

BONDS and EURO UPDATE : YIELDS TO CONTINUE LOWER as we APPROACH one of the BIGGEST confirmation quarter ends.

**We are gradually forming some of the MOST bearish yield charts in MANY years!
Chart 3 US 30yr yield, DOES HISTORY REPEAT ITSELF, IF so yields are one way for a long while.**

European bonds have been all failing 50 day moving averages, thus confirming the bigger yield lower CALL.

EURO : We have a new low so the clock is ticking for lower prices.

****LIQUIDITY : NOT TO BE OVERLOOKED****

Liquidity certainly does now seem to be an issue as Italy remains void of any decent cash flow and the futures ranges are extensive on light volume.

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 : This quarters upside pierce is gaining more prominence and thereby endorsing lower yields. A key signal will be to breach last quarters low 2.9737.

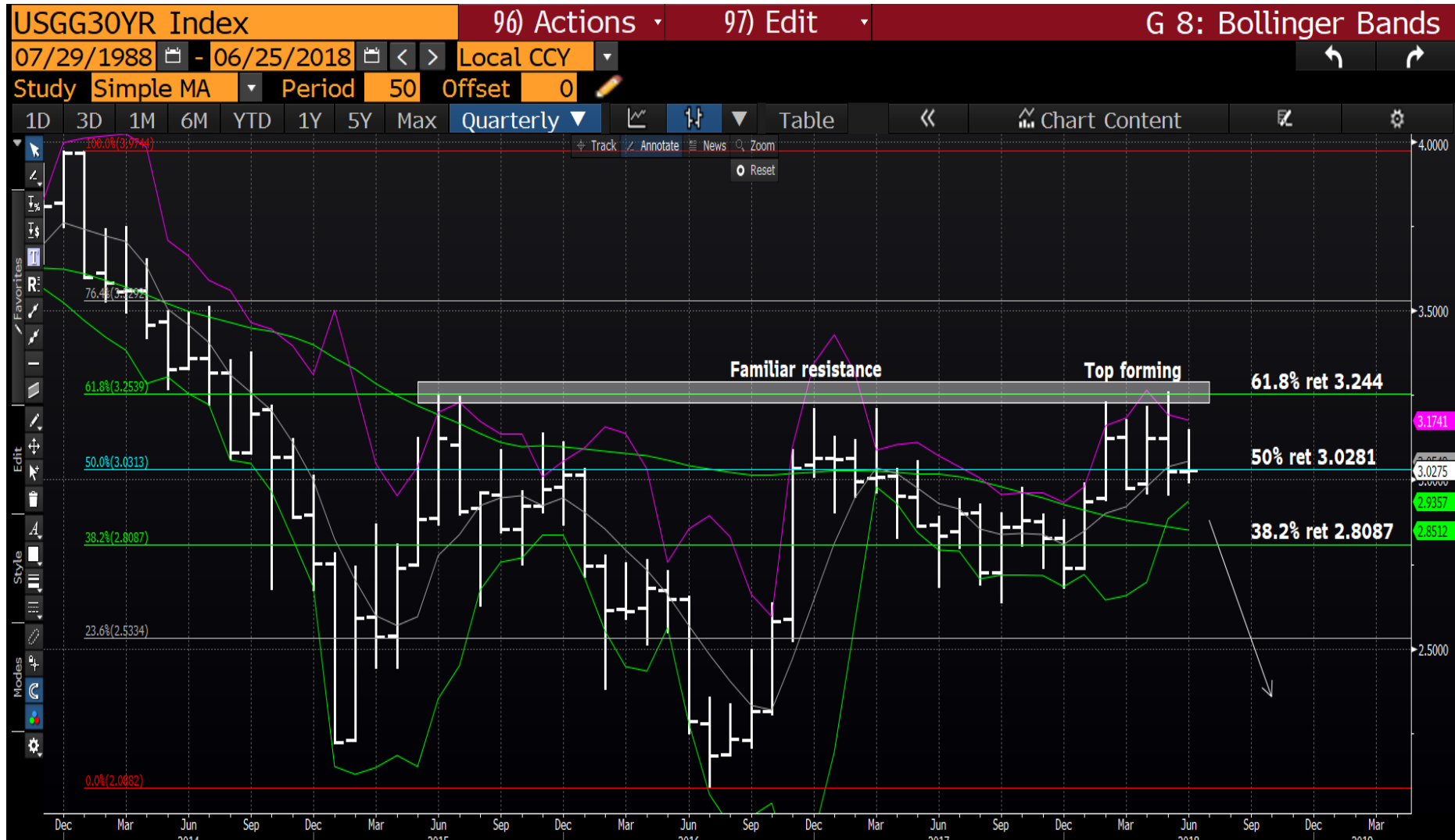


US 30yr yield quarterly : Does history repeat itself? ON ALL previous occasions yields have dropped and especially when we have DOUBLE UPSIDE PIERCES, as NOW!



