

BONDS and EURO UPDATE : Yields to HEAD lower with some VERY compelling FORMATIONS, LIQUIDITY the NEW WORRY.

The EURO also a key focus today.

****LIQUIDITY : NOT TO BE OVERLOOKED**** I don't normally venture outside the technical space BUT to me a major concern is LIQUIDITY and lack of it, certainly if another Italian situation arises. Most orders now are generated or routed via a system, markets are made-quoted by a system. None of these have been really tested in a 2007 type situation, DESPITE many RSI's predicating a REPEAT. Last week proved liquidity in Italy to be appalling due to circuit breakers and management reluctant to quote on MTS-Tradeweb.

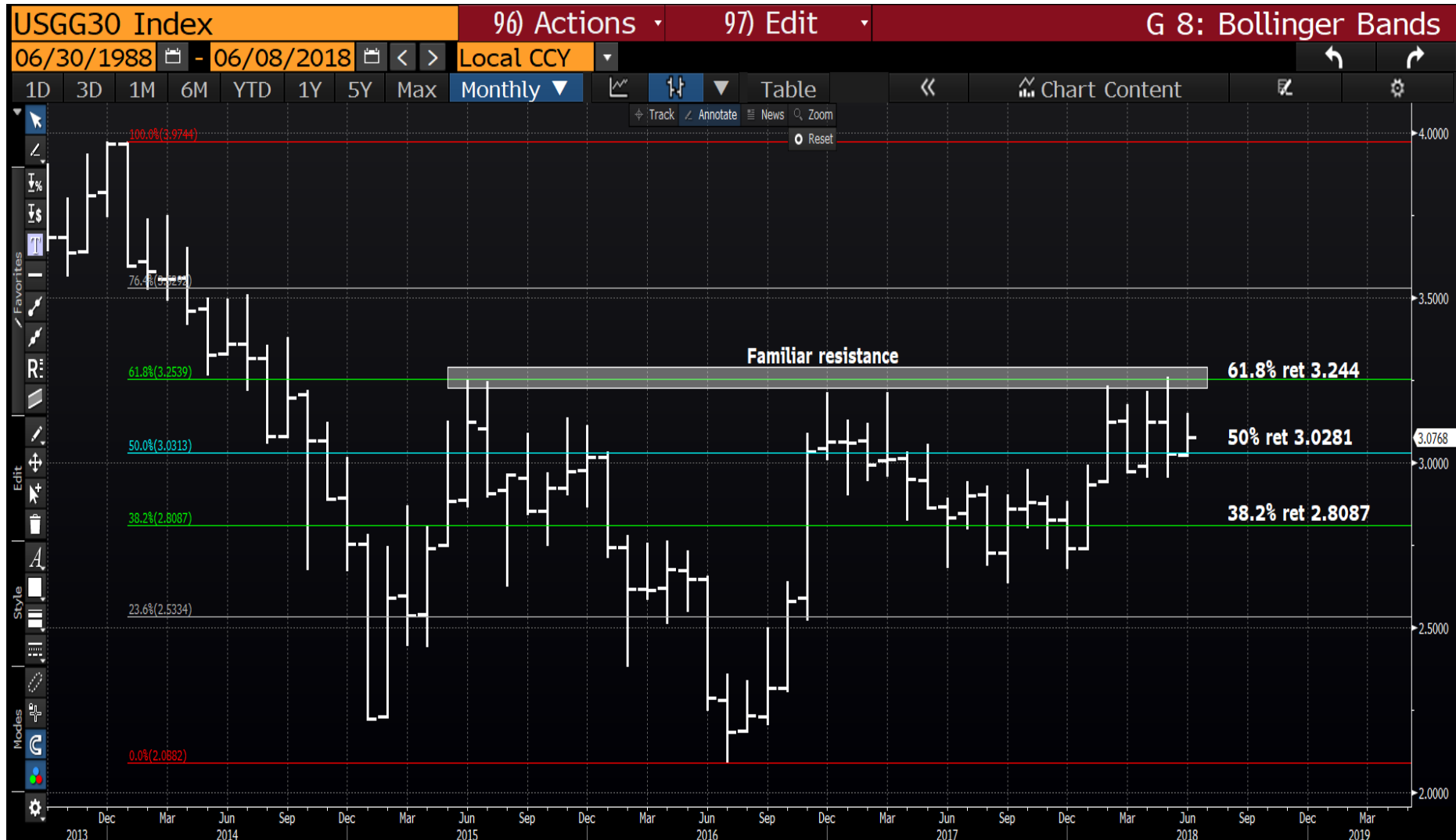
IT can be argued, "there is still futures" BUT some contracts are NOW made up of 75-90% ALGOS, this is not a good statistic, especially when they were ABSENT post the big USD SWISS move. Also margin increases are possible. This lends itself toward MORE OPTION plays, achieving longevity on IDEAS and not get stopped on an illiquid blow out.

