

MULTI ASSET UPDATE : BIG TRADE DAY. I might be early but if right, then STOCKS are poised for the next MAJOR LEG LOWER as are YIELDS.

Many daily charts are FLAGGING up sizeable resistance at numerous 50 day moving averages. An ideal entry point for trades given the long-term horizon and trends REMAIN in play.

If the prediction is right then here are several trades to put on-discuss.

Buy Dax FEB 10400-10300 put spread @ 21.1

Buy E Stox FEB 2900-2800 put spread @ 12.7

Buy GOLD (XAU) @ 1292.39 stop 1268.00 and target a push to the previous highs 1365.00

Look to position in the USFS10-20 as it is ready to continue lower. David Sansom happy to discuss.

US Curves seem to favour a BULL STEEPENER in the BACK END on previous yield drops.

Equities : European equities CONTINUE to be the one to watch as many are PEAKING today aided by numerous 50 day moving average resistance. Should we head lower then it will launch the next MAJOR wave of liquidation. FTSE a KEY CHART (Page 24).

Bond yields : These have done VERY little since Fridays number and should stall along with equities, many have only managed to rally to last quarter-month closes. If we fail here it will be a dramatic follow through.

FX : The DXY has breached the 50% ret 95.859 moving average-retracement so a KEY signal for USD weakness (Page 8). This should represent BEST in the long favour USD EM shorts. Also as a by product USD CNH is testing a KEY 100% ret 6.7850.

US Curves If yields do stall then look to buy a BACK END steepener, 5-30 or 10-30 given their resilience previously.

FX UPDATE

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FX UPDATE

- **FX UPDATE :**
- **EURO : We have popped 1.1500 my stop level and would prefer to be NEUTRAL.**
- **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.**
- **The DXY index has BROKEN a MAJOR retracement and moving average 95.859 so KEY fall out here and USD EM should represent that BETTER.**

EUR USD quarterly : The niggles here is we have HELD the 50% ret 1.1241 and POPPED the 1.1500 level. Would prefer a neutral stance for the moment.

A breach of 1.1241 could easily see a 1.0400 handle by 2019 end.



EUR USD daily : We have breached my stop level for any shorts as the 1.1500 area so prefer a neutral bias. **Worth buying the March 112.00-110.00 put spread for 26 ticks (Now 13). Stop out above 1.1610.**

