

MULTI ASSET UPDATE : HIGH ALERT! This week continues to be about **THE EURO AND STOCKS.**** Some elements of the **PERFECT** storm are forming.

The **EURO** continues to remain **SUB** the all important **1.1301** previous low is key. We are close to a **MAJOR FREE FALL**.

****Trade idea BUY Euro Dec 11100.00 puts @15 ticks, stop 1.1470 and ADD below 1.1301 NOW 13.**

EM BONDS continue to do well and many **USD** crosses well on the way to major drops. **One new EM bond contender is INDIA** as the cross is topping. These views are **NOW** very much for the long-term, especially if **US yields STALL**.

EQUITIES ** THE WEEKS BIG WORRY** We **CONTINUE** to **SIT** on **KEY** levels and just about holding last months lows, **A LOT** to watch! Should last months lows be breached do expect us to emulate Octobers range.

****Trade idea BUY DAX DEC 11300-11200 put spread 33.0 ticks Stop above 117.00 and ADD sub 11400. NOW 33.****

CORE BONDS are the **LEAST** favoured market given the yields and inability for a fully functional market. Of late European markets have claimed **MANY** victims, it does feel we are void of market depth and position belief. The **US** remains a **VERY** short market and one aided by the latest yield **POP**, my argument is it wont last if stocks break given the **US** back end appeal. **ALSO ALL** monthly and quarterly **RSI's** remain steadfastly overbought. We may **STALL** if equities have that **ONE LAST BOUNCE**.

US CURVES continue to steepen in the back end and show little signs of giving up the **BULL STEEPENER** bias, that said this whole yield-curve directional view **NEEDS** discussion.

Positions :

****Buy US 2-30 entry 36.418 now 47.270****

****Buy US 10-30 entry 14.426 now 21.566****

FX UPDATE

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FX UPDATE

- **FX UPDATE :**
- **If the EURO can remain sub the 1.1301 previous low then we could EMULATE the drop witnessed in MAY.**
- **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. This could be the STAR trade for the YEAR END.**

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

USD INR now the new SHORT.

EUR USD quarterly : The beautiful thing about this chart is we have recognised the 50% ret 1.1241, so when subsequently breached, it will be VERY MESSY. Some support is available at the 1.0810 area but realistically the long-term target still remains 1.0109.



EUR USD daily : If we bounce then it should ONLY be to the previous low 1.1301 in a VERY similar style to that of early May before that SIZEABLE selloff. A very SCARY proposition if HISTORY repeats itself.



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EUR GBP quarterly : This is shaping up to be a VERY BEARISH long-term formation. This MAGNITUDE of upside pierces are extremely rare.



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Cable Quarterly : No real outright trade here as we remain between the bollingers and it would be better to represent it via the EUR GBP trade.



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DXY monthly : We remain in positive territory so whilst above the 50% ret 95.859 all is VERY POSITIVE. Plenty of CLEAR AIR above us.



AUD USD monthly : A bit of a SPENT cross and would now be flat this.



USD CAD weekly : This has trodden water for some time above the 1.2897 moving average and now has free UPSIDE AIR. A breach of the 23.6% ret 1.3451 will trigger bigger stops.



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. It also seems to be taking some time out.
- 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. We have tested the 23.6% ret 3.6078 but at the second test should SAIL through.



USD BRL monthly : This is a near perfect test and hold, for the time being. The level has now been flagged up, once sub this 3.5860 moving average we drop HARD AND FAST.



USD TRY monthly : Sub the 23.6% ret 5.8094 should see the ranges EXTEND and the 38.2% ret 4.9197 an easy and quick target.



USD TRY daily : We have breached the 100 day moving average 5.6025 so the path should continue lower.



USD MXN weekly : We are not finding a top here at all.