US 30yr yield quarterly : We are generating a second quarter UPSIDE pierce IDENTICAL to GERMANY! A Major worry and trend support looming.



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US 30yr yield monthly : We have stalled against the 61.8% ret 3.244 and hopefully can sustain a HOLD sub the 50 % ret 3.0281 going forward.



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US 30yr yield weekly : A breach of the 76.4% ret 2.9485 will be a BIG statement.



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US 30yr daily : A breach of the 23.6% ret 2.9484 will be a MAJOR step given the RSI is now neutral.



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US 10yr yield quarterly : Another major reversal on the month, this with an RSI dating back to 1984. Ideally we breach the close of last quarter 2.7389. I have just discovered this 50 period moving average and as can be seen it has been extremely reliable!



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US 10yr monthly : Another top potentially in and sub the 76.4% ret 2.6425 will confirm. The RSI remains highest since 2000.



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US 10yr daily : We have spiked through the 100% ret 3.0516 level and plenty of scope for it to become a FALSE break. Sub the 76.4% ret 2.6425 will help. The RSI is now OFF the lows.



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US 5yr quarterly : Despite the latest yield rally the RSI is as HIGH as 1982!
This long-term chart is backed up by the monthly therefore it's a MAJOR disparity, thus
could form a long-term peak.



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US 5yr monthly : A MAJOR statement as we are now back in the LONGTERM trend channel (2.7687), the RSI has A LOT of unwind potential.



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US 5yr monthly : This is a MAJOR long-term channel, we have failed here before. Once back in the channel and we will witness a SIGNIFICANT yield DROP.



