

****MULTI ASSET UPDATE : WE ARE ABOUT TO SEE THE MARKETS “STEP UP A GEAR” RATHER THAN HIBERNATE FOR CHRISTMAS AND NEW YEAR!****

Equities again look abysmal and poised to free fall, yields similarly so aided by poor liquidity and EM on the rebound again. I would also re enter any BULL STEEPENERS in the back end of the US curve especially US 2-30 given the stop is cheap based on a MULTI YEAR entry location! (Page 52).

I have long mentioned the idea of a PERFECT STORM, we have had so many far reaching RSI dislocations that need addressing. It now finally looks like all these aspects are going to come together over the Christmas- New Year period.

Stocks : They remain the GREATEST concern and driver, we have EUROPEAN TOPS and an OVER VALUED US market. Numerous US products have RSI dislocations not seen in years, notably TECH with an 18 year RSI extension. We have lost sight of value in this SECTOR. Too many have been sucked in to the VORTEX of a “MUST HAVE IN THE PORTFOLIO”, agreed the returns have been great but its time to seek VALUE.

Bond yields : This has been the eternal pain given ALL quarterly and monthly charts have been forecasting MUCH lower yields based on 1982, 1984 RSI dislocations. One recent example and trade idea the USFS10-20 swap, it helped endorse