

MULTI ASSET UPDATE : 2019 SO what's changed? VERY LITTLE thus remain on HIGH ALERT. Equities remain WEAK, close to last years lows and US yields sub critical long-term moving averages!

****I have added a few CHART driven predictions for 2019 on individual charts****

Equities continue to struggle especially in Europe with CHINA now failing a key 25194.20 multi year moving average, i.e. not a good start. Bond yields in the US are suffering a similar fate i.e. close to last years lows and sub some major statement multiyear moving averages.

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

Topics	PAGES
1) CORE FX	03-10
2) USD EM	11-22
3) Stocks	23-37
4) Bonds	38-49
5) US Curves	50-57
6) Oil	58-60

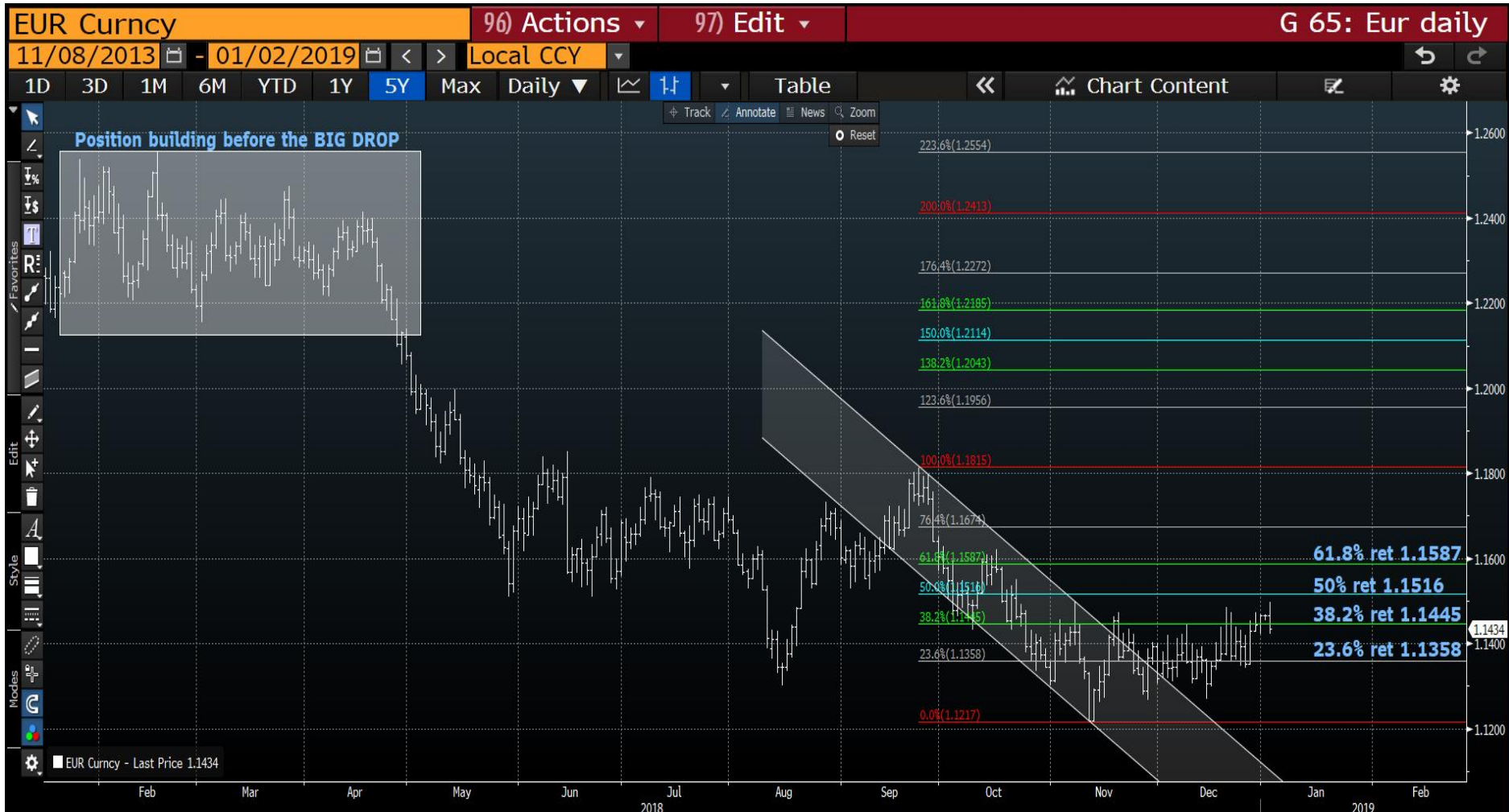
FX UPDATE

- **FX UPDATE :**
- **EURO : A VERY sideways performance of late but should we remain below 1.1500 the negative view continues, sub 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.**
- **The DXY index has held a MAJOR retracement and moving average 95.859.**

EUR USD quarterly : The TEASE is that we have held the multi year 50 % ret 1.1241 BUT overall performance remains weak! A breach of 1.1241 could easily see a 1.0400 handle by 2019 end.