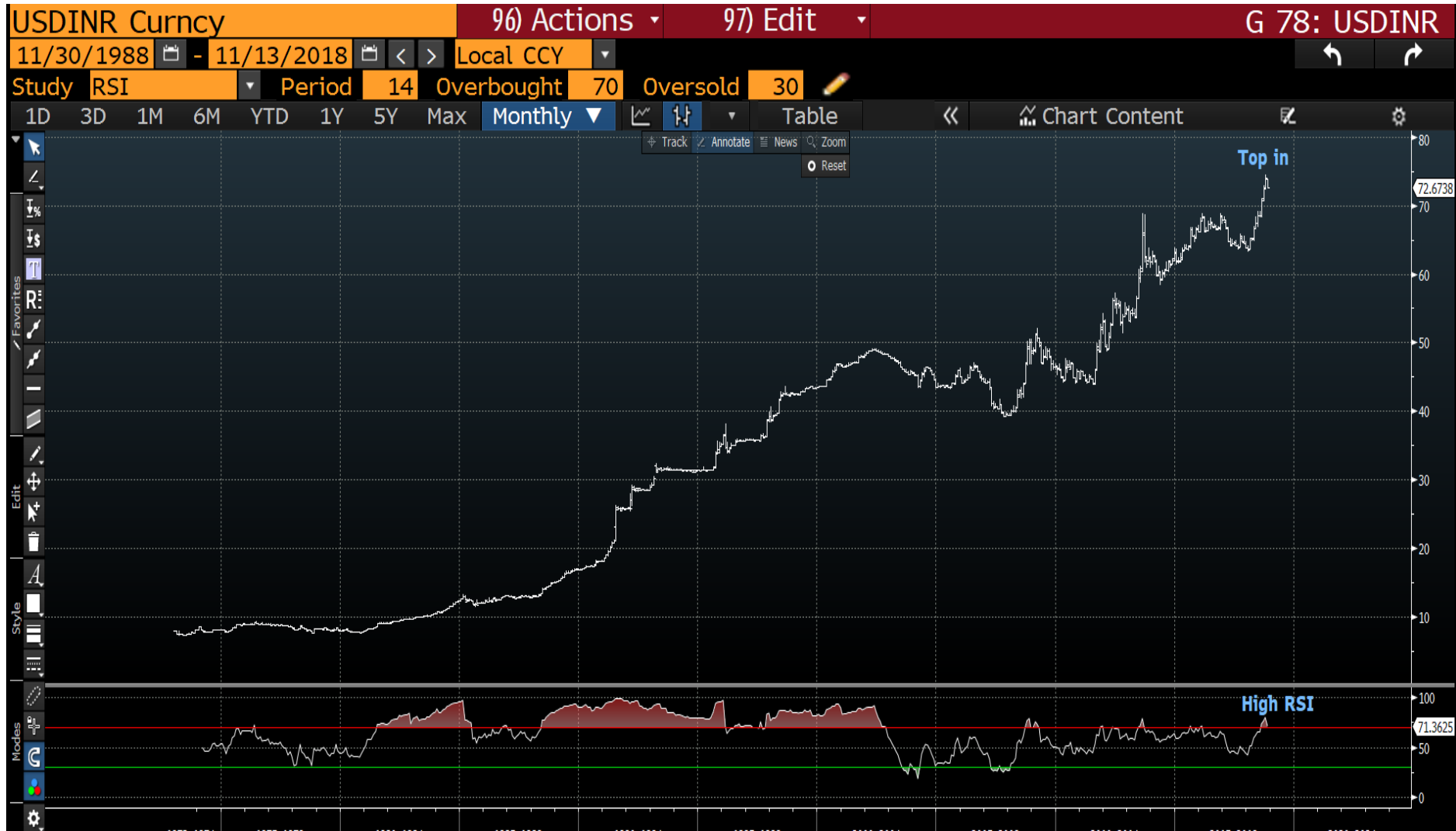
USD ZAR monthly : We are close to endorsing the next leg lower via a close below the 100% ret 13.8401.



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USDINR weekly : A TOP now finally looks to be in.



EQUITIES

Equities : These remains a MASSIVE concern given the LACK of immediate bounce, no recovery what so ever in Europe.

WE NEED TO HOLD LAST MONTHS LOW OR THE FREEFALL WILL BE VERY MESSY.

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 : A VERY KEY start to the monthly and we NEED to hold the moving average-50period moving average 11388 or else. If any we do create a new low then expect a similar range extension to October.



