MULTI ASSET UPDATE : THE PERFECT STORM IS FINALLY HERE and the TIMING could not be worse!

As the Christmas break approaches and liquidity drains, timing could not be worse. EQUITIES look READY to FAIL and bond yields POISED to PLUMMET. Additionally the EURO which has lacked any kind of recovery is set to FREEFALL to 1.080.
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 but having said that guessing direction based on a curve call has been choppy and tricky.

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FX UPDATE

Topics	PAGES

FX UPDATE

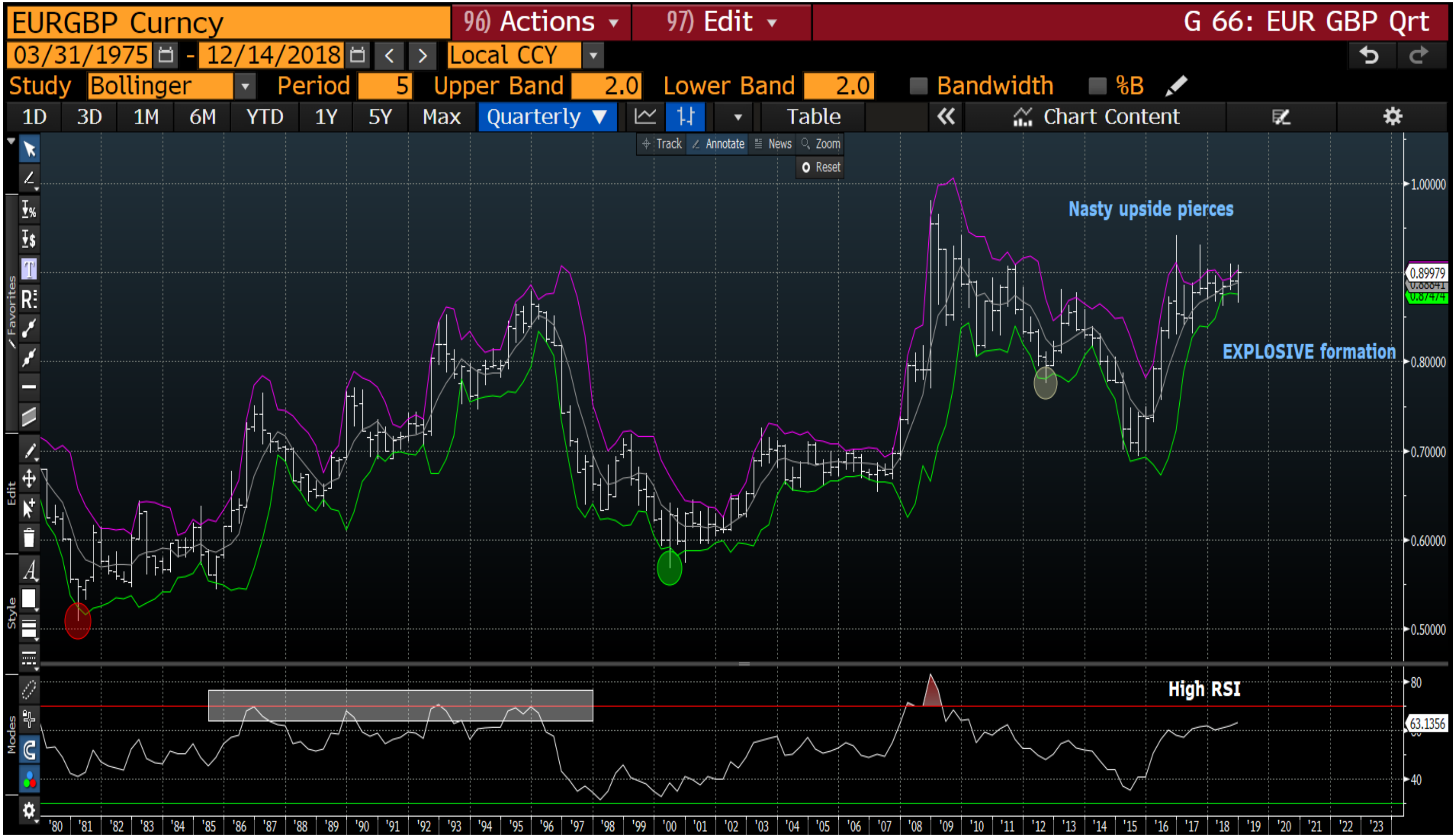
- **FX UPDATE :**
- **EURO : A VERY sideways performance considering the French situation but we remain negative whilst sub 1.1500 and a breach 1.1241 50% ret, we FREE FALL.**

