

**MULTI ASSET UPDATE : EXPECTATION AND HISTORY ARE GOING TO BE THE KILLER LESSON FOR THE YEAR AHEAD.**

**POST THE FED ITS YIELDS SIGNIFICANTLY LOWER, ADMITTEDLY FROM A LOWER YIELD BASE LINE BUT BE PREPARED FOR A 2019 YIELD RUSH! THE SCALE OF WHICH WILL OUTSTRIP 2000 AND 2007!**

**STOCKS SHOULD JOIN IN GIVEN THE CONTINUED POOR RESULTS-FORECASTS GLOBALLY.**

**Bond yields : On most long-term charts we have historic examples of a major yield failure about to occur. Don't forget CTA's will be buying new futures highs compounding the issue.**

**Equities : This could be the REAL PROBLEM, everyone is comfortable owning on the latest bounce BUT for me all PRESS is of poor results, forecasts and shut downs. We continue the BATTLE with SO many overbought RSI's and remain AROUND MANY CRUCIAL 200 day moving averages. The RUSSELL page 34 portrays a negative situation. Bloomberg news is full of underperformance and profit warnings to share holders not to mention the TECH sector under a HUGE SPOT LIGHT.**

**FX : Its not all about the USD, far from it given Brexit, Europe and EM. The EURO is testing KEY and previous resistance as we speak. DXY now looks poised to stall given the latest upside pierces.**

**RUB,INR, BRL,ZAR and MXN now on the move aided by REAL MONEY longs.**

**\*\*It really will become a RUSH for any kind of yield if the historical scenario pans out.\*\***

## FX UPDATE

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US 2yr yield quarterly : This chart has been a constant reminder of the sheer level of optimism for higher rates, HISTORICAL EXPECTATION of 1980 proportions. Its as if 2000 and 2007 were NON events. We have a considerable way to DROP and it wont be a slow rejection of the 2.9424 moving average.



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US 2yr yield monthly : The monthly RSI dislocation backs up the previous chart highlighting this DROP has SIGNIFICANT momentum.



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US 30yr yield monthly : The moving average 3.1151 has proven its worth and the biggest concern now is the HISTORICAL formation replicates 1994, 2000 and 2007. We are starting at a lower yield BASE LINE but the FORMAT looks the same!



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US 10yr yield quarterly : Another historical formation pointing toward lower yields as highlighted in 2000 and 2007, this time though the RSI is MUCH HIGHER. Expectation is way off and the price for that will be a very accelerated drop.

