

MULTI ASSET UPDATE :

I have put this together aided by conversations with various Real Money managers. ALL concluded an EXPLOSIVE year end is coming and it has MANY moving parts to it.

The common denominator is the POLITICAL arena :

We have must Trump poised to make a SPLASH going in to the mid terms.

We have the LAWYER Mrs May at the Conservative party conference telling EUROPE she was not going to compromise her country.

We have Italy ready to make waves and many, populist parties jostling for power in Europe.

Europe itself is in danger, we have an unelected mix who perpetually put the UK down whilst little regard for its OWN standing. They seem BULLET PROOF.

LAST of all we have TWITTER, ELON could find might be his Gerald Ratner moment.

There are a significant number of issues in the MIX than ever before, least of all an anti-establishment leader in the US willing to PICK A FIGHT WITH ANYONE. His body language especially toward Europe says a lot!

Anyway enough of fundamentals as the CHARTS have a lot more to ADD.

Trade ideas and conclusions.

I have thought for a while that something big is looming and it now feels very close!

Stocks :

Stocks in the US woke up yesterday, that despite the highlighted RSI's from 1999, 2000 and 2008. Europe has been heading lower for some time and the DAX, FTSE and EURO STOC have well defined LONGTERM TOPS. There is no going back for EUROPE and I firmly believe the US stock decline will formulate from the TECH sector. We need REAL stock valuations not HYPE to invest in.

Buy EM :

It now looks like Turkey is under control and previous contagion crosses have witnessed EM appreciation. Many USD EM such as BRL, MXN, INR and TRY are at once in a lifetime levels and TOPS formed. Time to buy EM BONDS especially if US bond yields stall.

FX :

Its not all about the USD, the DXY seems rooted to the spot. I have already recommended a EURO short and more recently rolled that into a EUR GBP short. I think if Mrs May follows through with her promise then EURGBP explodes. Buy EM.

Bonds and curves :

This is where the biggest argument remains but for all those who FIRMLY believe yields go higher BEWARE. What if stocks see a HARD FAILURE, bond yields will drop. Curves remain of a steepening bias technically and interestingly yesterday based on the yield drop the "back end" was a BULL STEEPENER.

FX UPDATE

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FX UPDATE

- **FX UPDATE :**
- **The EURO continues to BLEED with minimal bounce, whilst EUR GBP applies additional pressure. We could be in for a LATE and negative DROP into the year end if the political situation falls apart.**
- **EUR GBP I have long favoured a short in this and ACTIONED a short recently, it has a long way to go. I would prefer it to REFLECT a weak EURO performance overall not a DIFFERENT rate of change on a EURO rally with GBP.**

USD EM There are some amazingly CHEAP stop trades in some EM space, we have hit MULTIYEAR retracements, with RSI's to compliment.

EUR USD quarterly : We remain in a dangerous location, SHOULD we breach the 50% ret 1.1241 then we will FREE FALL, ALL confidence in holding a LONG will be GONE!



EUR USD weekly : We are close to closing sub the moving average-50% ret 1.1448, this will help the call to challenge the 1.1241 level.

