

STOCKS, BONDS AND CURVE SPECIAL UPDATE :

Despite the US being off today it is well worth mentioning the MAJOR levels many markets are on OR have broken. Bond yields were yesterdays SUPRISE for many and we have breached 200 day moving averages. A lot to watch and the PERFECT STORM looms.

I have spoken before about the PERFECT STORM and there has always been one or two markets not quite in line, now we are closer than ever but just awaiting the EURO demise.

Equities remain on the edge of a MASSIVE precipice! We have failed to capitalise on any bounce even when aided by Mr Trump himself. It doesn't bode well but would be keen to sell a BREAK of the recent lows to be sure. It is hard to expect equities to DROP again given the recent BAR extension but fail the right levels and I think we'll be in FREE FALL. I think positioning and the belief buyers are out there is wrong and the DIP BUYERS haven't been in evidence lately.

Bonds : A nasty turn around yesterday and forecast by the 1982 – 1984 RSI's. Despite the ferocity of yesterdays drops its only just the start as many 200 day moving averages have been breached and certainly if stocks capitulate the acceleration will be huge.

Curves : These are a pain and proving MESSY. The back end steepening did well of late and would tend to buy the latest DIP but to guess over all if it is a BULL or BEAR STEEPENER or FLATTENER is proving TOUGH.

**** Overall we are on the verge of a MAJOR year end and possibly BIG NON FARM as many charts have further room for extension of what has gone this week.****

FX UPDATE

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EQUITIES

Equities : This is not the best location to be starting the month, it remains a vulnerable market. We have spent 3 months at these lows and NO BOUNCE.

Many stock markets are HOLDING their VERY LAST level of SUPPORT. Lets see what DEMAND we have to formulate a bounce going into YEAR-END.

ANY BREACHES OF LAST MONTHS LOWS MEAN A FREEFALL SCENARIO.

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 monthly : We have spent 3 months now at these critical lows with now sign of ANY bounce. It needs to happen or we end up witnessing a MAJOR wash out.
Sub 11009.25 will be the BREAK level.



DAX weekly : This is a VERY NASTY rejection of the 23.6% ret 11559-moving average and thus doesn't bode well. A breach of the 11000 level will be a critical FAILURE.



05/12/2018

Eurostox monthly : We continue to head lower with the 50% ret 3069.19 the next BIG stumbling block.



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FTSE monthly : We are back testing the CRITICAL moving average 6951.96 and any subsequent breach of the 6851.59 low will be catastrophic.