a lower yield environment ahead. Expectation for higher rates has gotten ahead of reality and the charts represent that. The latest chart updates shows potential for a MASSIVE snap back in yields over the next few months, I suspect aided by weaker stocks. Yields on paper should plummet, even though we have a lower BASE LINE YIELD VALUE.

FX : I still think this is not a PURE USD call, there are too many other global issues for it not to be. I feel the EURO is going to be a major CASUALTY soon. I am surprised the French situation has had so little impact but just like stocks the EURO is on the EGDE of a precipice, one nudge and its OVER.

US Curves have huge historical dislocations and all point to a BULL STEEPENER in the back end, look to re-enter the 2-30 idea.

FX UPDATE

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FX UPDATE

- **FX UPDATE :**
- **EURO : A VERY sideways performance considering the French situation but we remain negative whilst sub 1.1500 and a breach 1.1241 50% ret, we FREE FALL.**
- **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.**

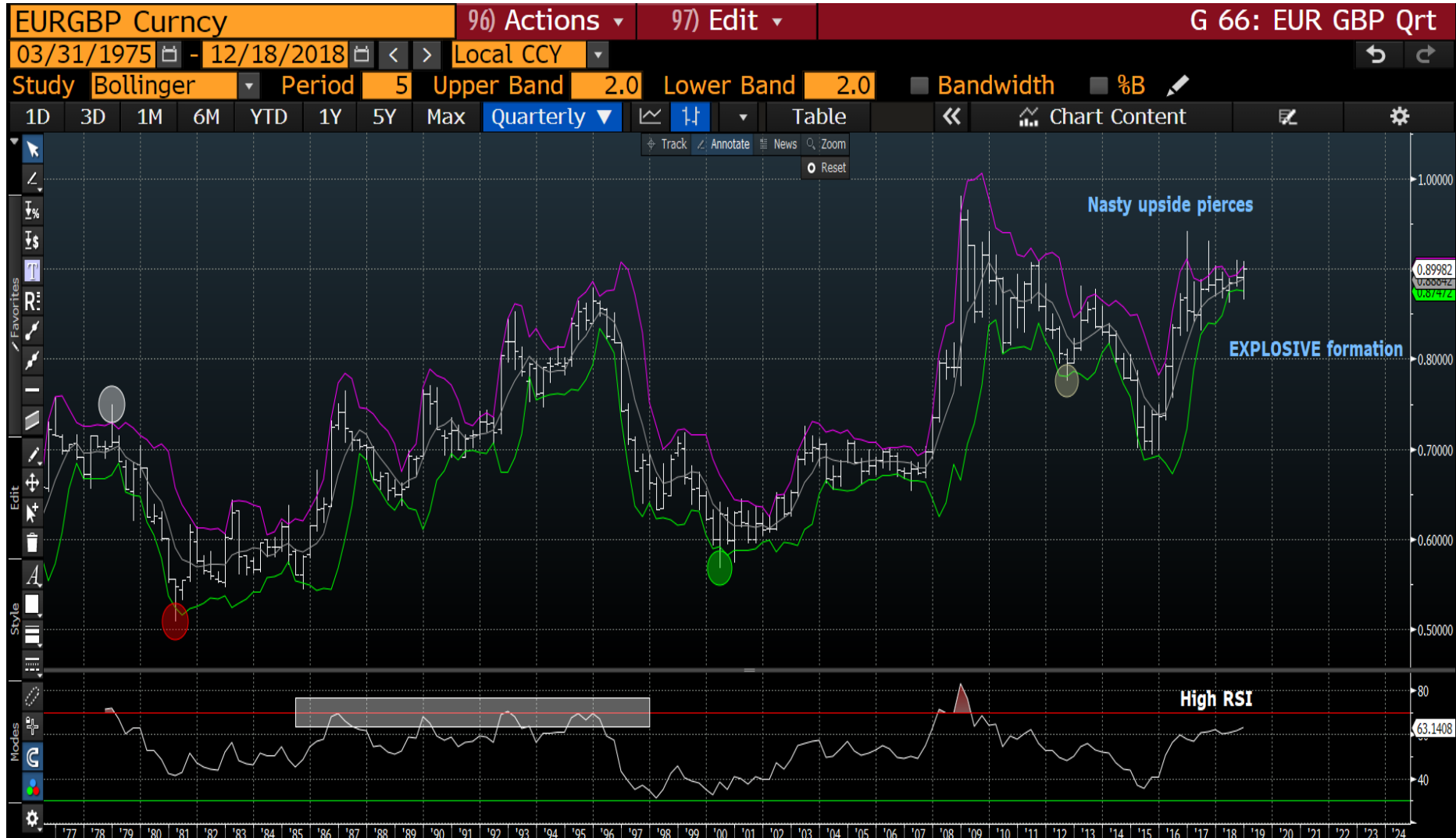
EUR USD quarterly : We continue to trade sideways but a breach the multi year 50% ret 1.1241 WILL formulate a rapid drop to 1.080 and 1.0109 by late 2019.