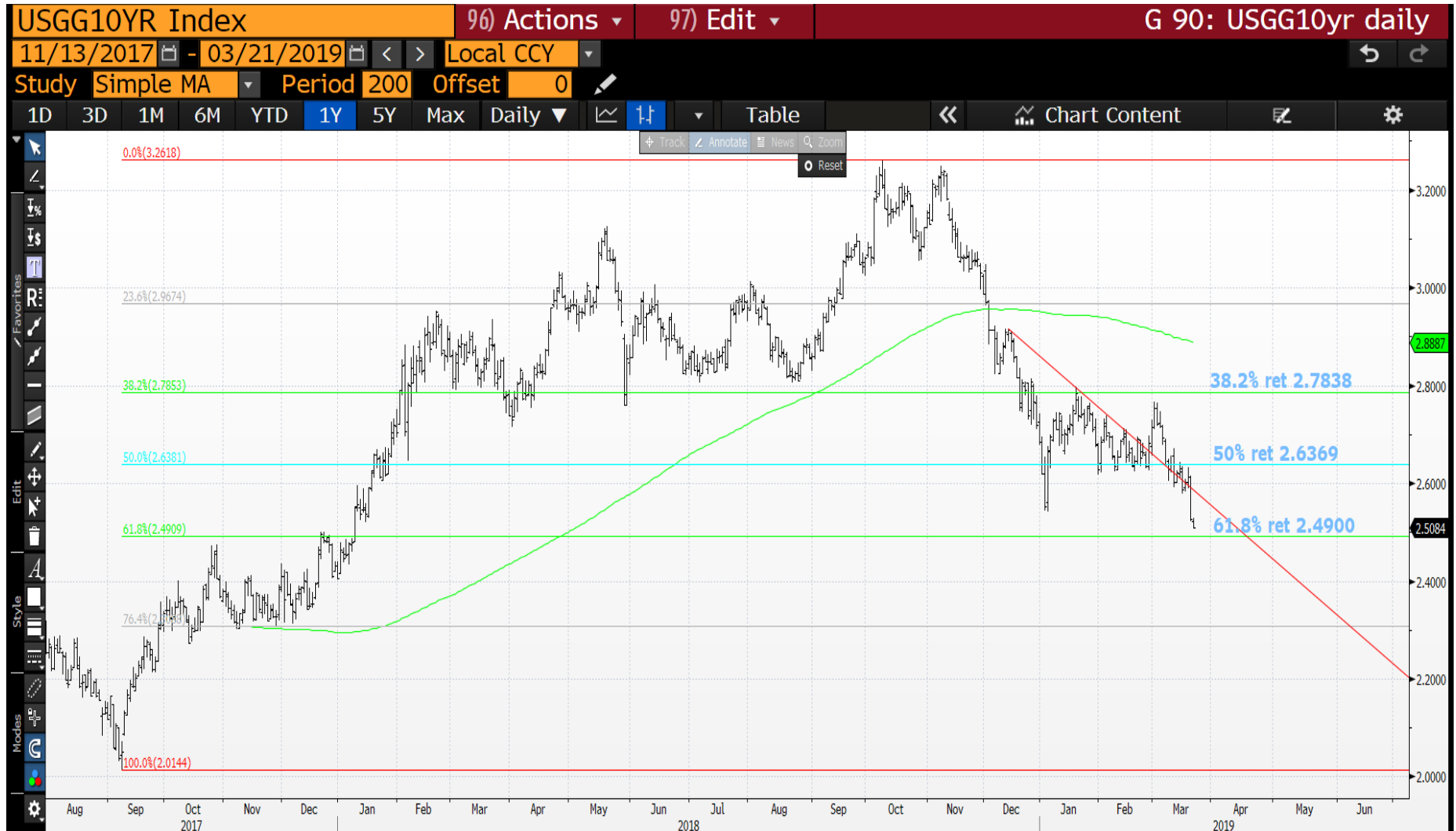


USFS10-20 monthly : This has been a great boost to the argument for lower yields going forward (assisted by our swaps expert David Sansom), the chart shows we have a similar historical pattern of failure at the moving average. All we need is to breach the 2.8149 low, remember to ADD if in the original trade.



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US 10yr yield daily : A sizeable drop yesterday and a close sub the 61.8% ret 2.4900 will be a significant statement.



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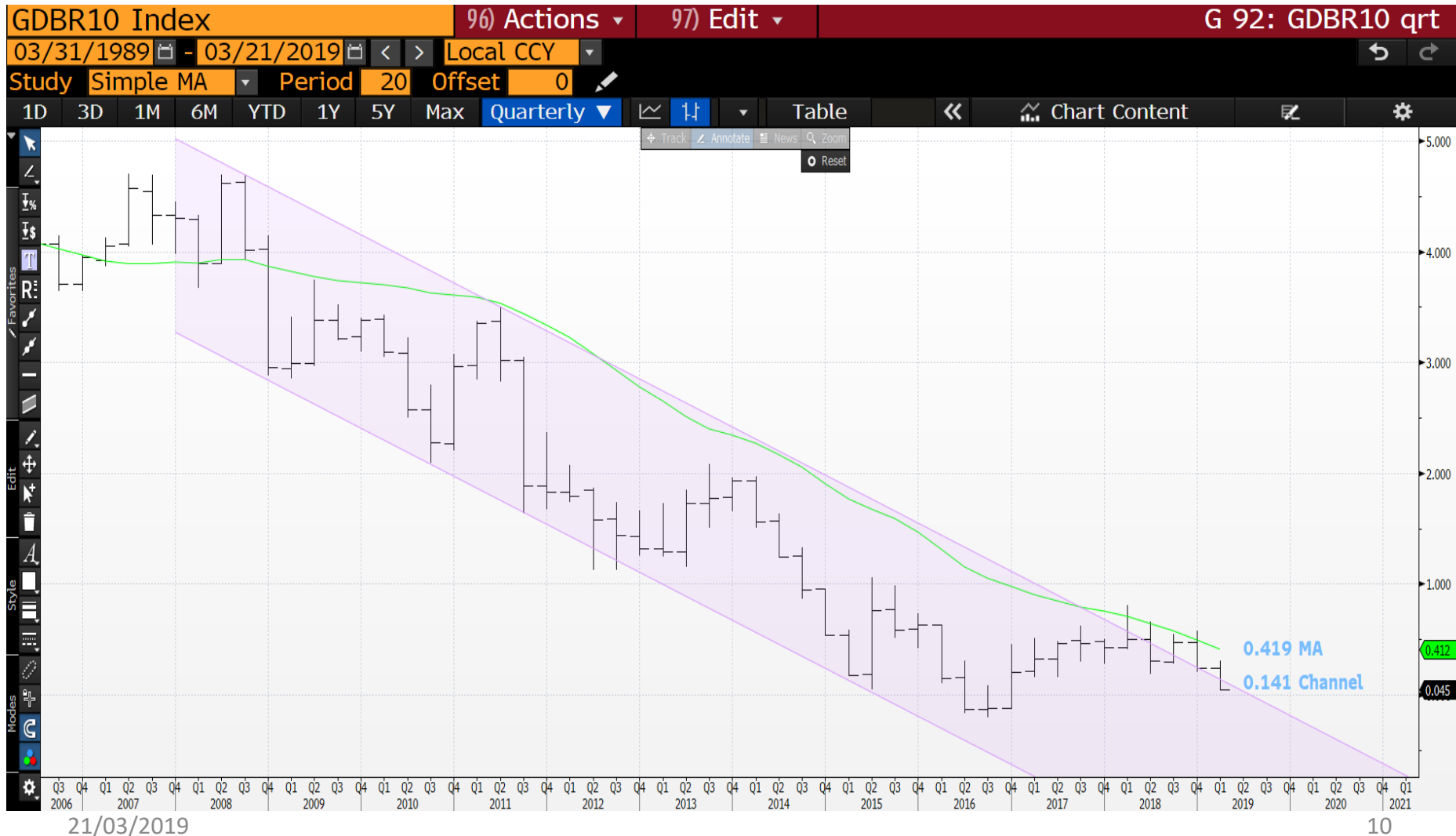