- **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.**

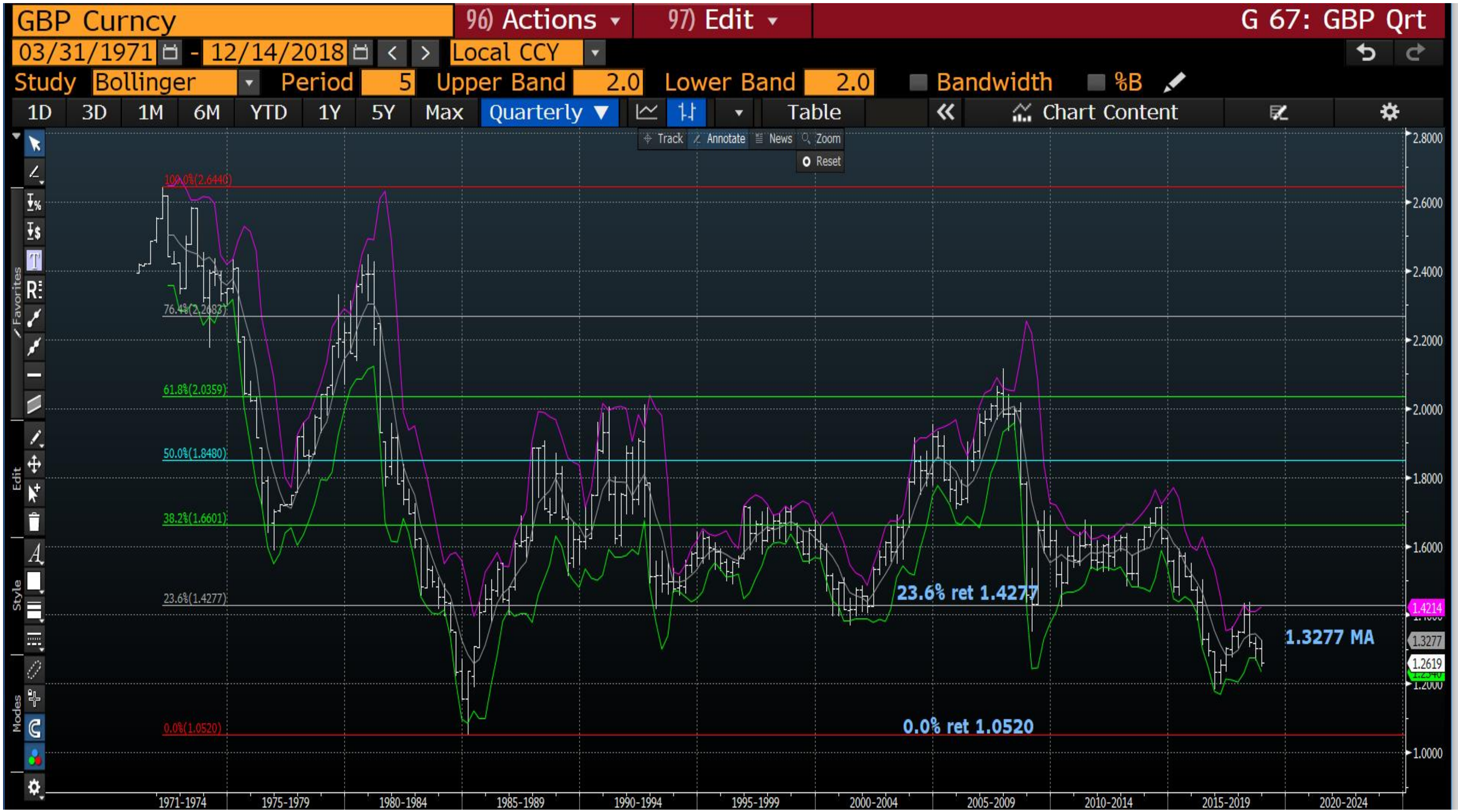
EUR USD quarterly : We continue to trade sideways but a breach the multi year 50% ret 1.1241 WILL formulate a rapid drop to 1.080 and 1.0109 by late 2019.

EUR USD daily : We witnessed a period of consolidate in the first quarter of this year but should we emulate May AGAIN, then this later period of consolidation well result in a FAR GREATER decline. A worrying location where resent events have produced NO BOUNCE.

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



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.

EQUITIES

Equities : I sent out an update yesterday given that equities look poised to ROLL OVER! Most markets posted an early NEW MONTHLY low and that doesn’t bode well, given resent events. I think timing and liquidity are going to lead to the next MAJOR decline.

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.

