

**\*\*An increased number of elements are confirming we are close to the MAJOR STORM actually BREAKING. Whilst the EURO is a KEY element, now yield charts are poised for a significant break lower. Liquidity is now becoming a RARE commodity and will be a MAJOR ADD to the impending troubles. So many charts replicate 2007 scenarios.\*\***

**I think SOME EM benefits, Brazil have already been favoured.**

**The views expressed in this piece are ALL based upon HISTORICAL reaction to the LOCATION we are at NOW. The charts used are also of long-term duration thus these signals wont be eroded for some time, hence the WORRY.**

**The MAIN contributors are US yield charts, LOWER yield forecasts with the back drop of the HIGHEST yield RSI expectations. The EURO and EUROPE is a massive concern and I still have equities as a WORRY. I think SOME EM benefits.**

**The dark clouds are forming and may soon become ONE. Liquidity will form another leg to this drama given the high level of mechanisation, with this comes circuit breakers, limits and the OFF button.**

**I HOPE THIS PROMOTES SOME DISCUSSION and am happy to discuss trade ideas. We will forward our own ideas over the lead up to the month end. This is a MASSIVE QUARTER end. I think SOME EM benefits.**

**I guarantee these views wont sit right with many BUT worth noting historically.**

EUR quarterly : A familiar chart but if we can EMULATE the initial performance from last quarter then the market should FALL straight down from these levels. Through the 50% ret 1.1241 should be a relatively easy prospect.



EUR monthly : I still think we have time to increase this months bar to emulate that of last month, thus easily putting us through the 50% ret 1.1246.



04/07/2018

DXY quarterly : If the EURO breaks lower then am sure the DXY will breach the 50% ret 95.859, this will be a massive statement going foreword.



04/07/2018

US 30yr yield quarterly : Does history repeat itself? We have a worrying trend lower and the latest double PIERCE formation is SIMILAR to 2007! The major issue is that the last two quarters have seen YIELDS CLOSE at their lows, as a result yields will soon head A LOT lower.



US 10yr quarterly : This is a NEAR perfect formation now, we are sub the longstanding moving average 2.8665 and the RSI is as high as 1984. This looks ONE direction to me, i.e. lower yields! A great test of the MOVING AVERAGE here.



04/07/2018

US 10yr quarterly : This blow up simply highlights that yields are about to DROP and DROP in STYLE. We are below the MOVING AVERAGE and 38.2% ret 2.8474, this does strike me as a ONE DIRECTION market.



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US 5yr yield monthly : Another near perfect formation and it is easy to see what the HISTORICAL outcome is and WILL BE. We just need to breach the 2.4890 moving average given we are now back in the MULTI YEAR channel.





US 5yr yield monthly : We are back in the channel 2.7647 and once sub the 2.4980 moving average should repeat the 2007 scenario. The RSI is from 1981!



US 2yr yield monthly : The RSI signifies that expectation of HIGHER rates is at an ALL time high and subsequent disappointment could be vicious! Once we reverse the curves will witness a MAJOR steepening. Realistically we need to breach the 76.4% ret 2.4128 before the FRONTEND cracks, but the RSI tells us it should!



German 10yr yield quarterly : A very NEAT chart given we are now back inside the channel and the 2 previous quarters have seen closes at yield LOWS. The only thing lacking is the RSI.



UK 10yr yield quarterly : This tight pierced bollinger formation is usually a prequel to an EXPLOSIVE move, we are coiling. Obviously the view would be toward lower yields given the two upside pierces.



UK 10yr yield monthly : We are firstly sub a reasonable 50 period moving average 1.520 and the 2008 trend line 1.316. Another RSI disappointment.



Italian 10yr yield daily : Italy has already shown us its MAJOR issue i.e. LIQUIDITY, which recently has WORSENE! I feel this will drive yields significantly higher as the EURO depreciates. A breach of 3.15 will see yields rise in DRAMATIC style.



