

BONDS and CURVES : Where does the LATEST yield rally STOP?

Markets have sold considerably more than I have anticipated, with very little influence from other areas. It's been a MONSTER liquidation BUT does that put us on a course for HIGHER yields? I still think NOT.

I have spent a lot of time discussing with REAL MONEY that this QUARTER END will be SPECTACULAR and LEAD US into a significant YEAR END!

The issue remains the QUARTERLY optimism toward LOWER yields.

US curves have also SET BACK but many remain on major RSI dislocation and CURRENTLY surviving recent lows. They seem to be waiting for the next YIELD DROP.

Am looking to ADD further OPTION ideas. The BACK END US CURVE seems the most OPTOMISTIC for a steepener so ADDING 2 new positions.

Positions :

Bunds have stalled but its time to BUY as the stop is tight and momentum for lower yields remains :

Ref RX Z8 160.41

Buy RXV8 162.50/163.50 Call spread @ 3 ticks 5 Delta (Now 0.0/2.0).

Or

Buy RXV8 162.00/163.00 Call spread @ 5 ticks 8 Delta (Now 1.0/2.0).

****Buy US 2-30 curve now at 36.418, sell stop 26.00 and ADD above 51.00****

****Buy US 10-30 curve now at 14.426, sell stop 11.00 and ADD above 21.00****

US 30yr yield quarterly : We continue to REMAIN sub the 3.1568 moving average and history can as we know repeat itself? The resistance is obvious and STANDING FIRM, seems one solution to this and its yields LOWER.



US 30yr yield quarterly : A SIGNIFICANT chart as we now have 2 VERY nasty upside pierces which wont be eradicated unless we breach the highs, maintaining the YIELD LOWER call. We need to start failing and head back toward the lows, a TALL ORDER but anything is possible. We do still have a NEW low on the quarter.



US 30yr yield daily : None of the RSI's on the following DAILY horizons are worth a mention so any YIELD stall will have to be BASED on a LEVEL. Hopefully we stall once again at the 61.8% ret 3.1320. We need to FAIL SOON!



11/09/2018

US 30yr futures daily : No RSI worth mentioning and level wise we have the 50% ret 142-06
OR 61.8% ret 141-13, hopefully that will FAR ENOUGH.



US 10yr yield quarterly : HISTORY IS GOING TO REPEAT ITSELF 2000 AND 2007!
The RSI dating back to 1984 is not going to go away, thus the BIAS remains for lower yields.
We NEED to turn the latest yield rally around!



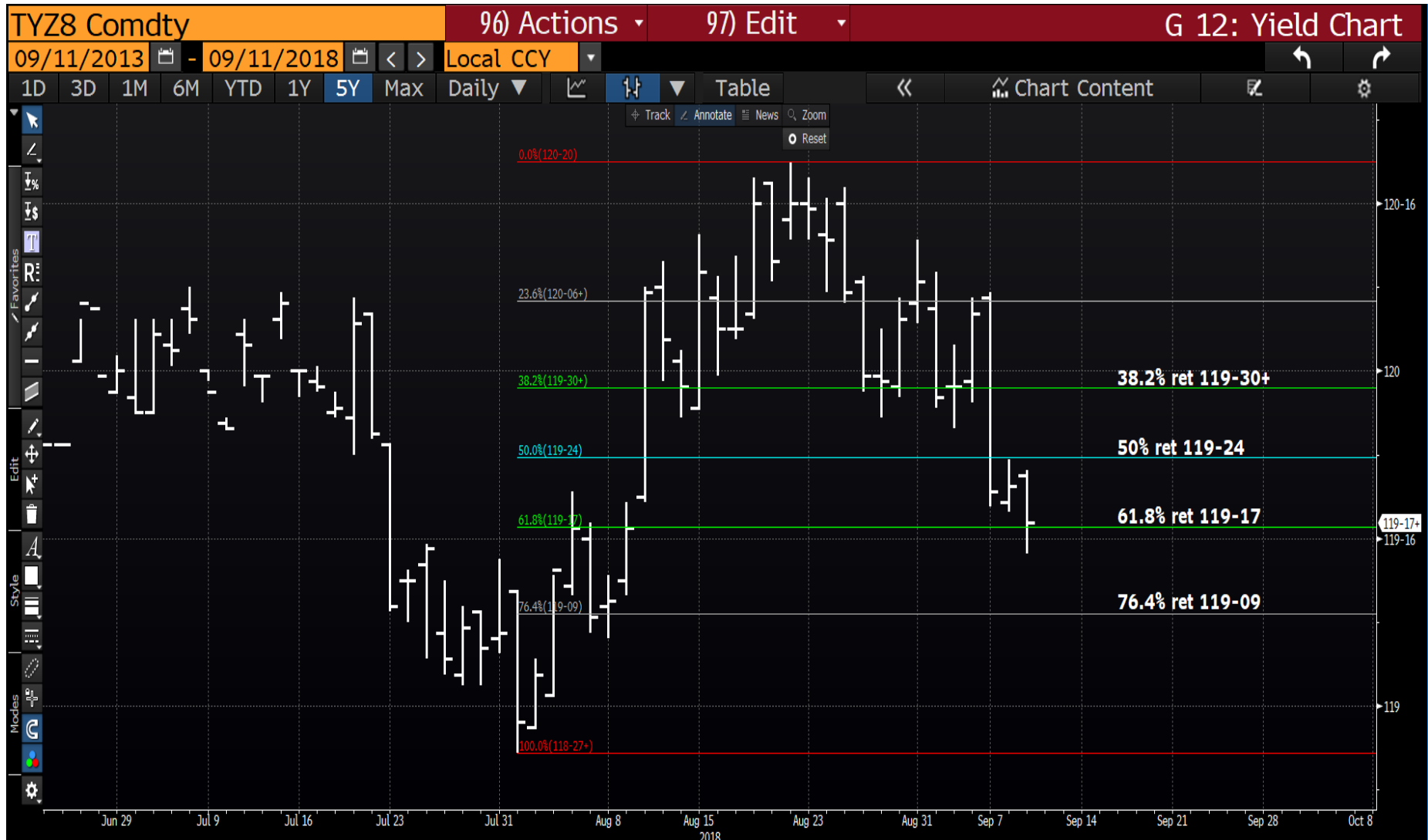
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US 10yr yield daily : We need to start failing either sub the 50% ret 2.9412 or MINIMALLY the previous failure level 61.8% ret 2.9853.



