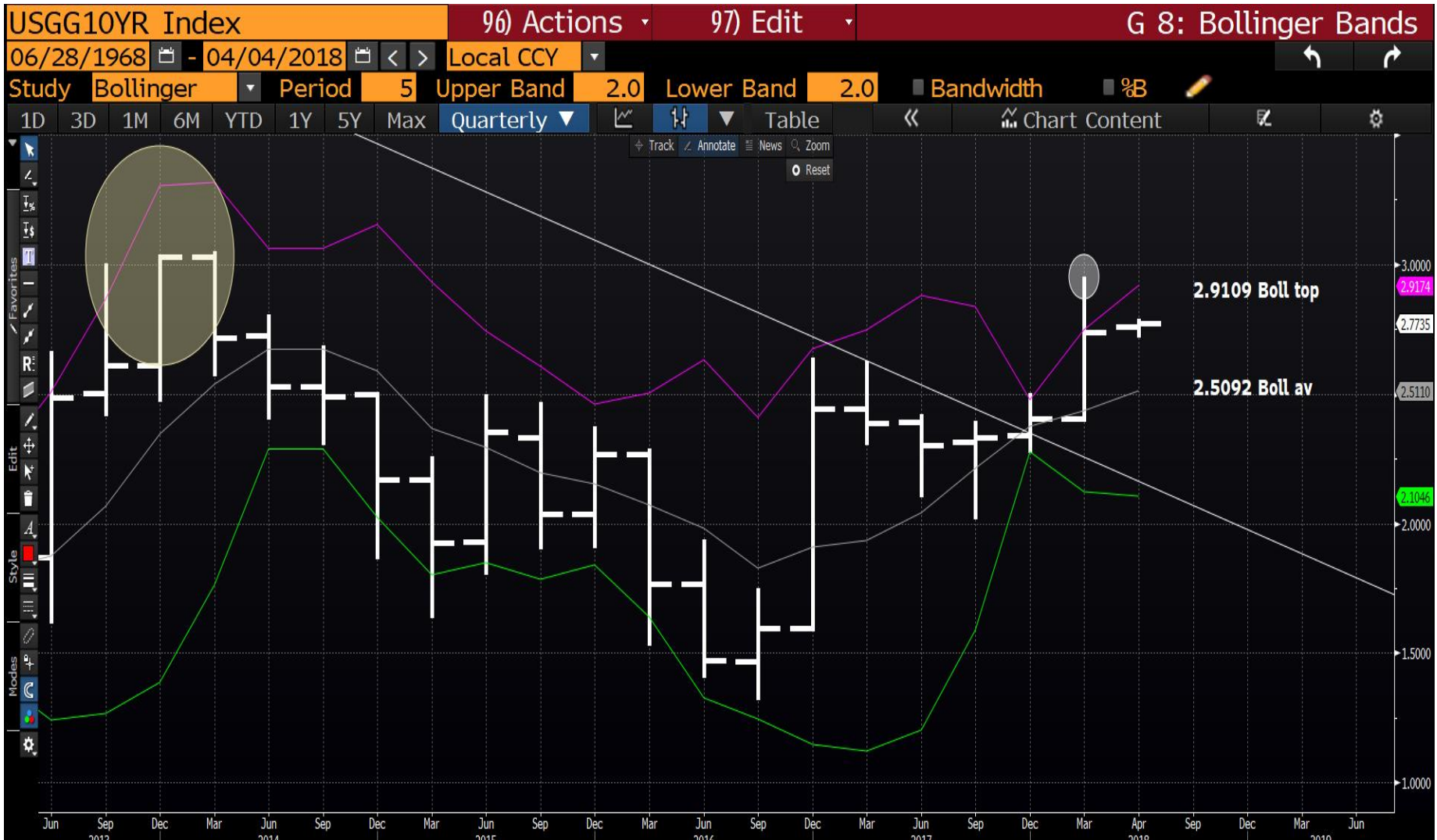
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US 10yr quarterly : Again we are trying to generate a pierce similar to the 30yr. The RSI remains VERY dislocated.



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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.



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



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.



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.



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



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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.

