

MULTI ASSET UPDATE : Bond yields continue to stall, the EURO clinging desperately on to 1.1241 support and stocks in EUROPE topping! The KEY market element this week is European stock performance, it's the one to watch especially if we head lower.

We continue to be in a HEIGHTENED state of alert especially relating to Europe. The EURO is now a concern as we lean toward a break of the 1.1241 multi year 50% ret. Bond yields continue to POINT lower and STOCKS in Europe TOPPED.

Bond yields : These continue to forecast lower yields especially in the US as we persist in failing multi year moving averages and previous closes. The acceleration of the drop will be the painful addition. Page 6 has an interesting US 2yr yield overlay with retail sales RSTAXAGM Index.

US Curves : If yields stall, buy BACK END steepeners, 5-30 or 10-30 given their resilience previously. In general the RSI dislocation prefer steepeners across the board.

Equities : Keep an eye on Europe as we remain sub many 200 day moving averages. The US market has been strong but both Nasdaq and Russell daily are AT 200 day moving averages.

FX : Its not all about the USD, far from it given Brexit, Europe and EM. The USD has to take a back seat this time. The EURO is back in focus as we lean toward a breach of the all important 1.1241 50 % ret. EM should be a big winner this year given many have multi year tops.

FX UPDATE

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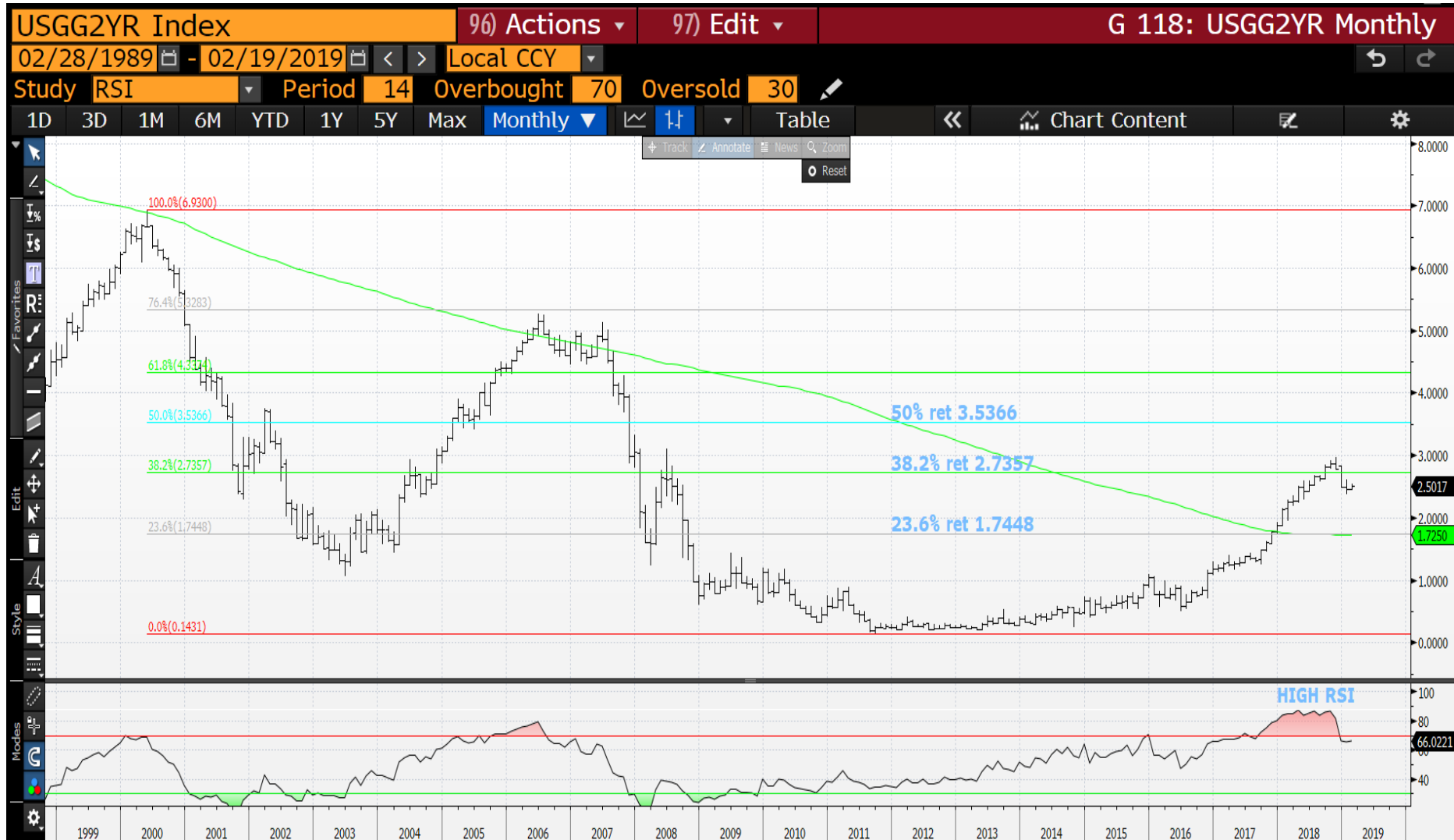
BONDS

- Despite some of the yield recoveries we do **STILL** have **NEW YIELD LOWS** on the year. We are also sub or close to **MANY** of the historical long-term moving averages.
 - **** It is harder to predict year end levels for yields but they will be lower than here ideally 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 last month.**
 - ****Major focus would be if the USGG30yr FAILS to breach 3.1241 moving average.****
- Italy continues to FLIRT with the 200 day moving average.**

US 2yr yield quarterly : This chart highlights the HISTORICAL EXPECTATION is at 1980 proportions and thus expectation may have gotten ahead of reality. We could have a major top about to be confirmed by a re-breach of 2.4838. I have added a 100 period moving 2.9435 average highlighting last quarters high, a key failure.

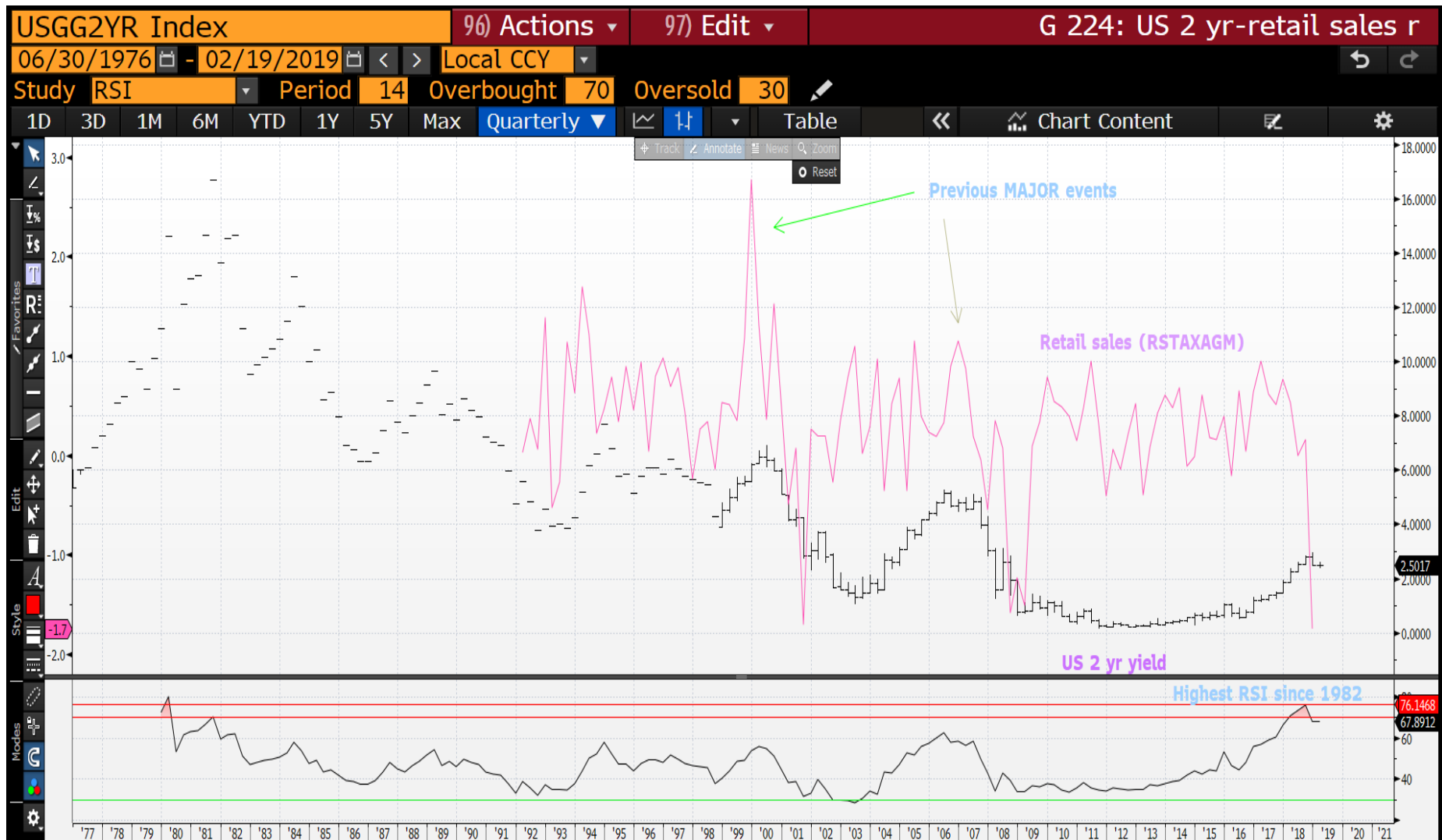


US 2yr yield monthly : The monthly RSI dislocation backs up the previous chart, it will be key if we remain sub the 38.2% ret 2.7357. Any reversal to the lows will be a major statement.

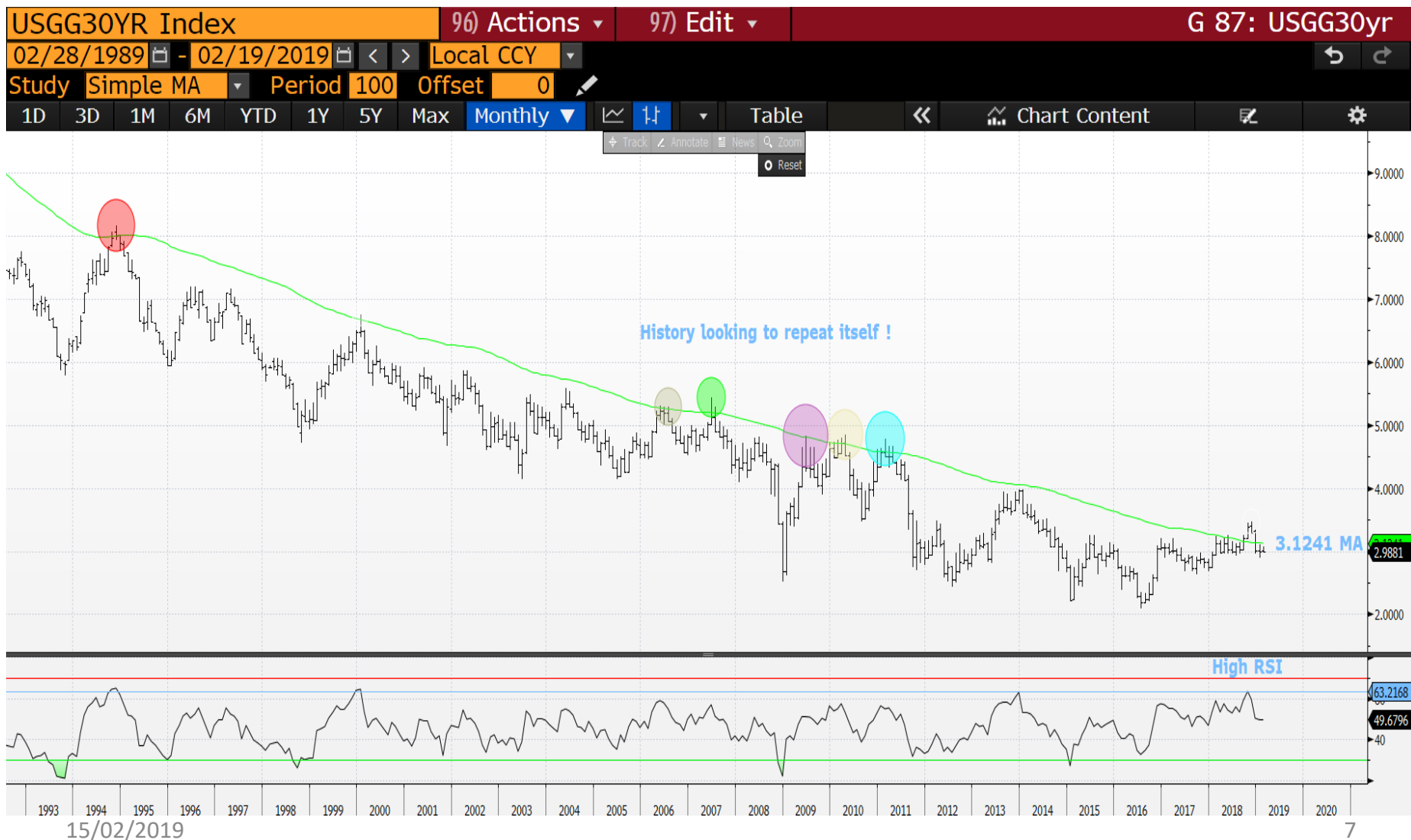


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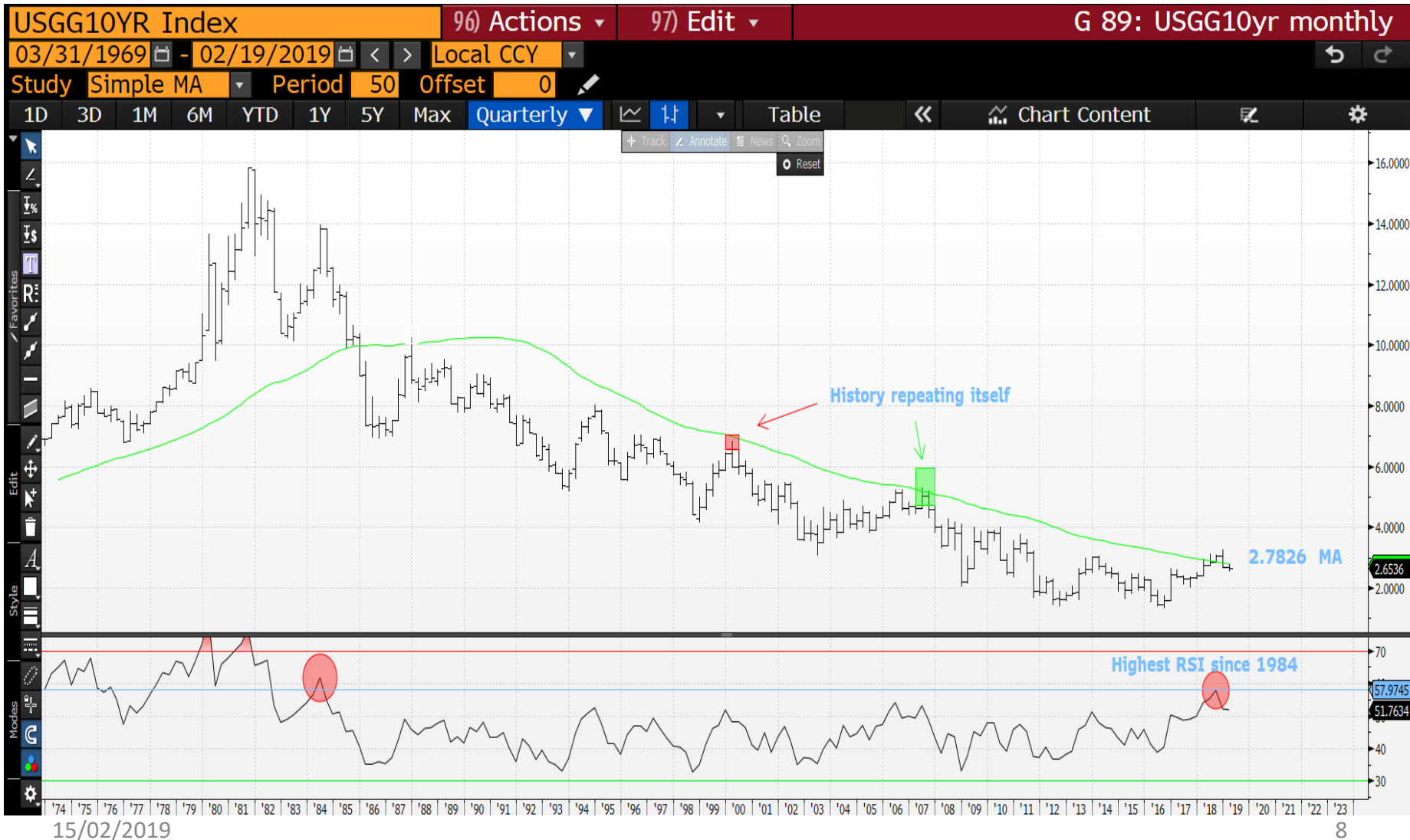
US 2yr yield-retail sales quarterly overlay : First thing is the RSI higher than EVER and now one of the biggest single drops in retail sales. Highlighted are the 2 previous occasions 2000 and 2007! Some thing is wrong.