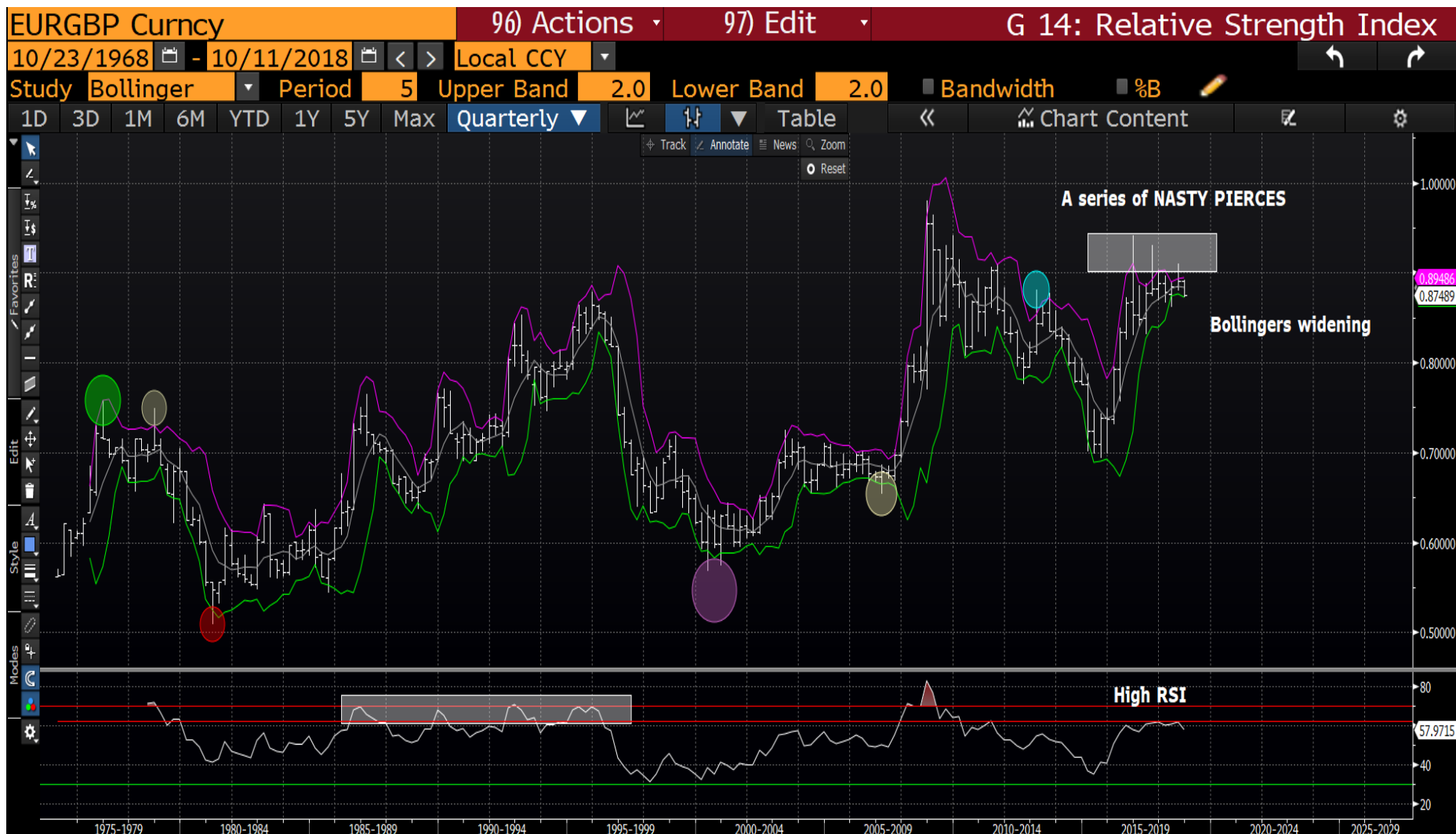


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EUR USD daily : We are currently holding, but remaining sub the 23.6% ret 1.1597 is key to continuing the trend lower.



EUR GBP quarterly : This is a bit of a waiting game, the move looming WILL be EXPLOSIVE.
The EURO remains weak BUT the hope is that GBP either drops at a lower RATE or actually bounces based on fundamentals. Buy any possible VOL in this cross as its coming.



Cable Quarterly : The inference is cable heads lower whilst we remain sub the 1.3347 bollinger average, the hope is any lower price drop is at a SLOWER rate of change to the EURO.



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Cable daily : We are lost a bit awaiting fresh news.



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DXY monthly : *Its certainly not about the USD anymore.*
This chart represents a VERY neutral and non stimulating location.



DXY daily : Again further confirmation of a neutral location.



AUD USD monthly : A very slow and regimented decline, MORE about the AUD than USD strength.



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USD CAD weekly : Further evidence that the USD is not the focus, a very LAME chart.



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**USD EM
SOME GREAT DISLOCATION OPPORTUNITIES**

- **The EM space seems to be resolving the recent TURKEY contagion issues. EM is now a LONG-TERM BUY on many crosses.**
- **USDMXN I have broken down as a trade to highlight the RSI failing to assist in the move.**
- **Some ideas are already working. Nice tops now in USD vs BRL, TRY, ZAR, RUB, MYR, INR, TWD and SGD!**

USD BRL monthly : This is one of the BEST long-term trade offerings, these kind of dislocations are RARE especially aided by the recent DOUBLE TOP.



USD BRL weekly : We are close to a major reversal level i.e. the 23.6% ret 3.6078 sub this will unleash major stops.



GTBRL10Y daily : Brazilian yields continue to drop and a break of the 50 day moving average 10.651 will help A LOT.