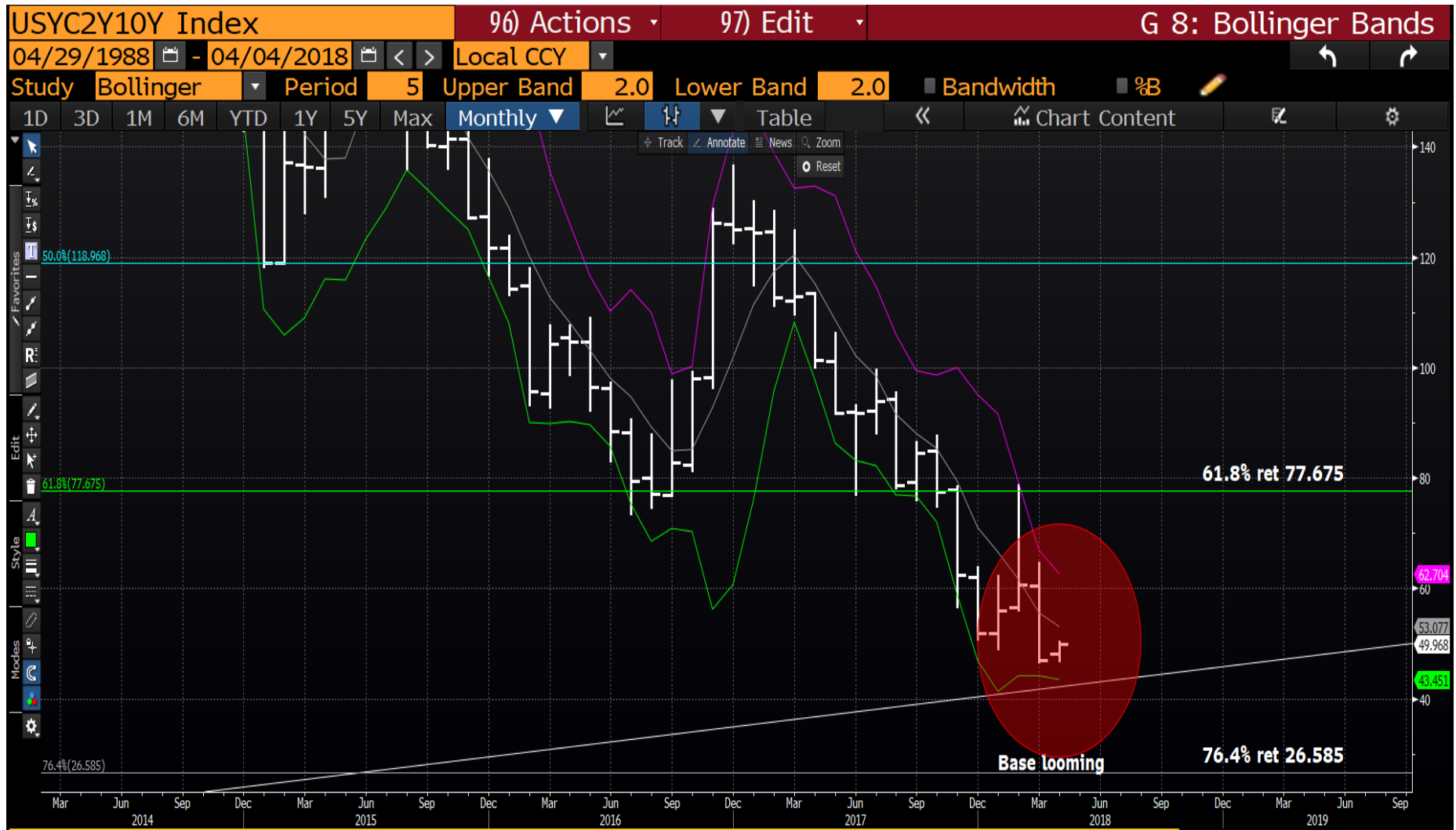


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US 2-10 curve monthly : A VERY negative close on last months BAR but I still think the low RSI will override that and see us steepen THROUGH the 61.8% ret 77.675. The lows continue to hold JUST.