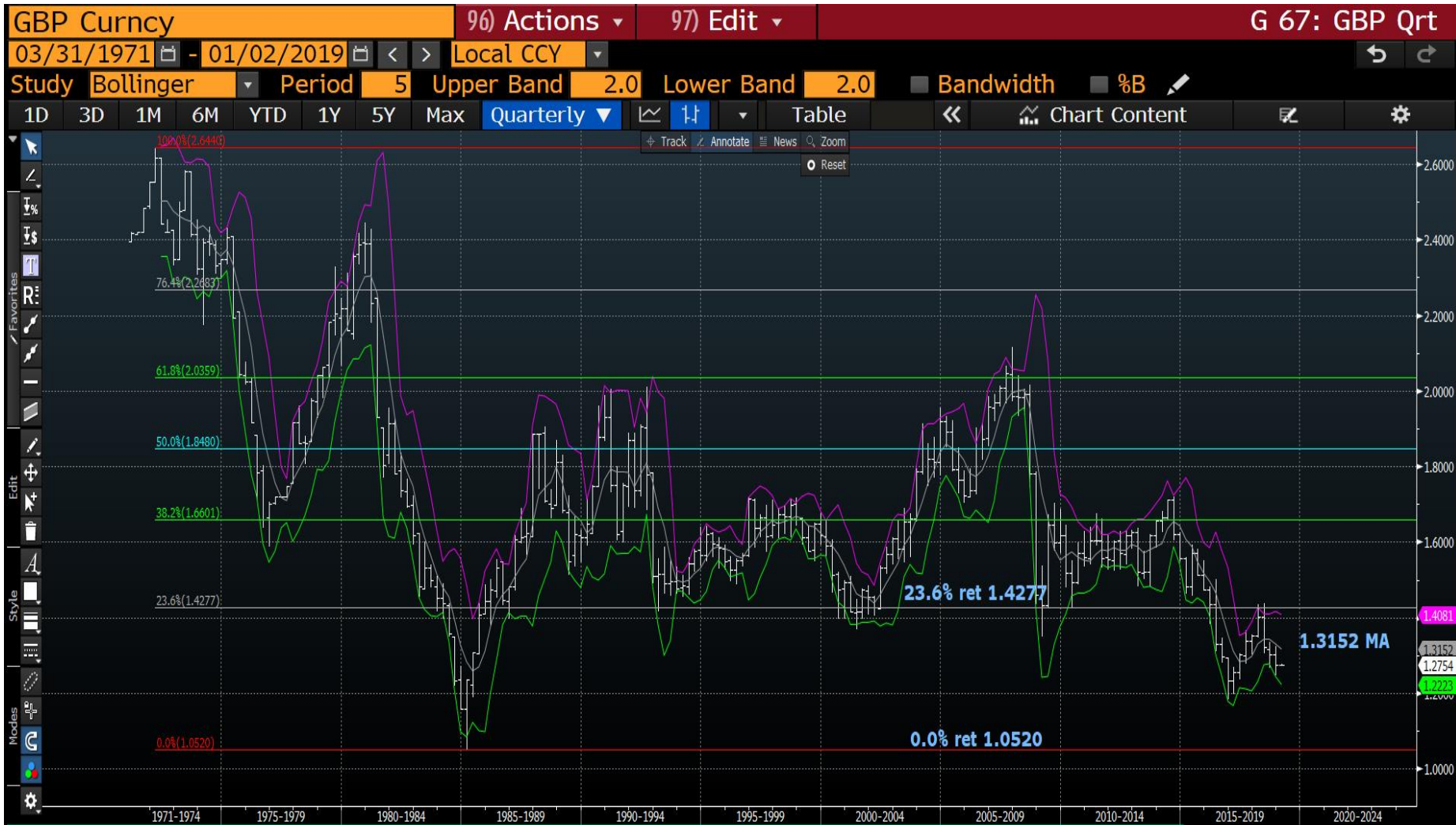
EUR USD daily : We have achieved little but whilst sub the 1.1500 level the negative theme prevails. **Worth buying the March 112.00-110.00 put spread for 26 ticks. Stop out above 1.1610.**



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 1.3152 trend friend bollinger average.