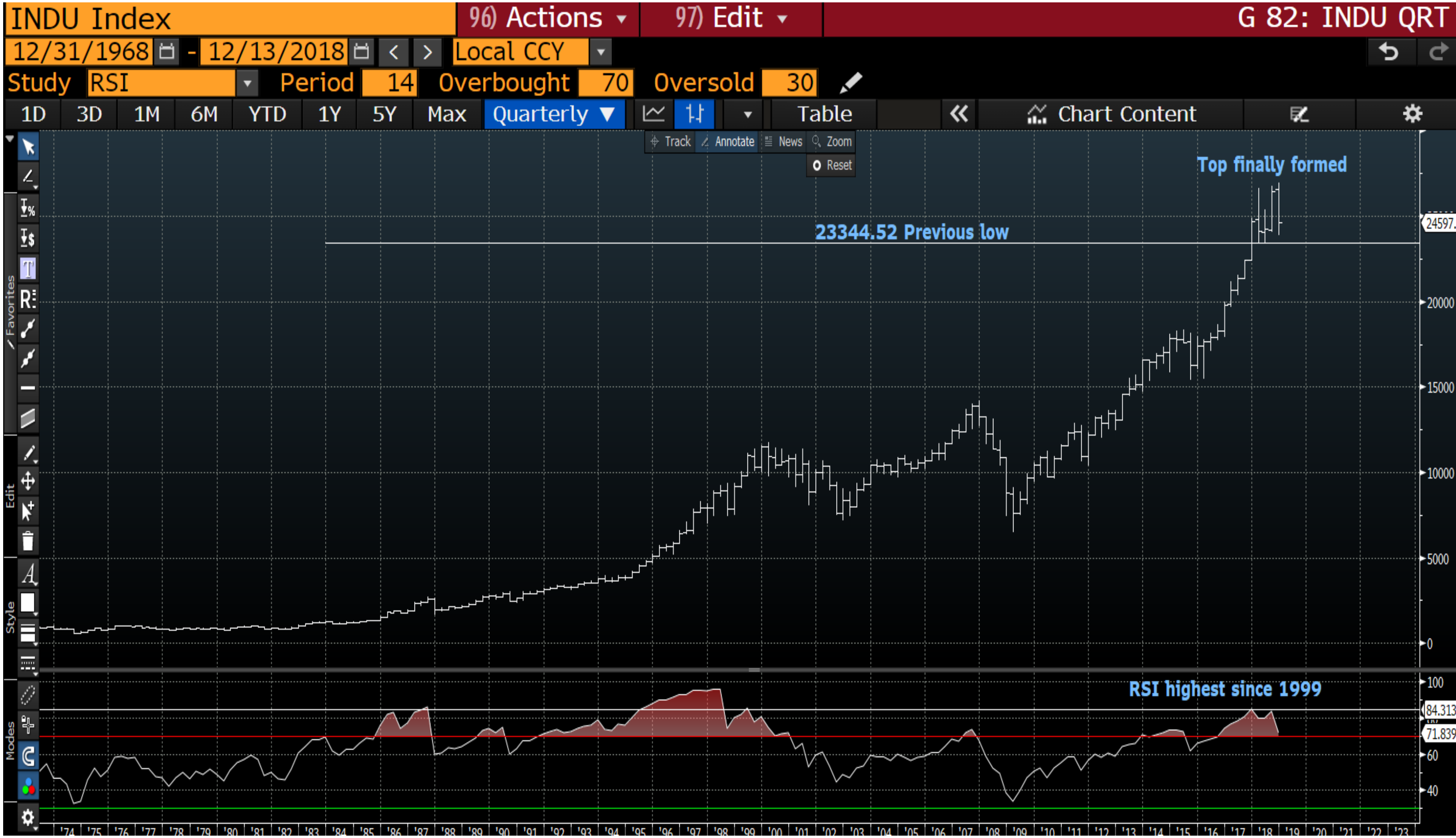
DAX monthly : A BROKEN market. We remain OUTSIDE a 2011 trend channel with a NEW MONTHLY low. This doesn't look a positive chart and spells the END OF THE 10 year rally.

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

Eurostox 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 : Given this has been a VERY technical market then a lot now depends on how we react to the 100% ret 6751.30. A close sub it will confirm the BIG TERMINAL TOP.

Dow quarterly : The US is close to confirming a terminal TOP. We have not yet breached the 23344.52 previous low but should we do so then its FREE FALL and more importantly a TOP for MANY YEARS. The RSI has plenty of "juice left".



S&P (future) daily : A very negative week given the persistent 100 day moving average failure, we just need to break lower and out of the bottom of the RANGE.