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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 into quarter end.



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



US 10yr yield quarterly : The RSI dating back to 1984 is not going to go away, thus the BIAS still remains for lower yields. We are teasing a VERY reliable 50 period moving average 2.9069. Ideally we achieve a lower yield close at the end of the quarter.



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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.



US 5yr quarterly : Despite the latest yield rally the RSI is as HIGH as 1982!
We have more work to do in this part of the curve BUT the RSI HELPS.



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. Key break would be SUB the moving average 2.5048.



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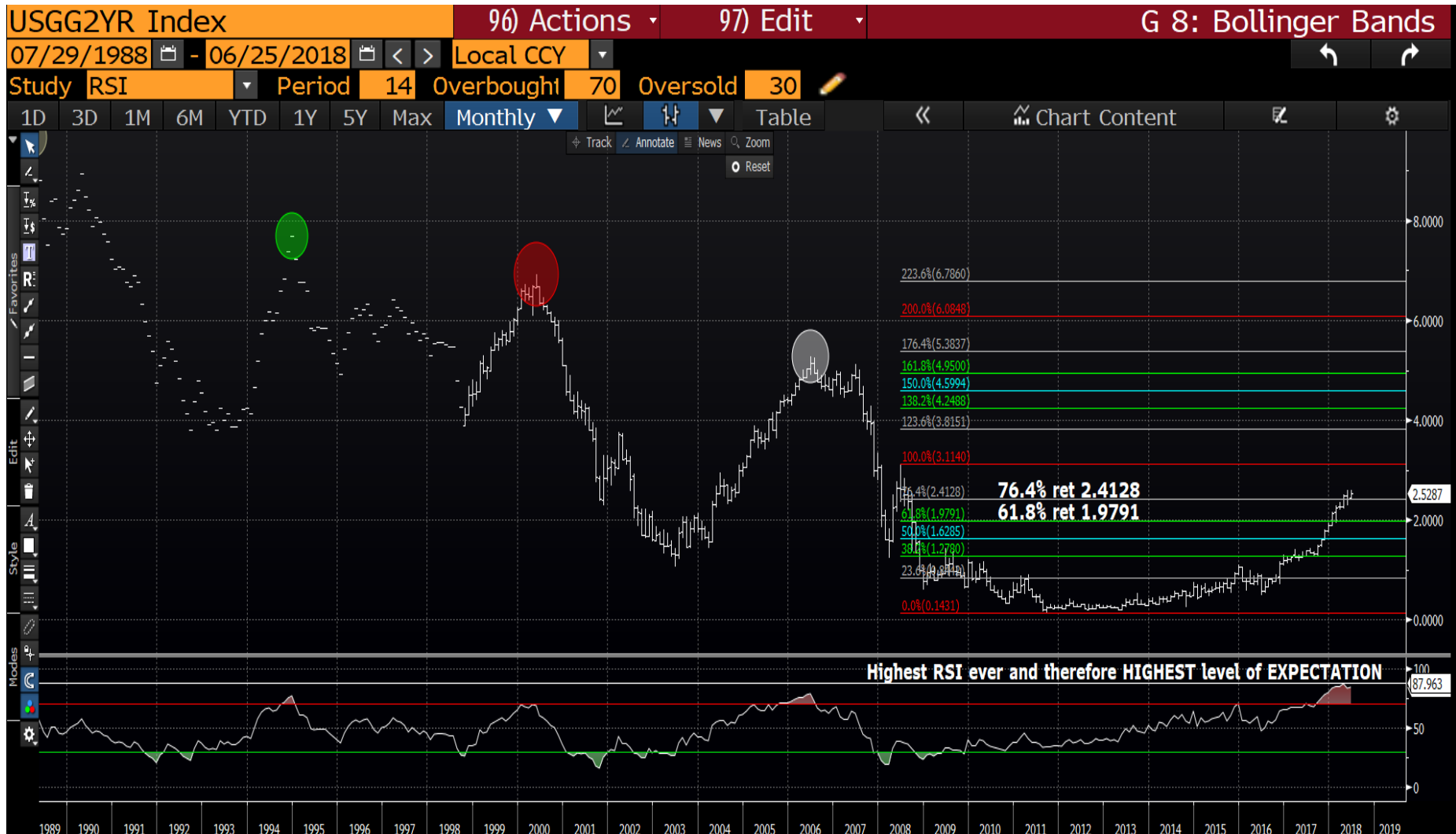
US 5yr monthly : This is a MAJOR long-term channel, we have failed here before. NOW back in the channel 2.7687, next step is to breach the 2.5048 moving average.



