

US BOND YIELDS : UNDERSTANDING THE BIG DILEMA?!

I have been calling for lower yields for a some time and as a result have been asked to produce charts for what the next step might be based on the current pause.

On paper the quarterly and monthly charts are obvious, its MUCH lower yields. We are failing MANY RARE 50 and 100 period moving averages aided by RSI dislocations that date back to 1980's. The formations are staggering given the previous issues in and around 2000 - 2007.

It seems from a chart perspective everyone is convinced rates are going MUCH HIGHER based on the HISTORICAL RSI dislocations. Expectation and positioning is way too optimistic.

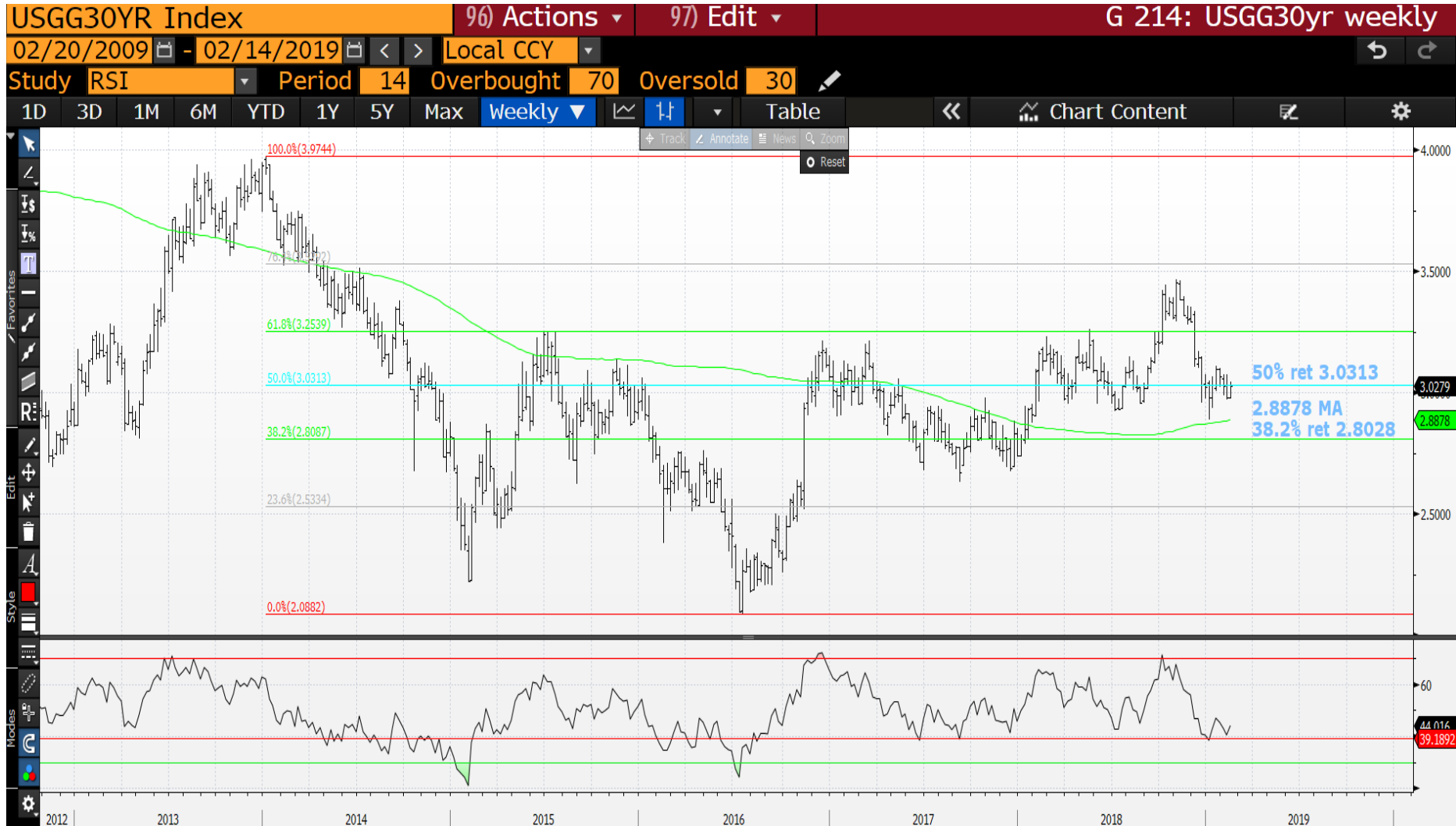
The weekly charts are more optimistic for a HOLD but daily negate that almost instantly.

Daily charts have persisted in remaining sub numerous 200 day moving averages, so ideally its all a matter of time.