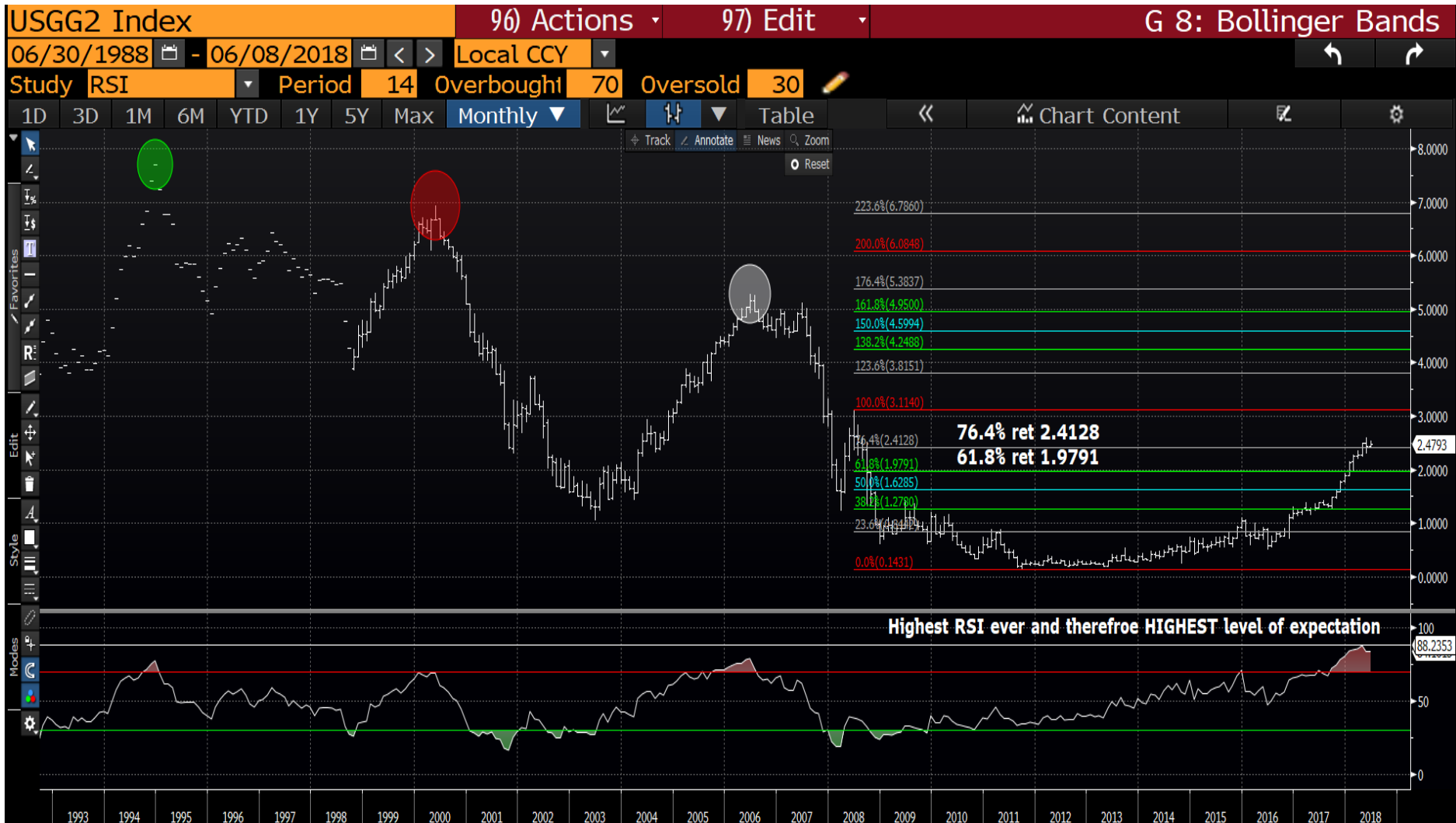
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US 5yr weekly : We have failed the 50% ret 2.8846, targeting the 38.2% ret 2.330. The RSI at 1984 levels!