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USD TRY monthly : We are poised to breach the recent low 5.9625 and the subsequent DROP will be painful.



USD TRY daily : We are sub the 50 day moving average and poised to breach the 6.1439 moving average.



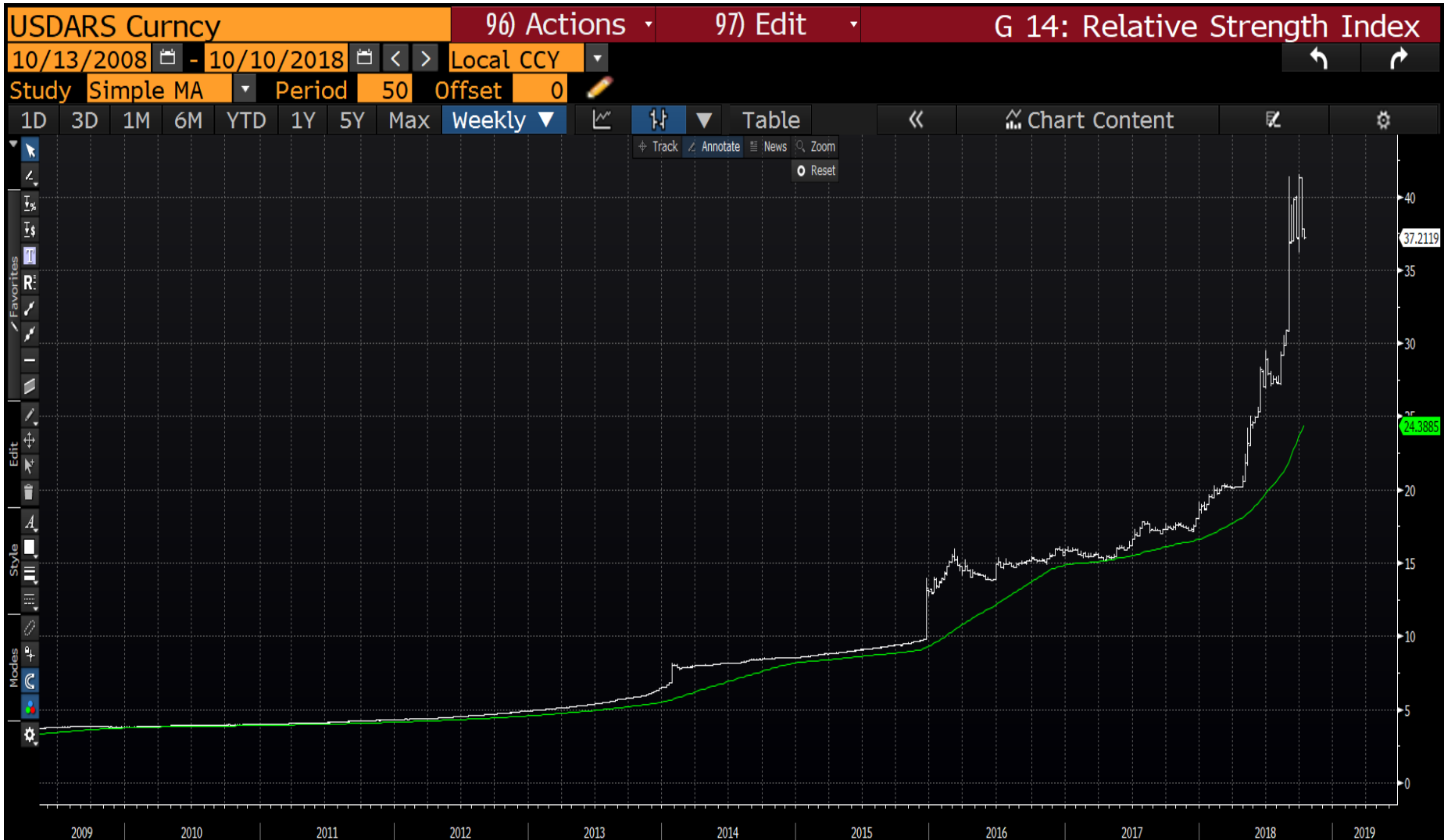
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USD MXN quarterly : This formed a top a while ago but it has not been on Mr Trumps radar hence lack of volatility lately.



USD ARS monthly : ANOTHER blow out cross poised to top out.