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



US 2yr monthly : I would not normally chart something this short BUT it does go some way to explaining how HIGH expectation is!? Am keen to watch this chart as it has a lot of ACCELERATION potential if 2.4128 is breached.



Generic German 10yr quarterly : We have 2 major upside pierces and are back inside the channel 0.466. Ideally we continue to grind lower in yield and end the month at the lows, that would then CONFRIM lower yields for some time.



Generic German yield daily : We have failed the 50 day moving average 0.514 and a close sub the 50.0% ret 0.302 means we should head a lot lower.



UK 10yr monthly : We are now back below the 2008 trendline 1.349 and should head lower in yield.



UK 10yr yield daily : We have failed the 50 day MOVING AVERAGE and a close sub the 50% ret 1.307 helps.



DBR 46 daily : A very good recovery from the 50 day moving average and a close above the 61.8% ret 135.721 will help.



Italian generic 10yr daily : We have held the 38.2% ret 2.496 but the chart leaves the door wide open for much higher yields. I think liquidity will add to the yield rally.

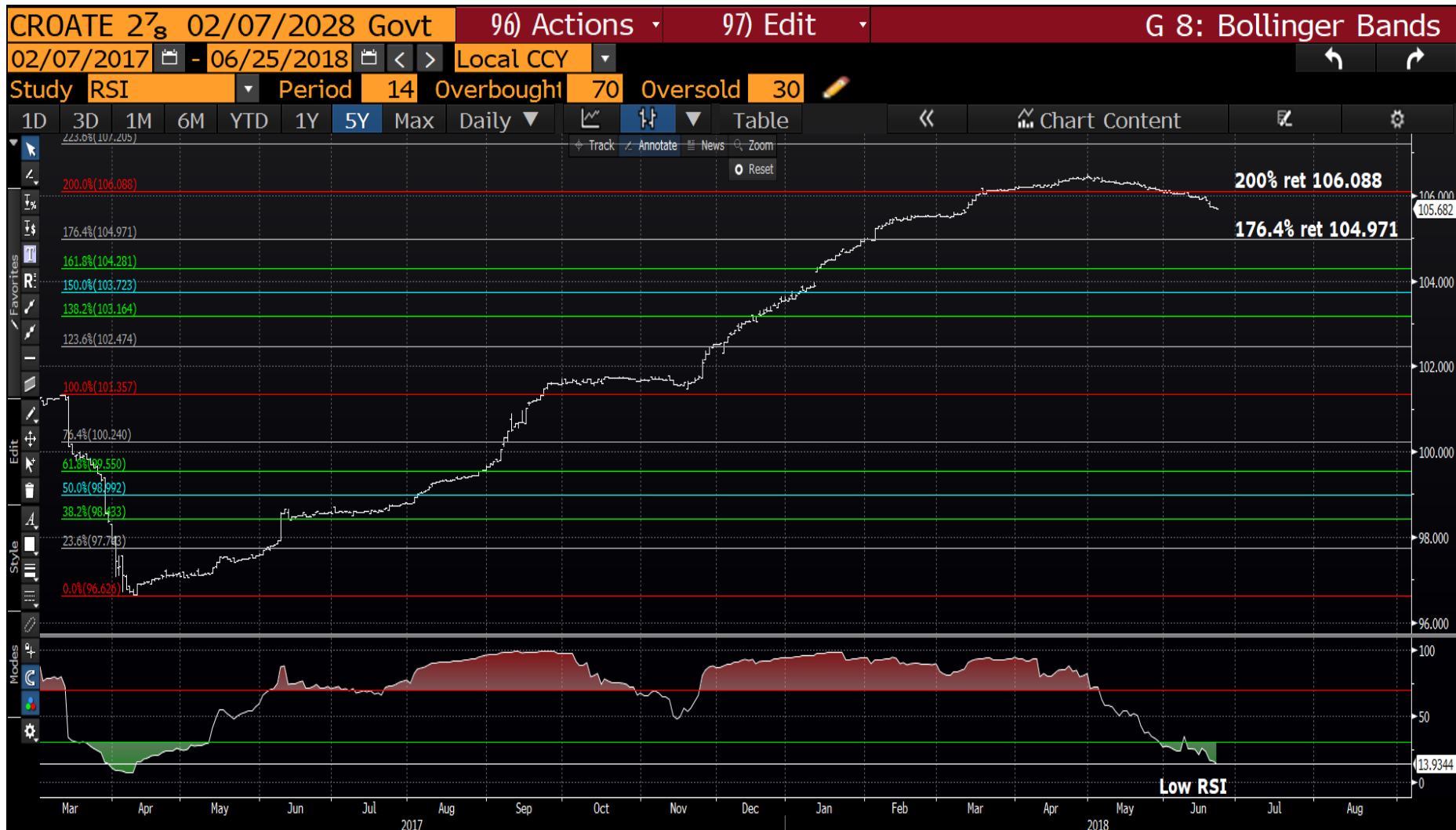


Portugal 27's : For the first time in a long while PGB is a worry but the RSI is neutral, hence not included.