Nasdaq monthly : This is a shorter term CHANNEL but we have breached it! Full confirmation wont come till we breach Feb's low 6630.

Hang Seng monthly : Yet another HOLD of MAJOR moving average 25131.78 support, lets see how far the recovery goes.

BONDS

- **WELL AND TRULY back on the agenda. Despite the yields involved I do think they DROP but that will only be facilitated by falling stock markets.**

- **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 : We have a VERY similar formation to the numerous previous examples! Any breach of the 3.1422 moving average will a disaster and the drop acceleration will be the bit that catches people out. I suspect liquidity will play its part.

US 30yr yield daily : We have done precisely NOTHING with this weeks HOLD and now look poised to ROLL OVER and breach the 50% ret 3.0922. Also sub any 200 day moving average is not a good sign.

US 10yr yield quarterly : Another historical formation pointing toward lower yields. The RSI has barely turned and a breach of the 2.8259 moving average will help.

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.

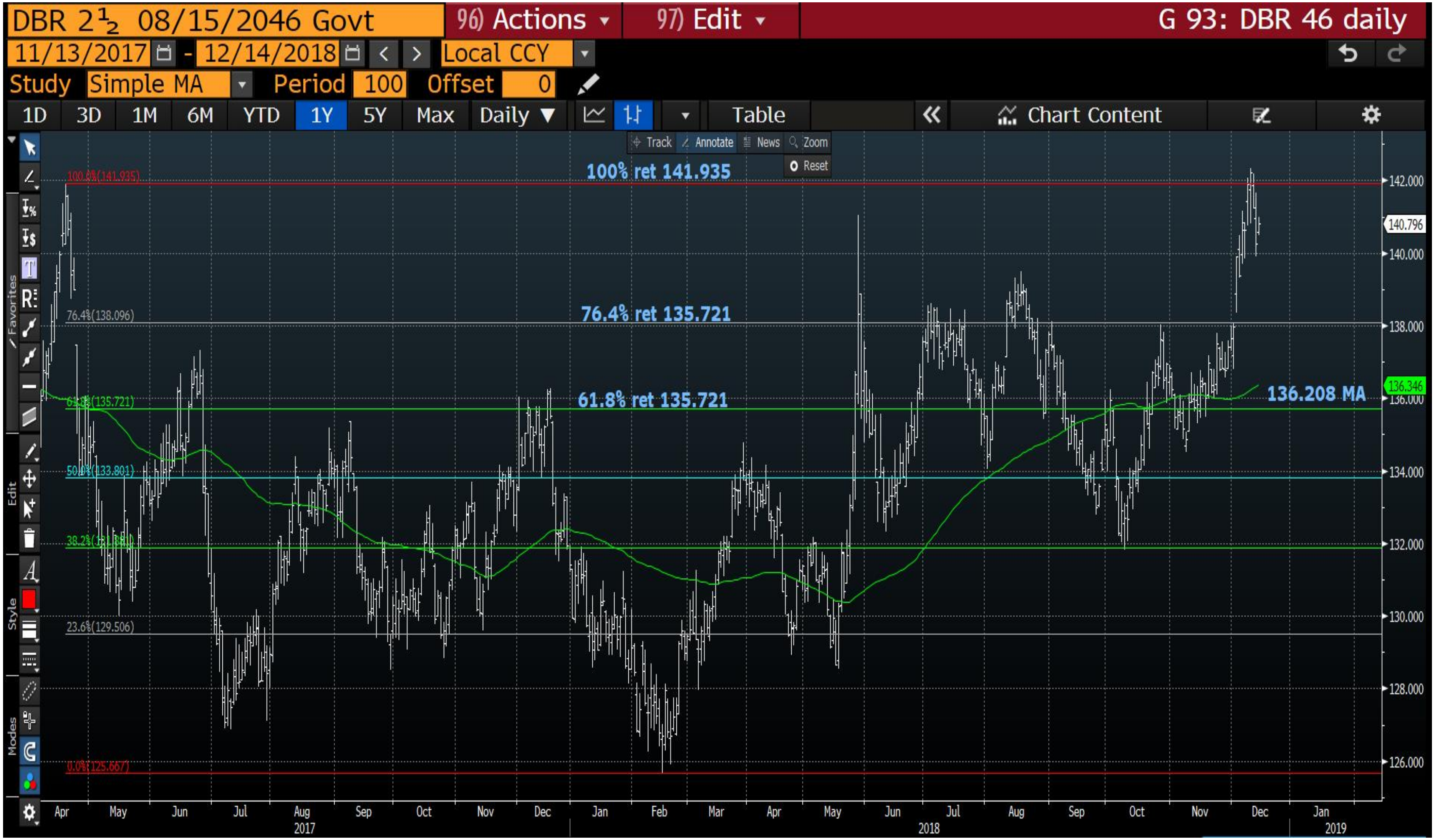
USFS 10-20 US 10yr yield monthly overlay : Yet another major endorsement for lower yields, the swaps hit is extremely rare and current correlation looks good.