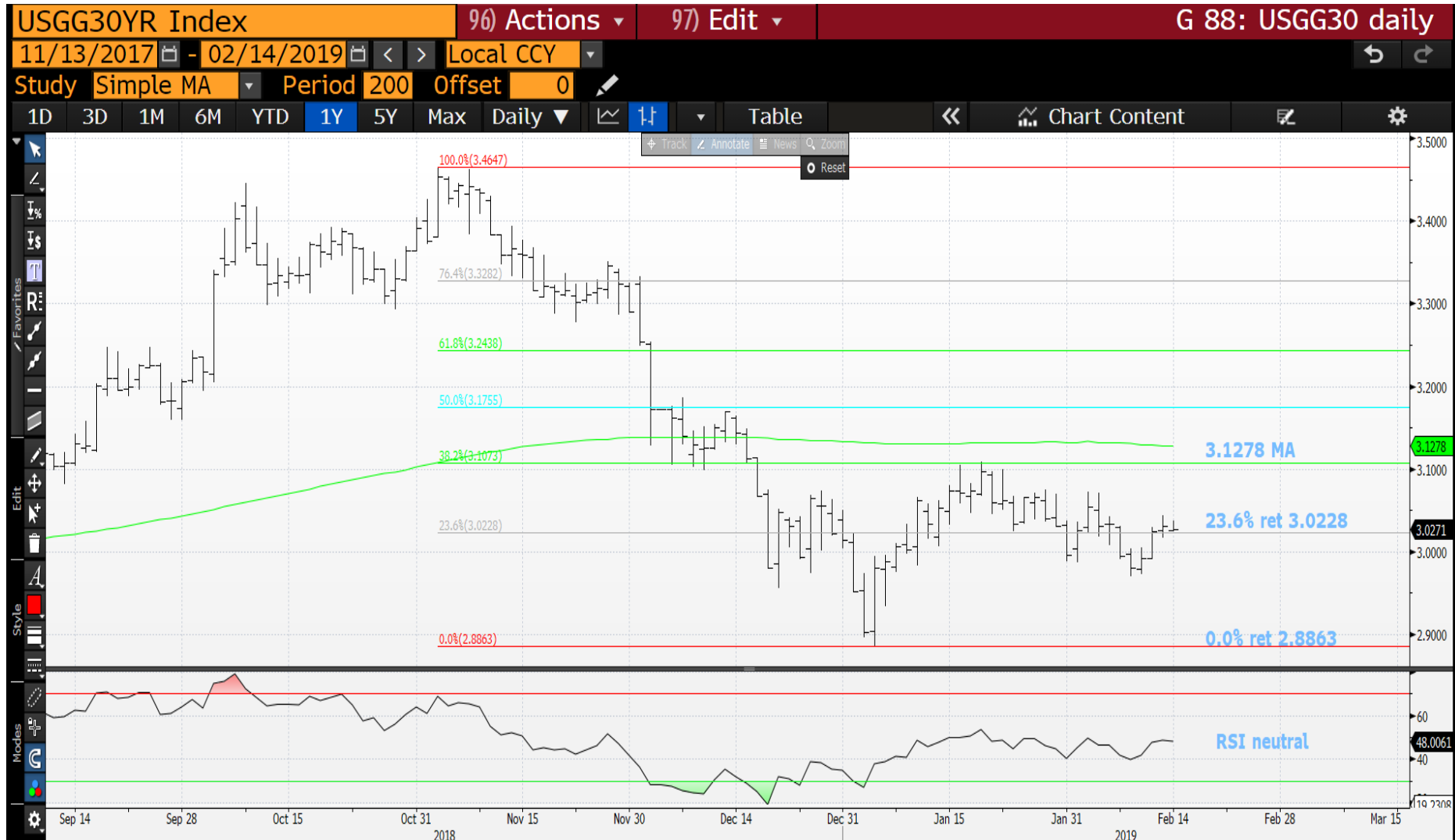
USGG30yr monthly : The 100 period moving average 3.1244 works well to highlight the previous HISTORICAL failures. It does imply we see yields head lower providing we remain below the moving average.



USGG30yr weekly : This is where the CONFLICT is, we are holding above the 200 period moving average 2.8878. The RSI also seems low. Ideally we close sub the 38.2% ret 2.8028 at some stage soon.



USGG30yr daily : The daily is marginally encouraging despite the neutral RSI, we are holding sub the 3.1278 200 day moving average and close to breaching the 23.6% ret 3.0228.



14/02/2019

US 10yr yield quarterly : Another superb extreme example, few times ever have we kissed this 50 period moving average (Currently 2.7834). The RSI is also of note given it is the HIGHEST (level of expectation) since 1984!! If history repeats itself we have a long way to go.



14/02/2019

US 10yr yield monthly : A PERFECT hit on this 200 period monthly moving average, talk about RARE! The HIT was a nice rejection thus need to capitalise in this. Historically yields can go a lot lower.