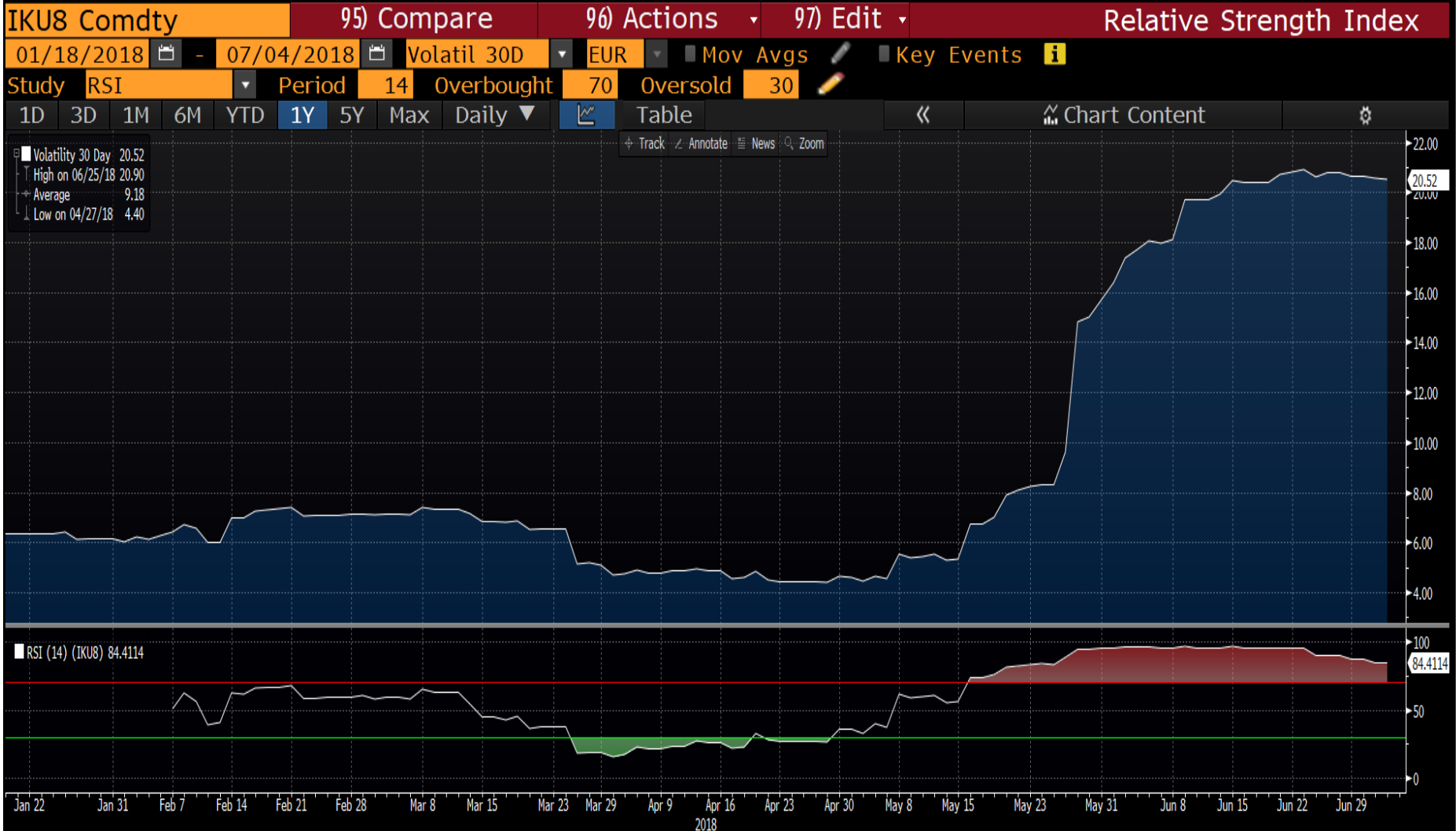
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Spanish 10yr yield daily : We have held the 61.8% ret 1.272 and again think “liquidity” will be its downfall to HIGHER yields. I would be very wary if we breach the 50% ret 1.393 and 38.2% ret 1.514 as this may cause a yield RUN, thus yields head HIGHER.