US 5yr quarterly : Another great historical representation with 1981 RSI, we should hit the 2.0463 moving average soon. Where were 2000 and 2007 in this chart, a blip?

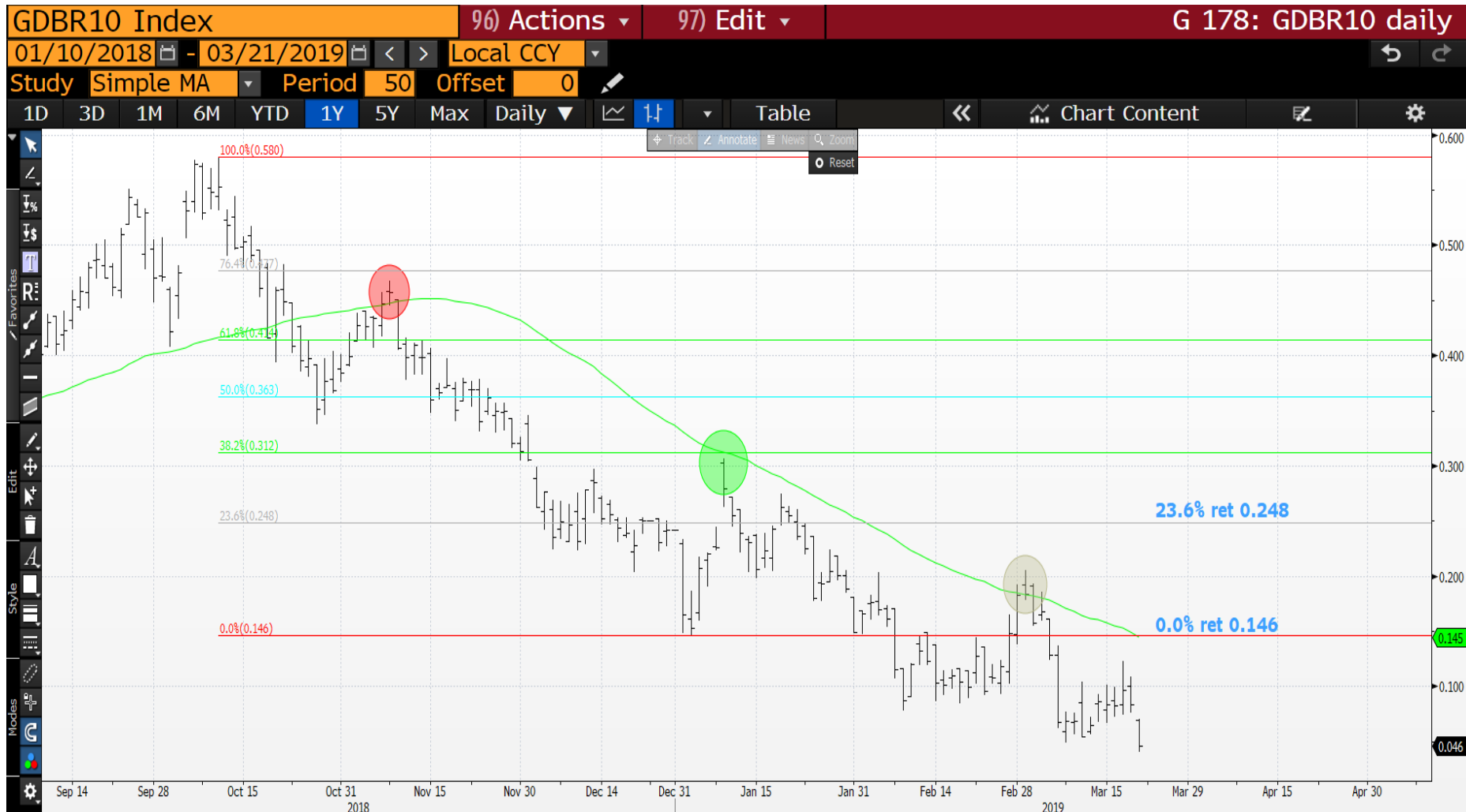


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Generic German 10yr quarterly : Yields continue to grind lower now we are in the channel and should continue that way driven by CTA's buying futures.