DXY monthly : We are facing a MAJOR test, sitting on the 95.798 moving average.



02/01/2019

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



02/01/2019

USD CAD weekly : We have breached the 23.6% ret 1.3451 and now have a pretty bearish potential for CAD.



02/01/2019

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 : The trend line has proved its worth, a continued close sub the 23.6% ret 19.6544 confirms a major trend lower has started.



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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.

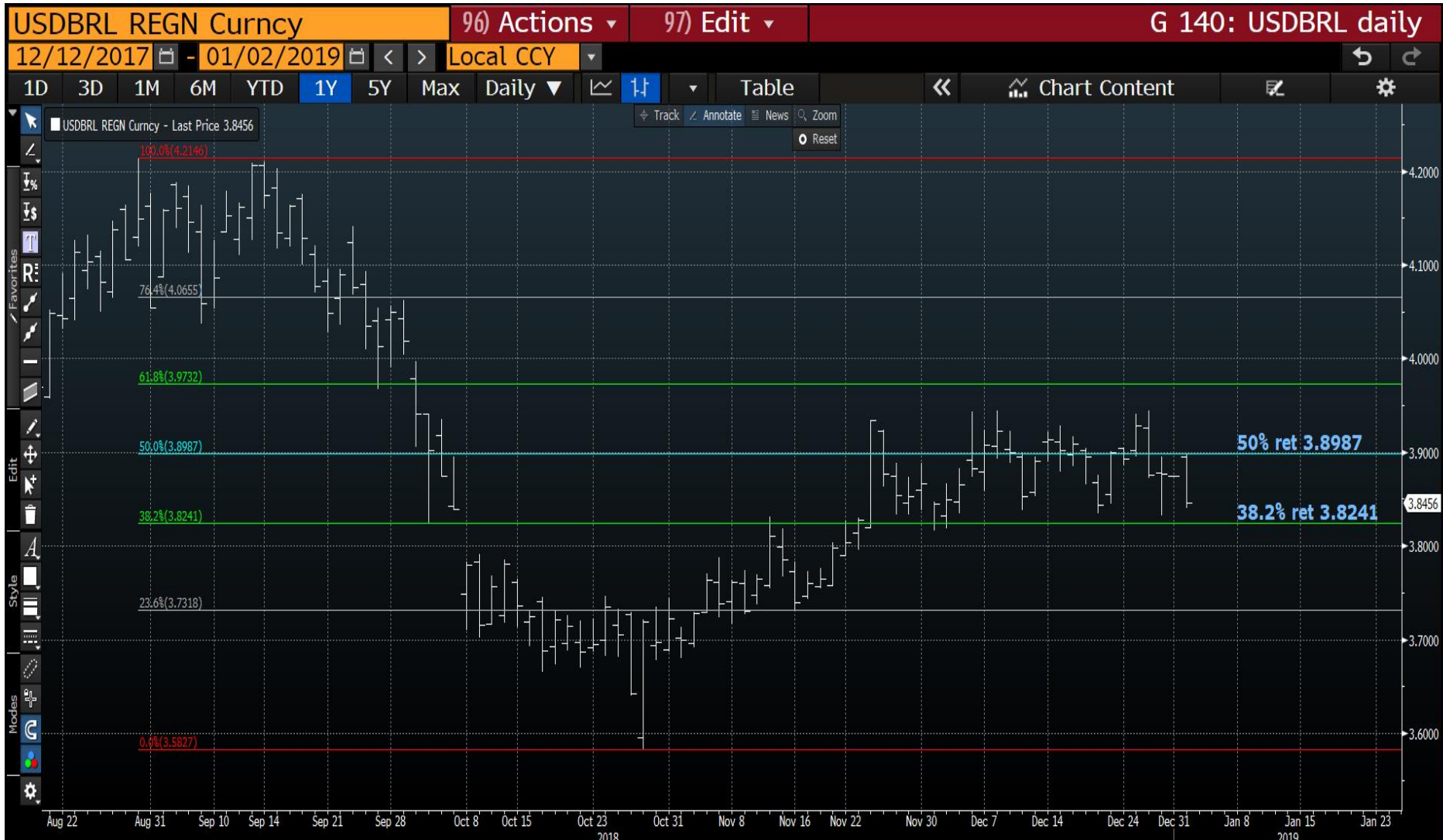


USD BRL weekly : We have seen a considerable bounce of late BUT the daily is now poised to stall. Any breach of the 23.6% ret 3.6078 will be MAJOR.



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USD BRL daily : Very sideways performance of late negating the OPPORTUNITY lower. We need a break.