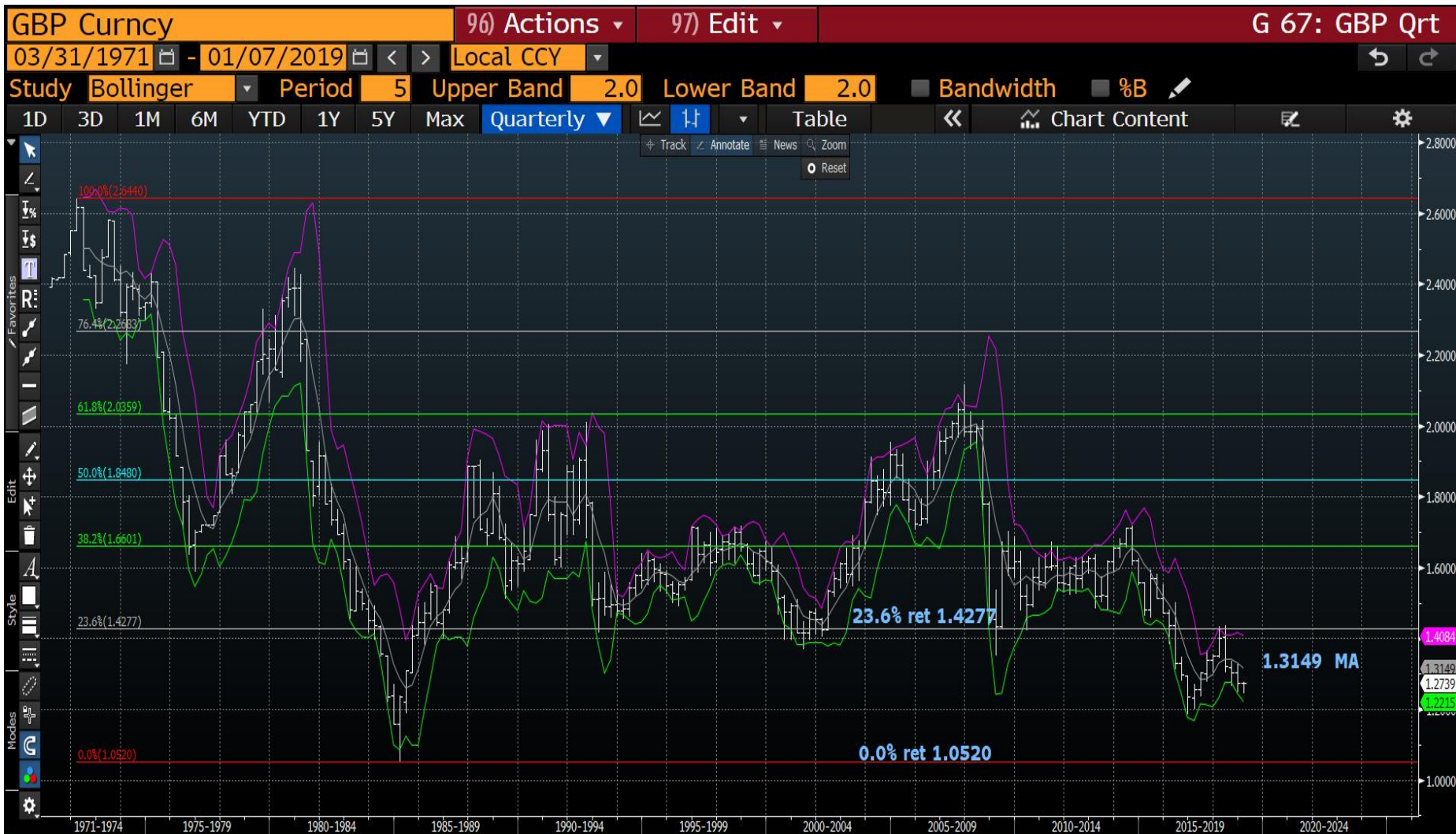


EUR GBP quarterly : We continue to fail ANY rallies but as mentioned before its really one big VOL trade.



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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 1.3149 trend friend bollinger average.



DXY monthly : Potentially this could be a MAJOR failure. We have spent some time hugging the moving but to breach it and the 50% ret 95.859 is a concern.



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AUD USD monthly : A bit of a SPENT cross and would now be flat. Do not overtrade at these levels BUT the latest pierce and DXY could warrant a long. Above the 61.8%ret 0.7185 will help.



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USD CAD weekly : We are back below the 23.6% ret 1.3451 thus could pull back to the 1.3024 moving average.



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EM UPDATE

- **EM : Given the latest USD weakness this has allowed MANY of the USD EM crosses to FULLY confirm significant-MAJOR tops are in play.**
- **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 weekly : We have breached the 23.6% ret 19.6544 thus should continue to head a lot lot lower. Next target is the 38.2% ret 18.1795.



USD BRL weekly : We now have a very sizeable volume top and any breach of the 23.6% ret 3.6078 will be HUGE.



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GTBRL10Y daily : We are poised to take out the recent low 9.117 and no doubt trigger stops.



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USD TRY monthly : The recent POP has formed a very subtle and nasty UPSIDE pierce endorsing a continuation of the trend move lower.



USD ZAR monthly : We continue to achieve lower highs, thus looks likely we breach the steadfast 13.4904 moving average.



USD RUB monthly : This cross seems to be more about the USD weakness than RUB strength but none the less we have rejected the 23.6% ret 71.1124.



USD CNH weekly : A VERY interesting chart given we have hit and held the 100% ret 6.7850. Certainly one to note going forward given it TECHNICAL HIT!



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.



EQUITIES

Equities : Technically it looks like today could be the BIG FAILURE day. Many equity markets are failing 50 day moving averages and I still feel the LONGTERM BIAS is lower. MANY long-term tops have been created.