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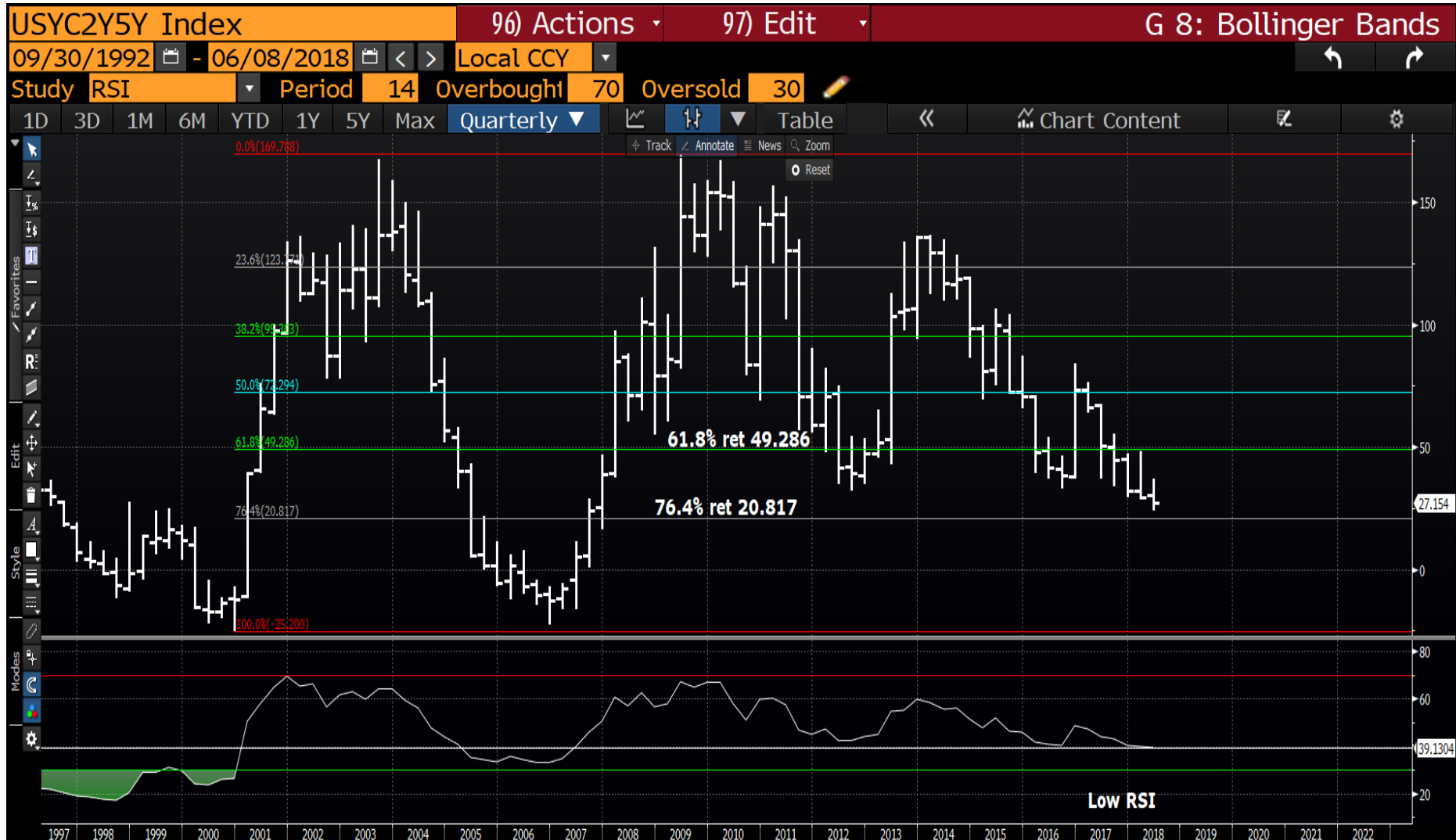
US 2yr monthly : I would not normally chart something this short BUT it does go some way to explaining how HIGH expectation is!? A close sub the 76.4% ret 2.4128 will be a MASSIVE step for lower yields.



US 2yr daily : We have witnessed a decent rejection of the CHANNEL 2.4942.