GTBRL10Y daily : Yields continue to head lower failing the constant 10.199 moving average.



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

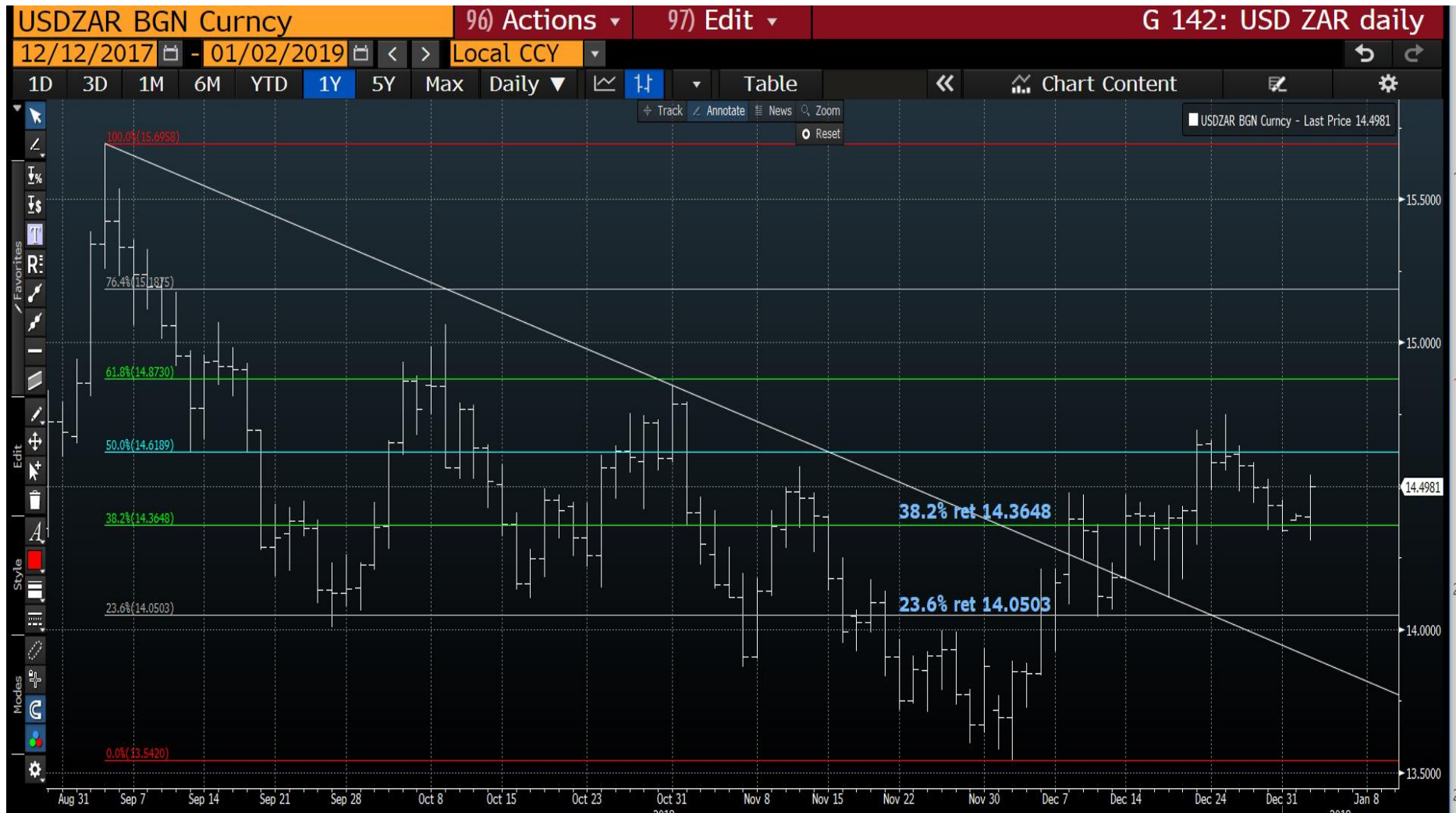


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USD ZAR monthly : We have lower highs so stand a reasonable chance of breaching the 13.5003 moving average.



USD ZAR daily : Another sideways performance which lacks BOUNCE.



USD RUB monthly : This cross looks like heading toward the 23.6% ret 71.1124.



02/01/2019

20

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



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.



02/01/2019

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 11094. This doesn't look a positive chart and spells the END OF THE 10 year rally.

Year end prediction 7000-8000 area.



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.



Eurostox monthly : Although this has been one of the least performing stock markets it has still been impacted. We are sub the 50% ret 3069.16 which does not bode well. We have a lot of free fall potential.