US 10yr yield daily : This time we are SUB the 200 day moving average 2.9564 thus little preventing further downside. Sub 2.800 will be a big statement.

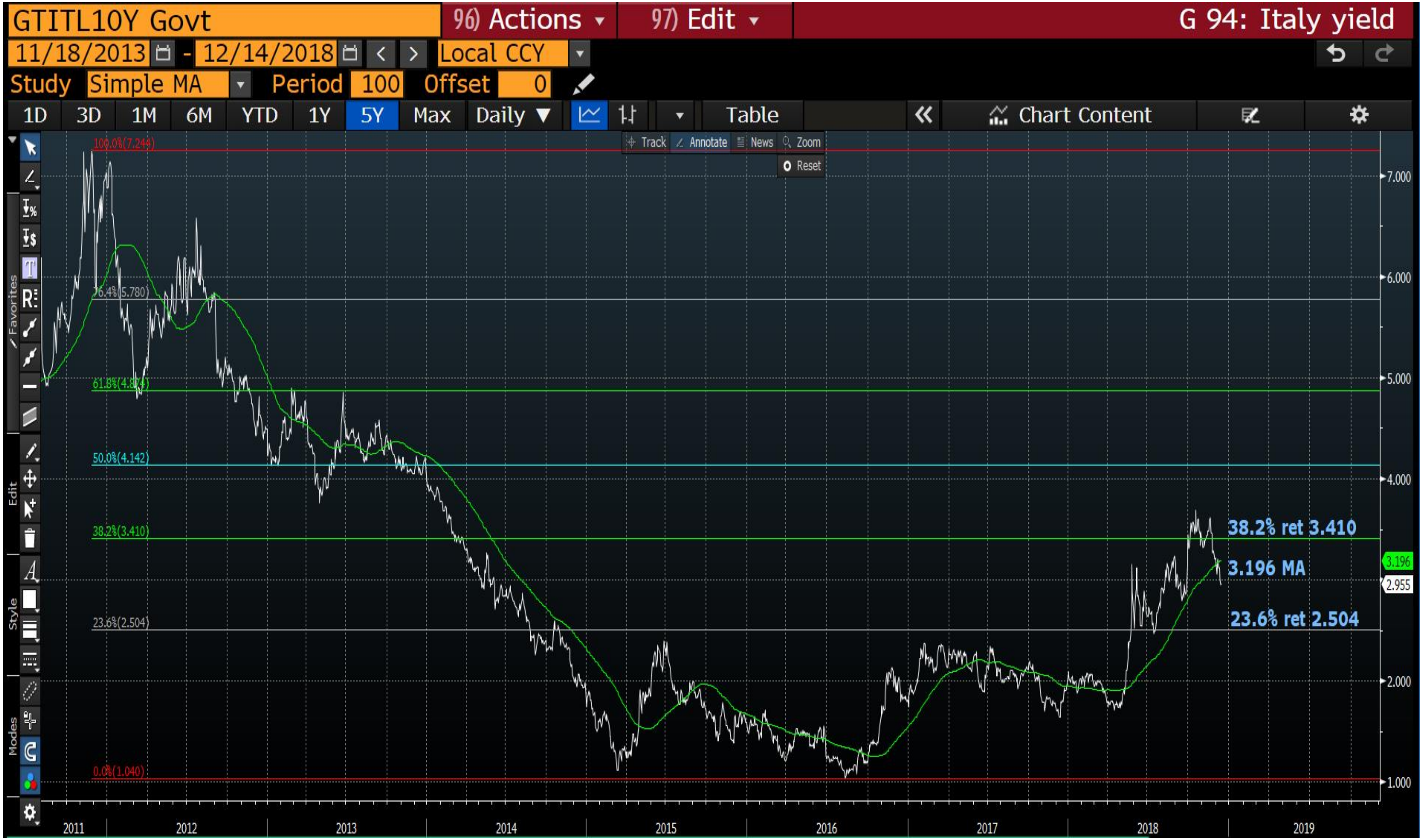
US 5yr quarterly : We are along way off the moving average 2.0958 but the RSI REMAINS at 1982 levels. History is poised to repeat itself.