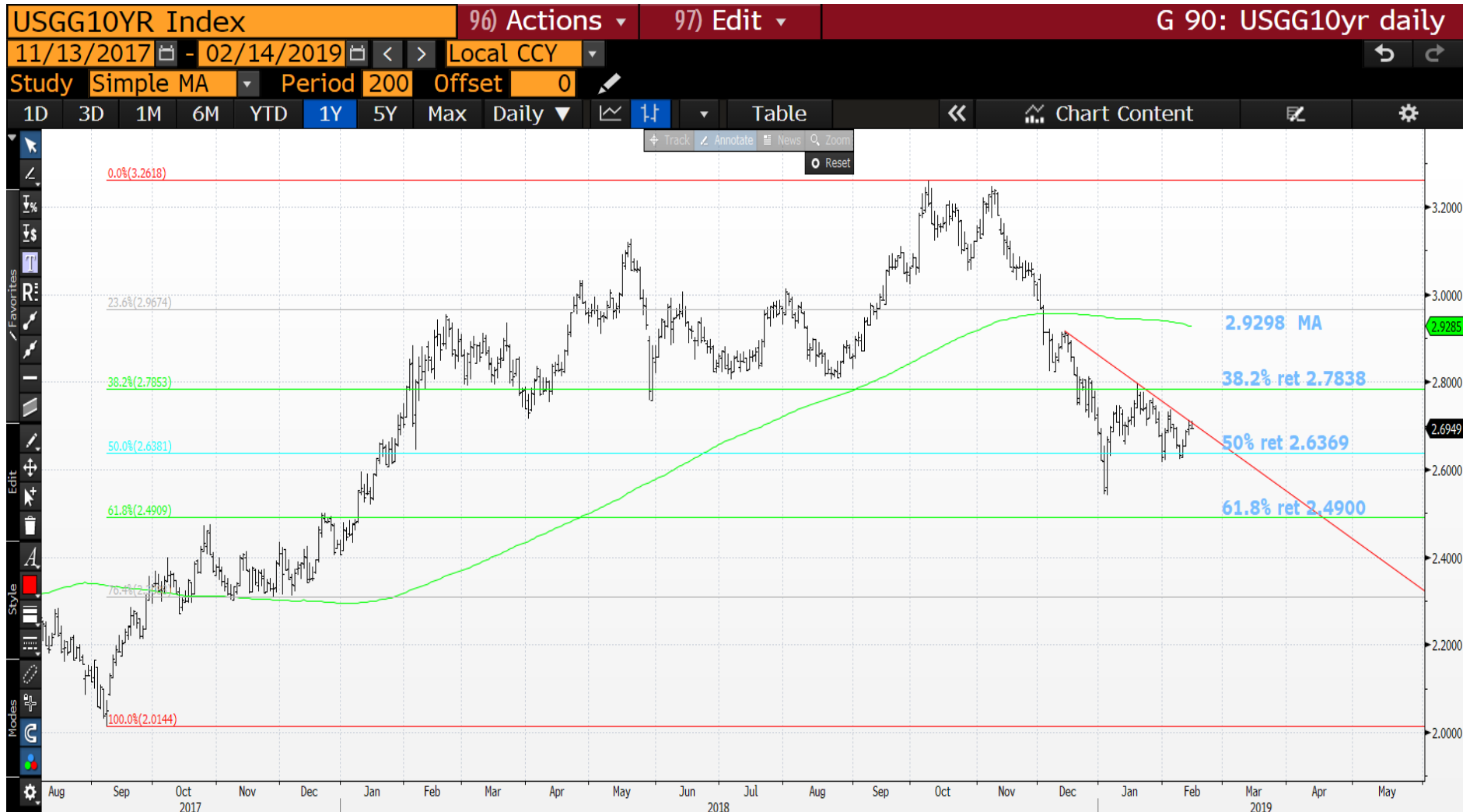
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USGG10yr weekly : Again we are in a scenario where the weekly NEEDS to break lower.
Currently we are holding the 2.6403 100 period moving average and above the 38.2% ret 2.5178. The RSI is also low and matches that of 2017. We need to make a decision and BREAK lower soon.



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USGG10yr daily : Again the daily helps endorse the argument for lower yields given we remain sub the trend line, just need a breach of the 50% ret 2.6369.



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USGG5yr quarterly : We are well above the 2.0504 50 period moving average but the clincher is the RSI, it is at 1982 proportions! Historically it is telling me peoples perceptions on rate expectations have gotten ahead of reality. It will be a HARD and PAINFUL fall.



USGG5yr monthly : This time the 200 period moving average 2.4411 is very useful, highlighting 2 previous failures and now offering solid support. Obviously a breach of 2.4411 is KEY to further progress.



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USGG5yr weekly : Further evidence of the level we need to breach. This time the 100 period moving average 2.3814 ties in with the 38.2% ret.