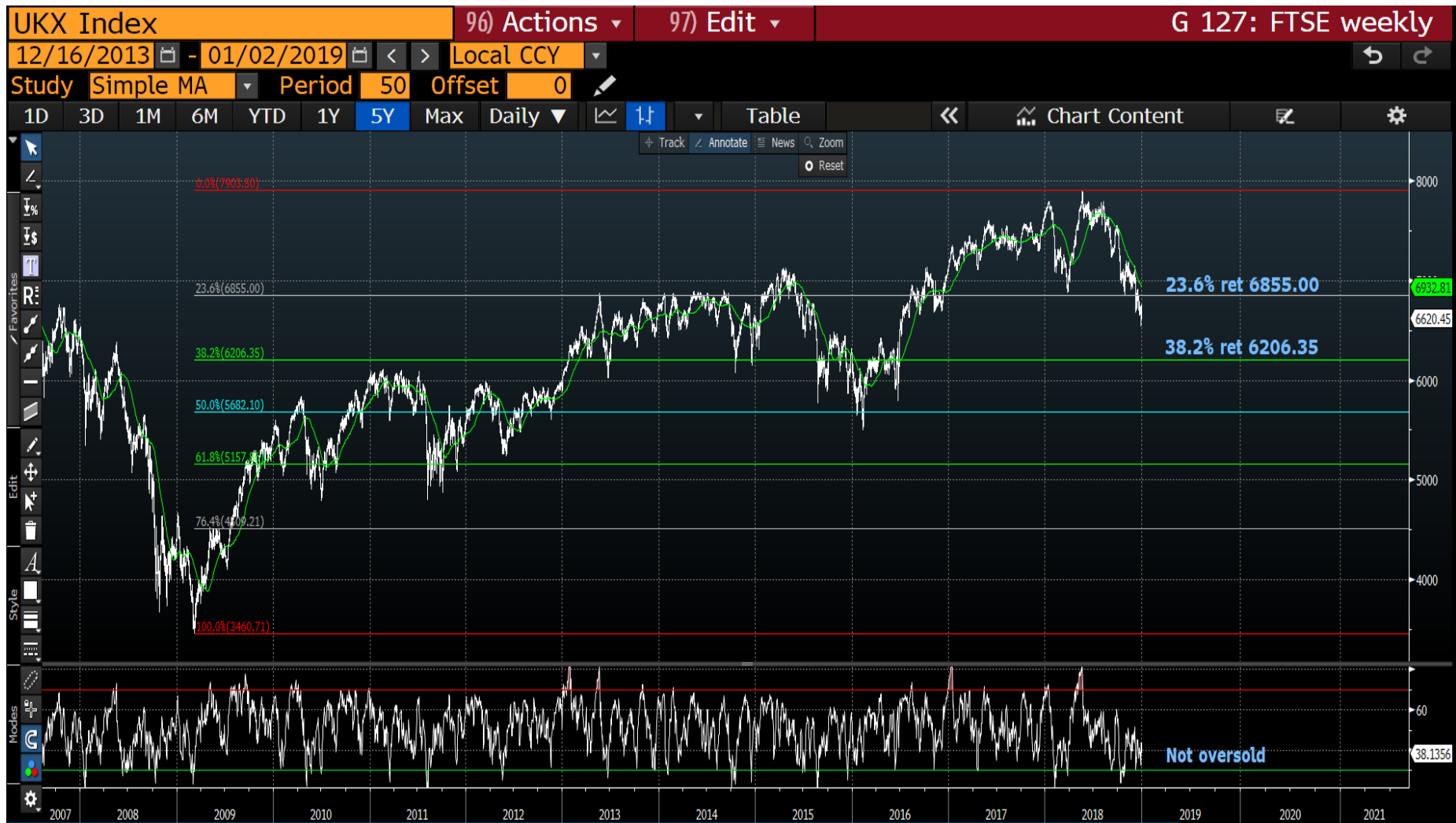


FTSE monthly : We have opened the month trading sub the 100% ret 6751.30. If we print a new low, below 6536.53 this will further confirm the BIG TERMINAL TOP.