EUR USD daily : Hope of a follow through from Fridays drop has waned and once again its back in the range as BREXIT rolls along. We need a fresh driver.

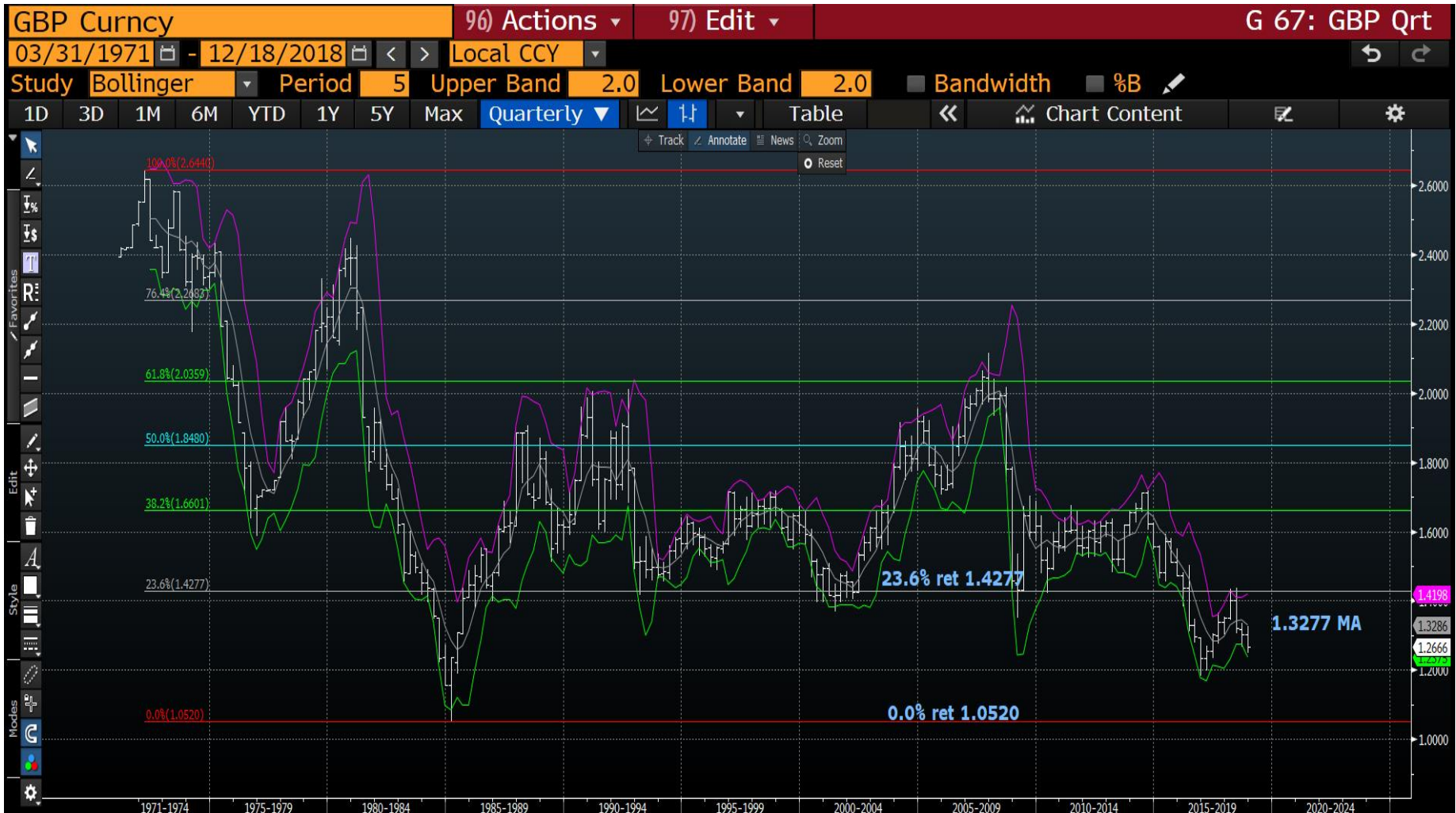


EUR GBP quarterly : This is shaping up to be a VERY BEARISH long-term formation. The MAGNITUDE of upside pierces are extremely rare.



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Cable Quarterly : No real outright trade here, we remain between the bollingers and it would be better to represent it via the EUR GBP idea. The overall bias remains lower while we are sub the 1.3277 trend friend bollinger average.



DXY monthly : This remains a CONSTRUCTIVE chart whilst above the 50% ret 95.859, all is VERY POSITIVE. Plenty of CLEAR AIR above us, just need to make use of that opportunity.

The acceleration will be FAST.



AUD USD monthly : A bit of a SPENT cross and would now be flat. Do not overtrade at these levels.



USD CAD weekly : This has trodden water for some time above the 1.2910 moving average and now has free UPSIDE AIR. A breach of the 23.6% ret 1.3451 will trigger bigger stops.



EM UPDATE

- EM is now poised for its next bout of performance. Many EM have lost ground against the USD but chart wise this week looks like a return of EM strength is coming.
- MANY USD-EM crosses now have SIZEABLE long-term tops formed. I think it is a combination of EM relief that the Turkey-Argentina situation is improving and the DXY losing momentum, more bias on the former for influence.
- USD MXN continues to reject decent trend resistance at 20.6155.

USD MXN monthly : This month has been pretty sideways but we continue to fade the trendline 20.6155.



USD MXN weekly : We have spent many weeks battling to breach the trendline but to no avail. Ideally we breach the recent 20.00 level and run stops.



USD BRL weekly : We have seen a considerable bounce of late BUT the daily is now poised to stall. Any breach of the 23.6% ret 3.6078 will be MAJOR.



USD BRL daily : Very sideways performance of late negating the OPPORTUNITY lower left from last week.



GTBRL10Y daily : Yields have taken time out but providing we remain sub the 10.337 moving average yields should drop.



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USD TRY monthly : This cross has plenty more downside especially if we can breach the 38.2% ret 4.9197.



USD ZAR monthly : We have a nice range on the month but now look to be heading for a breach of the 13.4346 moving average.



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USD ZAR daily : Another sideways performance.



USD RUB monthly : Another nice failure on the month, hopefully we can breach the 38.2% ret 61.9293-moving average.