Generic German 10yr quarterly : Its been one way traffic for most of the quarter but any break into the channel 0.249 will hurt.

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.



Italian generic 10yr daily : We have breached the 3.179 moving average but not sure how much further we go.



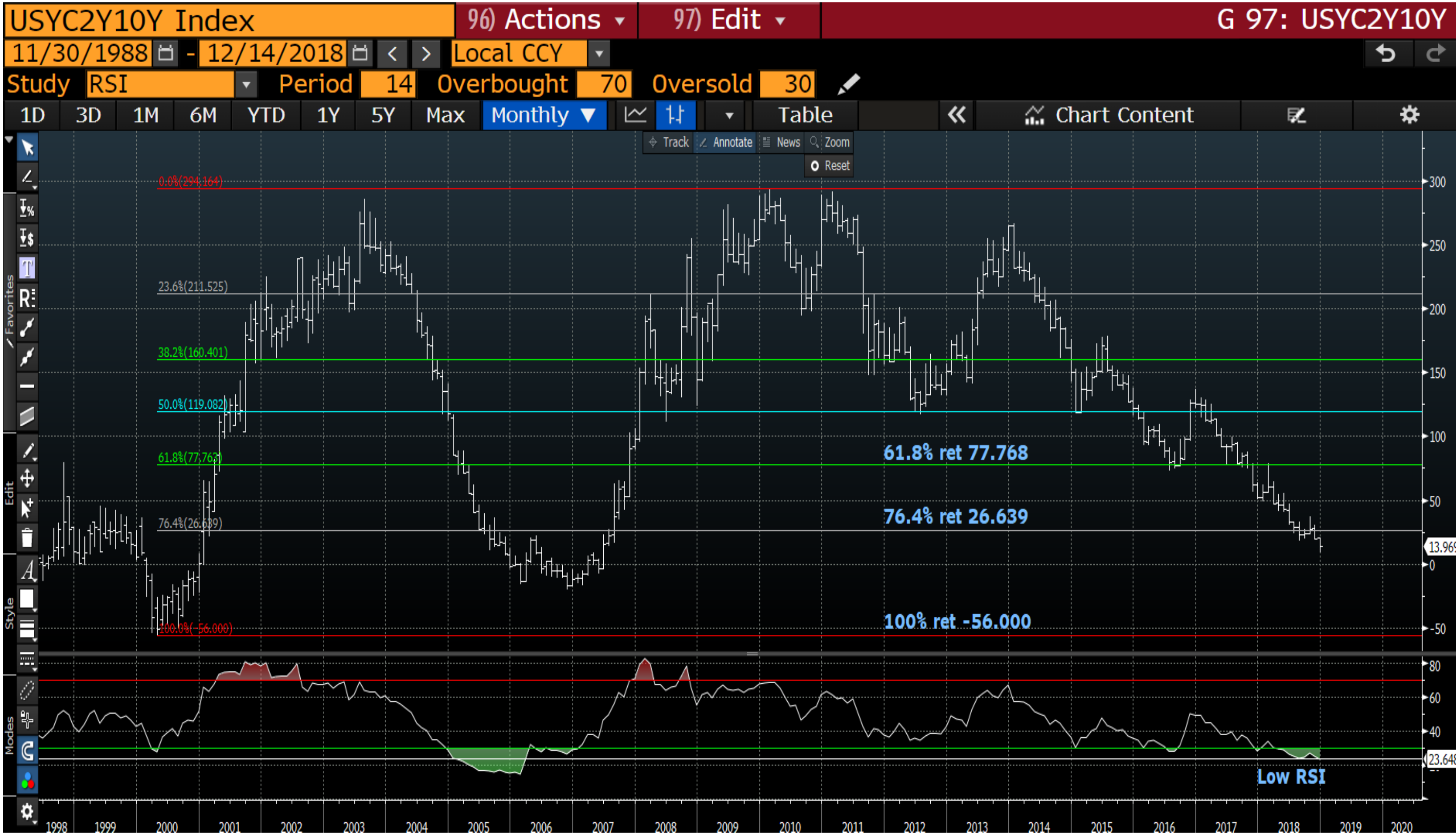
US curves a once in a lifetime opportunity?