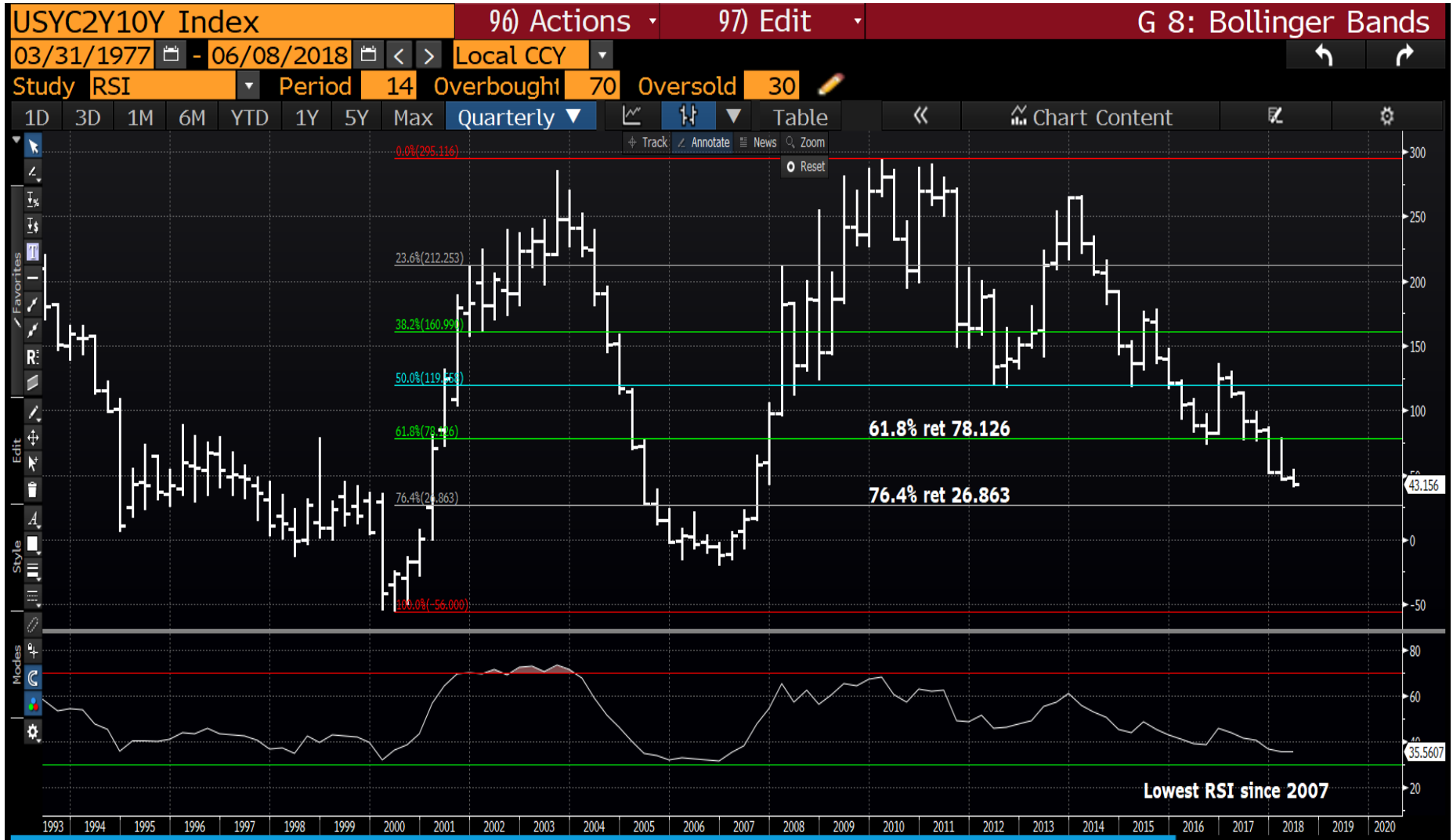


US 2-5 curve quarterly : We have a low RSI and potential salvation in the 76.4% ret 20.817.