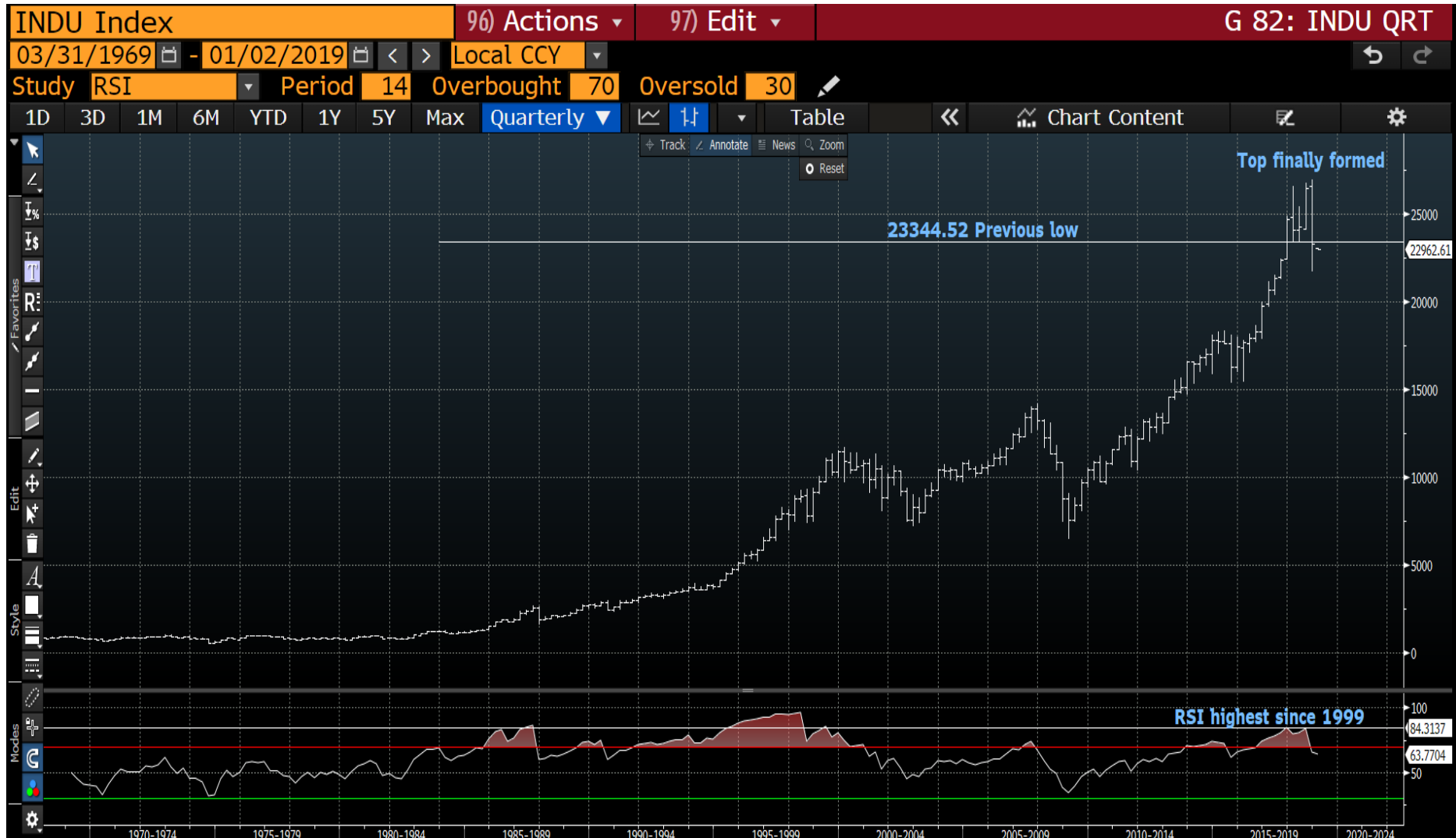
Year end prediction the 50% ret area 5106.00.



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 has put in a small recovery but whilst sub the 23344.52 previous low, all remains VERY NEGATIVE. 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 against the 100% ret 23344.52.



S&P (future) daily : We continue to head lower with out taking the RSI to an “EXTREME”.



02/01/2019

Russell monthly : A BIG drop last month supported by the 61.8% ret 1248, this may just be a temporary reprieve. Again the expectation is of a free fall and the 860.00 area looks a possibility.



Russell daily : We have failed at the 50% ret 1343.664 so does not bode well.



Nasdaq monthly : We are sitting on the Feb low 6630 thus the next move is KEY.
Prediction for end of 2019 is 4500-5000 area.



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Nasdaq daily : Potentially a PERFECT failure at the 38.2% ret 6642.173. If we head lower from here it will hurt and open the flood gates.



02/01/2019

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.



Hang Seng monthly : We are straight into failure MODE stalling at the 50% ret 25881.44.



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.**
- **** 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 : 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. We are testing peoples belief.



US 30yr yield monthly : We are getting close to last years RANGE lows 2.920, sub this will UNLEASH significant STOPS. The 3.1340 moving average should provide sizeable resistance. The RSI has a lot of JUICE.