- **Curves continue to steepen in the back and that should persist.**
- **** It seems the BACK END is where the TRADE is given the 2-30, 5-30 and 10-30 performance yesterday.**

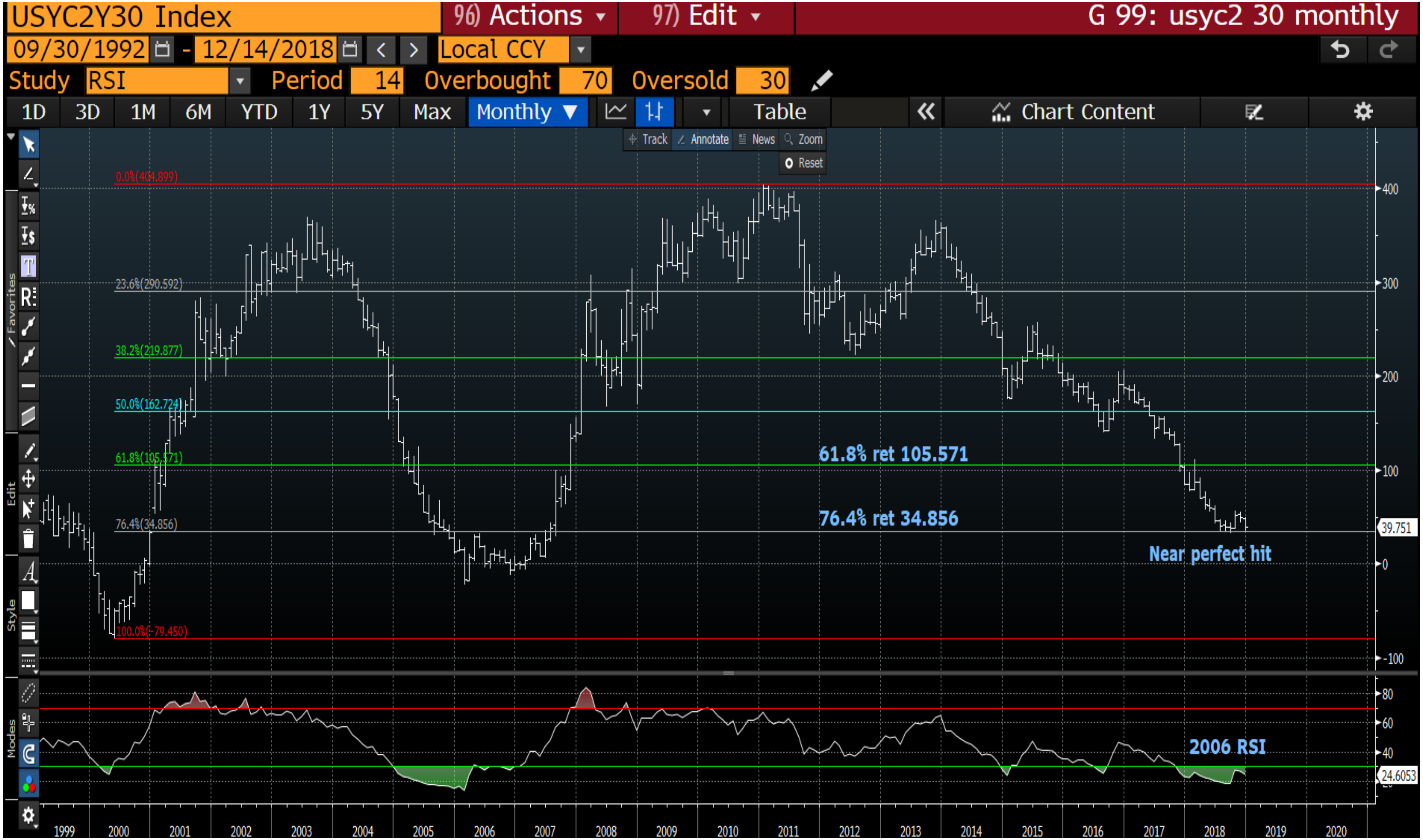
  All generally have low RSI's, MANY at 2006 levels.
- **It seems hard at the moment to pinpoint the OPTIMUM curve to go for but contenders already are 2-30, 5-30 and 10-30, that said most could do with quarter end confirmation.**
- **REMEMBER ALL RSI's ARE EXTENDED AND MANY HAVE HIT MULTI YEAR 76.4% RETRACEMENTS!**

US 2-5 curve monthly : We continue to flatten and the trend seems firmly in place as the RSI fails to be over stretched.

US 2-10 curve monthly : A perpetual bleed lower despite the oversold RSI.



US 2-30 curve monthly : This has been the clinical trade, hitting the multi year 76.4% ret 34.856 on the NOSE. We just need to see if the retracement holds second time down.