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USD ZAR monthly : This has quite and orderly series of highs and hopefully we can head lower and subsequently breach the 100% ret 13.8401.



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USDINR weekly : I tried to FADE this top too early BUT I think we finally have one, I'd be buying Indian bonds at these levels.



USD RUB monthly : Again these have dropped off the political arena and is reflected in the current price volatility.



EQUITIES

Equities : Yesterday witnessed the FIRST REAL fall in US equities just as earnings season is upon us.

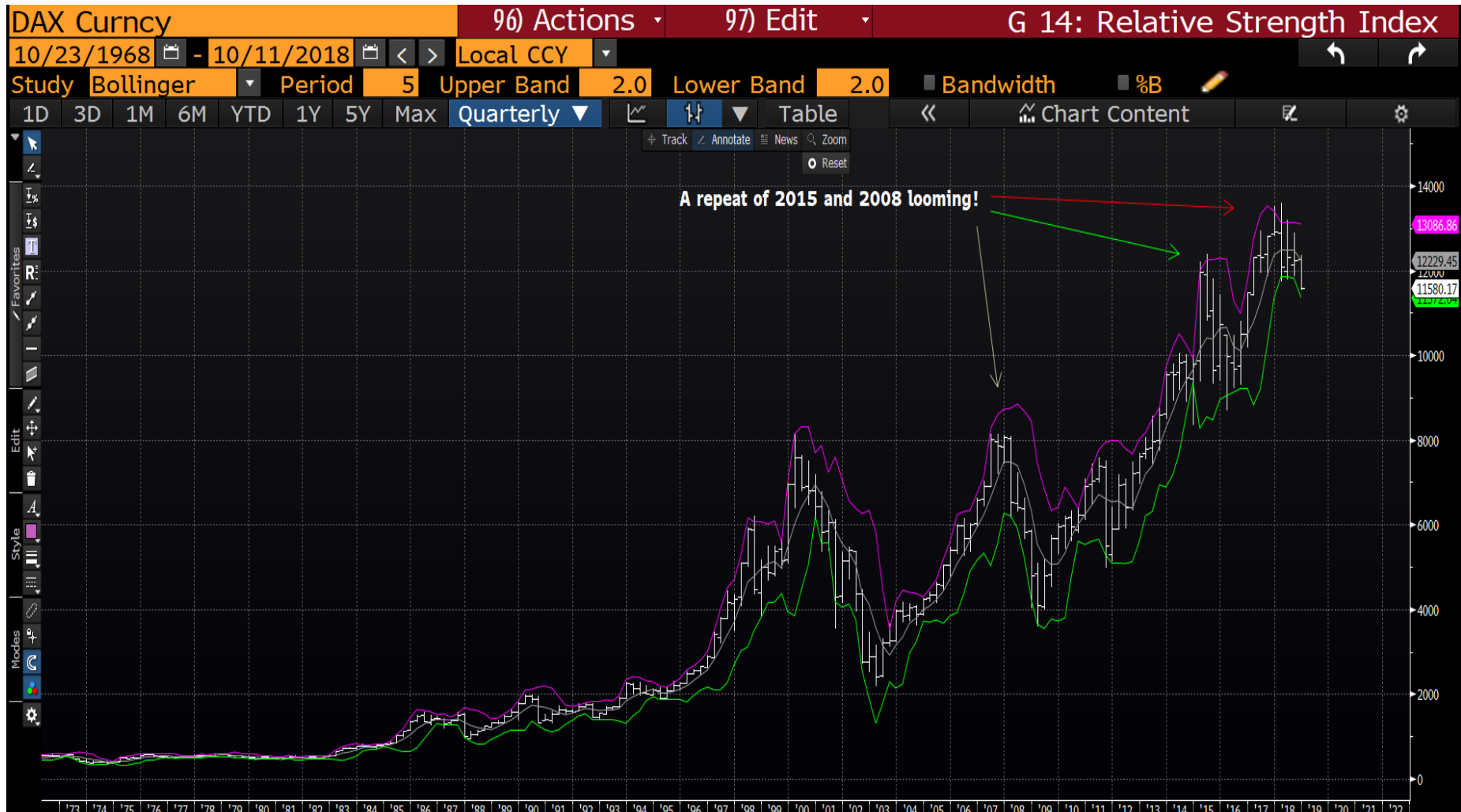
I have laboured the NUMEROUS 1896, 2000, 2008 US stock RSI dislocations, I think we are close to seeing them come into play. The daily RSI's are low post yesterday but remember to SELL any subsequent rally. BUY OPTION downside to protect any LONG VIEWS.