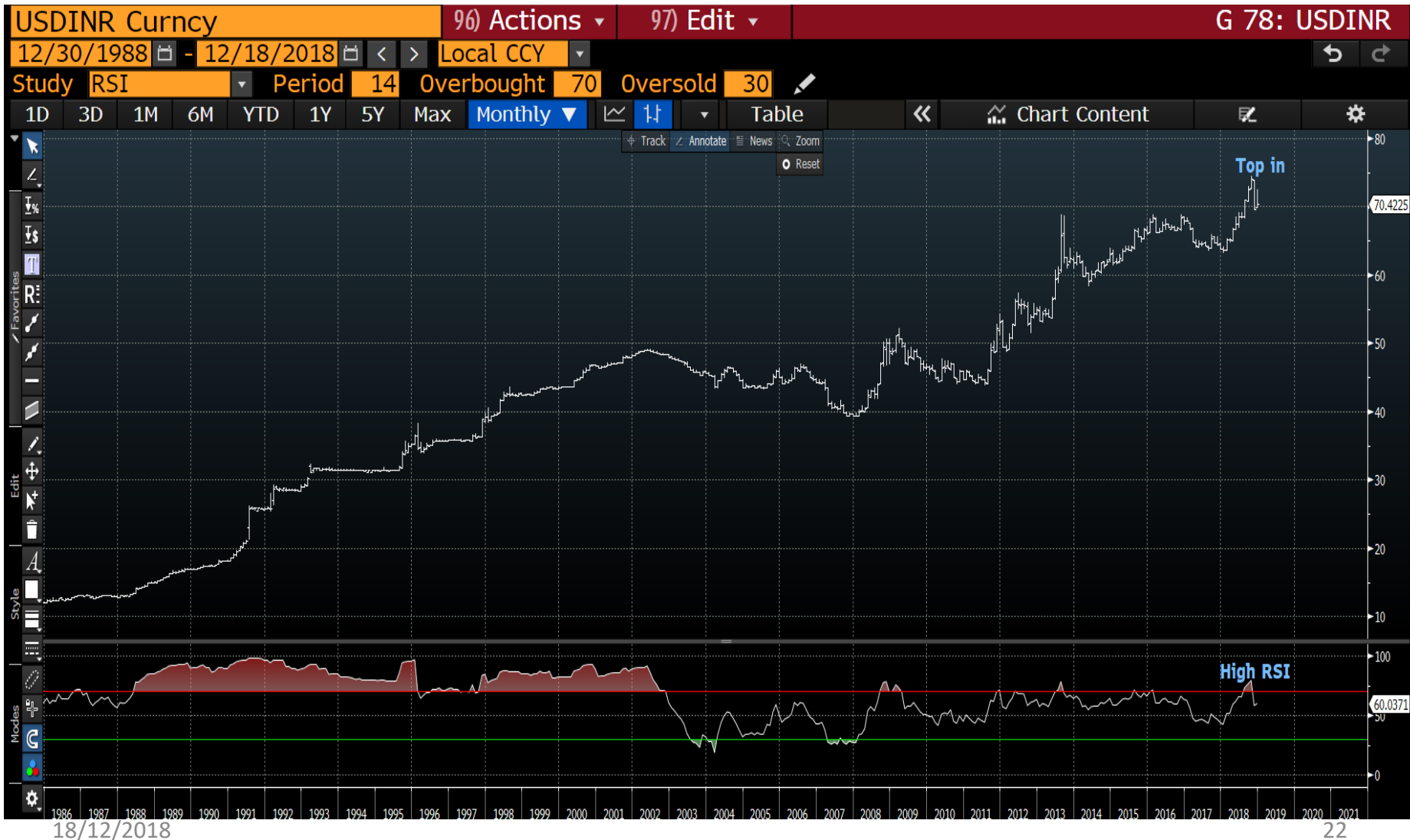
USD CNH weekly : We do now look to be forming a solid top and should draw toward the 100% ret 6.7850.