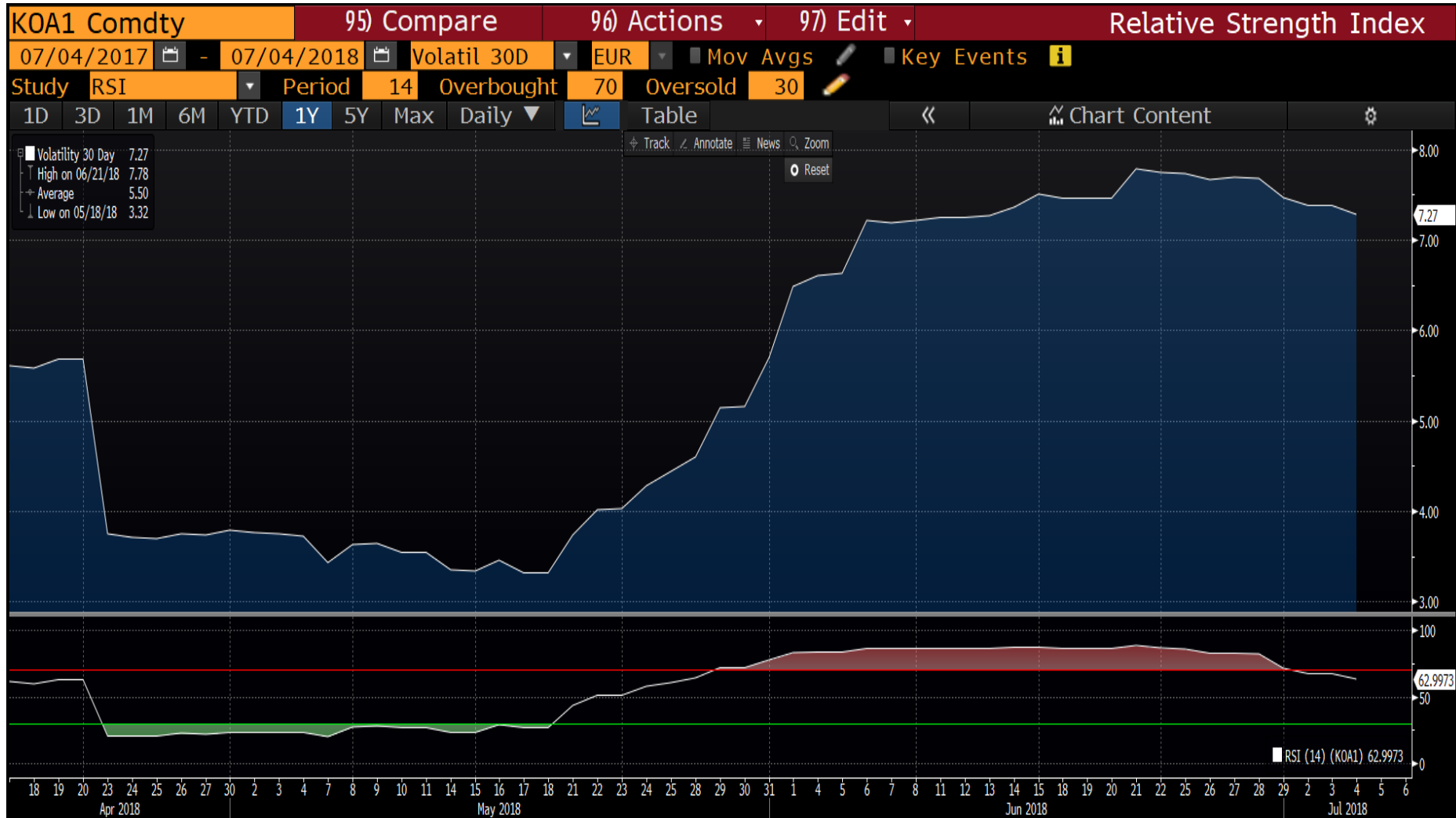


IK futures Volatility : This should be a worrying chart as it highlights a sharp rise in FUTURES VOL, the bid offer and market depth have SHRUNK over the last few weeks! IK futures are no longer a viable hedge for CLIENTS or MARKET MAKERS.





Spanish futures : A similar story of VOL increase which reflects on liquidity.