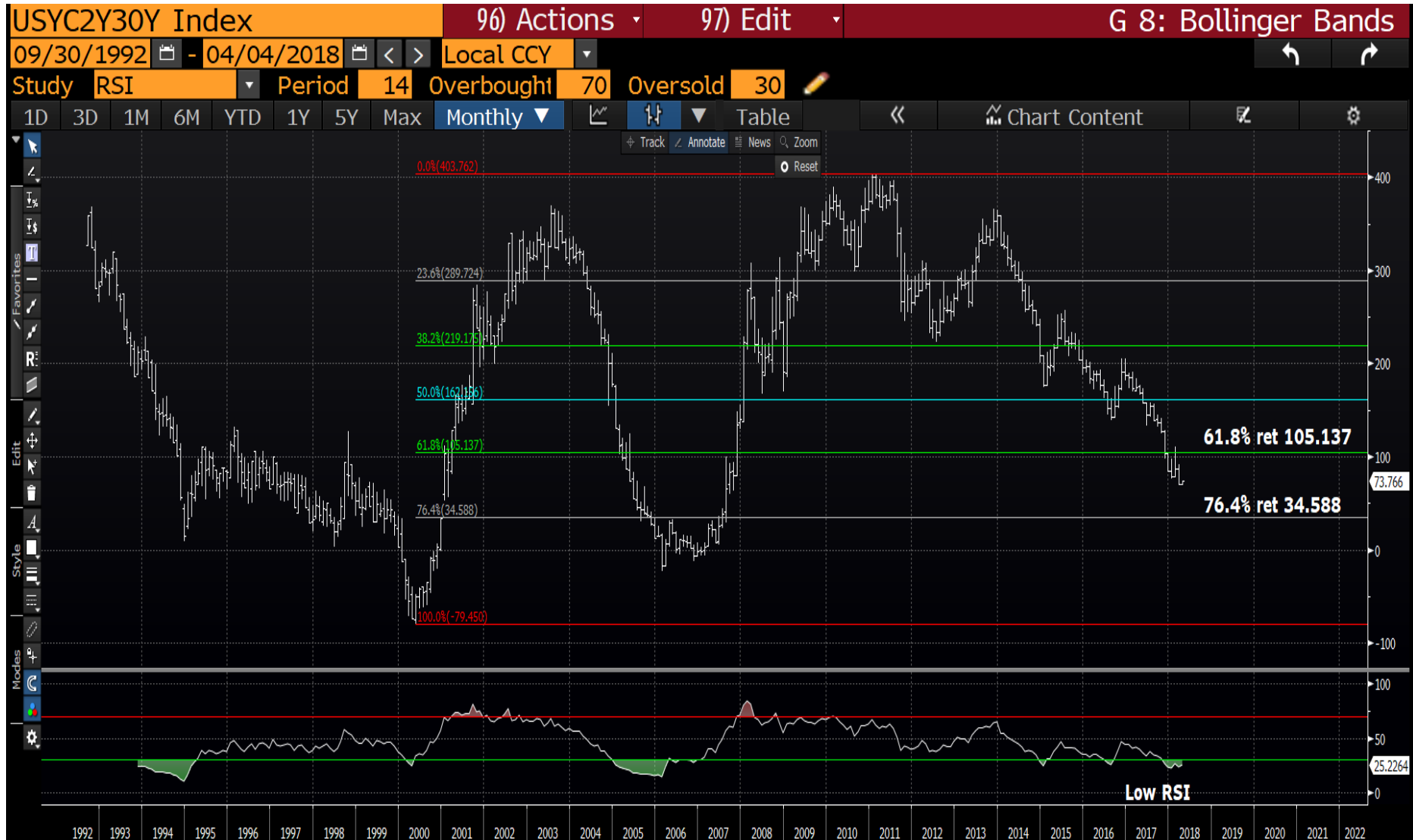


US 2-10 curve monthly : A VERY negative close on last months BAR but I still think the low RSI will override that and see us steepen THROUGH the 61.8% ret 77.675.
Both bottom bollinger and trend support are looming.



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



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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.



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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 : The bottom bollinger is offering support along with the 2006 RSI.



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.