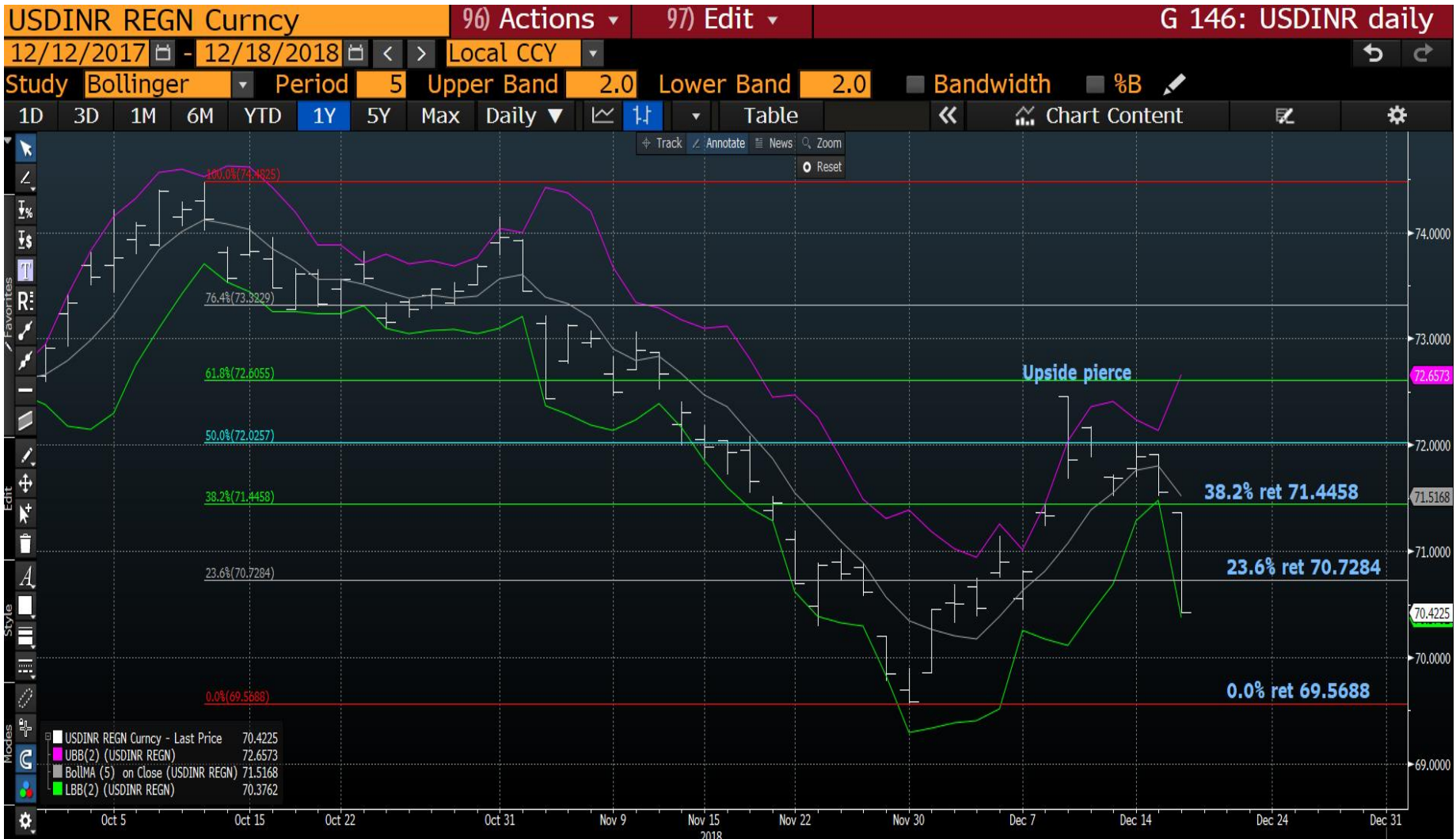
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USD INR weekly : The RSI is as HIGH as September 2013 and we APPEAR to be forming a TOP, confirmed once we breach the 138.2% ret 72.8598. This could be a VERY MAJOR turning point-TOP.



USD INR weekly : We are well on the way to the recent lows 0.0% ret 69.5688.



EQUITIES

Equities : This whole sector remains DAMAGED GOODS how ever you look at it. The DIP buyers don't seem to be convinced and all PRESS currently advises to "RIDE IT OUT". WE have breached many levels and the US is poised to confirm its intensions. (Page 17 and 22).

****Given the moves of late you would suspect the daily RSI's to be low but they ARE NOT.****

We have had MINIMAL bounce and similar to the EURO we are on the precipice of MAJOR LIQUIDIATION. The TECH sector is unlikely top improve and the TRADE wars rumble along, it doesn't bide well or create a POSITIVE feel.

I have laboured the NUMEROUS 1896, 2000, 2008 US stock RSI dislocations, I think we are close to seeing them come into play.