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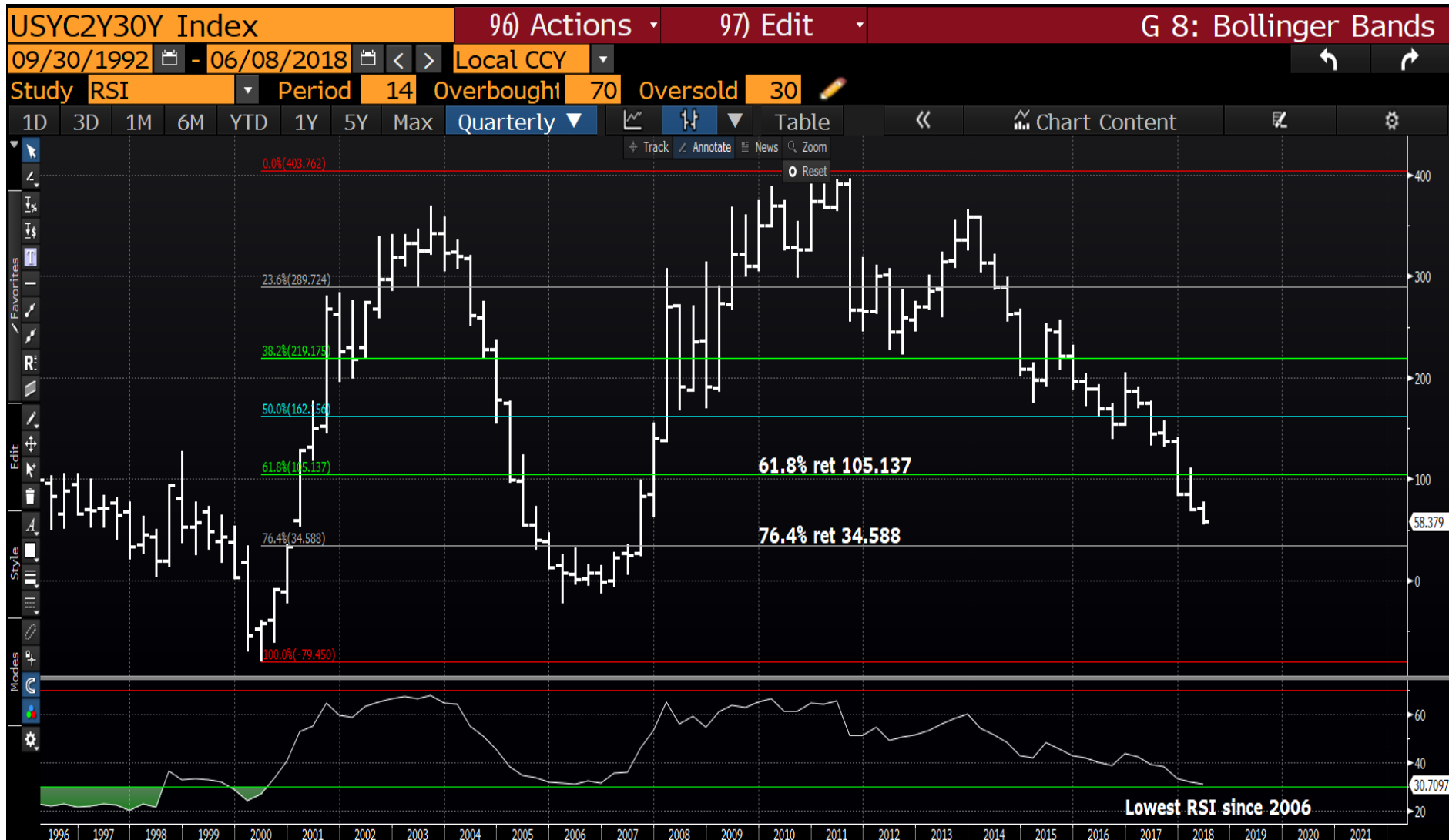
US 2-10 quarterly : Again we have a sizeable historical RSI BUT no apparent level of support.



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US 2-30 quarterly : The RSI is the lowest since 2006 thus we are due for a correction, level wise it remains difficult to pinpoint a LOW.



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US 2-30 monthly : This endorses the RSI dislocation apparent in the monthly too, still no clues as to an entry level.



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US 5-10 monthly : A possible HOLD as we haven't breached last months LOW and the RSI is the lowest since 2006.



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US 5-30 monthly : This has the 76.4% ret 21.776 looming aided by the 2006 low RSI.



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US 10-30 monthly : This has the lowest RSI ever and 76.4% ret 7.545 looming.



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Generic German 10yr quarterly : We have 2 major upside pierces and back in the channel 0.466. The opposing pierces highlight the next confirmation will not come till month end.



Generic German yield daily : Yesterday formed a nasty top and sub the 38.2% ret 0.421 will aid the overall call for lower yields.



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UK 10yr monthly : Hopefully we can remain sub the 2008 trendline 1.349 given the 50 period MOVING AVERAGE resistance looming.



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UK 10yr yield daily : A decent failure at the 50 day MOVING AVERAGE and a close sub the 50% ret 1.307 will help alot.



DBR 46 daily : A nice low dip, but one to buy and add to above the 61.8% ret 135.721.