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

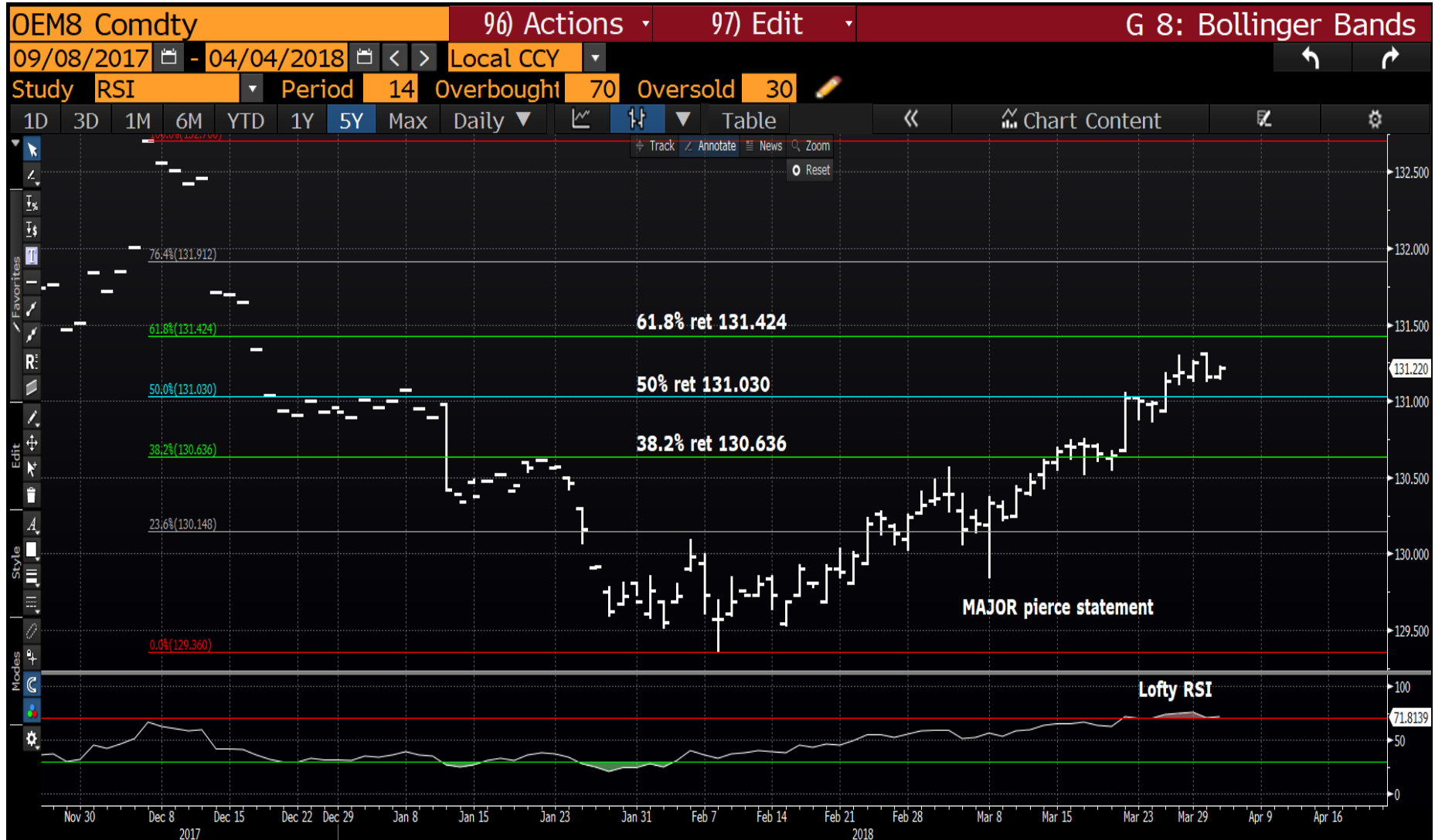


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Bund daily : The rally has been good aided most days by CTA buying. All eyes on the RSI and remaining above the 76.4% ret 159.48.



BOBL daily : The RSI is lofty BUT CTA's have charge, so a fresh HIGH will reignite the rally.