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

DAX monthly : A BROKEN market. We remain OUTSIDE a 2011 trend channel with a NEW MONTHLY low. This doesn't look a positive chart and spells the END OF THE 10 year rally.



DAX weekly : There is no going back with this chart as we are well below the 200 day moving average 11503.92. Sub the 38.2% ret 10299 will accelerate the pain. It still feels HEAVY.



Eurostoxx monthly : Although this has been one of the least performing stock markets it has still been impacted. Sub the 50% ret 3069.16 and we free fall.



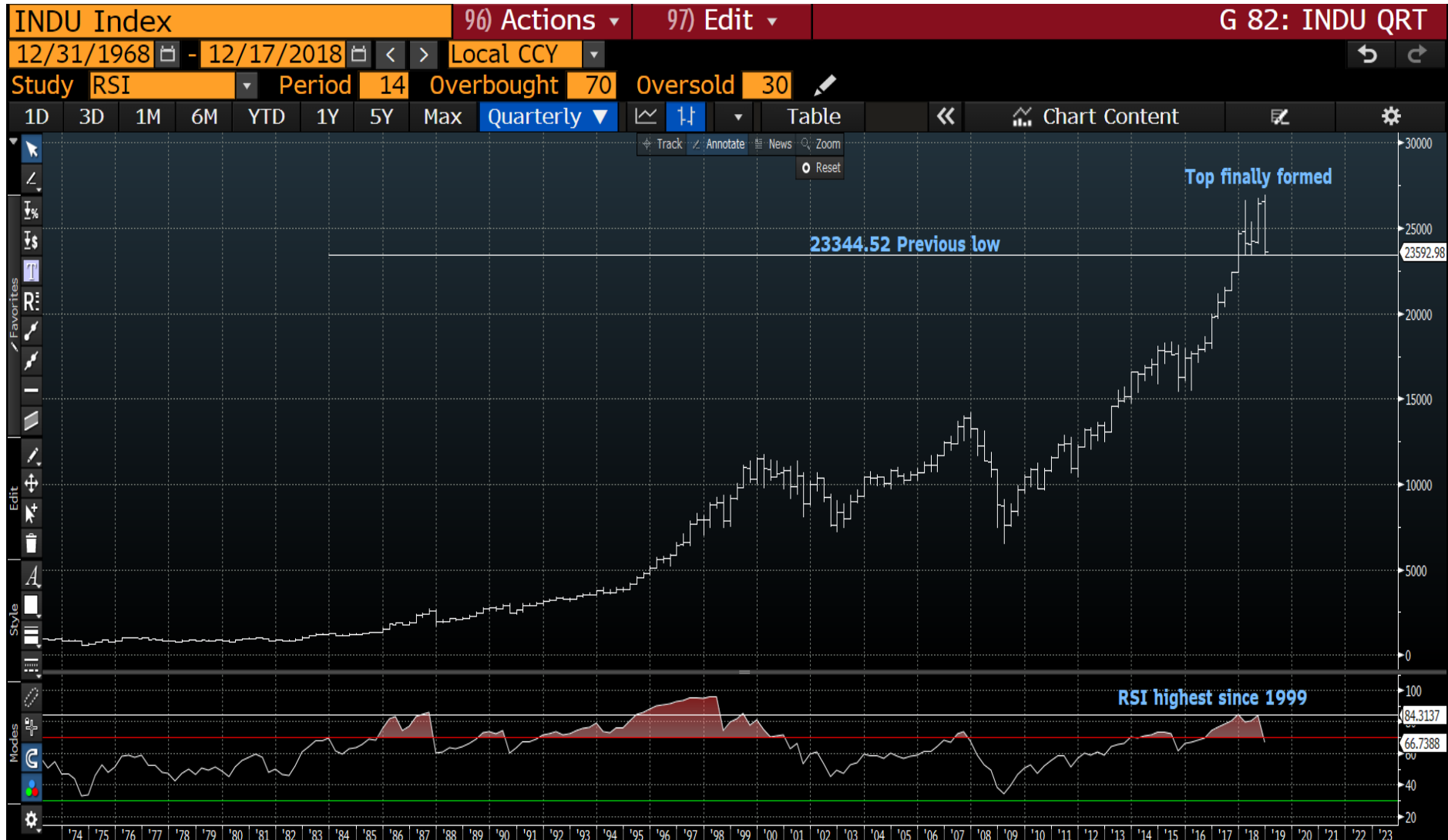
FTSE monthly : A close sub the 100% ret 6751.30 will confirm the BIG TERMINAL TOP.