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 : Even if we do rally the channel 11164 will be sizeable resistance. We are falling SHY of the channel.

Year end prediction 7000-8000 area.



DAX weekly : We have a reasonably low RSI but do need to breach the 38.2% ret 10299.



Eurostoxx monthly : We are teasing the 50% ret 3069.16 which does not bode well. Failure at this level will be very painful.



FTSE monthly : Could this be the PERFECT failure at the 6950.85 MOVING AVERAGE, if so any subsequent failure of the 100% ret 6751.30 will re affirm the BIGGER DROP-TOP.

Year end prediction the 50% ret area 5106.00.

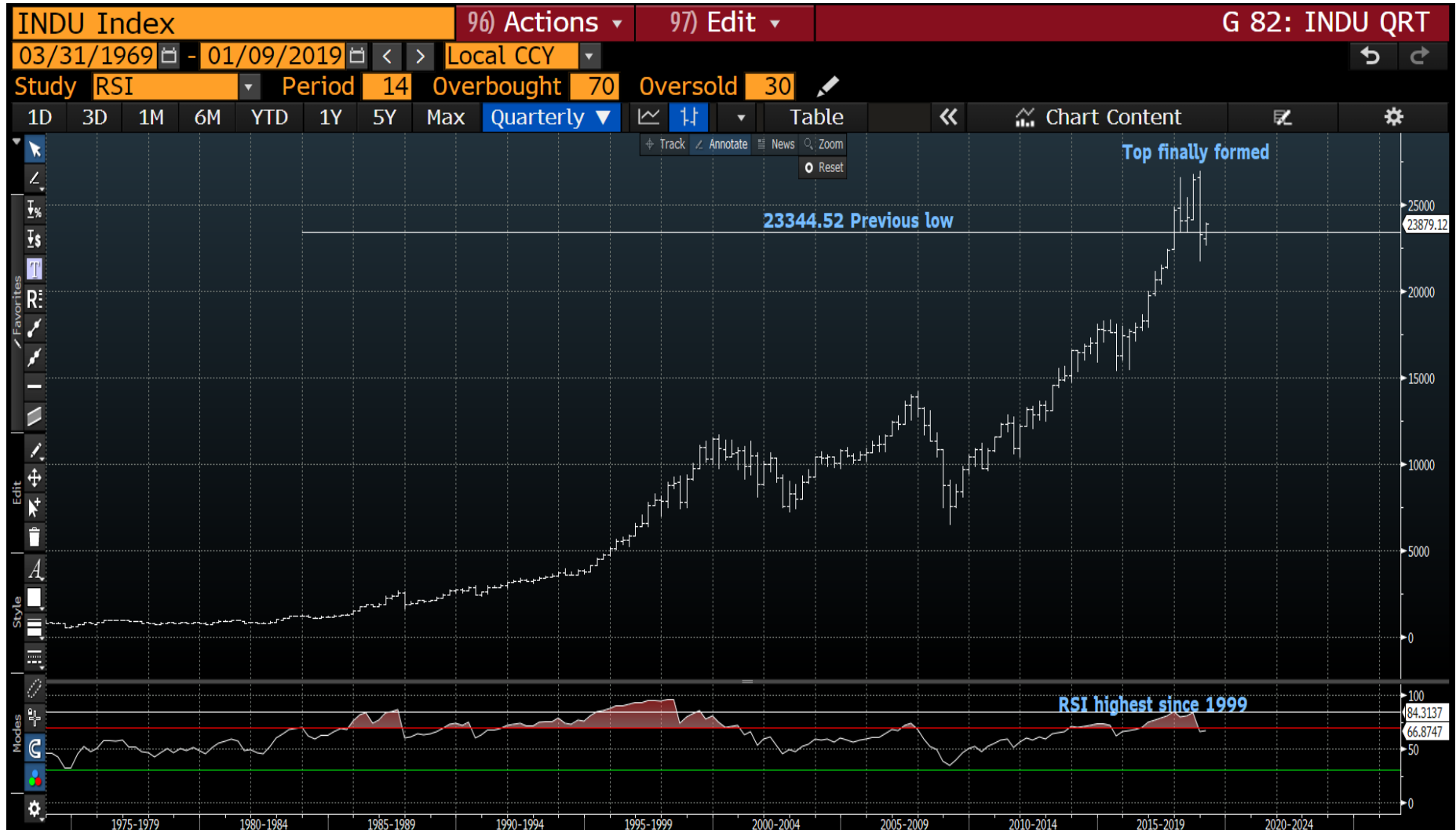


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FTSE daily : This could be the PERFECT endorsement if we fail the 50 day moving average
6916.20 moving average.