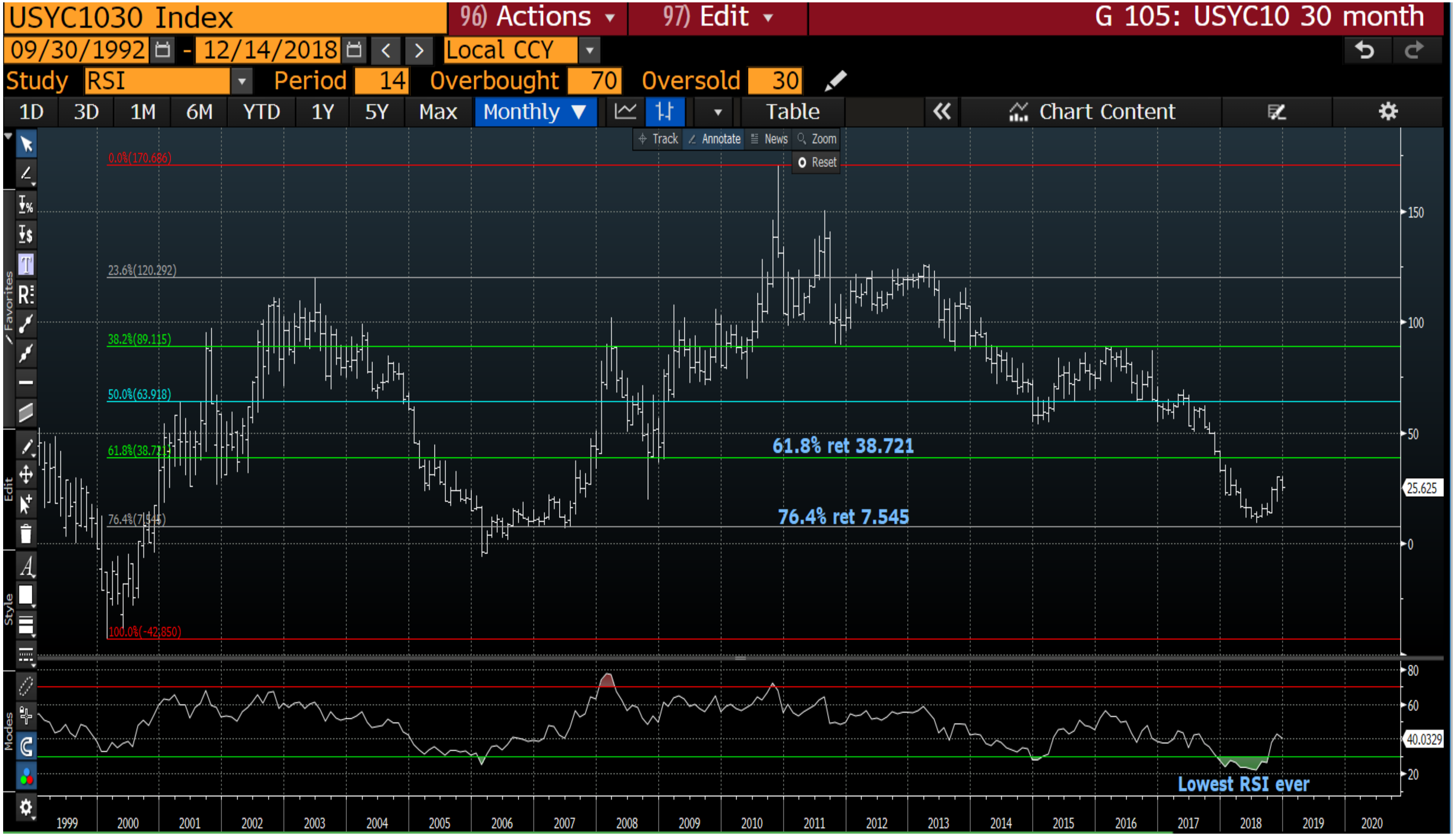


US 2-30 curve daily : We have held the recent low 223.6% ret 34.672 and now need to POP above the 200% ret 42.759.

US 5-30 curve monthly : A very SUPPORTED area of the curve as we seem to HOLD DIPS WELL. Hopefully we can breach 50.oo on any bounce.

US 5-30 curve daily : Hopefully this is the extent of the DIP and we climb higher into the weekend.

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



US 10-30 curve daily : Again a reasonable dip but ideally we close above the 50% ret 27.831 in order to maintain momentum.

CL1 monthly : We have triggered significant stops lately and one versus natural gas. Despite the recent oversold daily RSI we struggle to HOLD. Next BIG support is the 76.4% ret 42.72.

CL1 monthly : Despite holding the 76.4% ret 50.27 we are struggling to do anything with it.

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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