FTSE daily : We continue to reject the 50 day moving average 6989.74 and NONE, of the recent price action has prompted an OVERSOLD status.



Dow quarterly : The US is close to confirming a terminal TOP. We are about to test the confirmation level 23344.52, sub this and it FREE FALLS. The RSI has plenty of “juice left”.



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Dow daily : Despite the recent drop the RSI is by no means stretched! Still room to head lower.



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S&P (future) daily : We are close to the recent low BUT the RSI is not oversold.



Russell monthly : One that I missed but one that has a massive move already. We have failed yet another defined US channel and probably only seek support at the 61.8% ret 1248.



Russell daily : Another big drop but mediocre RSI, there is still room.



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Nasdaq monthly : We are close to the BIG confirmation! Any close sub the 6630 recent low will be MESSY.



Hang Seng monthly : Yet another HOLD of MAJOR moving average 25170.72 support, lets see how far the recovery goes.



BONDS

- WELL AND TRULY back on the agenda. Despite the yield levels involved I do think they DROP, that will only be facilitated by falling stock markets. Many yields are now close to recent lows given the DAILY RSI dislocation has WANED.
- European bonds have performed well lately but I still believe need an external driver.
- The driver will be stocks in my mind.
- The US remains choppy but have posted some sizeable reversals on the month. **Major focus would be if the USGG10yr breaches 3.00%.**

Italy remains a problem, we are holding the 3.410 38.2% ret but no meaningful progress through it. Next possible target remains the 50% ret 4.142.

US 2yr yield monthly : This is a potential concern. The level of optimism for HIGHER RATES is clearly visible in the extended RSI, the highest EVER. This tells me we have a large one way BET and that could unravel sub the 38.2% ret 2.7357.



US 30yr yield monthly : The worry is we are now through the 100 period moving average 3.1422 and the RSI has a lot of JUICE. We could see a dramatic DROP.



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US 30yr yield daily : We have broken lower, now sub the 200 day moving average 3.1380. This is a RARE situation and a DANGER!



US 10yr yield quarterly : Another historical formation pointing toward lower yields. The RSI has barely turned and we have breached the 2.8259 moving average. We could DROP SHARLPY!



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USFS10-20 monthly : This has been a great boost to the argument for lower yields going forward (assisted by our swaps expert David Sansom), as the chart shows we have a similar historical pattern of failure. The RSI continues to have room, so RUN the original trade idea.



USFS 10-20 US 10yr yield monthly overlay : Yet another major endorsement for lower yields, the swaps hit is extremely rare and current correlation looks good.



US 10yr yield daily : The 200 day moving average 2.9565 is a distant memory and any breach of the 0.0% ret 2.7576 will HURT ALOT.



US 5yr quarterly : We are along way off the moving average 2.0944 but the RSI REMAINS at 1982 levels. History is poised to repeat itself.



Generic German 10yr quarterly : Germany is struggling to attain further gains given the channel support 0.249, no more QE and yield levels.



DBR 46 daily : One of the most resilient bonds going and we are well on the way to breaching the 100% ret 141.935 again.



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Italian generic 10yr daily : We have breached the 3.196 moving average but not sure how much further we go.