US 30yr yield monthly : The moving average 3.1241 is proving key resistance and thus must be noted. Previous failure is easily highlighted by the circles and the RSI remains high. We don't have far to go to breach last month range, either way.



US 10yr yield quarterly : Another historical formation pointing toward lower yields as depicted in 2000 and 2007. The RSI has barely turned and we have failed to breach the 2.7826 moving average, thus far. We could DROP SHARLPY!

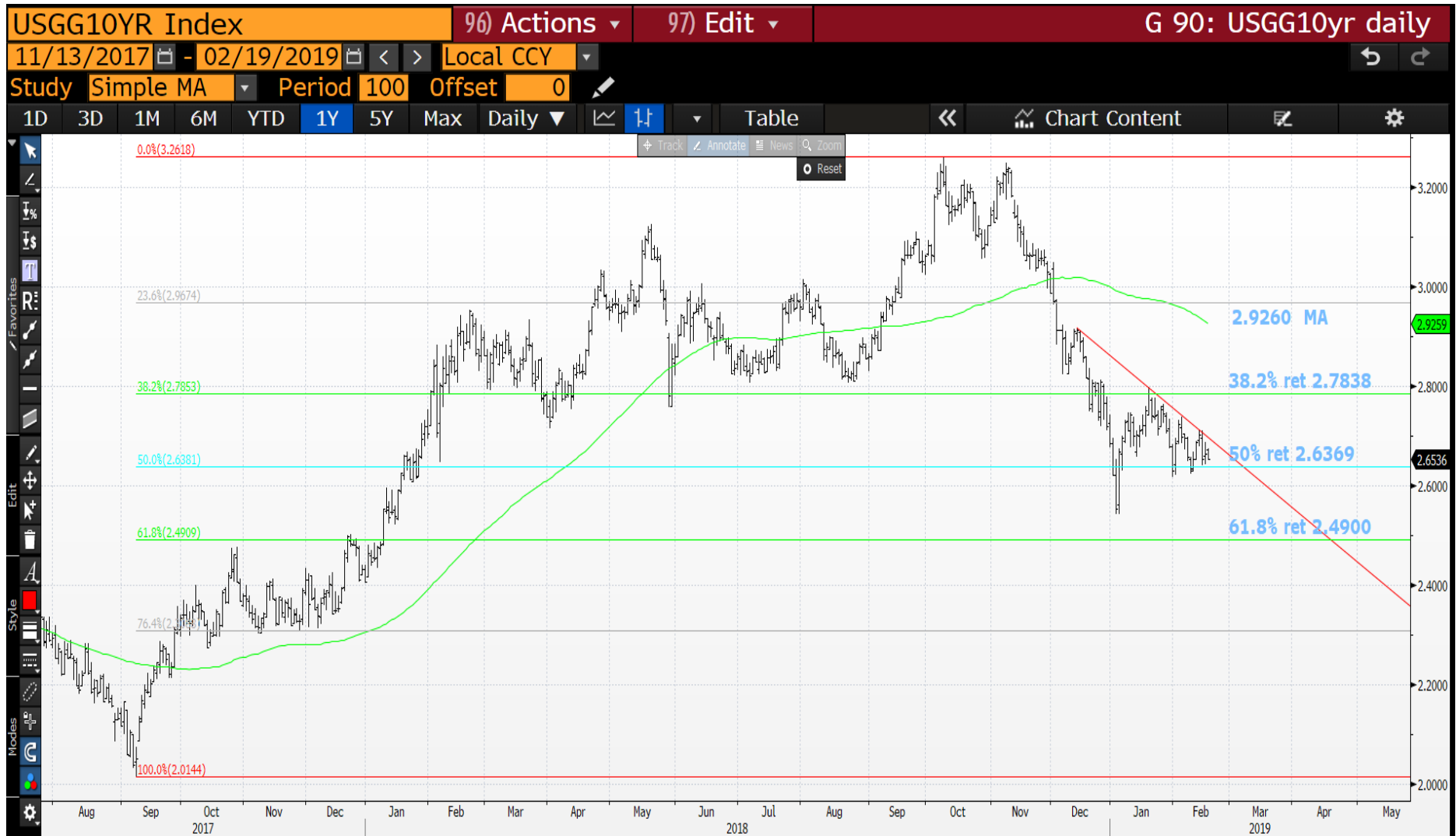


USFS10-20 monthly : This has been a great boost to the argument for lower yields going forward (assisted by our swaps expert David Sansom), as the chart shows we have a similar historical pattern of failure at this moving average.



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US 10yr yield daily : A pretty side ways performance of late but minimal bounce. Ideally we can break sub the 50% ret 2.6369.

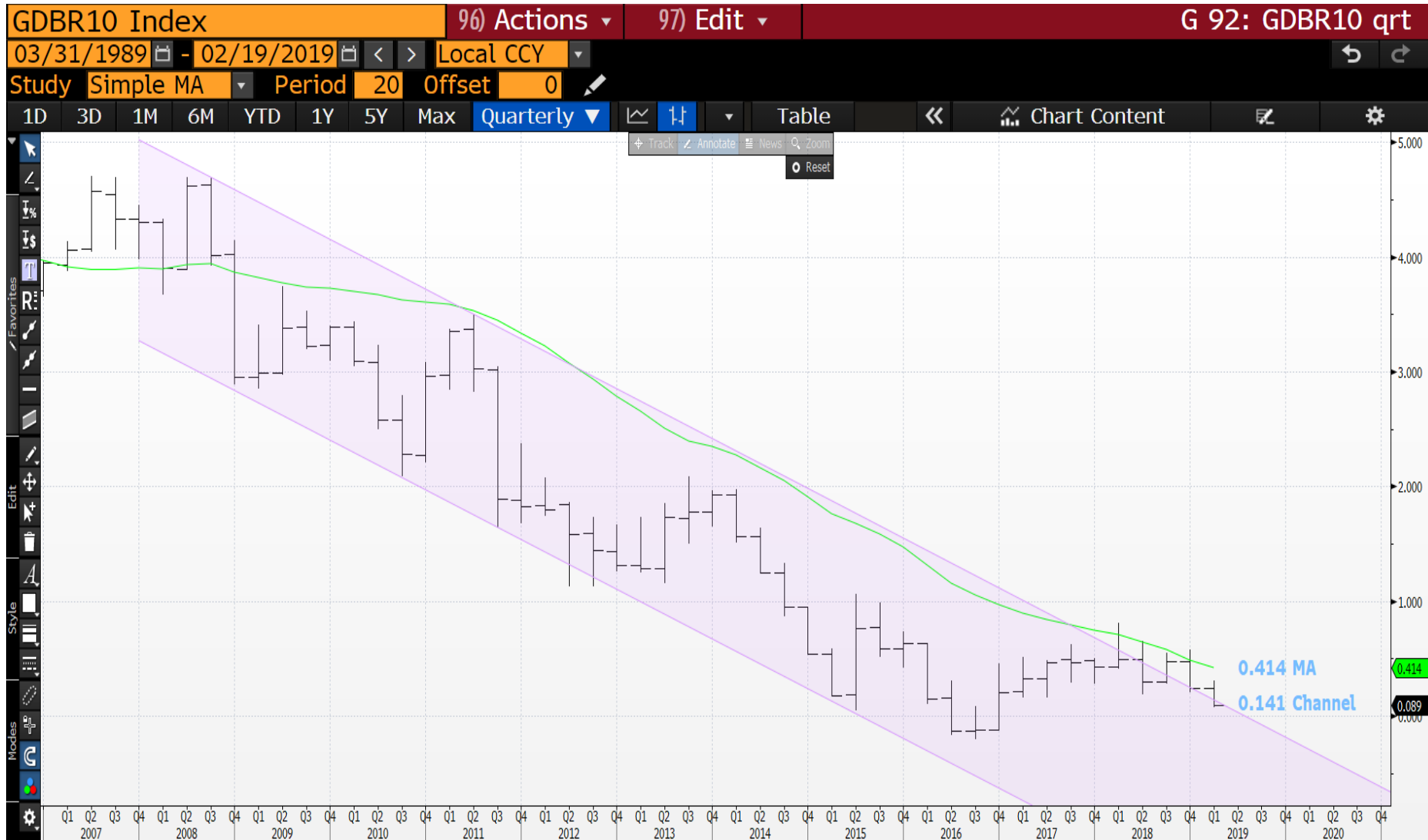


US 5yr quarterly : This time we are above the moving average BUT the RSI remains lofty, 1982 proportions! Again we have a new yield low and close to last quarters close.



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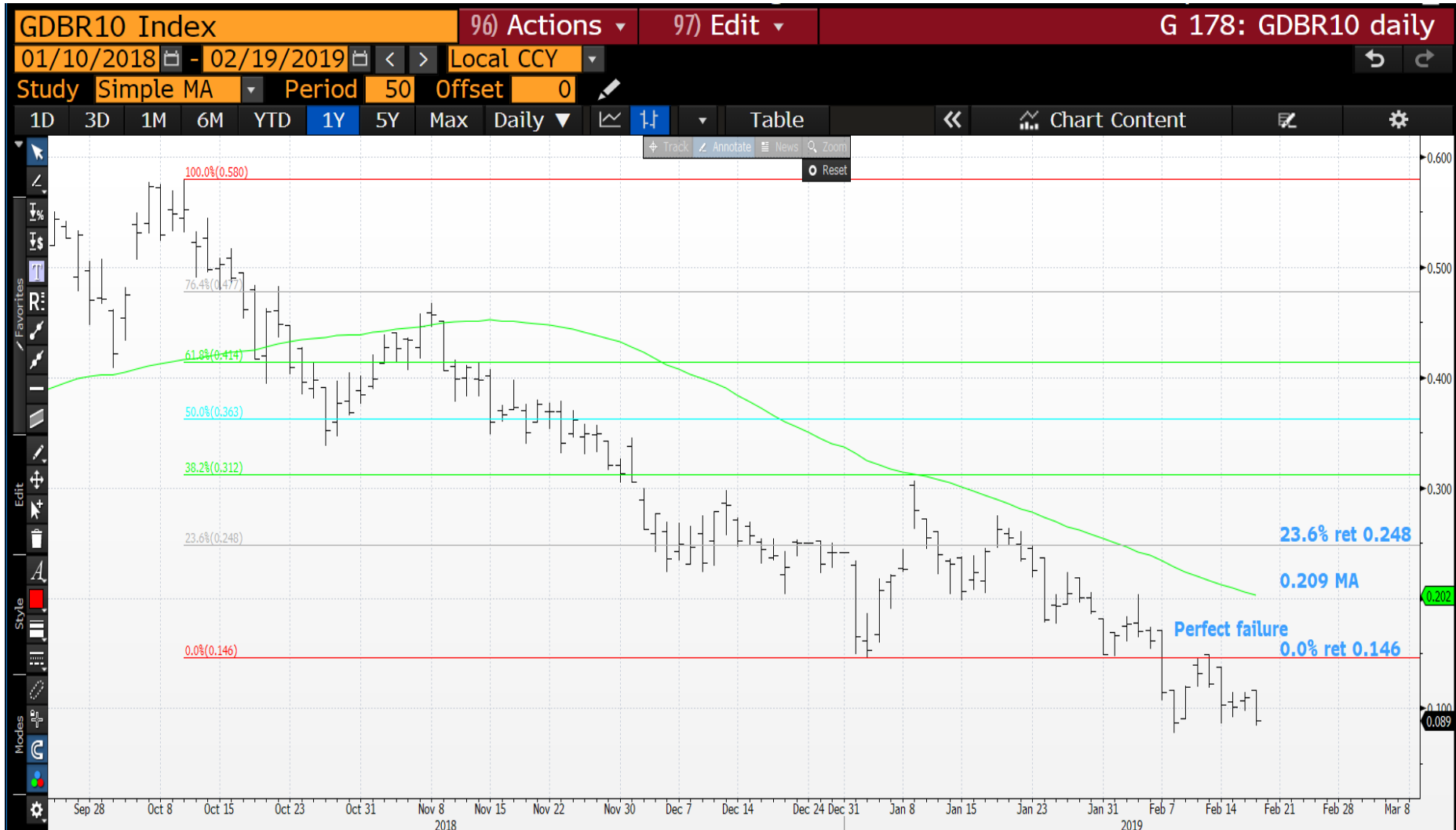
Generic German 10yr quarterly : We continue to grind lower and are now just inside the multi year trend channel 0.141. Yields should continue to drift lower.



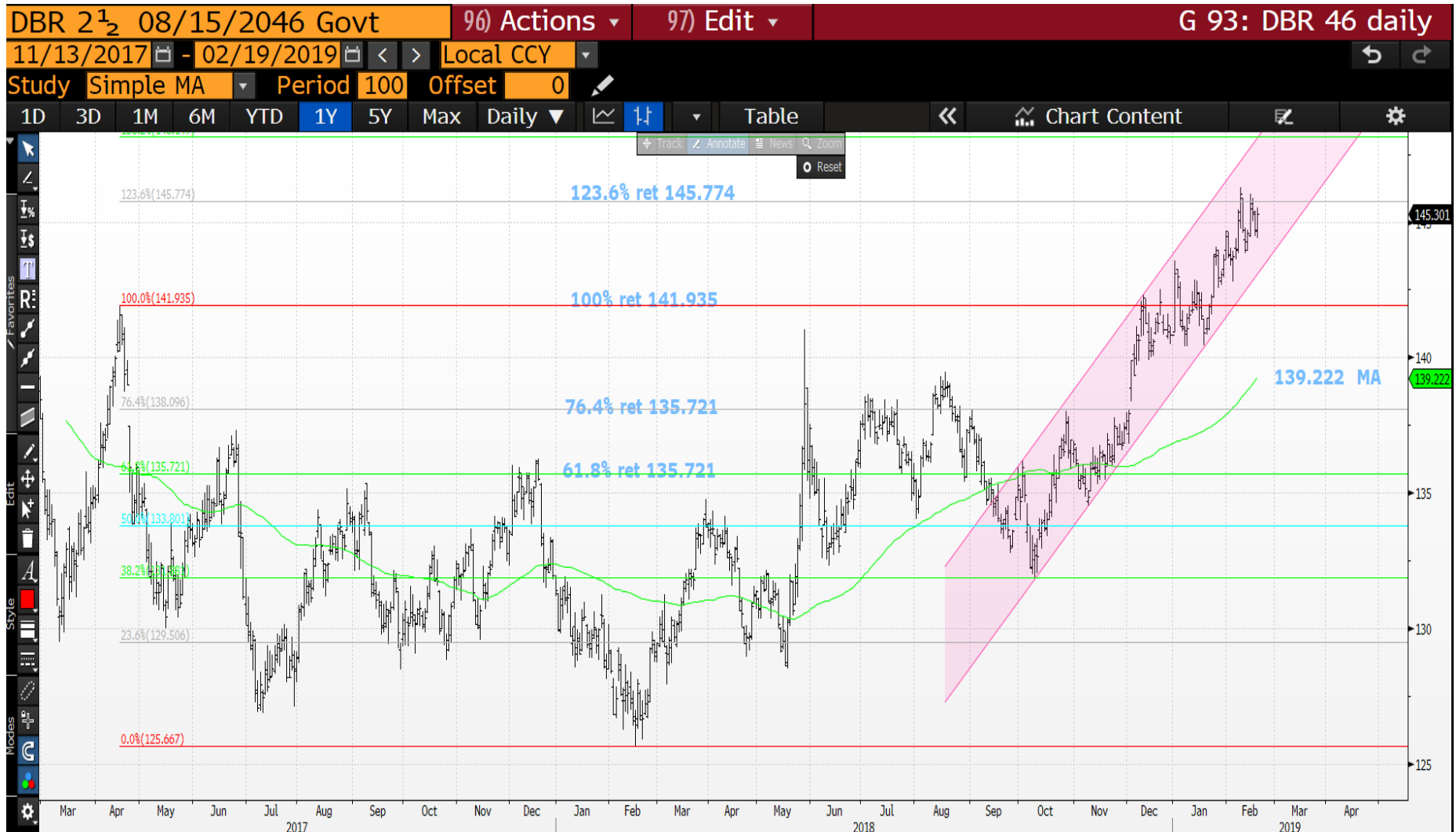
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Generic German 10yr daily : Am near perfect failure at the 0.0% ret 0.146, we should continue to head lower.