US 30yr yield daily : We have broken lower, now sub the 200 day moving average 3.1336. This is a RARE situation and a DANGER, sub the 38.2% ret 2.9409 should trigger bigger stops.



US 10yr yield quarterly : Another historical formation pointing toward lower yields. The RSI has barely turned and we have breached the 2.7828 moving average. We could DROP SHARLPY!



02/01/2019

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.

A breach of last months low will be painful!



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 2.9514 is a distant memory and despite the DROP the RSI hasn't been impacted.



US 5yr quarterly : A big acceleration into year end with the moving average 2.0942 ever closer. The RSI REMAINS at 1982 levels. History is poised to repeat itself.



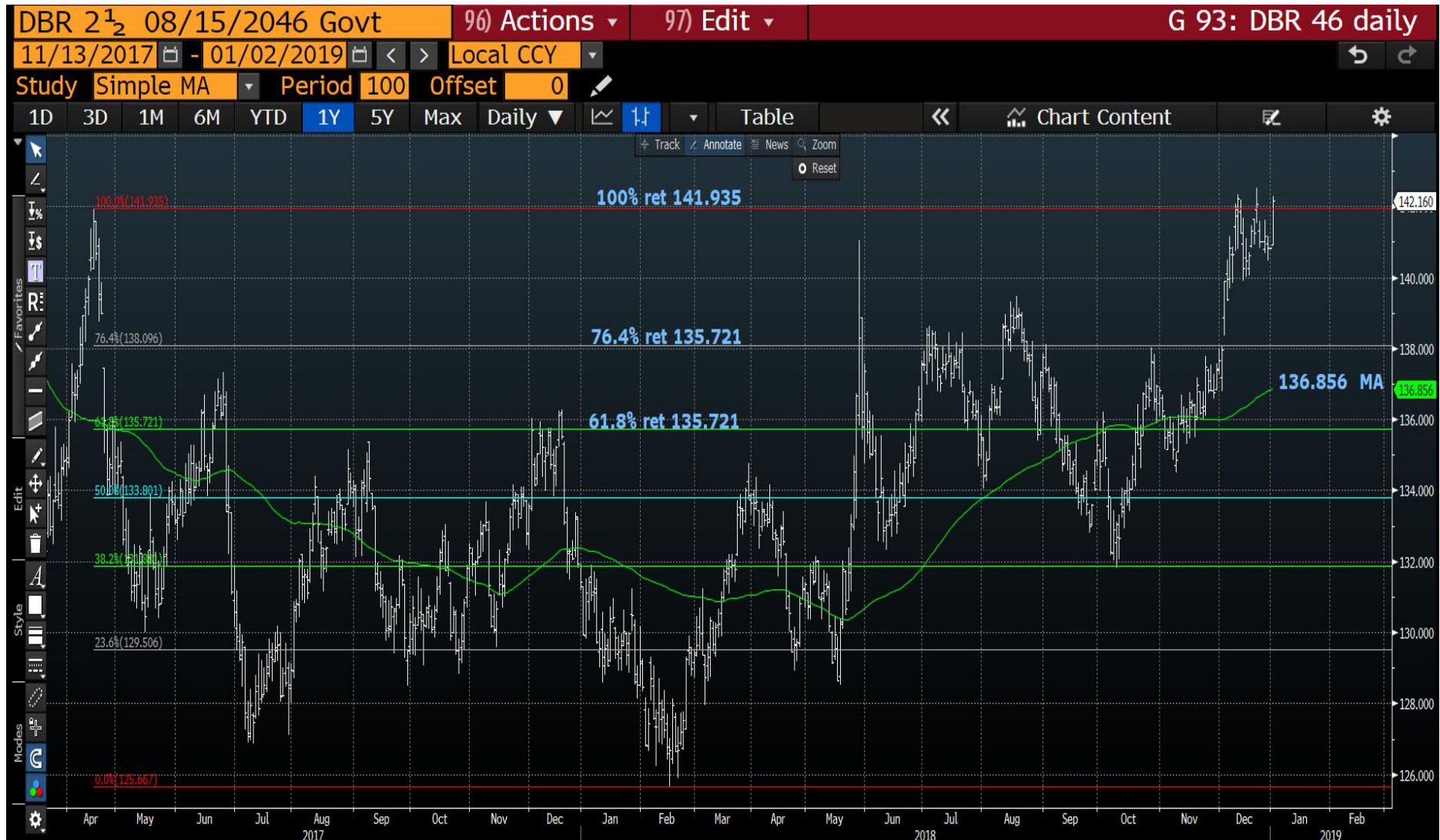
Generic German 10yr quarterly : Germany is struggling to attain further gains given the channel support 0.141, no more QE and yield levels.