USGG5yr daily : Again a daily chart that lacks BOUNCE and remaining sub the 2.5814 moving average. We should head lower.



USGG2yr quarterly : This chart is very clean and clear in its representation, we have hit a rare 100 period 2.9438 with an RSI dislocation matching that of 1980. It is worth noting that since 1980 we have had other event miles-stones that failed to really influence the RSI, as NOW.

This tells me there is a lot of positions and expectation on this bet for higher rates!



USGG2yr monthly : We have failed the multi year 38.2% ret 2.7357 and thus should head lower. Again the RSI is a compliment.



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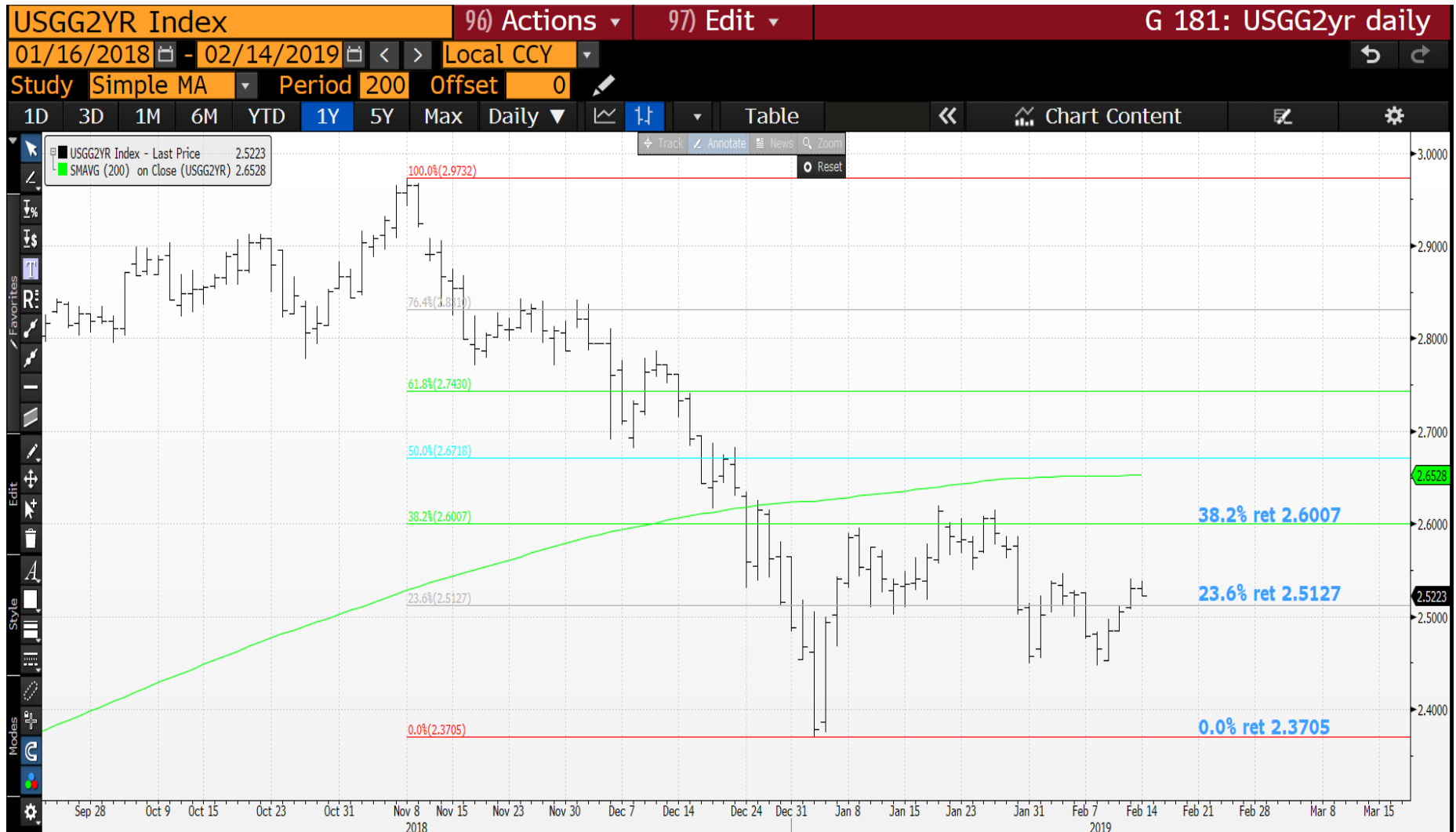
USGG2yr weekly : The weekly is in positive territory but any breach of the 38.2% ret 2.1035 will be a major signal.



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USGG2yr daily : Again the minimal bounce and remaining sub the 200 day moving average
 2.6528 aids the over all call lower.



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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