We now have a MARKED disparity between EUROPE and US stocks, it wont last.

The TECH sector continues to be the DANGER, ELON cant stop twittering and MOST investors trade with the HERB MENTALITY than "VALUED RETURN". It is obviously hard not to be long tech but it failed before in 2000.

DAX quarterly : ***THE PERFECT TOP IS FORMED!***

WE have a TOP and one we are unlikely to see for many years, this is one way traffic.



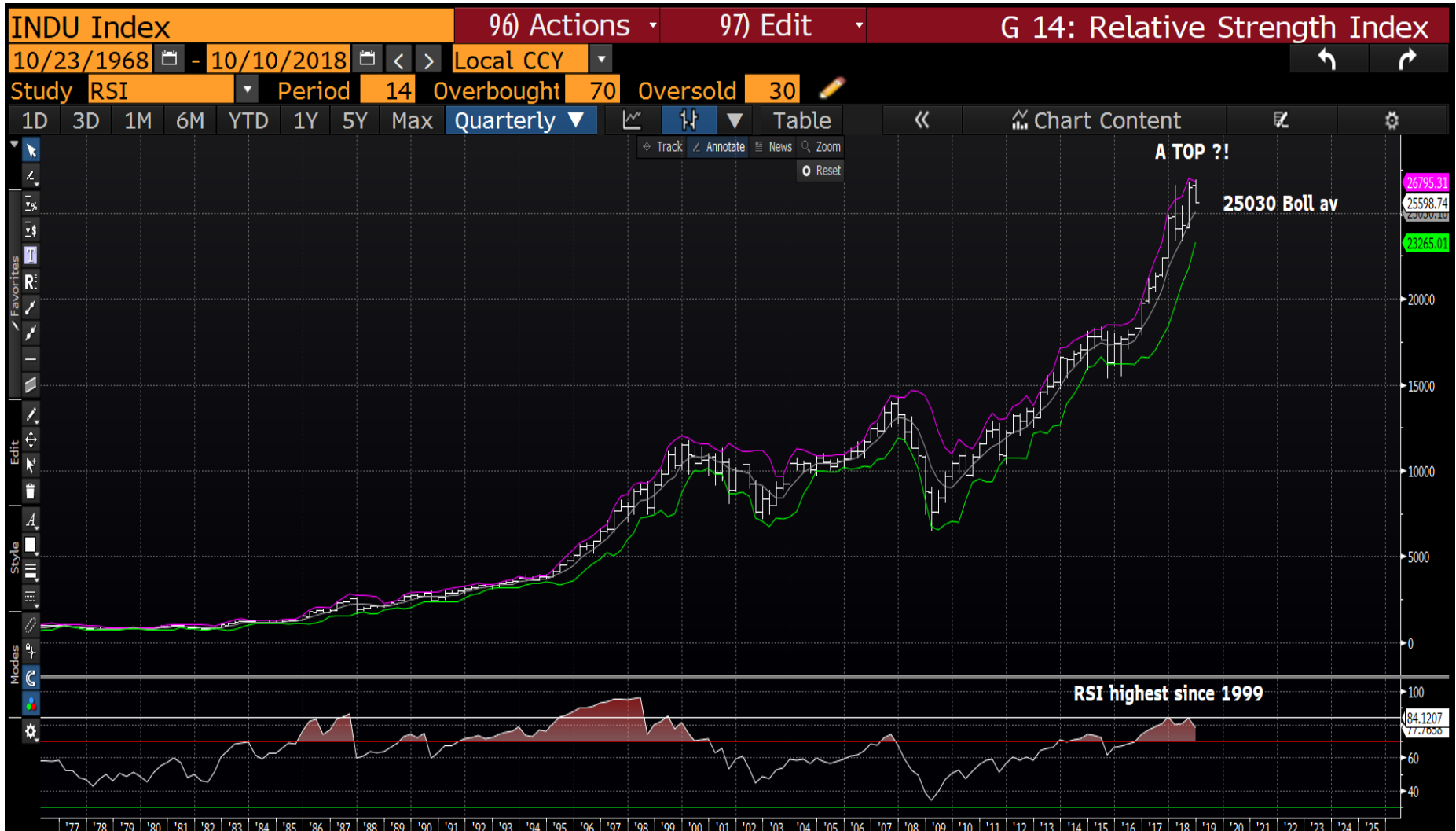
Eurostoxx monthly : This month we have opened BELOW the 3420 moving average so we are ALREADY of a negative BIAS, targeting the 50% ret 3069.16.