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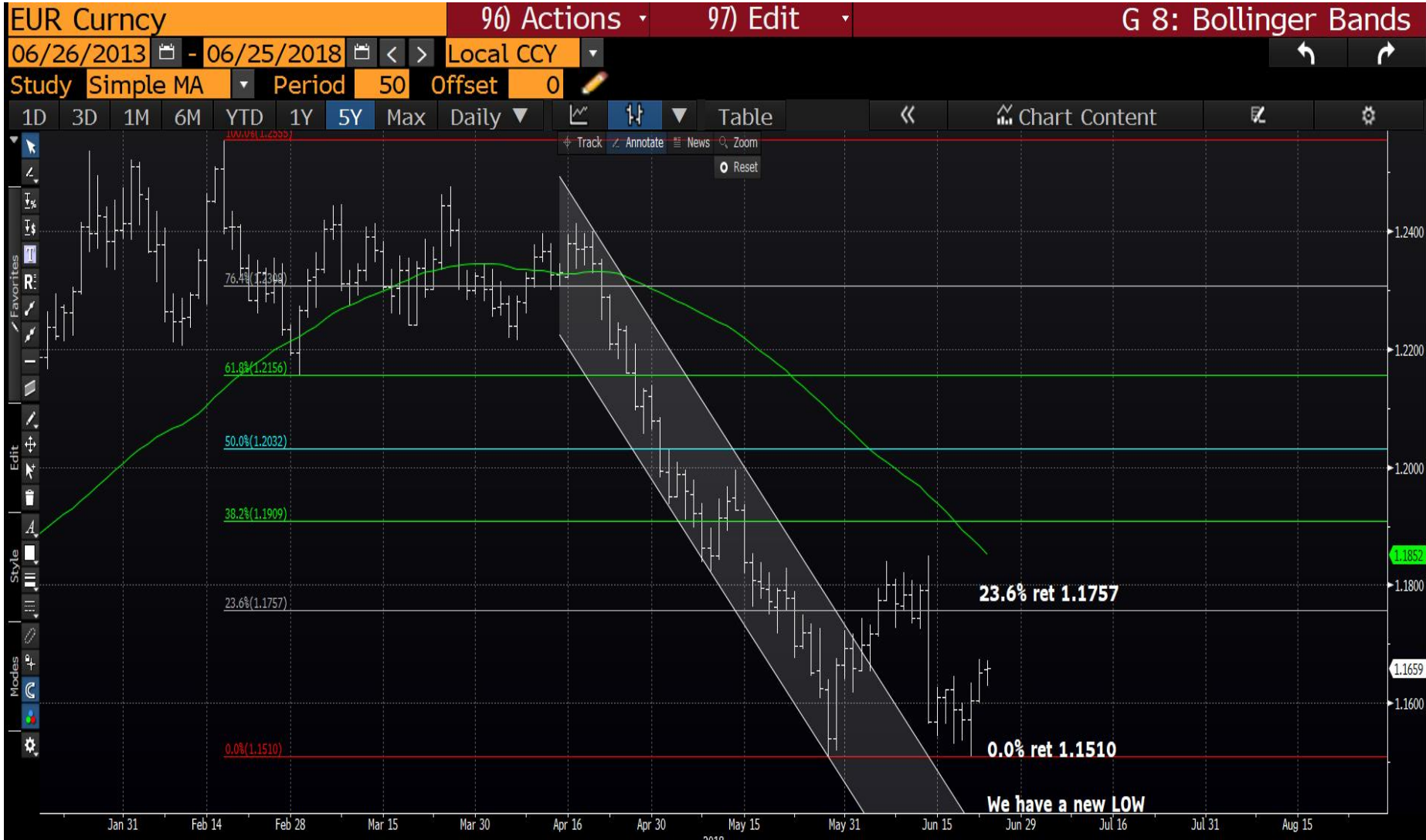
**Croatia 28' daily : The RSI is now VERY low but we have dipped below the 200% ret 106.088. We are also SUB the 50 day moving average 106.243 for the first time in many years.



EUR USD monthly : We are currently struggling to breach the moving average 1.1549 but sub that will continue the longer-term trend. Any new low this month will be a disaster for the EURO long-term.



EUR USD daily : We do now have a NEW MONTHLY LOW, the hope is we revisit it by quarter end.



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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