DBR 46 daily : One of the most resilient bonds going and looks like it will continue to rally.



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Italian generic 10yr daily : We have TEASED the previous high 2.955 and now failing aided by the RSI. Next stop the 50% ret 2.664.



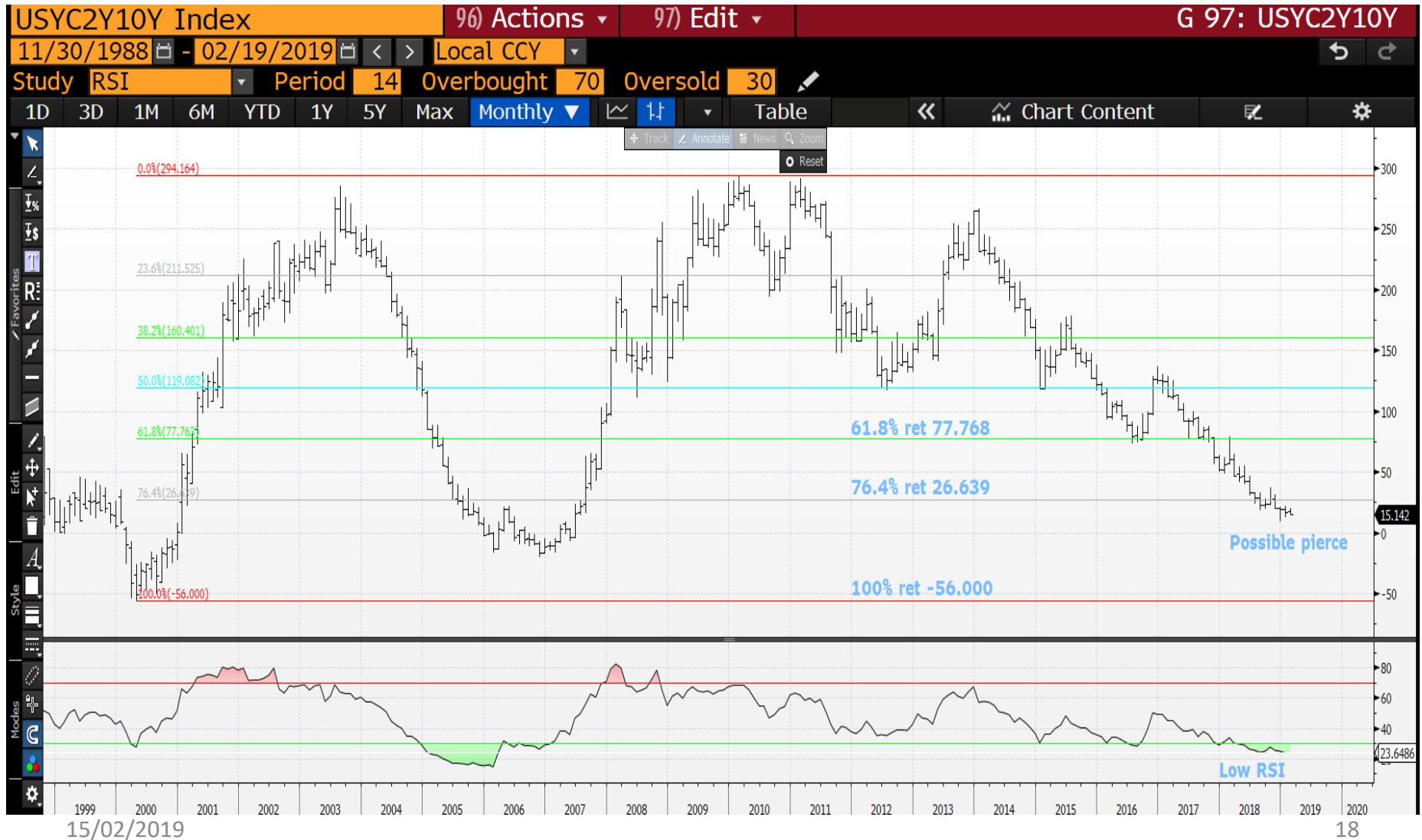
US curves a once in a lifetime opportunity?

- **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!**

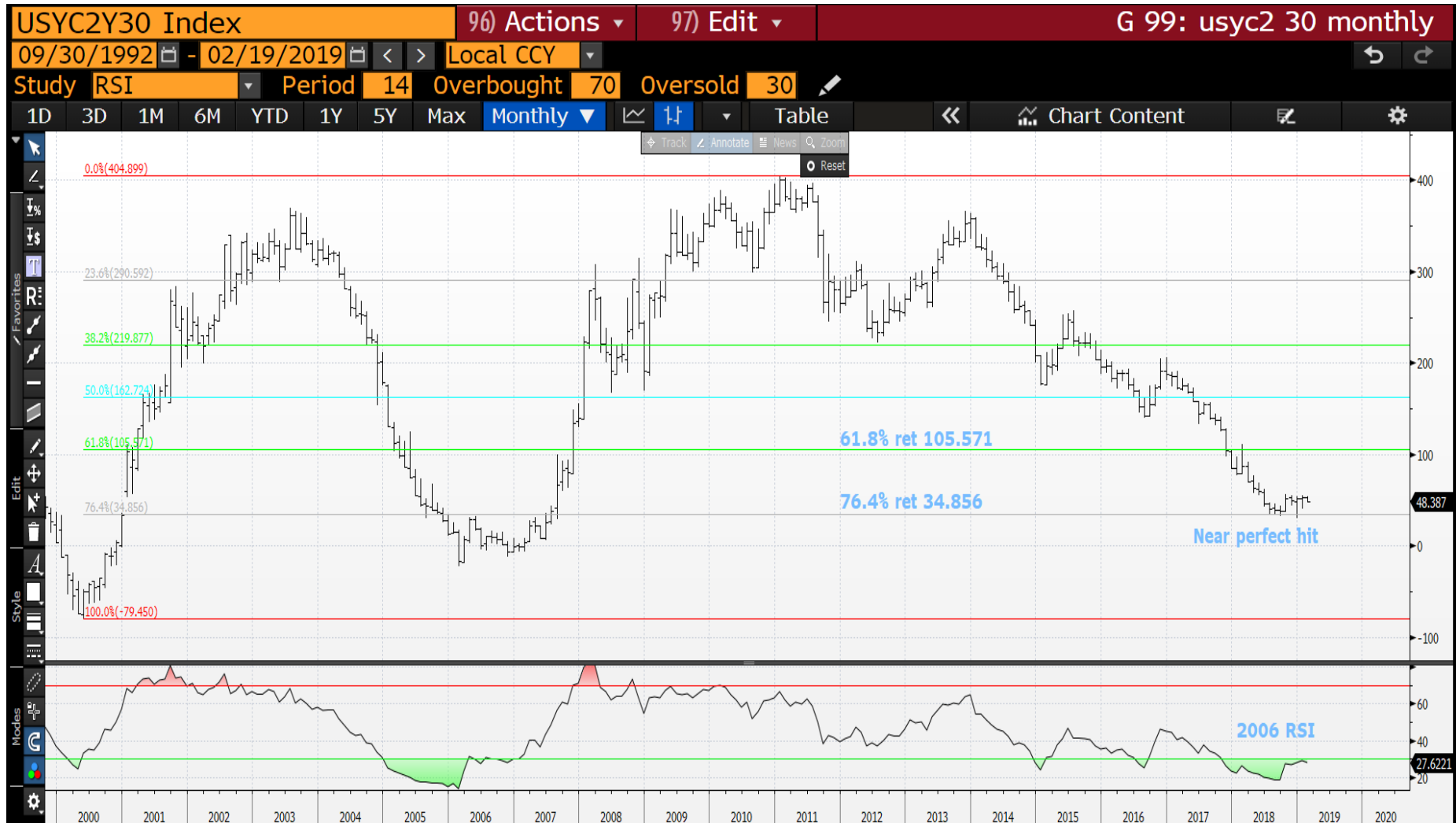
US 2-5 curve monthly : We have yet to reach an oversold RSI worth commenting on but the outright 2yr is poised to break lower in yield. Could be that a 2yr verses longer duration is better. Say 2-30.



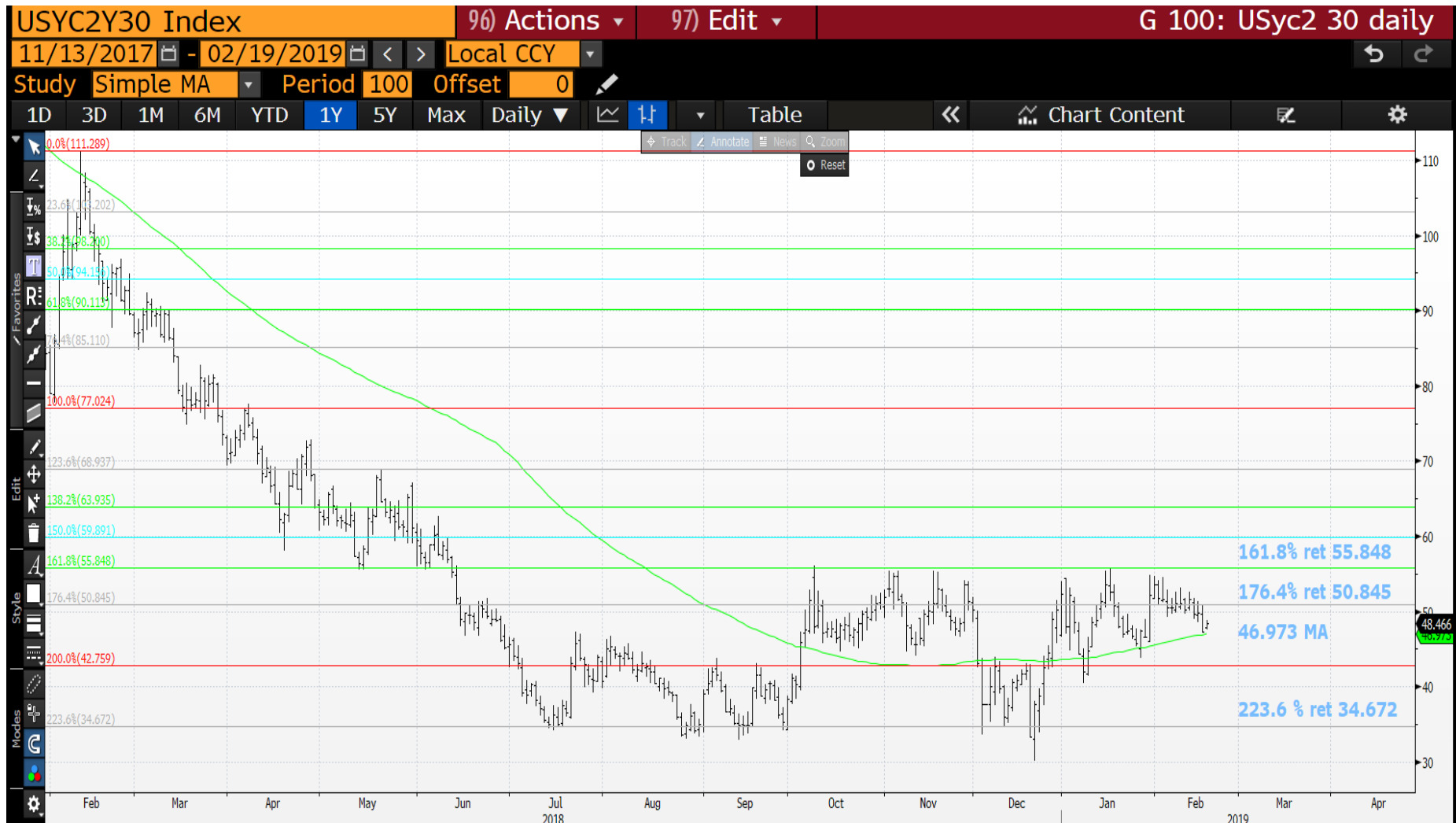
US 2-10 curve monthly : We might JUST have a base given we have a pierce! The RSI seems low enough, just need to get back above the 76.4% ret 26.639.



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 against the 46.973 moving average, we just need to steepen. If we ever breach the 161.8% ret 55.848 we FLY.



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



US 10-30 curve monthly : A major steepening bias over all and next target the 61.8% ret 38.721. A breach of the 61.8% ret will be a BIG statement.



EQUITIES

EQUITIES : A pain of late as the BOUNCE has been reasonable BUT as per last weeks piece many remain sub or at 200 day moving averages, a tough obstacle!

Although no NEW monthly lows we haven't rallied MUCH. It's a matter of TIME before stocks head lower AGAIN!

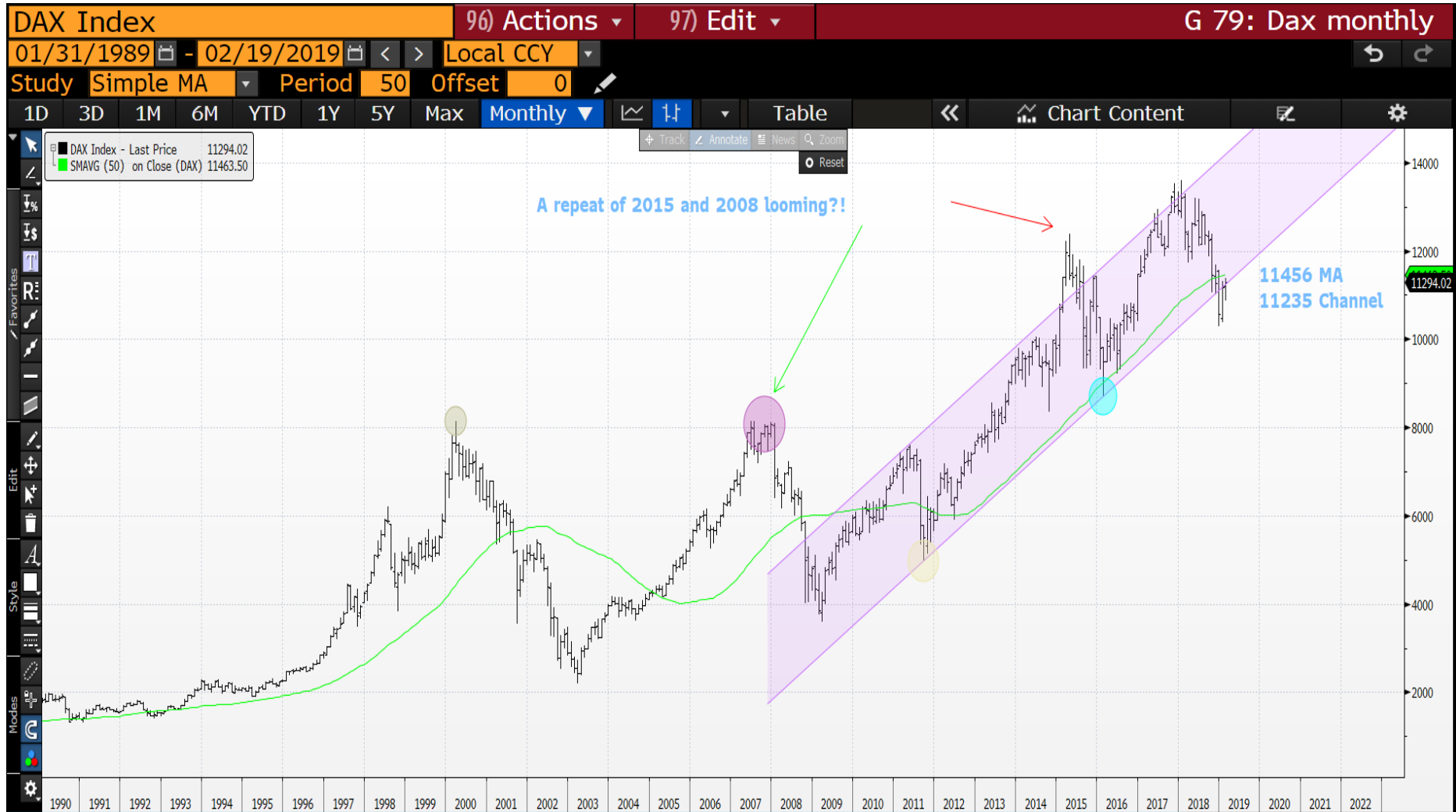
Europe is in a terminally bad way whilst the US is close to confirming the 10 year "RALLY" is over.

DAX page 2 continues to TEASE the LONG STANDING channel.