FTSE monthly : A text book failure at the 123.6% ret 7531, plenty of room to go lower.



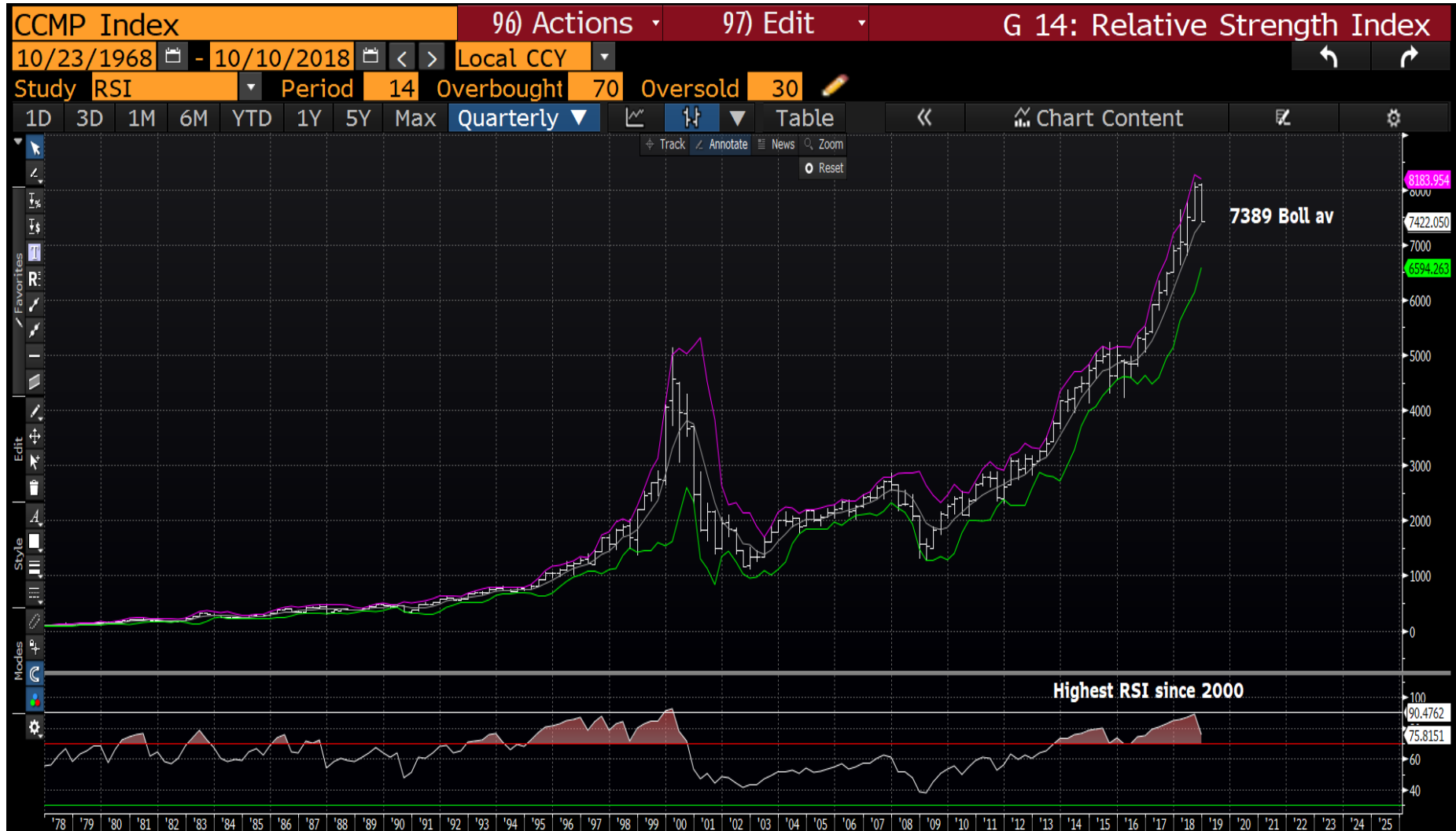
Dow quarterly : FINALLY a glimmer of a top! Nothing is confirmed but the RSI has given LITTLE back.