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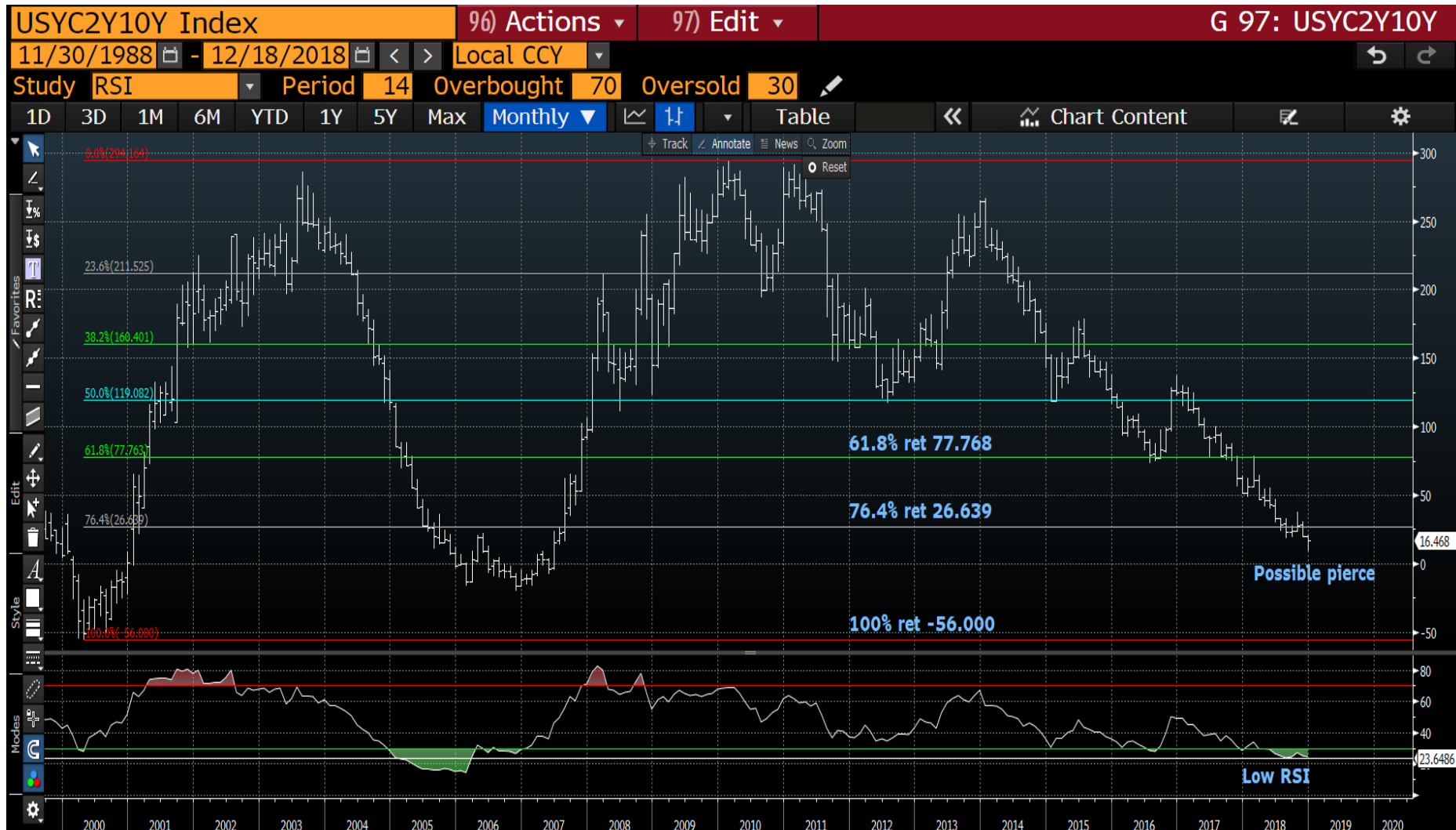
US curves a once in a lifetime opportunity?

- **Curves continue to steepen in the back and that should persist. Look to ADD or buy into a fresh steepener on the 2-30 given the SECOND near perfect retracement hit. (Page 39).**
- **** 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 have yet to reach an oversold RSI worth commenting on but the outright 2yr is poised to break lower in yield. Could be that a 2yr verses longer duration is better. Say 2-30.



US 2-10 curve monthly : We might JUST have a base given we have a pierce! The RSI seems low enough.



US 2-30 curve monthly : ANOTHER PERFECT hit and possible PERFECT BOTTOM to trade from. TO me this remains a VERY long-term trade and “what a great entry” knowing the LOW has been tested TWICE. Stops on any steepener can be just sub the 76.4% ret 34.856.



US 2-30 curve daily : A tight stop on this trade as we have held the previous low.



US 5-30 curve monthly : This has given up minimal ground of late and should continue to steepen into 2019.



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US 10-30 curve monthly : The dip seems to be holding and should head higher.



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US 10-30 curve daily : Again a reasonable HOLD but do now tend to prefer the more front end steepeners.



CL1 monthly : Oil is like stocks, heading lower minimally to the 76.4% ret 42.72.



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CL1 monthly : Despite holding the 76.4% ret 50.27 the first time we are now struggling.



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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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