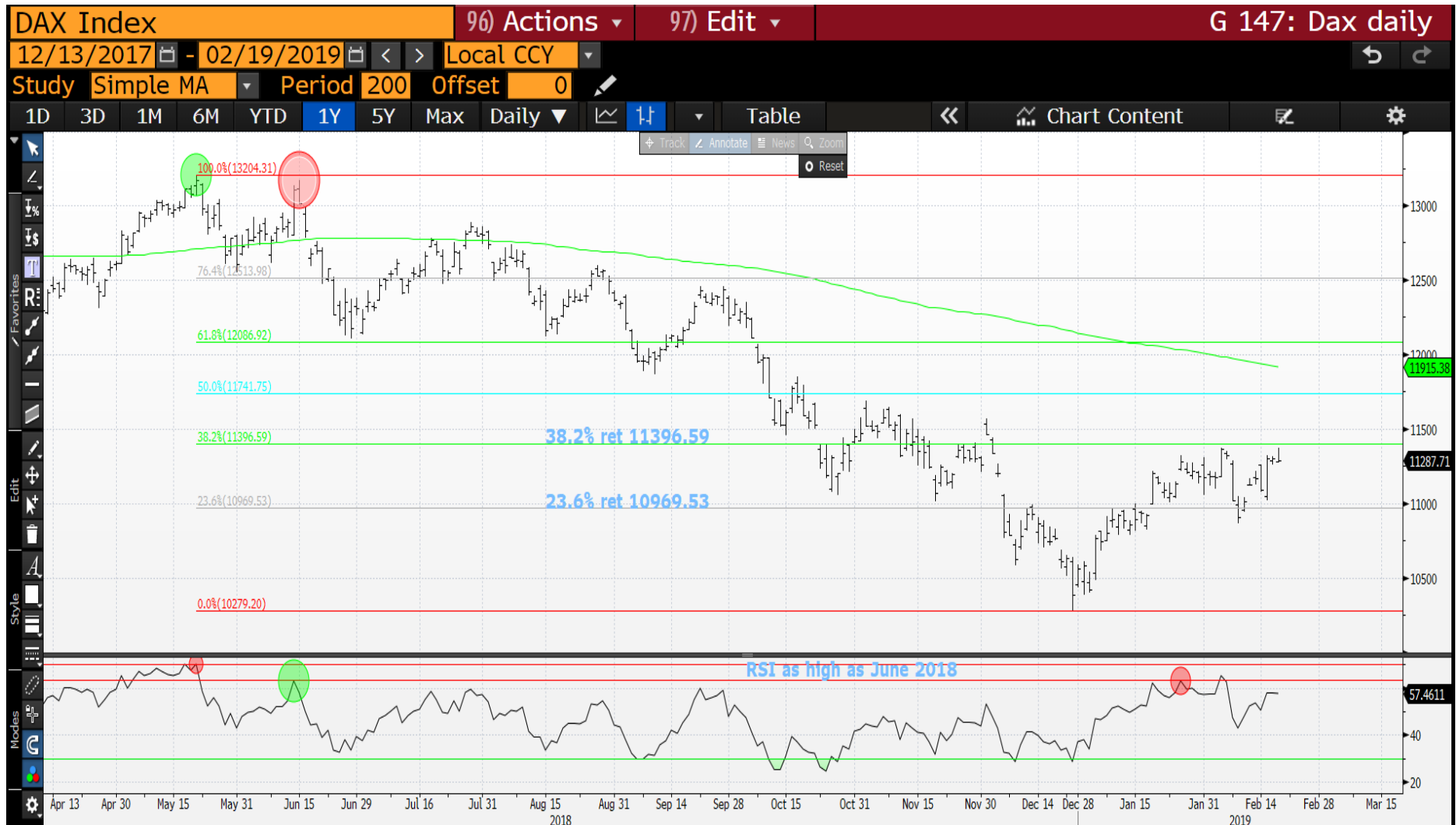
Both Nasdaq and Russell have 200 day moving average resistance.

DAX monthly : ***DAMAGED GOODS STILL***

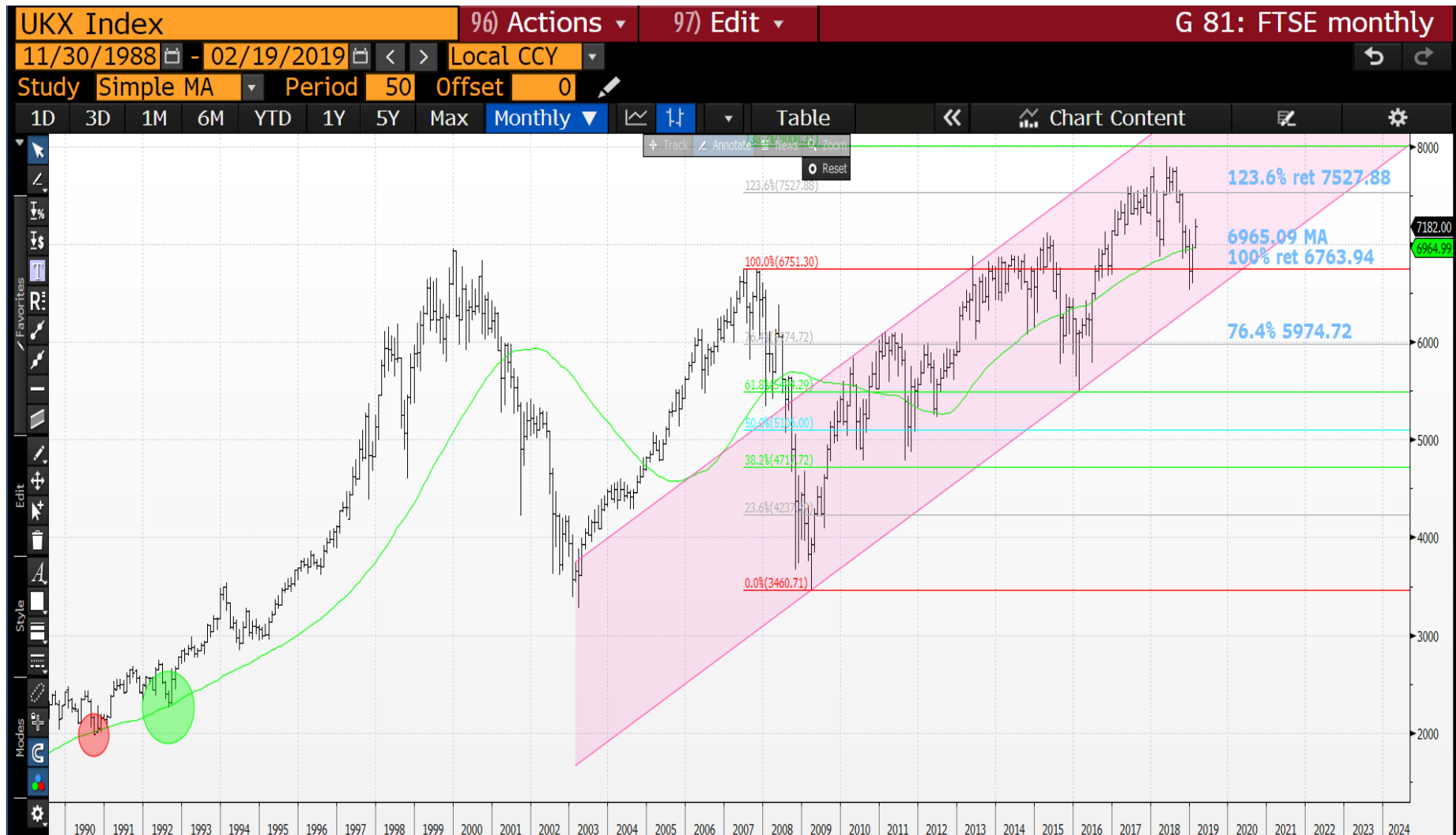
We continue to flirt with the multi year trend channel 11235, the daily is topping.



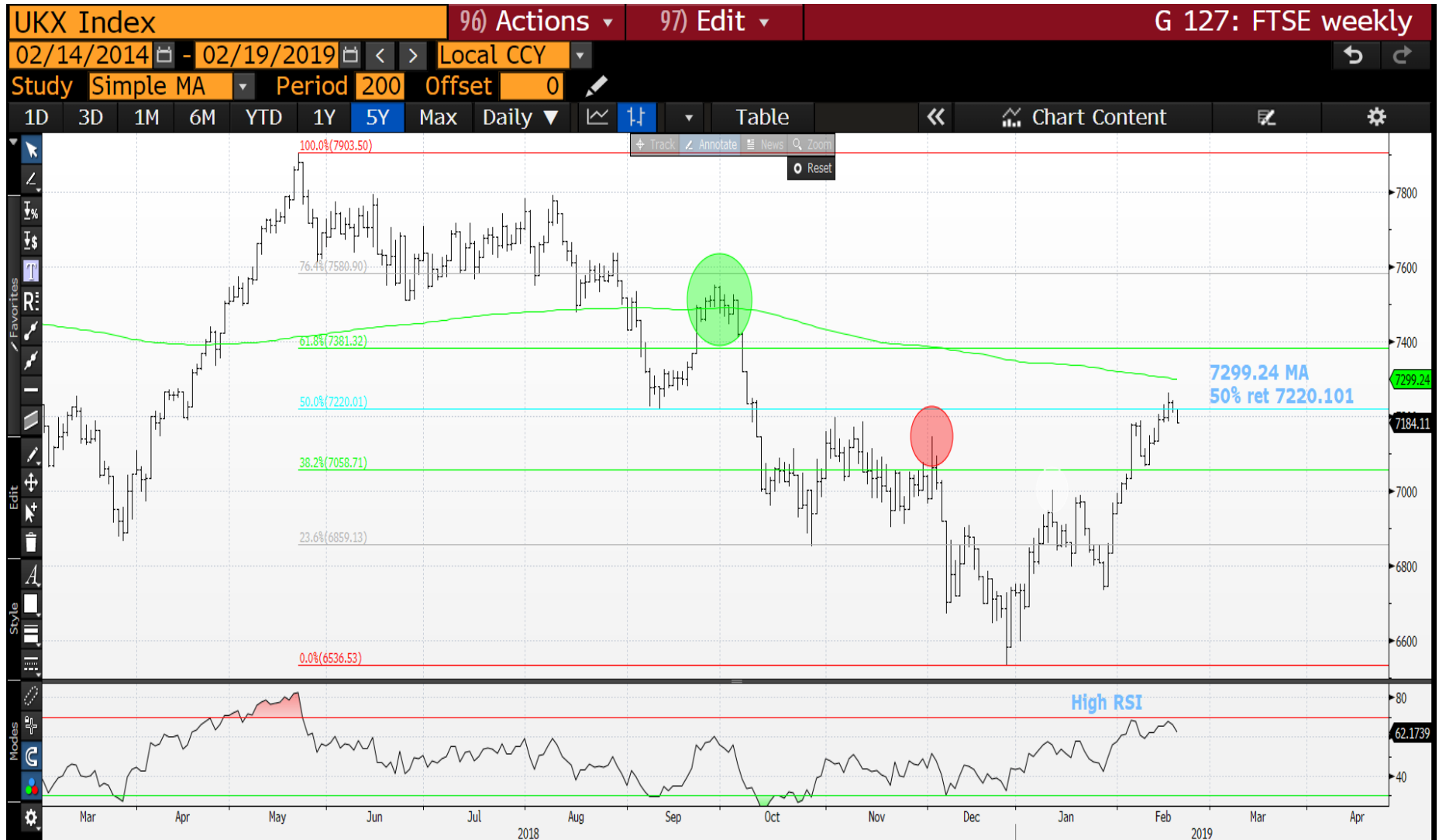
Dax daily : We really are in a range and the RSI is neutral. Given the previous channel tease scenario then a breach of the 23.6% ret 10969.53 could be possible.



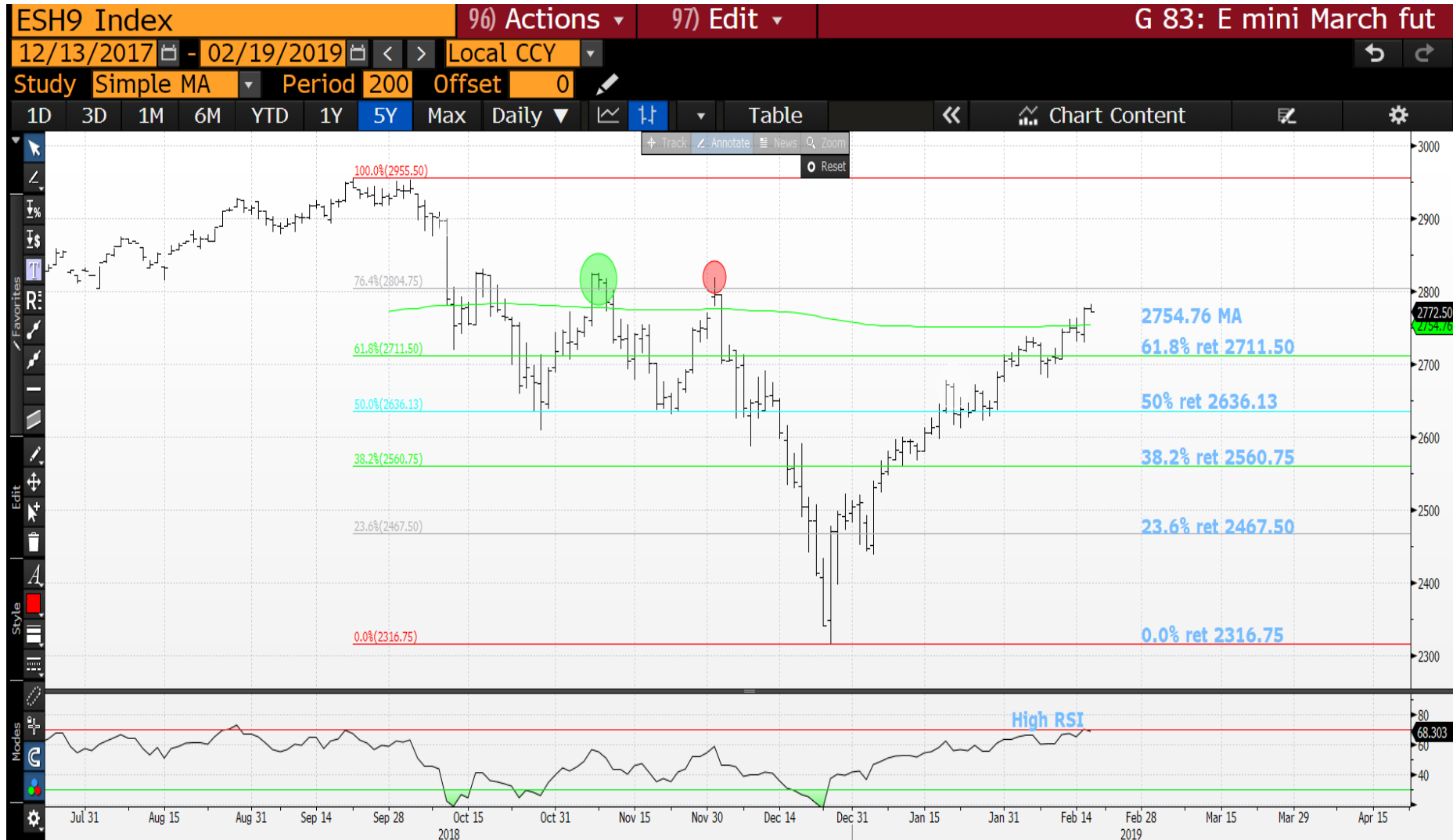
FTSE monthly : This has had a dramatic bounce and is currently above the 6965.09 moving average. Ideally to continue lower we need a breach of the average.