S&P (future) daily : This highlights the low RSI generated by yesterday however the bollingers are VERY wide so any short-term base might be hard to find.



Nasdaq quarterly : The “TECH” BUBBLE WILL burst!?! This is the troubled sector and that will only get WORSE if we breach the 7389 bollinger average. The RSI is very evident!



Nasdaq daily : Again I have included this to highlight a DIP opportunity for many but as soon as that RSI loses its momentum SELL IT!



Hang Seng monthly : We are through the 23.6% re 25600 and poised to continue lower.



BONDS

- **These HAVE and ARE the toughest call. I think their next move is going to be driven by the equity failure, a good old fashioned out of stocks and into bonds. Mr Trump isn't going to like rates going up and we all know he can and will make his views public, hence I think this will add to the overall volatility.**
- **I also think that bond markets have been BEATEN UP of late and liquidity is adding to the extended ranges. The close post supply this week will be a key element.**
- **ALL daily charts now have MAJOR RSI dislocations JUST as people talk of a RANGE BREAK and HIGHER YIELDS.**
- **Italy remains a problem given its current correlation with the EURO, a key test is here on the 10 yr yields at 3.396, but the RSI is NOT dislocated.**

US 30yr yield quarterly : Through a glitch this months bar is not displaying but I continue use this to highlight the historical failures of the 100 period moving average. It is worth bearing in mind given the RSI.



US 30yr yield daily : A explosive set of stops have forced the RSI to a high level but feel it isn't worth chasing the market here just rely on the curve for any trade reward. Post supply we need to close nearer the 3.25 level.



US 10yr yield quarterly : The RSI is 1984 proportions but yields have gone higher certainly not something HISTORICALLY that has happened before. I would STILL keep an open mind.



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US 5yr quarterly : We are along way off the moving average but the RSI is STILL at 1982 levels.



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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.



Generic German 10yr quarterly : We have teasing the 0.502 moving average so here difficult to call.



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Generic German yield daily : Again we are teasing the 0.469 moving average thus need more guidance.



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DBR 46 daily : This bond continues to be VERY regimented in its trading. Lets see how or if we hold the 133.125 moving average and 50% ret 133.801.



Italian generic 10yr daily : Italy remains a worry for me given we are holding above the 61.8% ret 3.396 and poised to push on to the 76.4% ret 3.952.



US curves a once in a lifetime opportunity?

- **Curves have STEEPENED and the BACK END with a steepening BIAS.**
- **** It seems the BACK END is where the TRADE is given the 2-30, 5-30 and 10-30 performance yesterday.**
All generally have low RSI's, MANY at 2006 levels.
- **It seems hard at the moment to pinpoint the OPTIMUM curve to go for but contenders already are 2-30, 5-30 and 10-30, that said most could do with quarter end confirmation.**
- **REMEMBER ALL RSI's ARE EXTENDED AND MANY HAVE HIT MULTI YEAR 76.4% RETRACEMENTS!**

US 2-5 curve monthly : We steepened nicely but stalled at the 76.4% ret 20.817, for further progress this needs to be breached.



US 2-5 curve daily : The 100 day moving average 17.675 kicked in as resistance but hopefully will be subsequently breached.



US 2-10 curve monthly : We have based well aided by the 2006 RSI.



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US 2-10 curve daily : Again the market has paused but hopefully we can hold the moving average.



US 2-30 curve monthly : This has been the clinical trade, hitting the multi year 76.4%ret 34.588 on the NOSE. This has held on to the recent steepening.



US 2-30 curve daily : We have remained above the moving average and ideally will close above the 161.8% ret 56.090 soon.



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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 : A very stable performance yesterday and ideally we breach the 100% ret 16.909 soon.



US 5-30 curve monthly : Another MULTI YEAR hold of the 76.4% ret 21.776 with an RSI for compliment. We are now steepening nicely.



US 5-30 curve daily : ** WE STEEPENED AND RALLIED ** We certainly held onto all of the recent gains. Above the 100% ret 40.049 will be a killer blow.



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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!



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US 10-30 curve daily : Another curve that marginally steepened on yesterdays bond rally.



CL1 monthly : I mentioned this TOP Friday. I am not going to comment on what lower oil should mean but lower it looks like going.



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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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