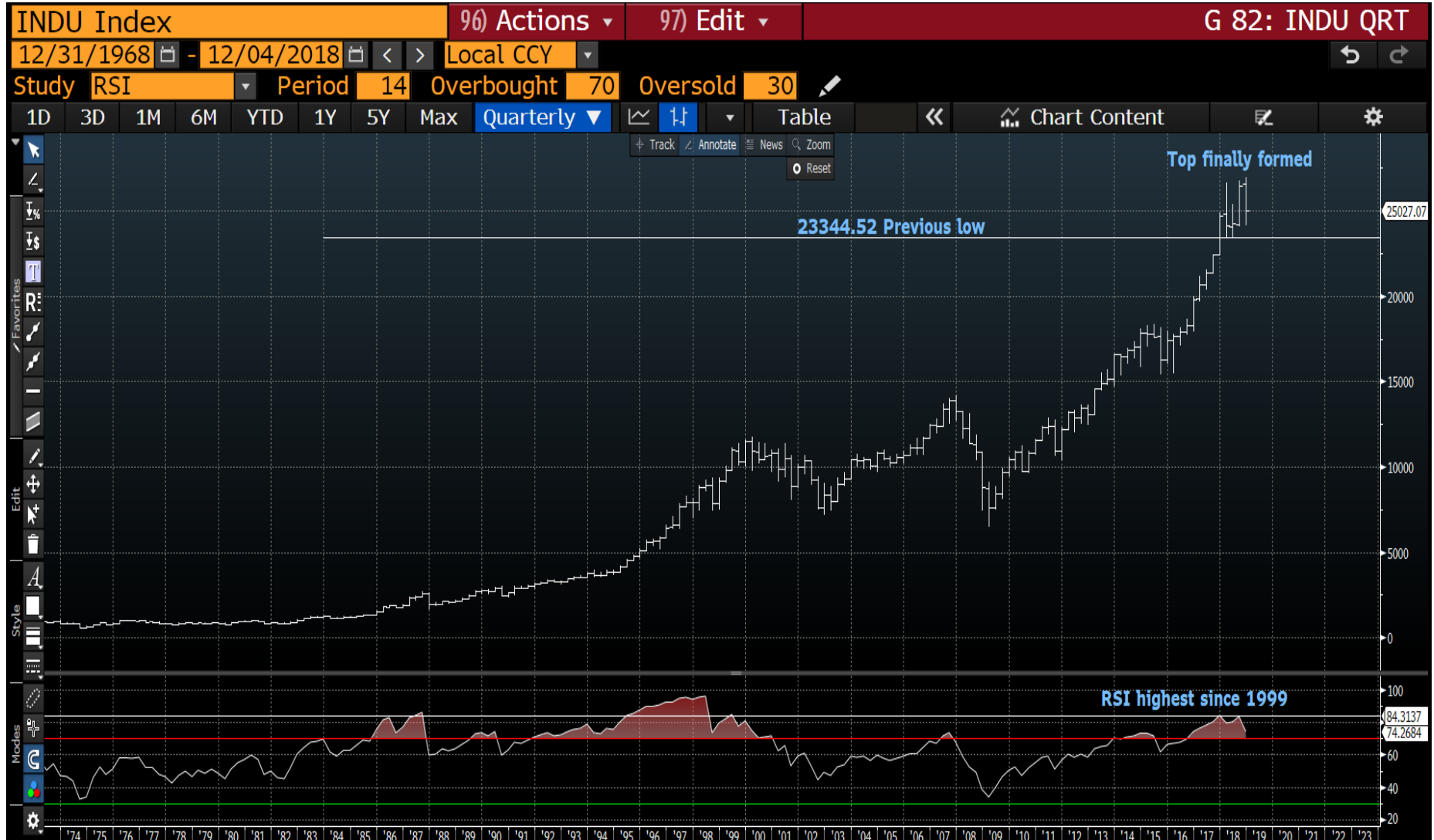


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FTSE weekly : We continue to languish at the lows with NO bounce hence any break of the 23.6% ret 6855.00 will spark a major event.



Dow quarterly : The certainly looks like a TOP to me! This yet to be FULLY confirmed BUT all will become clear sub the 23344.52 previous low.



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Dow daily : A very smart and swift reversal taking us back below the moving average and 50% ret 25148.16.



S&P (future) daily : A picture perfect failure at the reliable 100 day moving average. A close sub the 61.8% ret 2701.65 wont bode well. Three attempts to rally have all resulted in failure.



Nasdaq monthly : Another TOP close to being confirmed and breach of the channel doesn't bode well. A close below 6630 will highlight FULL confirmation.



Nasdaq daily : The “POPS” have failed and the path of least resistance is LOWER.



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Hang Seng monthly : Yet another HOLD of MAJOR moving average 25190.82 support, lets see how far the recovery goes.



BONDS

- **WELL AND TRULY** back on the agenda. Bonds surprised many but the **REAL** surprise is **HOW BAD**, we have breached **MANY** 200 day moving averages.
- **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 : We have a sizeable reversal BAR left over from last month that is ETCHED in HISTORY. The RSI is the highest EVER reflecting the BUILT IN EXPECTATION so a breach of the MULTI YEAR 38.2% ret 2.7357 will be critical.



US 30yr yield monthly : We now have a TOP formation similar to the historical examples. Interestingly enough we have held the 100 period moving average 3.1425. We may therefore need to do some work at this level first .



US 30yr yield daily : A major capitulation yesterday stopped at the 200 day moving average- 61.8% ret 3.1320. Am guessing we need to work off any over extensions but through this level the PAIN starts.



US 10yr yield quarterly : Again we have HIT the 50 period moving average 2.8266 BUT a glance at the RSI and previous examples highlights FAILURE is coming.



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US 10yr yield monthly : This time we have BREACHED the 200 day 2.9568 which doesn't bode well. A move sub 2.80 will be critical.



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US 5yr quarterly : We are along way off the moving average 2.0971 but the RSI REMAINS at 1982 levels.



Generic German 10yr quarterly : A KEY test as we are sitting ON the 0.249 Channel.



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DBR 46 daily : One of the most resilient bonds, KEEPS GOING. We have breached most major levels and thus should head through the 100% ret 141.935 previous high.



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Italian generic 10yr daily : Italy continues to do well since a breach of the 38.2% ret 3.410.
We are through the CRUCIAL 100 day moving average 3.167.



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US curves a once in a lifetime opportunity?

- Curves have become fractious as it seems they are struggling with the directional bias question.
- ** 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 but the RSI is being teased into an oversold status.



US 2-10 curve monthly : Despite the LOW RSI we continue to flatten.



US 2-30 curve monthly : We are now back on the 76.4% ret 34.856, tricky to see what the next move given the reliance would have to be on the daily.



US 2-30 curve daily : Even if we glean nothing from this chart we do know it trades well technically! It has been very regimented and hopefully can hold the 223.6% ret 34.672.



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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 5-30 curve monthly : We have had a set back against the 50.00 level but do think its worth buying a DIP.



US 5-30 curve daily : A nasty pull back yesterday but we should hold the 123.6% ret 34.055.



US 10-30 curve monthly : A nasty pull back from last months high.



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US 10-30 curve daily : Ideally this is the extent of the pull back i.e. we hold the 76.4% ret 24.474.



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CL1 monthly : We continue to languish at the lows so do need the daily for any kind of salvation.



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CL1 monthly : We are attempting to BASE but do need to breach the 61.8% ret 55.36 before attempting any kind of LONG.



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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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