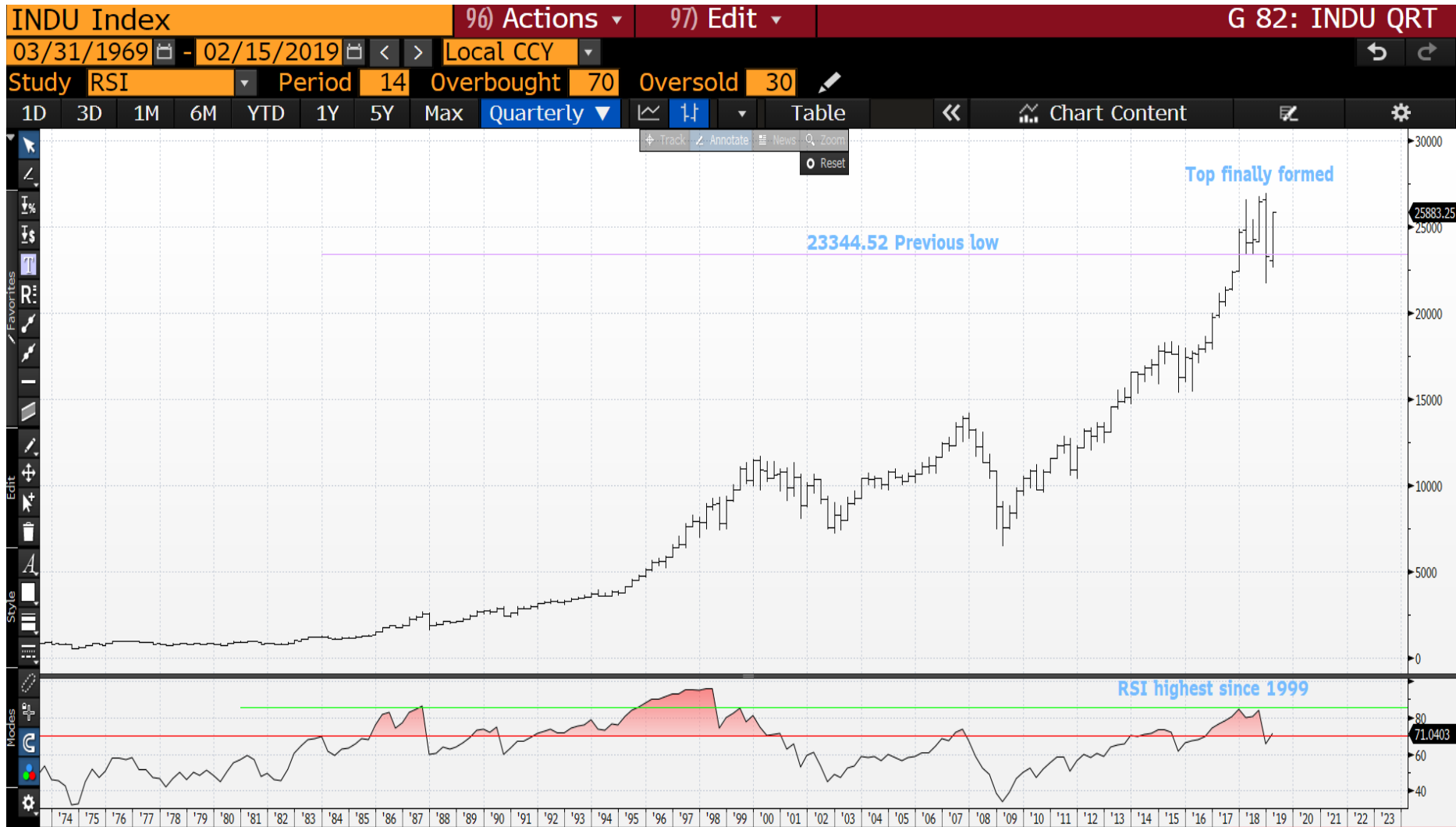
FTSE daily : The bounce has been painful for the bearish call but the RSI has now worked itself in to an over bought state. We are also failing the 7299.24 moving average.



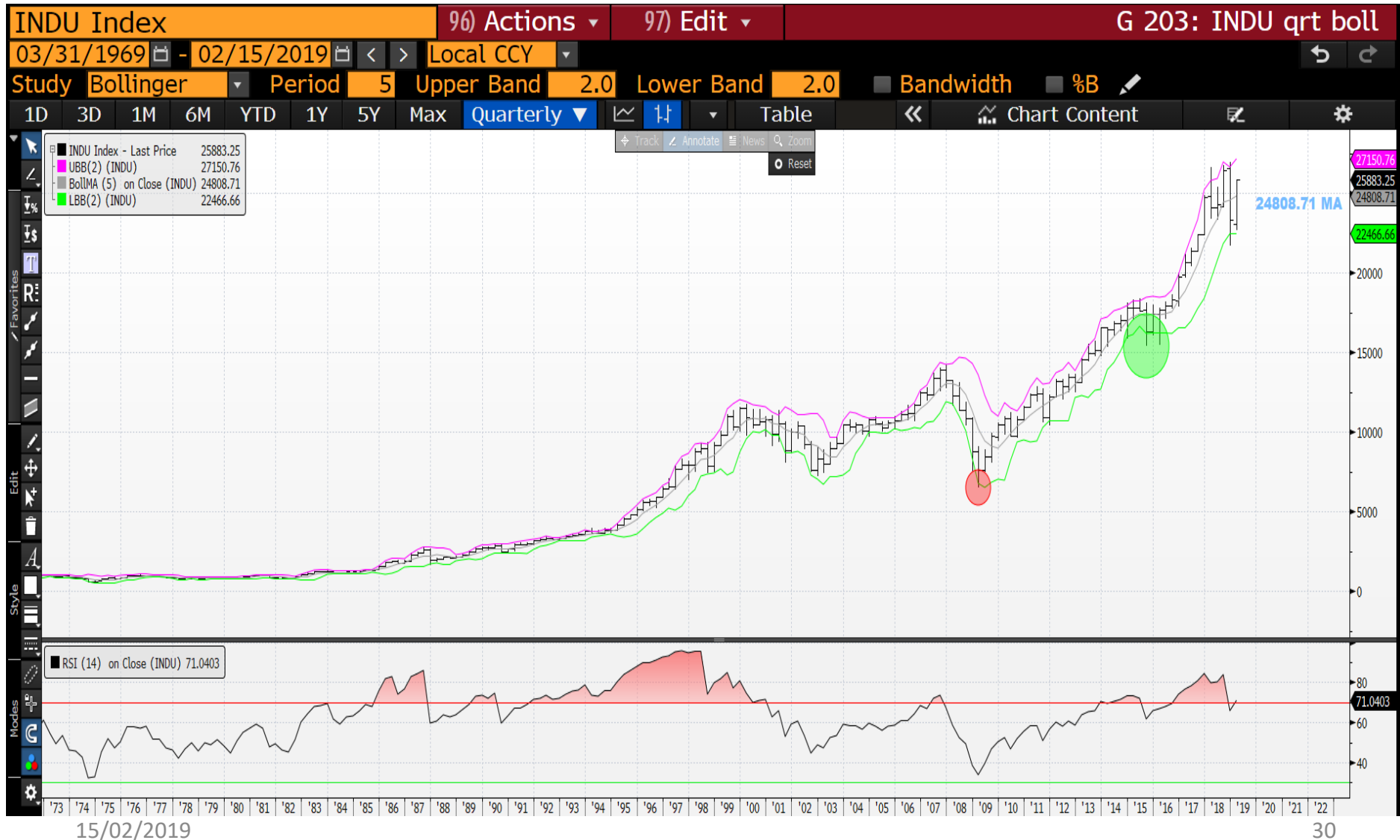
E mini S*P daily : We have snuck above the 200 day moving average BUT history shows that has not been a POSITIVE signal. Failure this week sub the 61.8% ret 2711.50 will be VERY bearish.



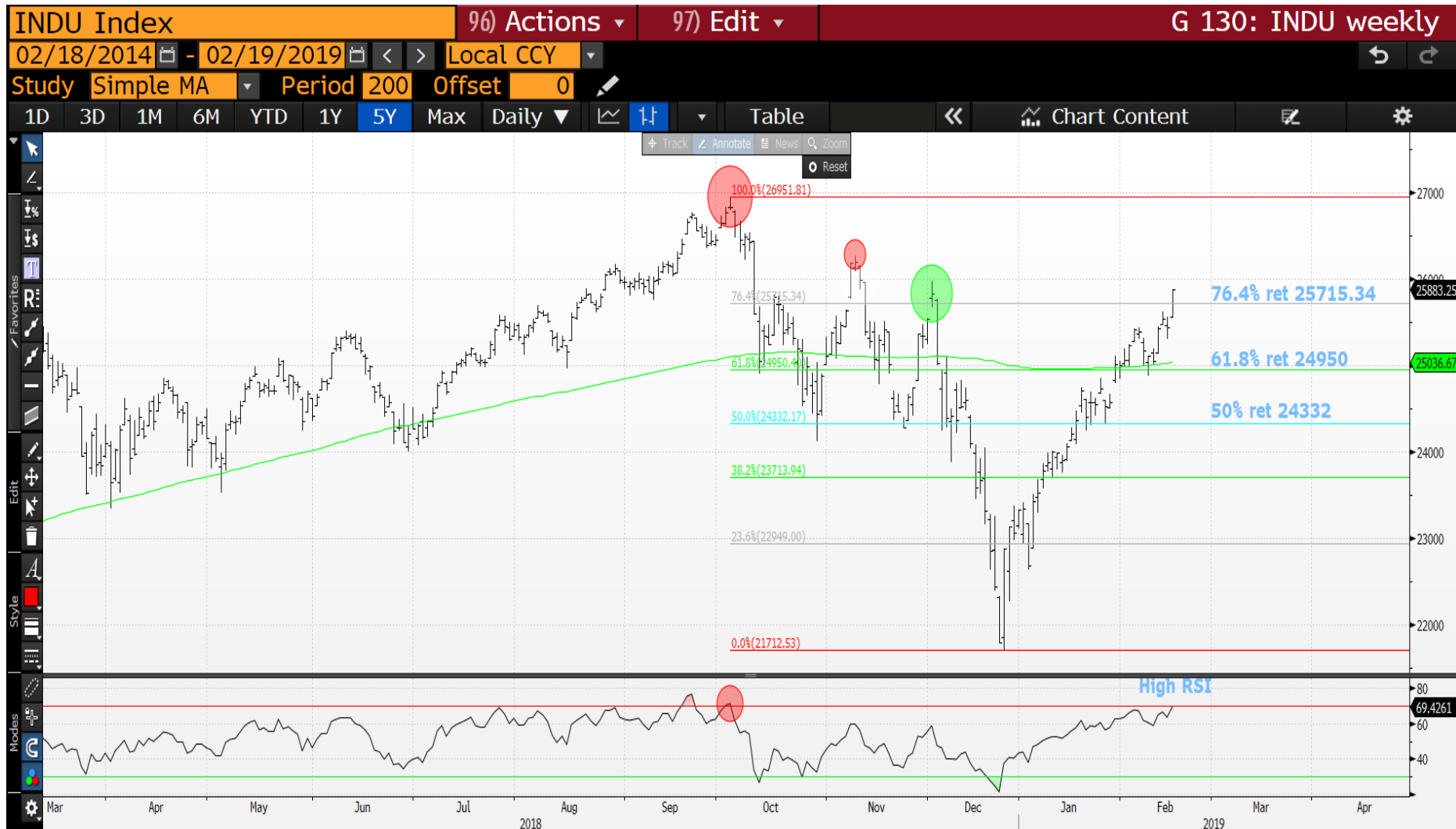
DOW quarterly : We have a “TOP” but need to capitalise on that with a move SUB the 23344.52 previous low.



DOW quarterly : Last quarter generated pierces at either end of the range so IDEALLY to continue the bearish outlook we need to fail the 24808.71 moving average.



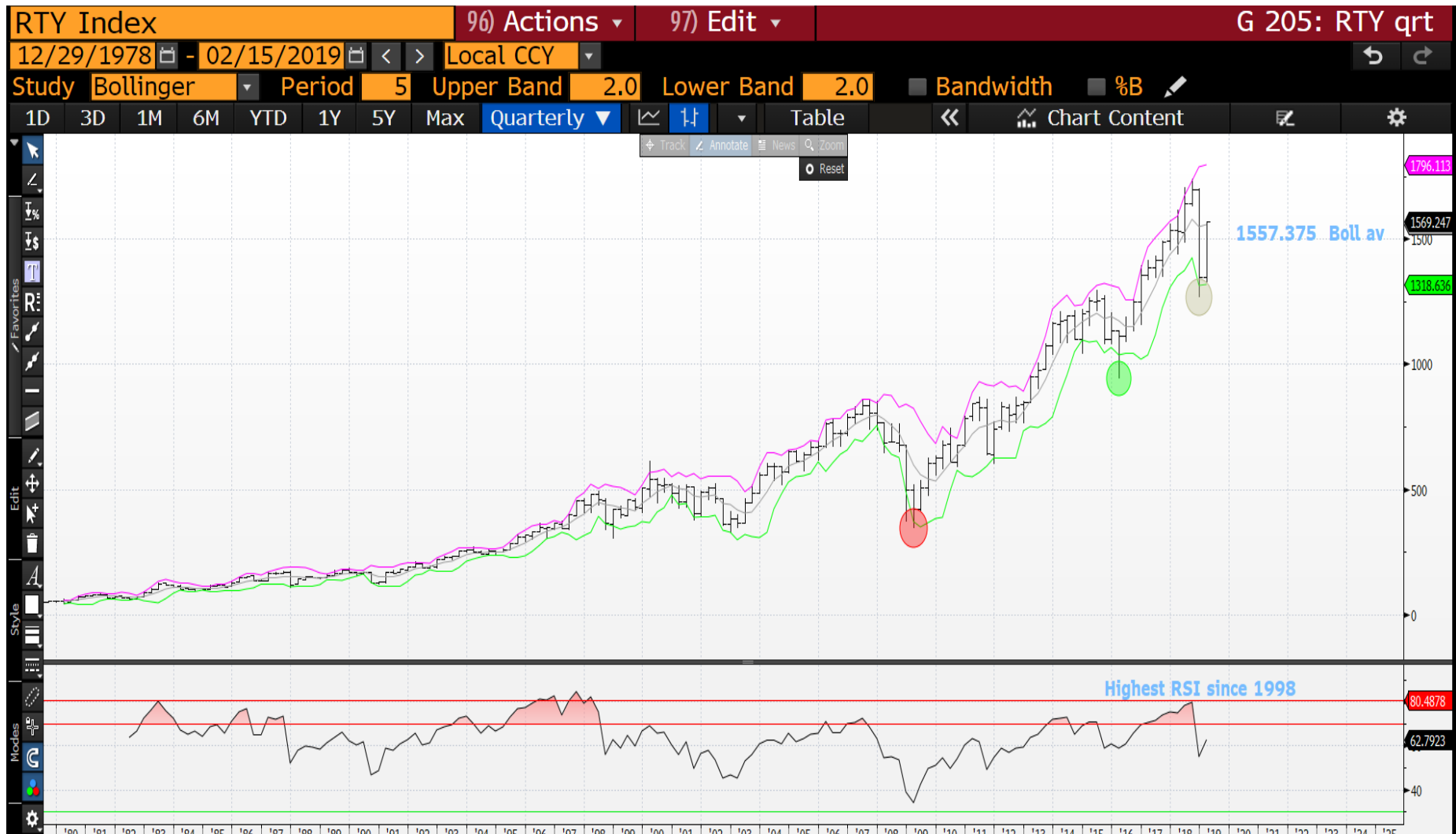
DOW daily : Last quarter generated pierces at either end of the range so IDEALLY to continue the bearish outlook we need to fail the 25715.34 76.4% ret.
 The RSI is finally high.



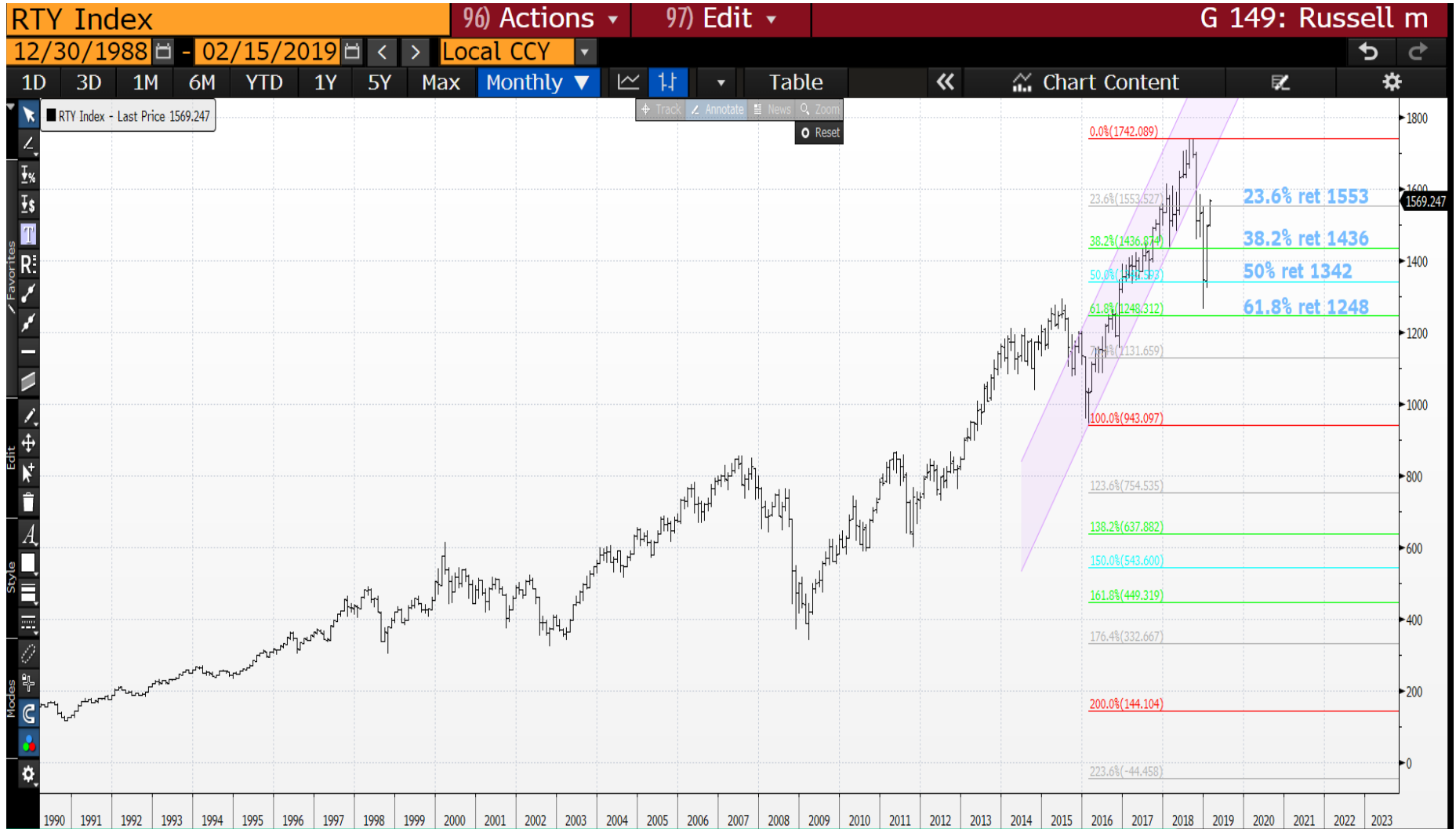
E Mini weekly : The “fly in the ointment”. This is currently a positive chart given the moving average holds and pierce. The RSI is now neutral so we could easily stall without interference.