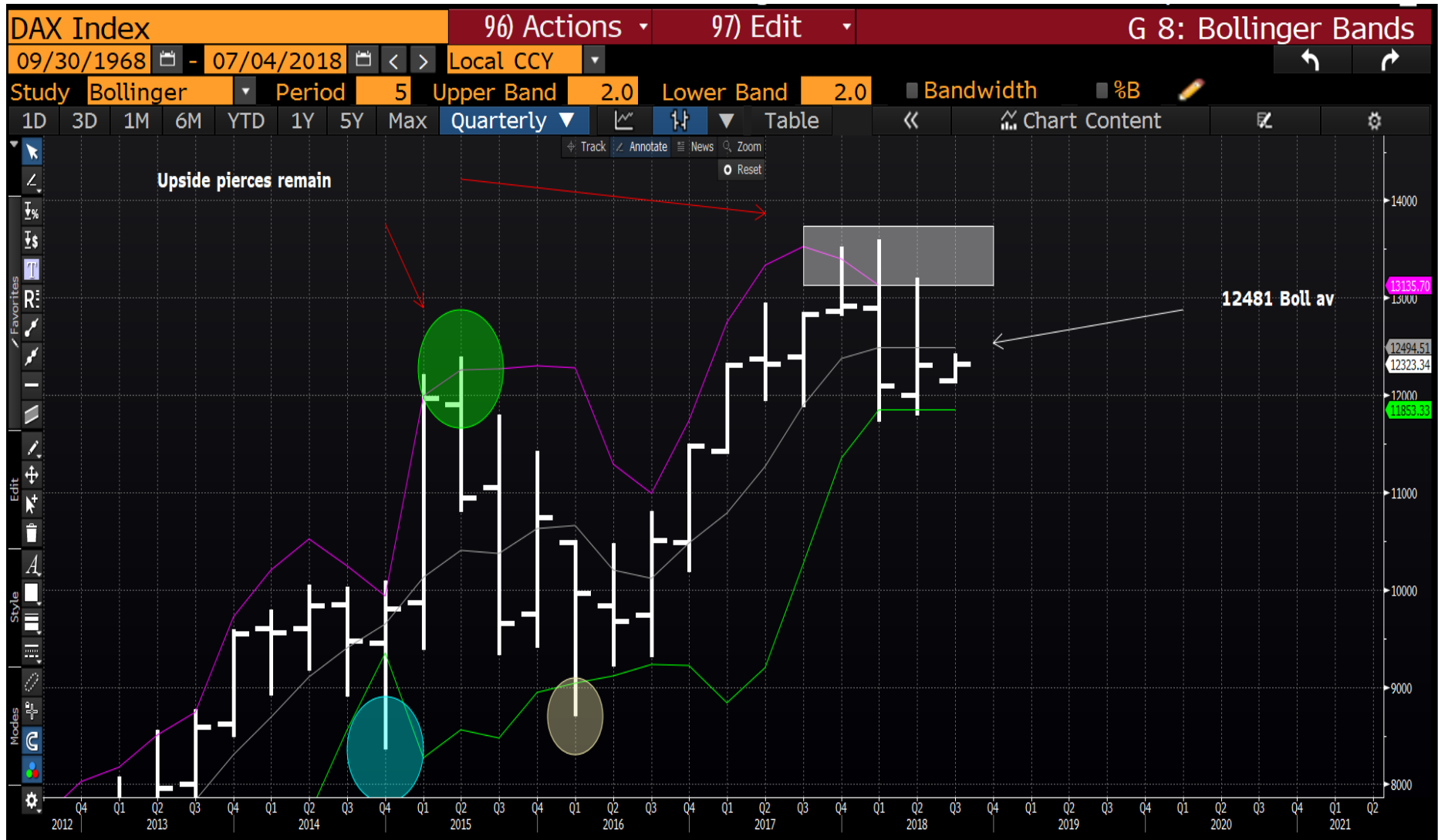


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DAX quarterly : This could be the PERFECT top formation, we have three upside pierces and the latest bounce is stalling at the bollinger average 12481. Failing at the average could be crucial in replicating the 2007 scenario.