02/01/2019

47

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.



02/01/2019

Italian generic 10yr daily : The RSI is now pretty stretched but sadly no defined level to argue a cover of any positions.



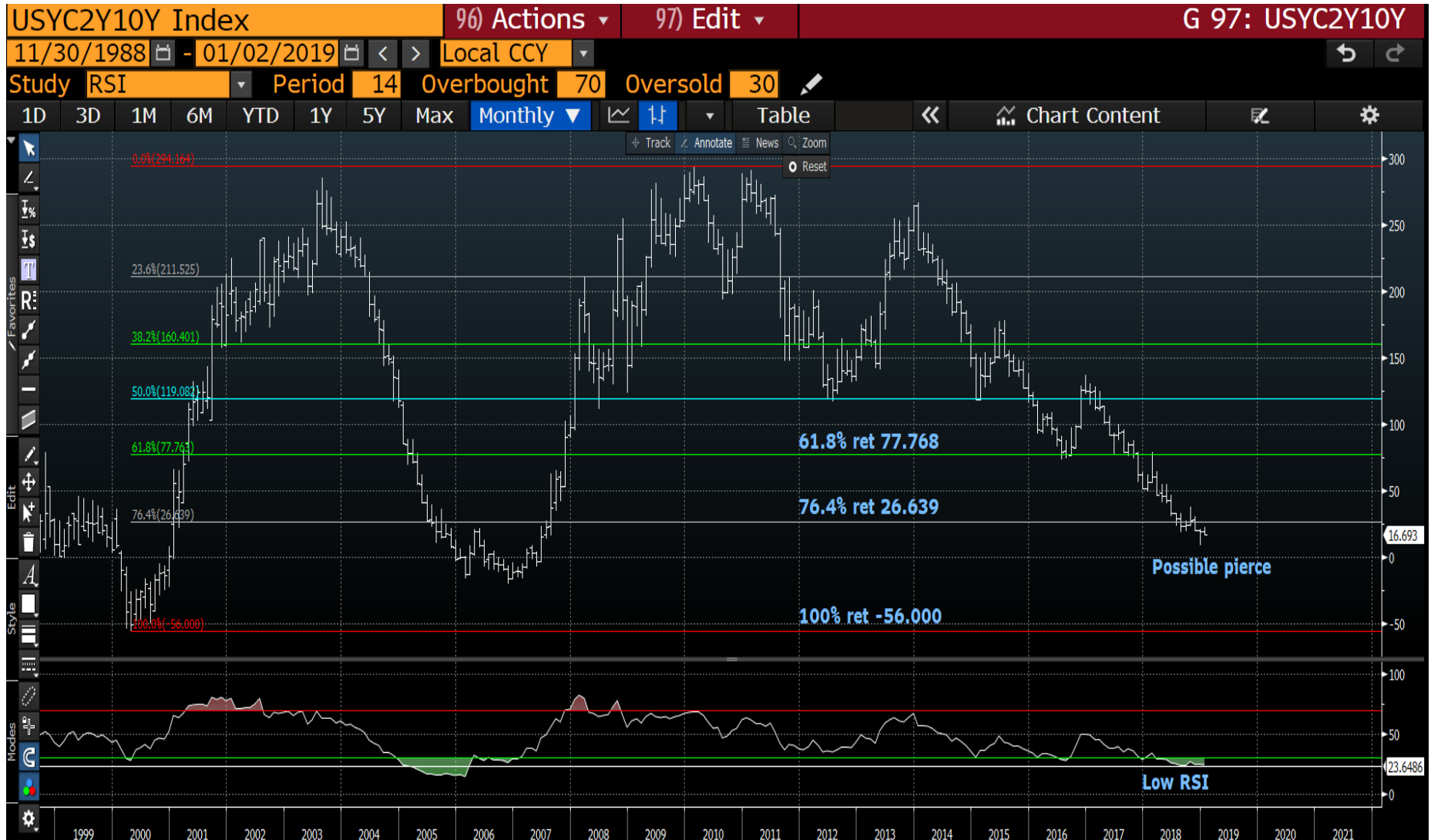
US curves a once in a lifetime opportunity?

- **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, just need to get back above the 76.4% ret 26.639.



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. We have had several attempts to breach the 76.4% ret 34.856, ABOVE the 161.8% ret 55.848 we STEEPEN!



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



02/01/2019

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



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



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.



CL1 monthly : The low RSI is implying a HOLD down here.



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.



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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