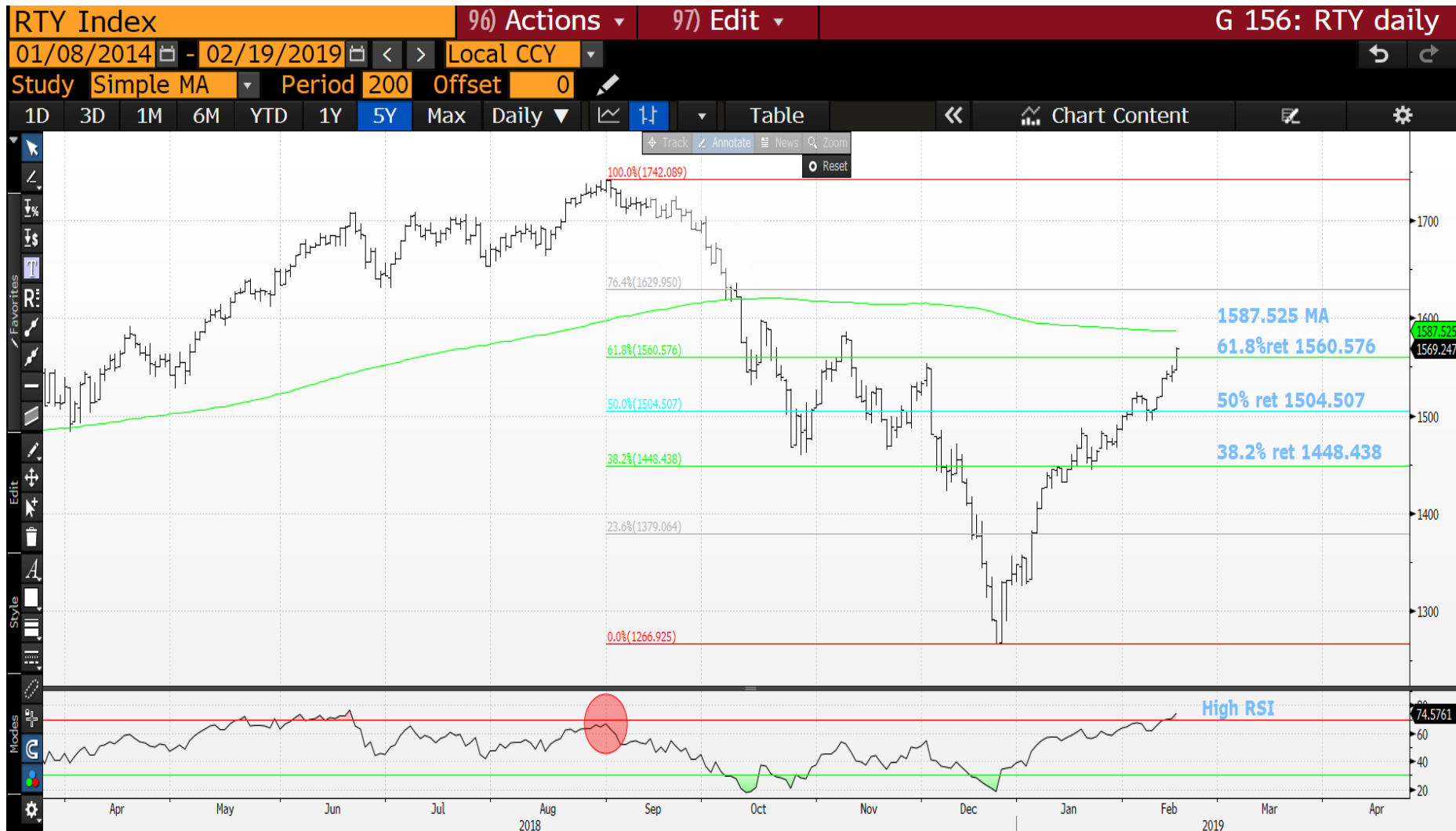
Russell quarterly : We have had a sizeable bounce but looks doubtful it will repair the terminal damage. Ideally we back below the 1557.375 bollinger average.



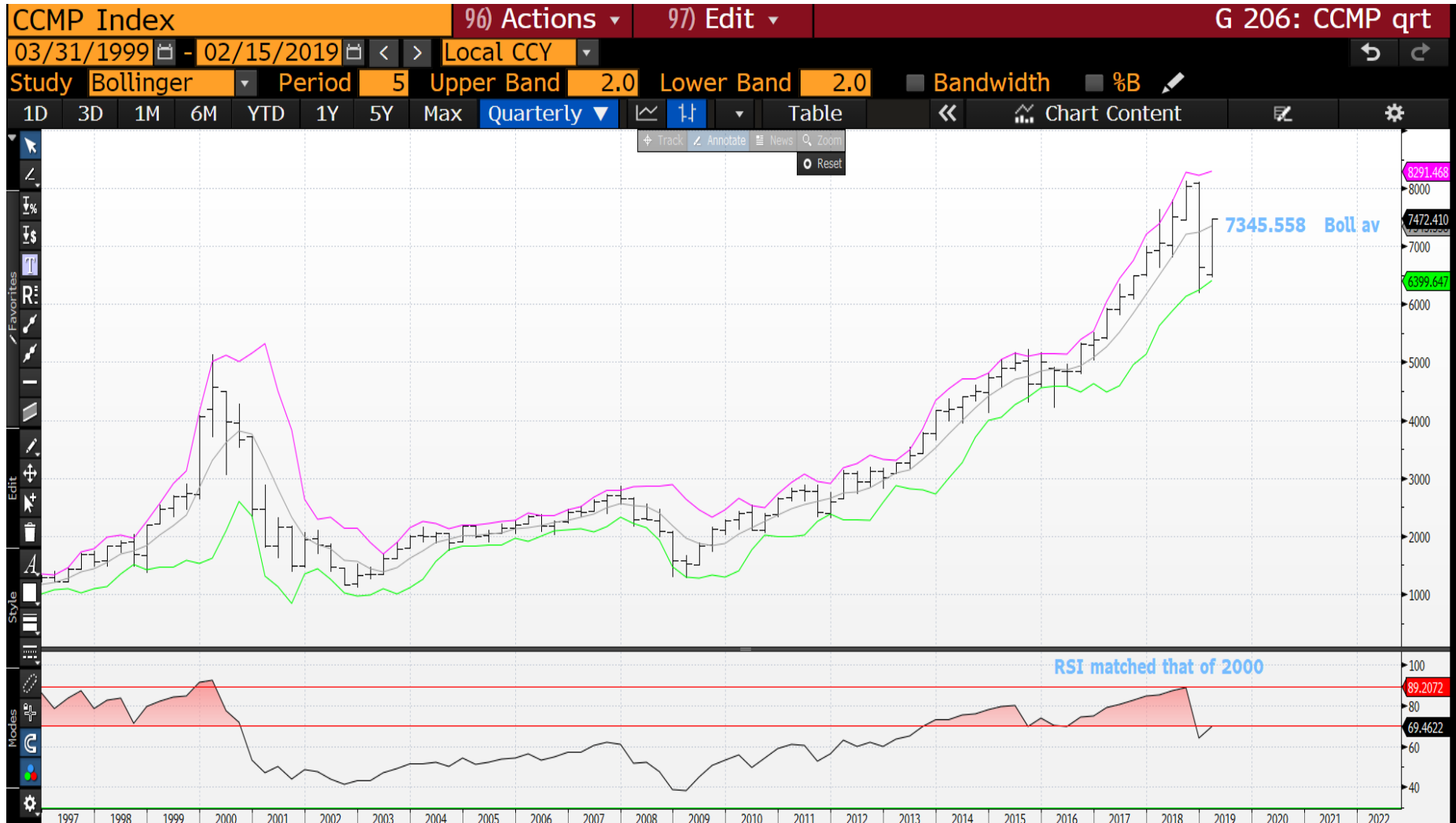
Russell monthly : We have had a sizeable bounce and ideally nip back below the 23.6% ret 1553.



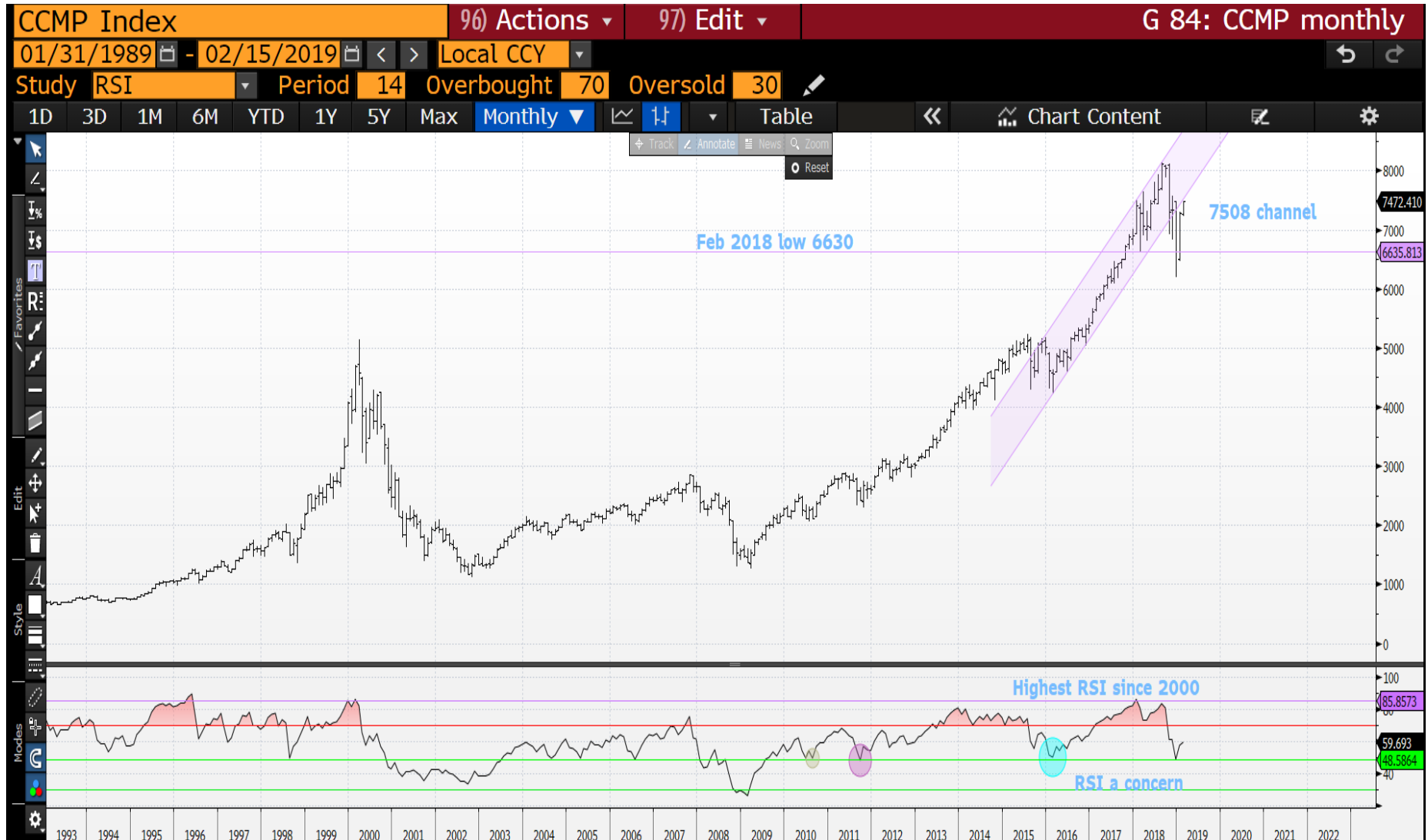
Russell daily : The RSI is now in overbought territory and ideally we can breach the 61.8% ret 1560.576. The 200 day moving average 1587.525 continues to be pending resistance.



CCMP quarterly : Another compelling bearish chart hitting major bollinger average resistance 7345.558. We need a sell off from here.

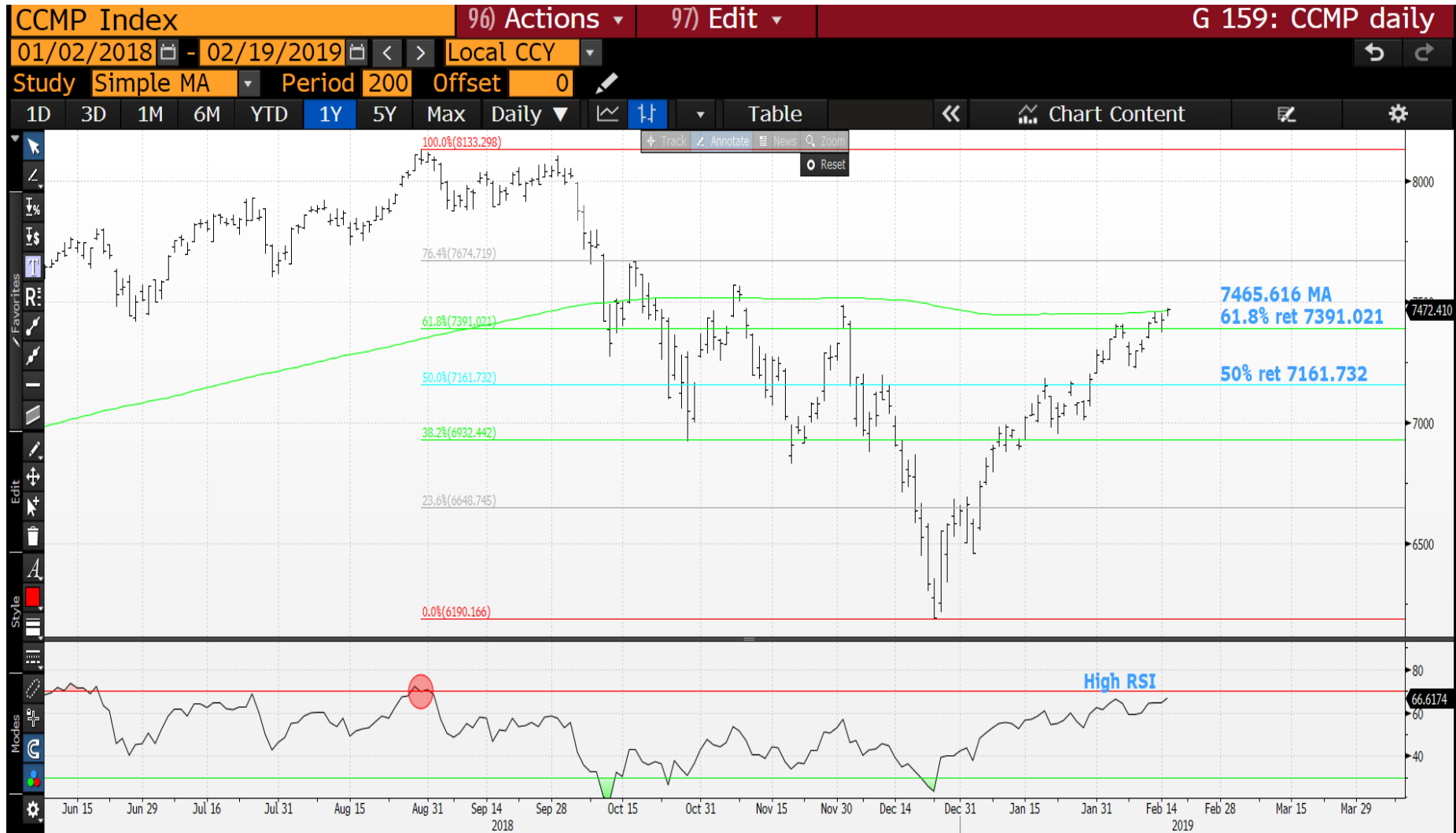


CCMP monthly : The RSI is a concern here so all to play for as we approach channel resistance 7508. The RSI is a pain.