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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 have breached the 1.4470 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.



UK 10yr weekly : We already have a new low this week so should continue to head lower.



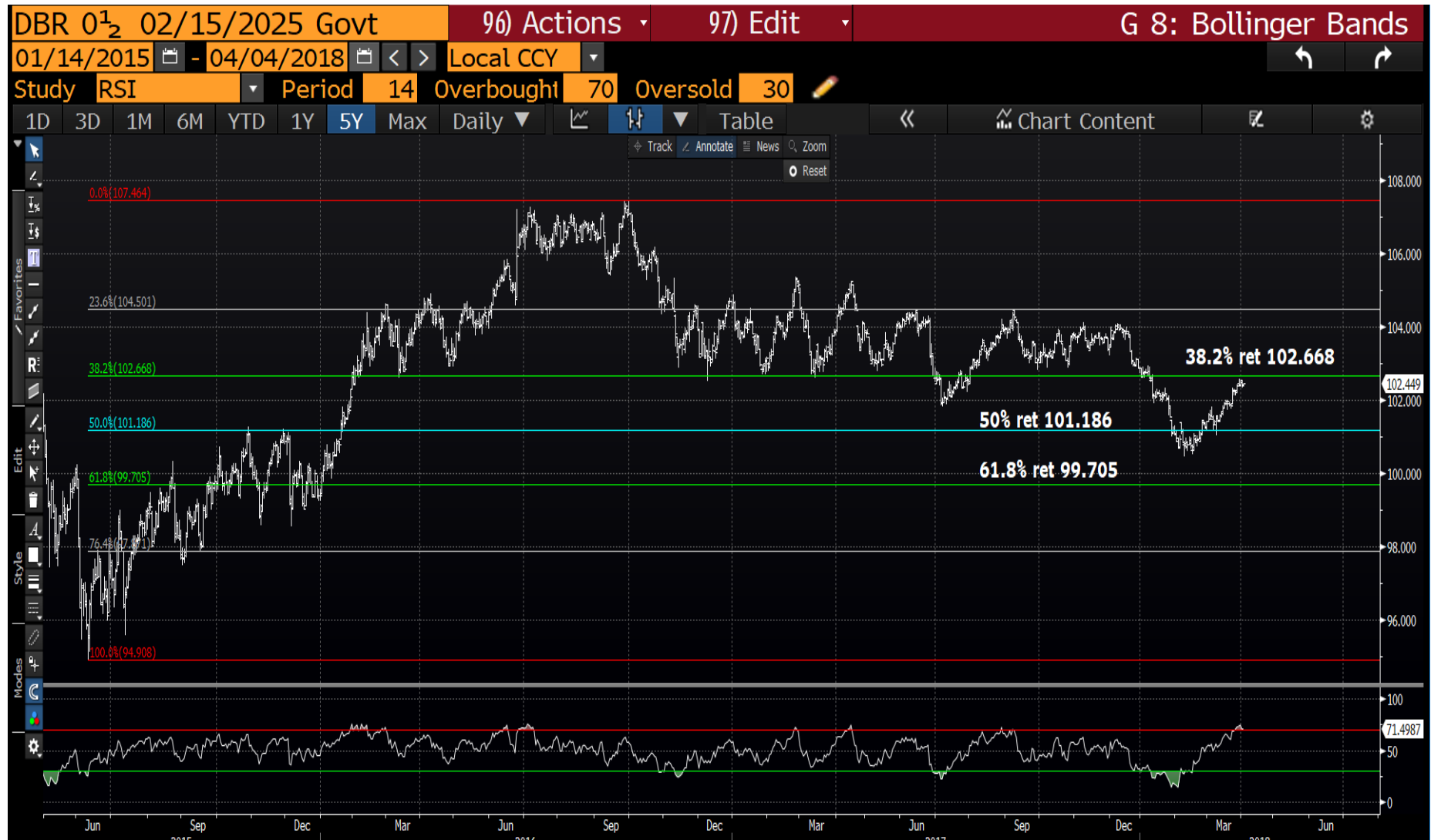
DBR 46 daily : The RSI remains high BUT we are holding.