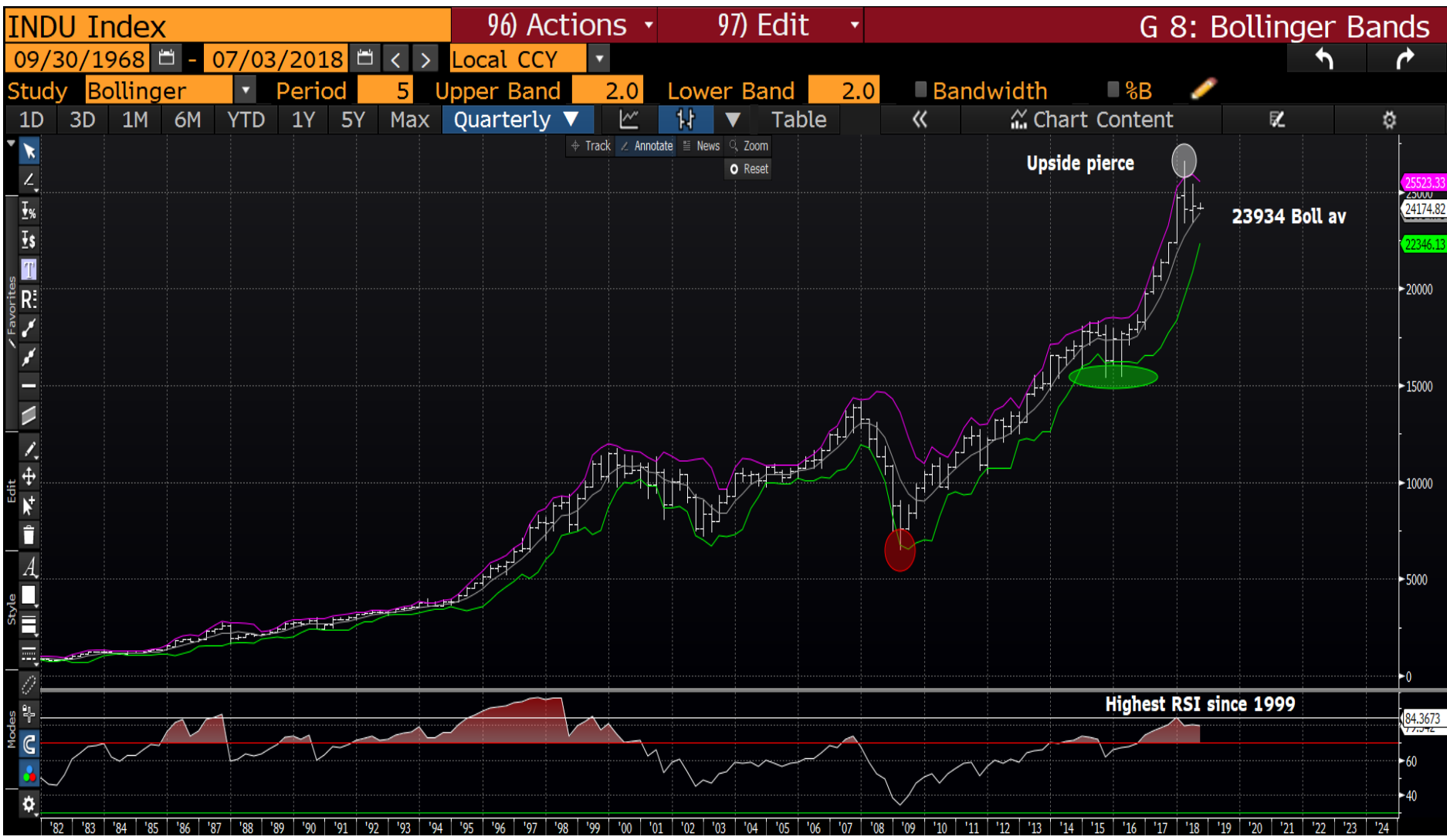


DAX quarterly : This is now becoming a VERY worrying formation! We need to remain sub the bollinger average 12481 and make a new year low.



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DOW quarterly : The RSI we haven't seen since 1999 and the LATEST UPSIDE pierce has remained! We now look to have a top in place only 100% confirmed if we breach the 23934 bollinger average.



US 5-30 monthly : US curves have rarely been this FLAT given the HIGHER RATE expectations at the frontend BUT what if expectation TURNS to DISSAPOINTMENT. We could have a BASE as seem to be HOLDING the 76.4% ret 21.776. We have many years of steepening ahead of us.



US 10-30 curve monthly : We are holding ahead of the MULTI YEAR 76.4% ret 7.545 and the RSI is the LOWEST EVER!!!! Think this and the 5-30 steepener are worth a trade given the stop is tight.



Brazilian 10yr yield weekly : This looks like failing nicely at the 61.8% ret 12.037 yield and the RSI is forecasting a decent yield drop. Yields are FALLING and next target is the 76.4% ret 10.925.