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CCMP monthly : A key opening post the US holiday given we are AT the 200 day moving average 7465.616. A close sub the 61.8% ret 7391.021 will help A LOT. The RSI is close to August levels.



Hang Seng monthly : This is the biggest obstacle to a any short as this market formed a MAJOR base against its long-term moving average 25342.91.



Hang Seng daily : We have made little upside progress despite being above the 38.2% ret 27957.03, ideally we close the week sub this and the moving average. The RSI should help.



Nikkei monthly : A similar story to the Hang Seng in that we need to breach the 50% ret 20489.16.



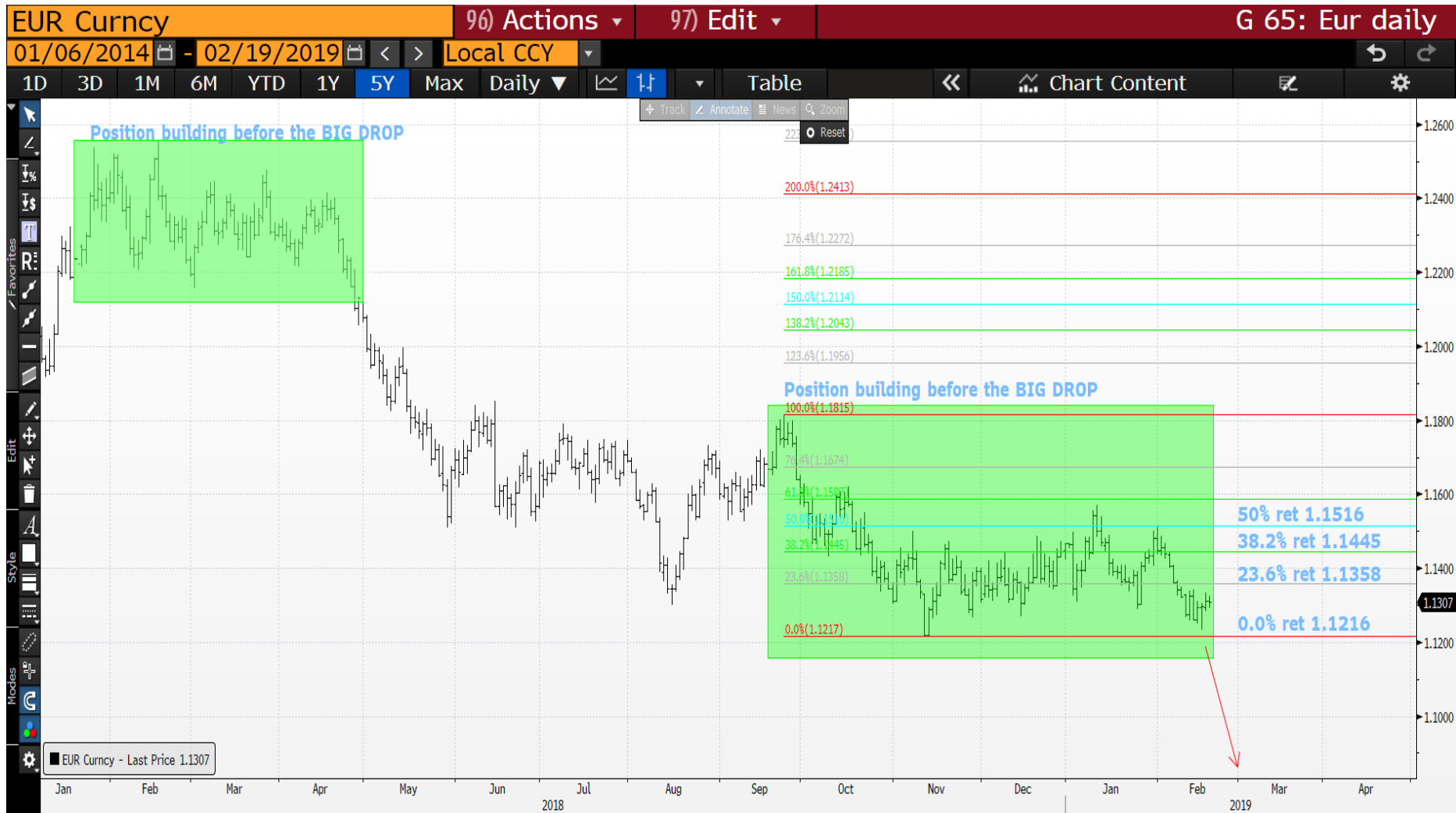
FX UPDATE

- **FX UPDATE :**
- **EURO :** The EURO is “HOTTING UP” as we ease toward a Brexit conclusion. Sub 1.1241 will be catastrophic. If 1.1241 is ever breached then EUROPE-EU has a MAJOR CREDIBILITY ISSUE.
- **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** is teasing the 50% ret 95.859 with little RSI drive.

EUR USD monthly : The niggles here is we have HELD the 50% ret 1.1241 but continue to trade sideways with little bounce. Sub 1.1241 we freefall, there are previous range extensions highlighted.



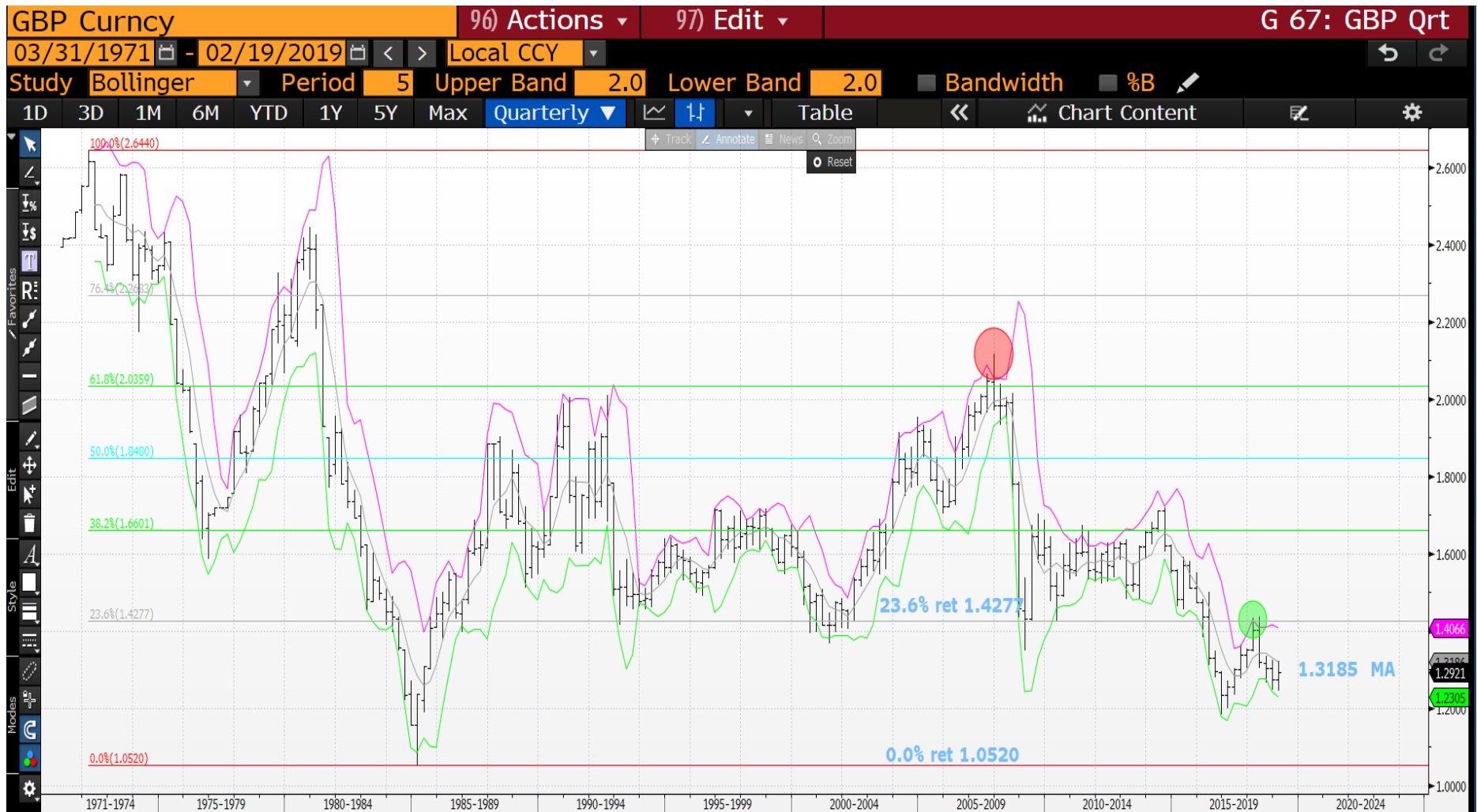
EUR USD daily : We have spent a longer period of time in a sideways pattern but any bounce is minimal so it's a troubled market. Any breach of 1.1214 will be catastrophic.



EUR GBP quarterly : This is a VERY RARE formation and a MEGA bearish one for the EURO over the POUND. We have SEVERAL upside pierces and coiling formation!



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. A key test is right here at the trend friend bollinger average 1.3185.



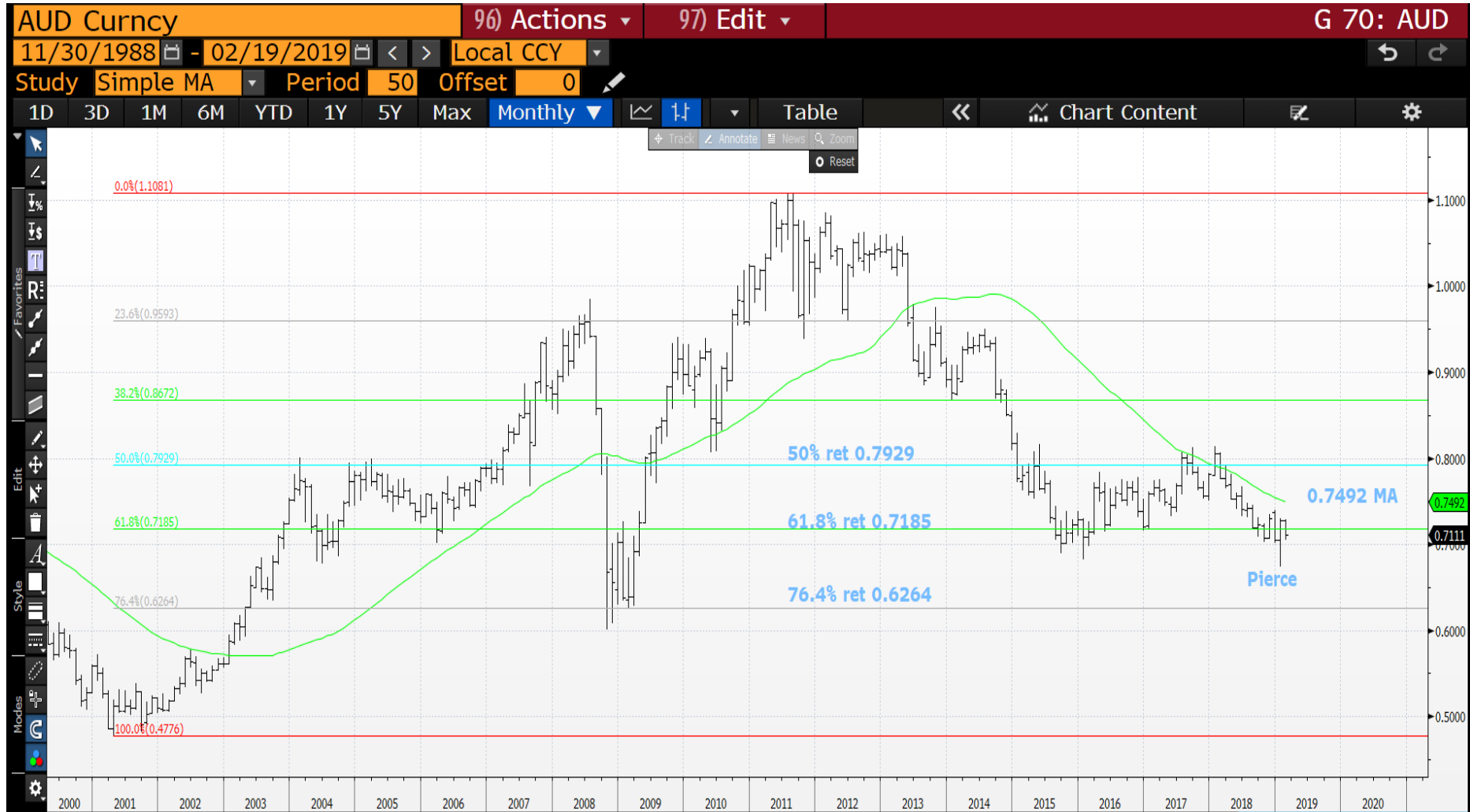
DXY monthly : A tricky location and rather a neutral one being at a 50% ret 95.859 of the last 18 years. We are teasing the 50 period moving average.



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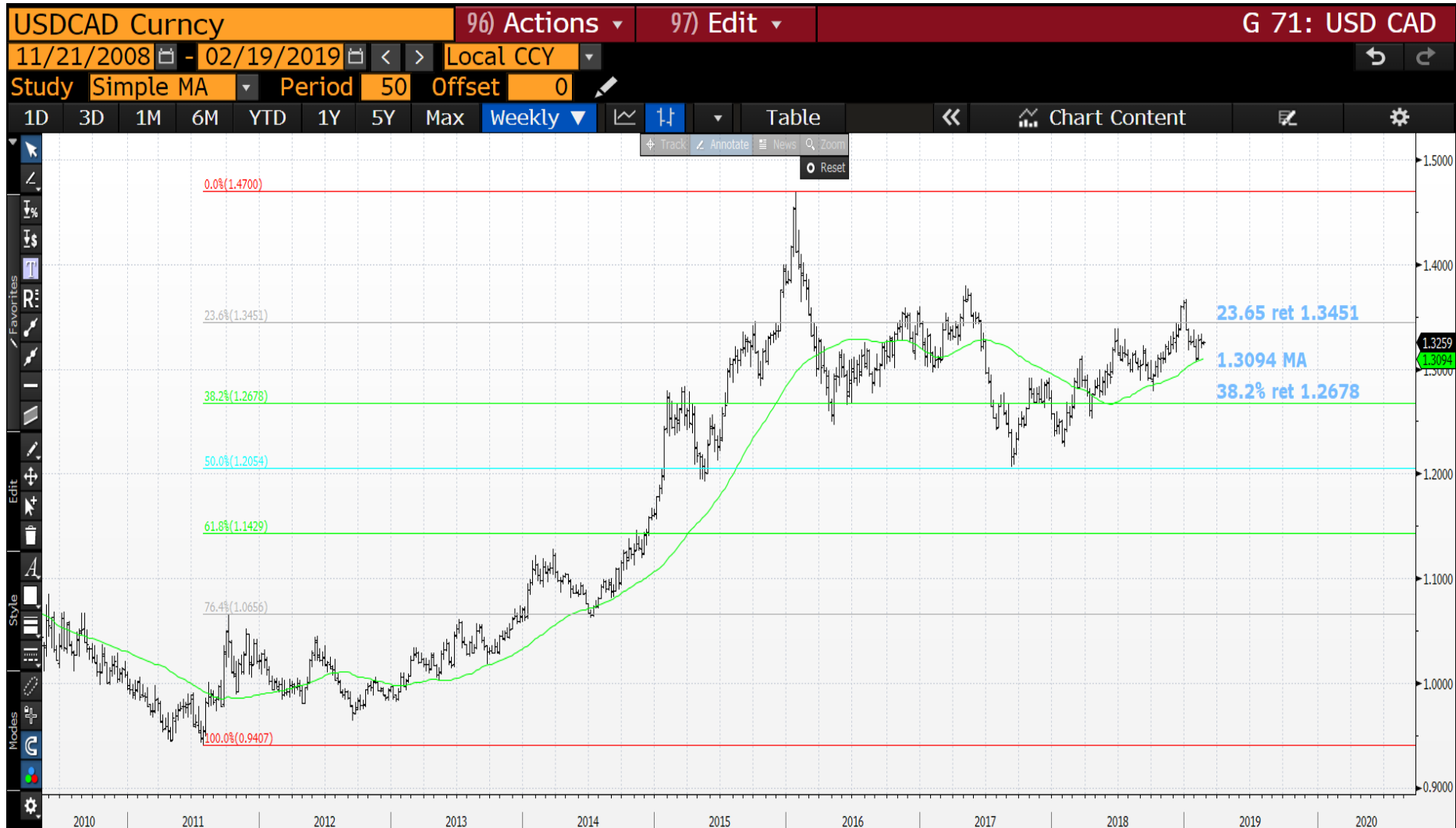
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AUD USD monthly : A cross that sold off all year and now looks ready to bounce given we have a pierce and are above the 61.8% ret 0.7185.