Dow quarterly : We have put in a bounce but similar to Europe the daily is poised to stall, sub 23344.52 again will assist greatly. The RSI has plenty of "juice left". I think the US receives a harder shock hence the deeper prediction of 15000 area for late 2019.



Dow daily : The recent oversold RSI has abated and we should start to fail here ahead of the 76.4% ret 24195.84.



S&P (future) weekly : We have hit and currently HOLDING the 200 period weekly moving average.



S&P (future) daily : We look to be STALLING and a close sub the 38.2% ret 2560.75 will help a lot.



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Russell monthly : A DECENT bounce BUT an ideal place to fail at the 38.2% ret 1436.
Again the expectation is of a free fall and the 860.00 area looks a possibility.



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Russell daily : Again it is left to the daily to call for a STALL. It looks like we should fail here at the reliable retracement-moving average. We suffered a similar fate in DECEMBER.



Nasdaq monthly : A reasonable bounce, half way up last months range already.
Prediction for end of 2019 is 4500-5000 area.



Nasdaq daily : This could be the perfect failure again given we have moving average resistance 7013.204 similar to December.



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Hang Seng monthly : This market held in well last year DEPSITE the performance of other market BUT NOW it is on the verge of a major failure. Sub the 23.6% ret 25601.22 and 25194.20 moving average doesn't bode well.

This could also see a major capitulation to 16000 area by year end.



BONDS

- Despite some of the yield recoveries Friday we do STILL have NEW LOWS on the year. We also remain sub MANY of the long-term moving averages.
- ** It is harder to predict year end levels for yields but they will be lower than here driven by stocks. **
- 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 recovered back to last month close BUT the RSI remains very dislocated.



US 30yr yield monthly : We have opened the month with a NEW YEAR low and the latest bounce is ONLY as high as last months close. Given the equity call it looks like we fail here.



US 30yr yield daily : We are teasing the 38.2% ret 2.9409 should trigger bigger stops, just need to make a decision.



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US 10yr yield quarterly : Another historical formation pointing toward lower yields. The RSI has barely turned and we have failed to breach the 2.7834 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. If not in this trade this is a GOOD time to consider it as the stop is cheap. Just above 3.00.



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. A great location to enter the trade!



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US 10yr yield daily : We are struggling to breach the trends channel.



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US 5yr quarterly : Again we toying with last months close but do remember the RSI has only just got started.



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Generic German 10yr quarterly : Germany is struggling to attain further gains given the channel support 0.141, no more QE and yield levels.



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Generic German 10yr daily : A near perfect double failure yesterday against the 38.2% ret 0.312-moving average.



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 : The RSI is now pretty stretched but sadly no defined level to argue a cover of any positions. We are teasing the 200 day moving average.



US curves a once in a lifetime opportunity?

- **Curves : Given yields should be heading lower again look to buy into steepeners in the back end. i.e 5-30 and 10-30.**
- **** 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, just need to get back above the 76.4% ret 26.639.



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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 very SOLID base has now been BUILT and so look to put on the steepener here. Buy 46.225, sell stop 40.00 and add on a break of the 56.00 high.



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US 5-30 curve monthly : A VERY SOLID performance but watching the neutral RSI.



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US 10-30 curve monthly : A major steepening bias over all and next target the 61.8% ret 38.721.