Mexican 10yr yield weekly : We are struggling against the multi year 50% ret 7.934.

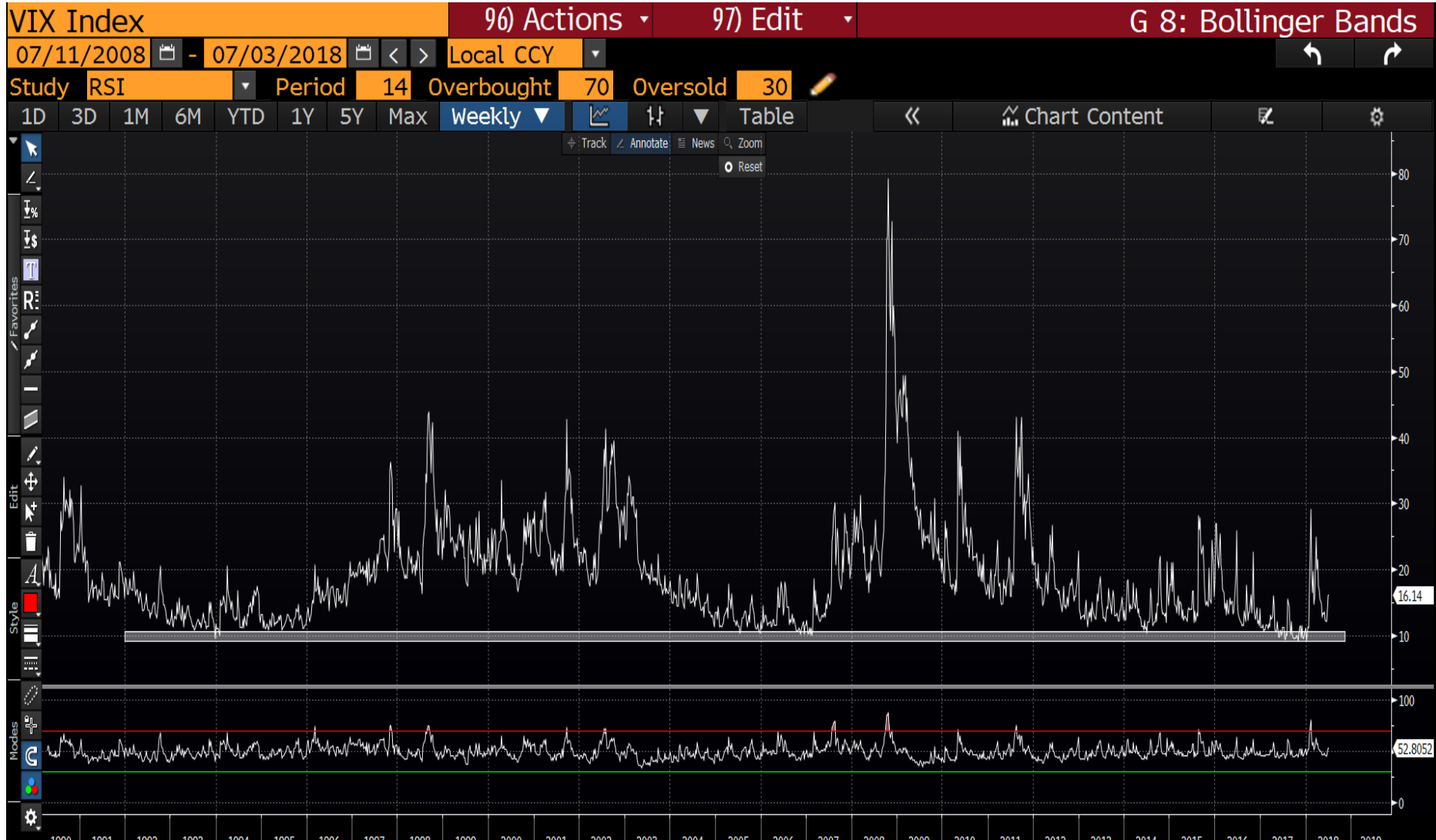




Bund vol daily : We are at reasonable lows where I think it is worth owning if the STORM breaks!



VIX weekly : VOL is now picking up and should EXPLODE shortly!



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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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