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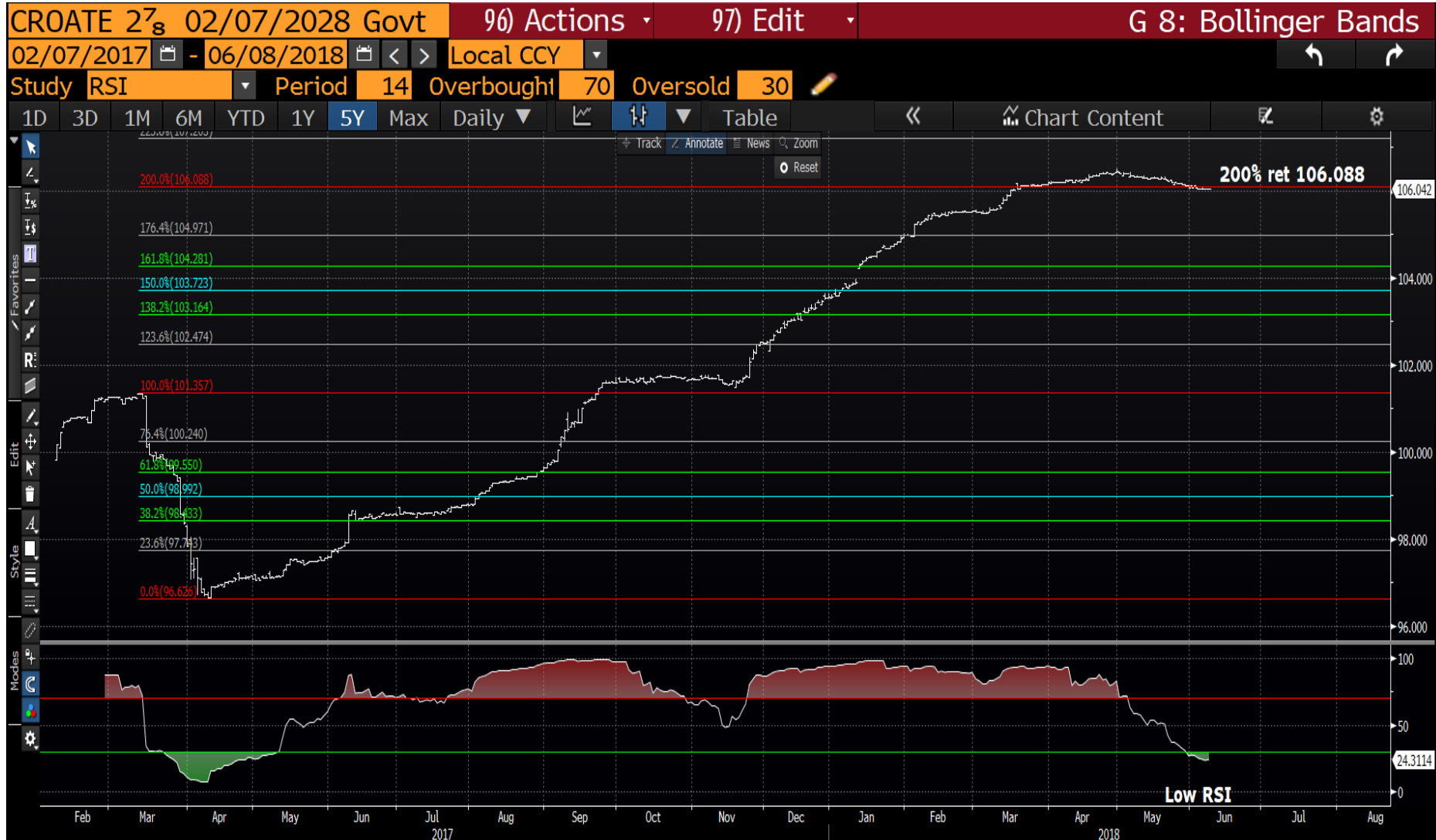
Italian generic 10yr daily : The recent volatility has CHOPPED UP the RSI making it redundant. Tough to call here and probably MORE fundamental and liquidity driven.



Portugal 27's : For the first time in a long while PGB is a worry, the RSI is neutral and we are sub the MOVING AVERAGE.



**Croatia 28' daily : The RSI is now VERY low as we hit the 200% ret 106.088.



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EUR USD daily : I think the EURO is a KEY watch today. I dislike it on a long-term technical view and if we fail today it will be for a while. A key close today and potential top yesterday.



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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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