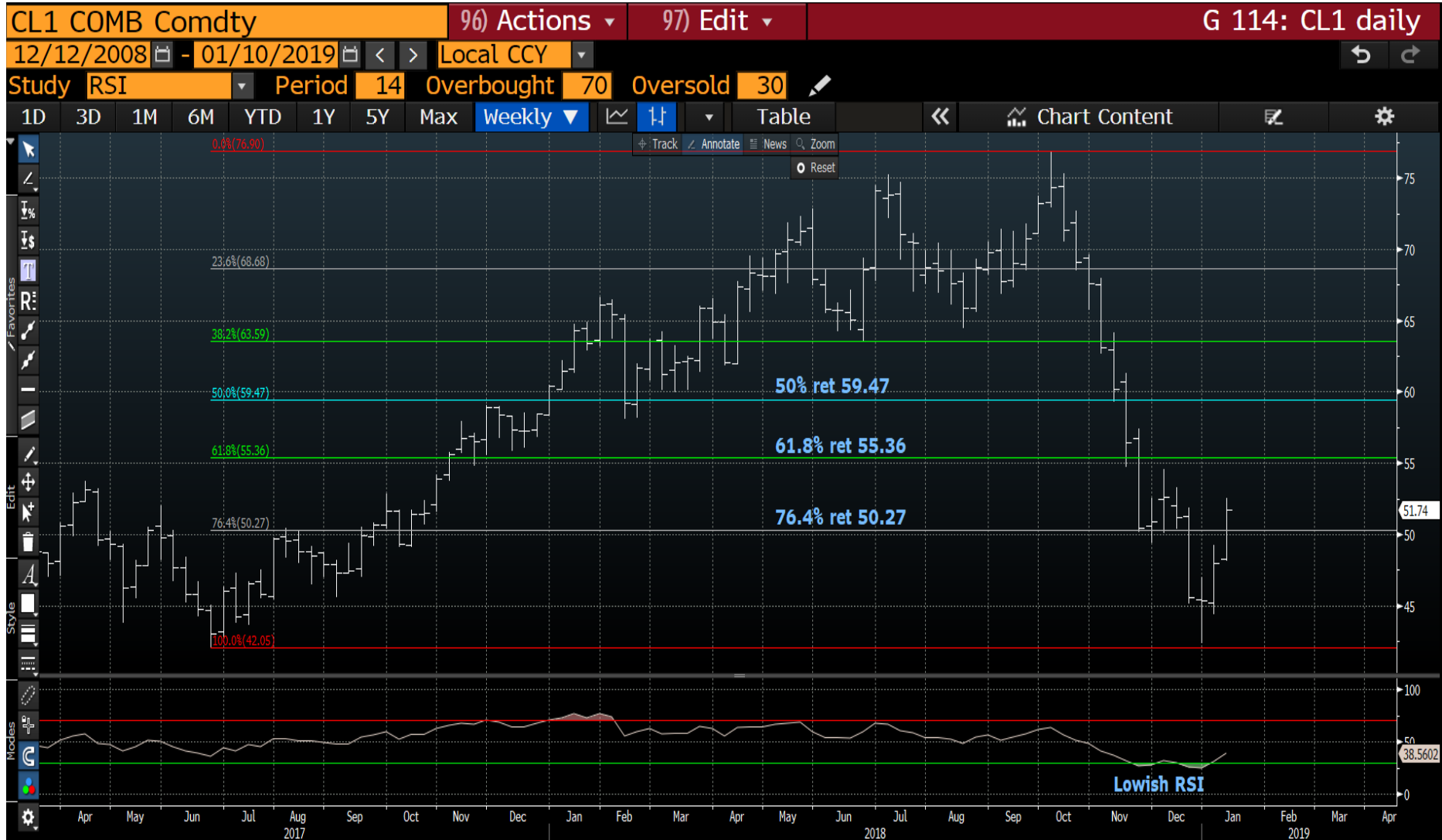
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CL1 monthly : A nice chart given we have hit and held the 76.4% ret 42.72 first time down.
Any subsequent breach will be painful.



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CL1 monthly : A possible HOLD but we need more confirmation.



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GOLD monthly : This has lacked any REAL momentum since 2013 but does look to be benefiting from the usual SAFE HAVEN view. Whilst above the 38.2% ret 1283.53 it carries a positive tone. Buy here 1292.98 , sell stop 1270 and add once above 1400.



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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