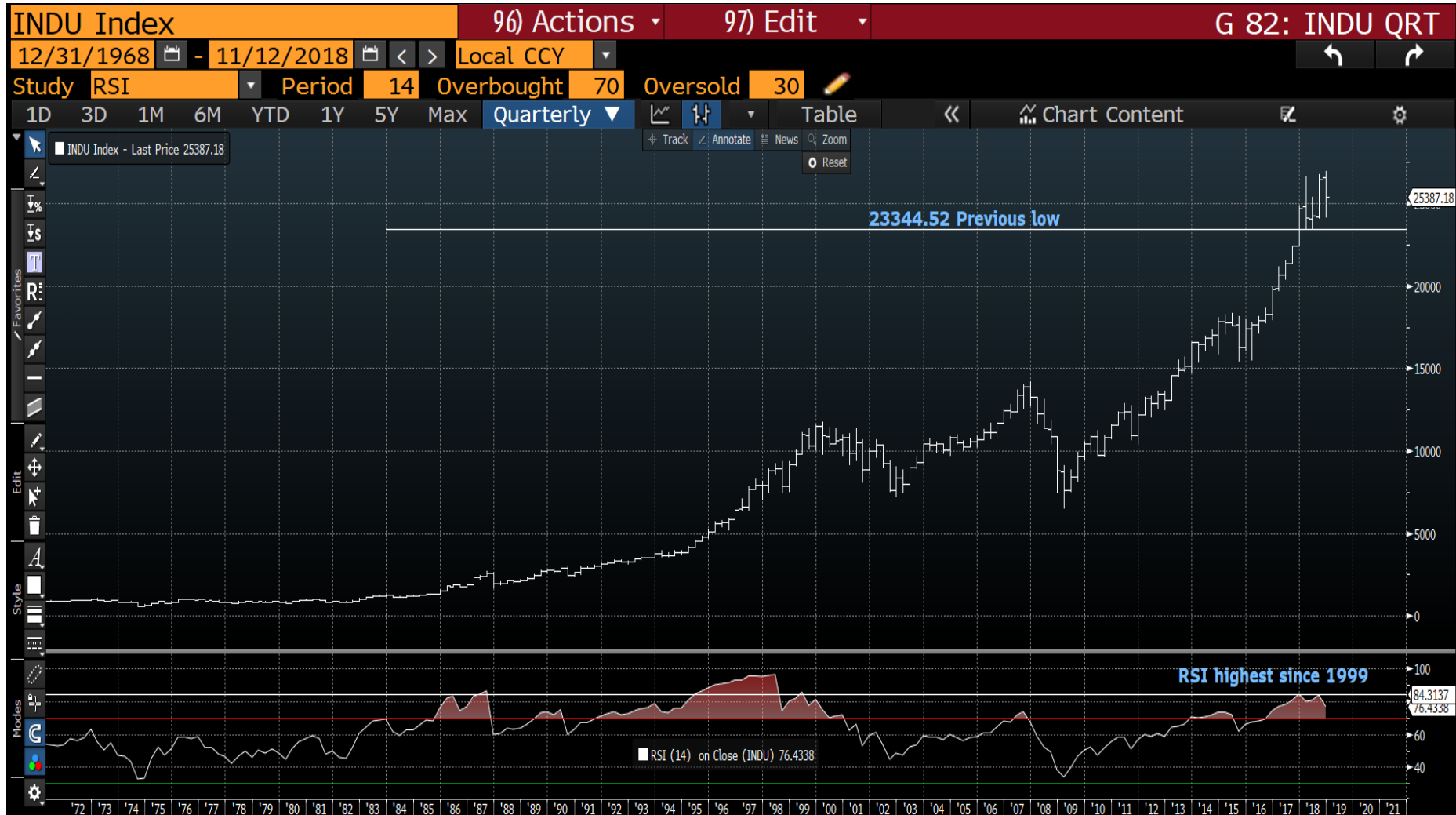
Eurostox monthly : This month we have opened BELOW the 3331 moving average so we are ALREADY of a negative BIAS, targeting the 50% ret 3069.19.



FTSE monthly : Another market testing multi year moving average 6946, we should hold first time down but not thereafter.



Dow quarterly : The TOP is yet to be FULLY confirmed BUT all will become clear sub the 23344.52 previous low.



S&P (future) daily : We look like heading lower again having failed the 23.6% ret 26104.21 and the 50 period moving average.



Nasdaq monthly : More of a WORRY but we are JUST ABOUT holding the trend channel 7233. The RSI remains in 2000 territory.



Hang Seng monthly : This moving average is proving extremely useful 25120 and must be noted if BREACHED.



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Nikkei monthly : This stalled recently at ahead of the 38.2% ret 24847.88 so is forming a pretty bearish outlook.



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 EUROPEAN 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 monthly : The RSI says it all but the yield price has other ideas, we have been here before and yields DID drop.



US 30yr yield daily : A possible yield top but we have been here before, we need to breach 3.300 before confirmation.



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.



US 10yr yield monthly : Again we need lower yields to confirm a top, sub 3.04 should do it.



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



Generic German 10yr quarterly : We failed the moving average 0.496 but its not been an ORDERLY drop.



DBR 46 daily : One of the most resilient bonds going, if we were to close above the 61.8% ret 135.721 then the previous highs will be the TARGET.



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Italian generic 10yr daily : Italy remains a worry for me given we are holding above the 38.2% ret 3.410 and poised to push on to the 50.0% ret 4.142.



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.



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US 2-5 curve daily : The 100 day moving average 14.415 kicked in as resistance but hopefully will be subsequently breached. A very sideways performance of late.



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



US 2-10 curve daily : Again the market has paused but we are back AROUND the 100 day moving average again.



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 : This is a VERY STRONG performance and we are holding on to MOST gains. Holding the 200% ret 42.759 is key.



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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 : We need to HOLD the 123.6% ret 13.161 on the latest dip.



US 5-30 curve monthly : A STELLA performance holding the MULTI YEAR 76.4% ret 21.986 on the nose. THIS HAS A LONG WAY TO GO.



US 5-30 curve daily : ** BULL STEEPENER, WE STEEPENED AND RALLIED **

We have held onto most of the recent gains and staying above the 123.6% ret 34.055 key.



US 10-30 curve monthly : We stopped SHY of the 76.4% 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 : Another cross doing well and a close above the 123.6% ret 34.055 will help a lot.



CL1 monthly : Not a pretty formation but the daily RSI is very low.



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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