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 : Like all daily charts the RSI is lofty but we may push through the 38.2% ret 102.668.



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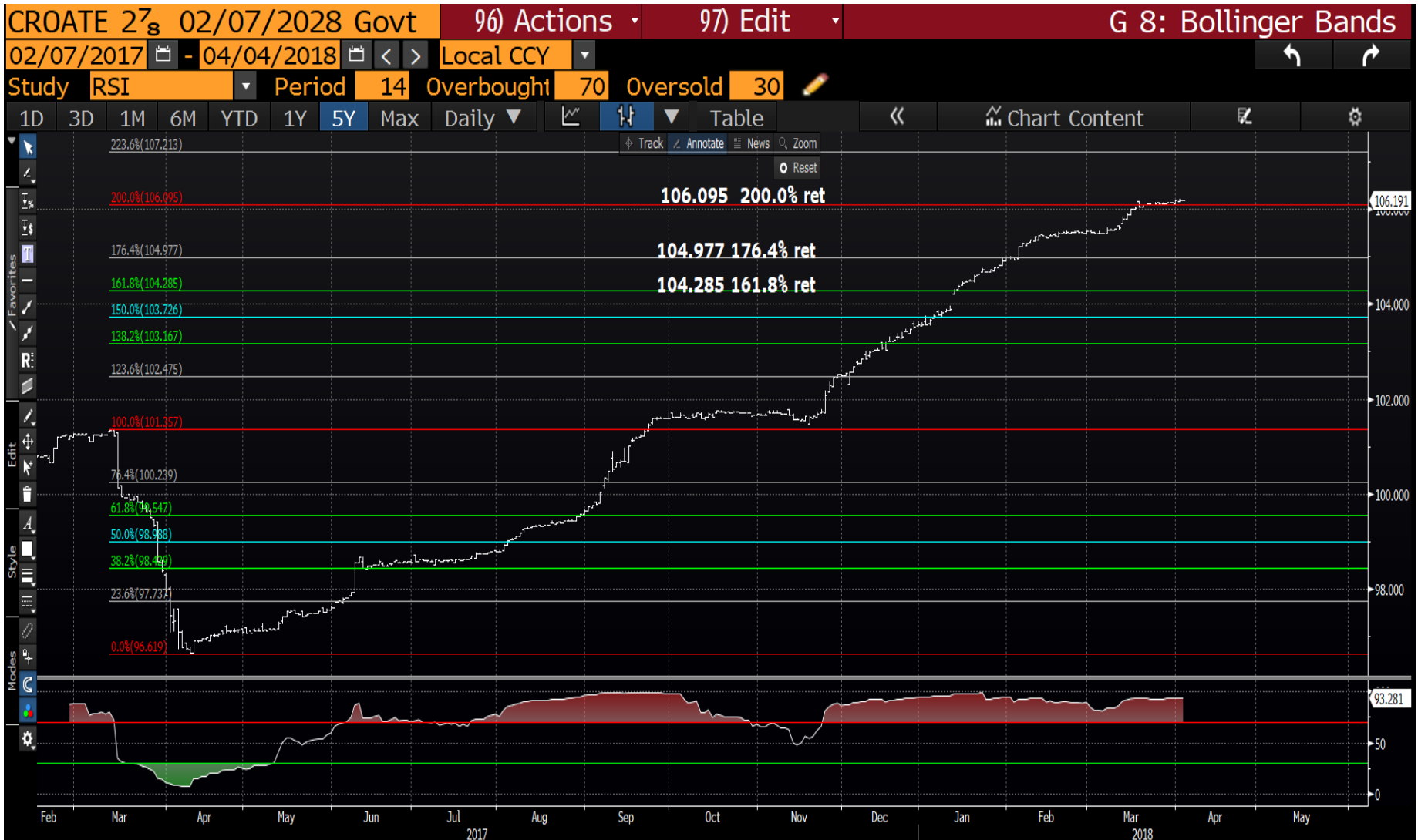
Italian generic 10yr daily : We have a low RSI but as yet haven't found a decent support level.



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.



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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 is now neutral.



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US 5yr breakevens weekly : The recent sideways activity has left the RSI more 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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