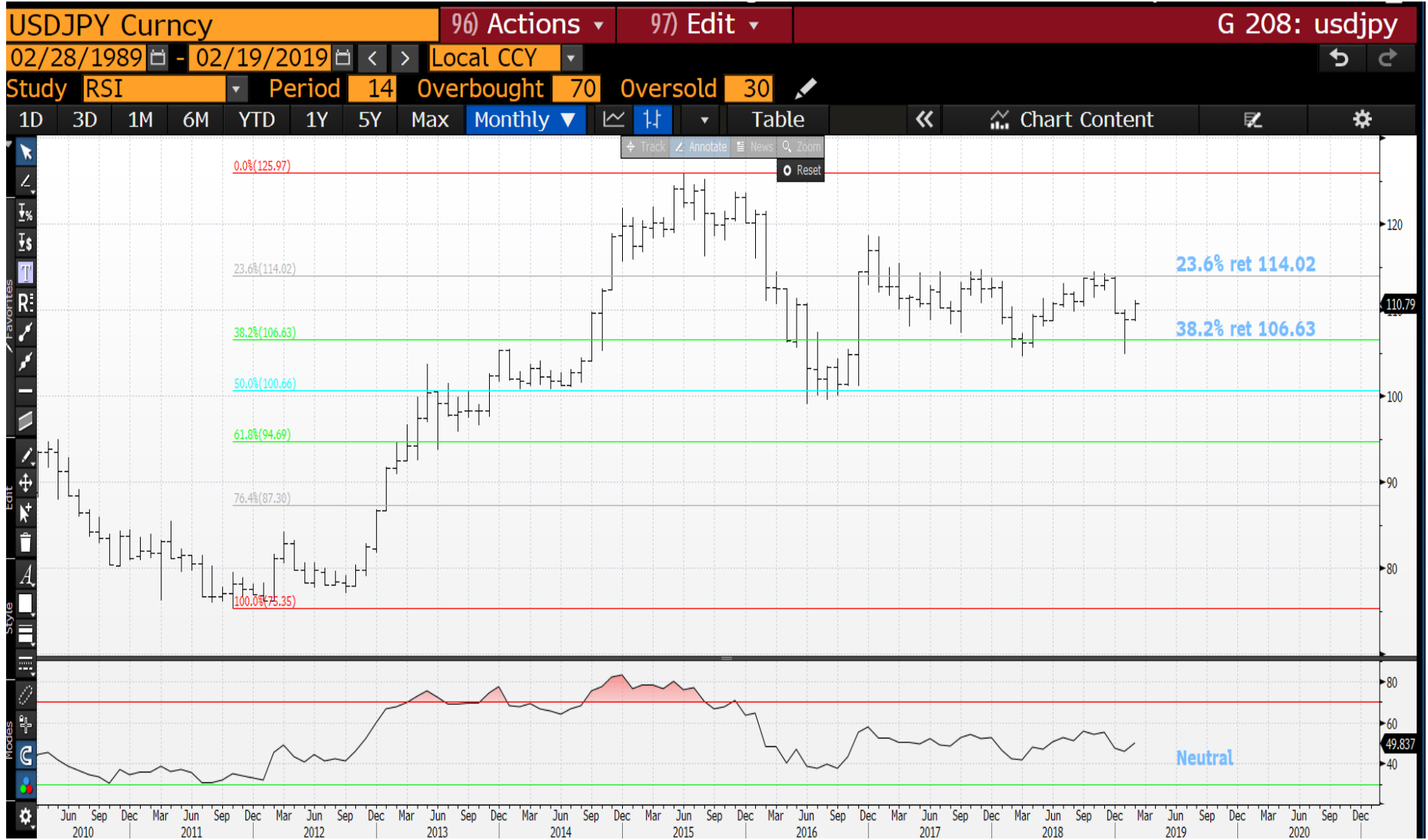


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USD CAD weekly : We have hit and held the 50 period moving average 1.3094. We should grind higher from here, a breach of the 23.6% ret 1.3451 will help.



USD JPY monthly : I had to include this but the RSI and market is very neutral.

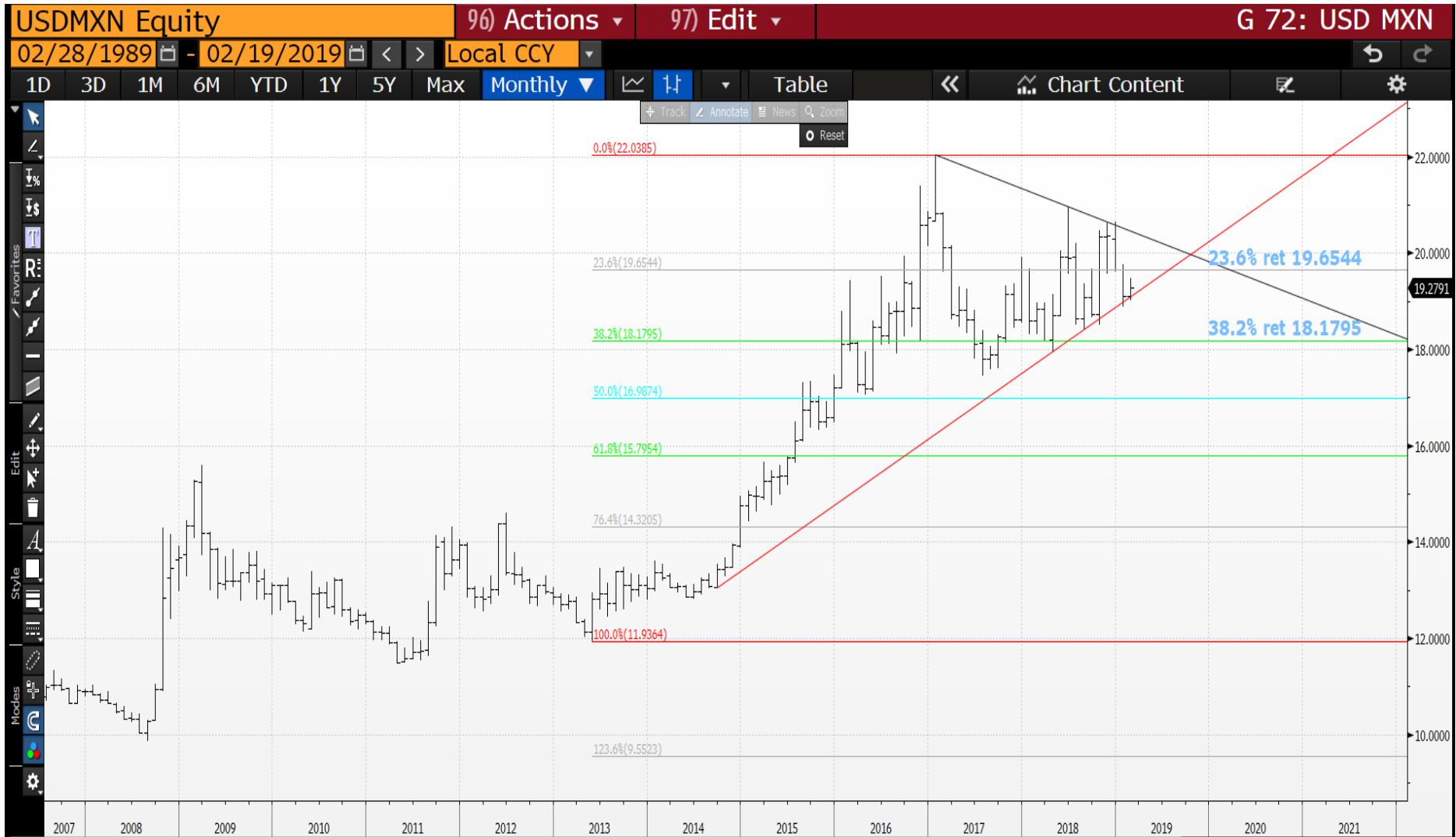


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EM UPDATE

- **EM : A significant proportion of the EM crosses have created multi year tops and should see EM continue to perform regardless of USD direction.**
- **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 : Decision time. We have breached the 23.6% ret 19.6544 thus should continue to head a lot lower. Next target is the 38.2% ret 18.1795.



USD BRL monthly : 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 weekly : We are poised to take out the recent low 9.117 BUT the LOW RSI wont make it easy.



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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. A break of the 38.2% ret 4.9197 will be key.



USD ZAR monthly : We need to fail here and head back below the 13.5215 moving average again.



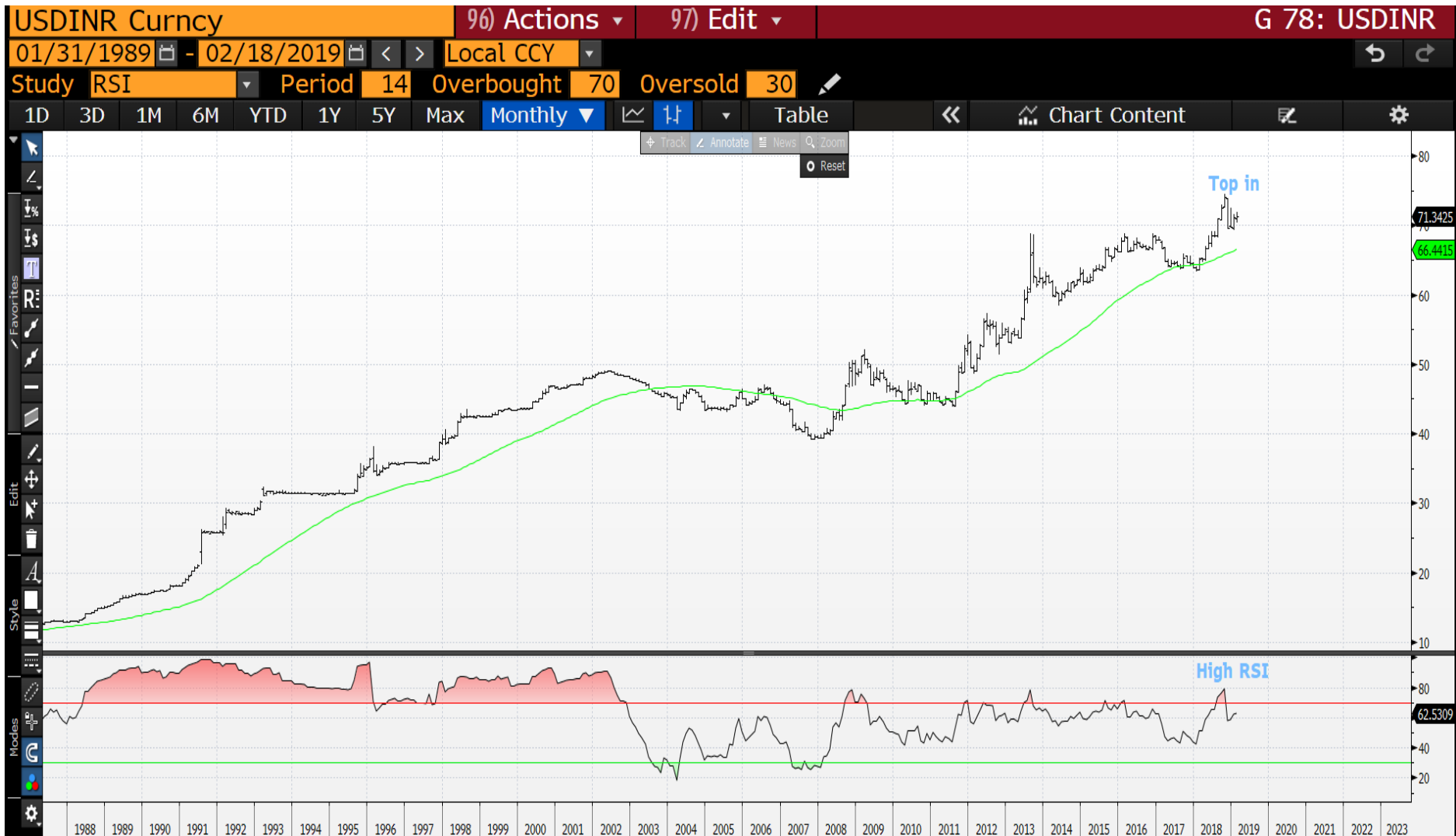
USD RUB monthly : This cross seems to be more about the USD weakness than RUB strength but none the less we have rejected the 23.6% ret 71.1124. Next big test the 38.2% ret 61.9293.



USD CNH monthly : We are testing the 100% ret 6.7850 and should fail here. Certainly one to note going forward given it TECHNICAL HIT!



USD INR monthly : The RSI is as HIGH as September 2013 and we APPEAR to be forming a TOP.

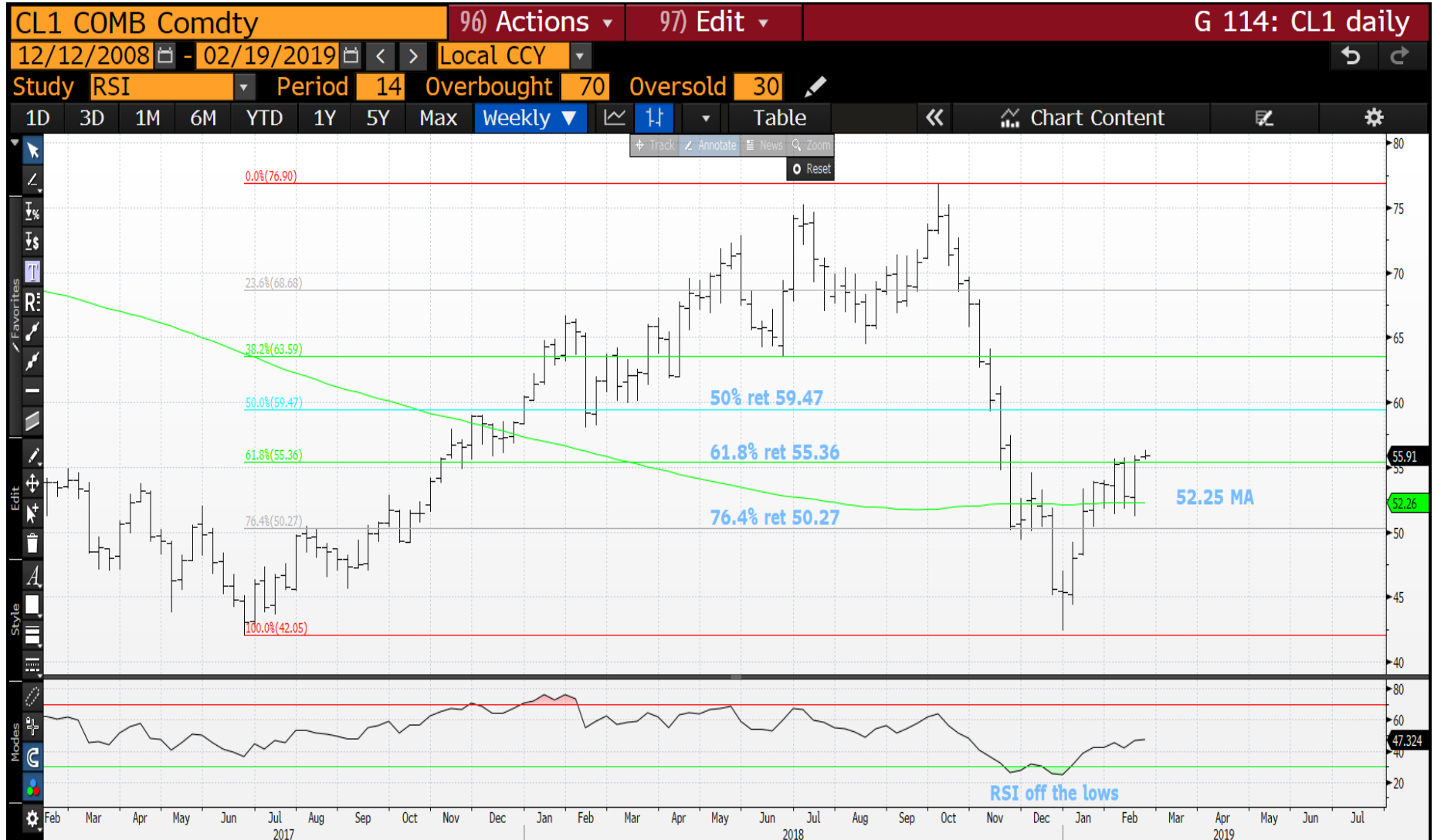


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CL1 monthly : A nice chart given we have hit and held the 76.4% ret 42.72 first time down.
Any subsequent breach will be painful.



CL1 weekly : We appear to be struggling over all but are now above the 61.8% ret 55.36.



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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