11/09/2018

US 10yr daily futures : We need to start basing at this 61.8% 119-17 OR MIINIMALLY the 76.4% ret 119-09.



US 5yr quarterly : To many, this remains a positive chart i.e. above the moving average and trendline BUT the RSI will not diminish given it is of 1982 proportions. Also once we fail the moving average 2.1410, there are numerous example of what has happened before.



US 5yr monthly : We have spent a SEVERAL months now battling and still feel INSIDE the channel beckons 2.7784.



US 5yr yield daily : This might be the part of the curve to FIRST indicate YIELDS stalling given we are APPROACHING RECENT HIGHS and RSI is TOPPY.



US 5yr futures daily : We should find support at the 50% ret 112-27 OR the 61.8% ret 112-20.



US 2yr monthly : The RSI says it ALL but we are struggling to fail and recently have breached the all important 50% ret 2.7091. Ideally we can REVERSE back below this LEVEL.



US 2yr daily : Hopefully we can close sub the 138.2%ret 2.7121-Major 50% ret 2.7091 to
CREATE a FALSE BREAK.



Generic German 10yr quarterly : We now have 3 SOLID UPSIDE PIRECES that are etched in history, this will form an explosive bearish tone for yields. The latest yield rally has been a surprise BUT am hoping this is ENOUGH.



Generic German yield daily : Since February the latest yield bonce is on a PAR with PREVIOUS so therefore I don't think we have suddenly switched to a YIELD HIGHER BIAS. This is a KEY week and minimally we need to remain sub the 50% ret 0.497.



Bund futures daily : I has been a NASTY fall from GRACE but hopefully we can BASE at the 50% ret 159.11 if not BEFORE!



DBR 46 daily : This BOND rally started in February and this hopefully will be the BIGGEST dip we see. We need to hold the 38.2% ret 135.172 or MINIMALLY the 50% ret 133.357.



Italian generic 10yr daily : This has been a difficult market LURCHING from one EXTREME to another. I still think we aren't out of the woods so remain concerned we need to visit the 61.8% ret 3.396 FIRST, before yields DROP.



Italian generic 10yr daily : Decision time for ITALY here.



US 2-5 curve monthly : The RSI is now low and we are teasing around the previous low 10.624, one t o now watch.



US 2-5 curve daily : This has been a sustained flattener for many and as yet we struggle to gain any positive steepening signals. Above the 138.2% ret 13.518 will help.



US 2-10 curve monthly : We have breached the multi year 76.4% ret 26.832 but that said the RSI is LOW.



US 2-10 curve daily : This is attempting to BASE and a close above the 176.4% ret 25.813 will help A LOT.



US 2-30 curve monthly : The HIT of the 76.4% ret 34.887 was near perfect and that substantiated by an RSI not seen since 2006. We need to HOLD down here.



US 2-30 curve daily : I did mention this CURVE as the one to OWN for those who have MISSED the back end recommendations. The stop remains cheap at 26.00 and ADD above 51.00.



US 5-10 curve monthly : This does not have a level and the RSI doesn't warrant a technical trade.



US 5-10 curve daily : The further out the curve the MORE we have proof of a HOLD and STEEPENING bias. That said this one is a struggle as the latest prices action is a RANGEY.



US 5-30 curve monthly : Another MULTI YEAR hold of the 76.4% ret 21.776 with an RSI for compliment. We should steepen from here.



11/09/2018

US 5-30 curve daily : The back end curves have more of a “CUSHION” as the BASE is already confirmed. Hopefully we hold here and this MAYBE a good place to enter a steepener as the stop need only be 18.00.



US 10-30 curve monthly : We stopped SHY of the retracement but the RSI is the lowest EVER so BANG for your BUCK the REBOUND here could be the ONE!



US 10-30 curve daily : Again we have a good “CUSHION” so still time to enter a steepener.
 Stop any steepeners sub 11.00 and ADD significantly above 21.00.



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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