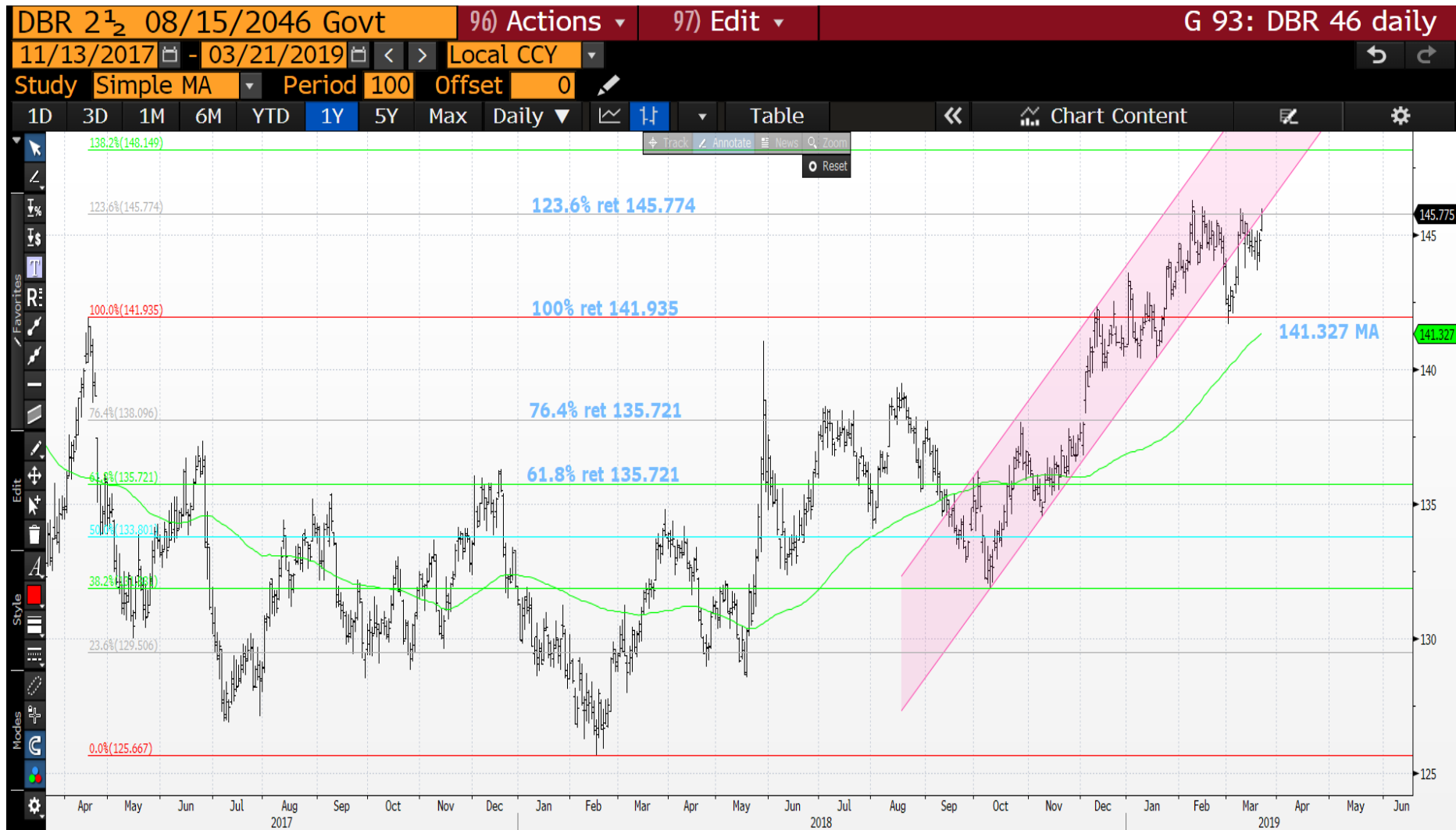


Generic German 10yr daily : We have continued to remain sub the 0.0% ret 0.146 so continues a very negative theme.



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DBR 46 daily : This reliable bond does it again, we have held the previous high 100% ret 141.935 and testing the previous highs AGAIN.



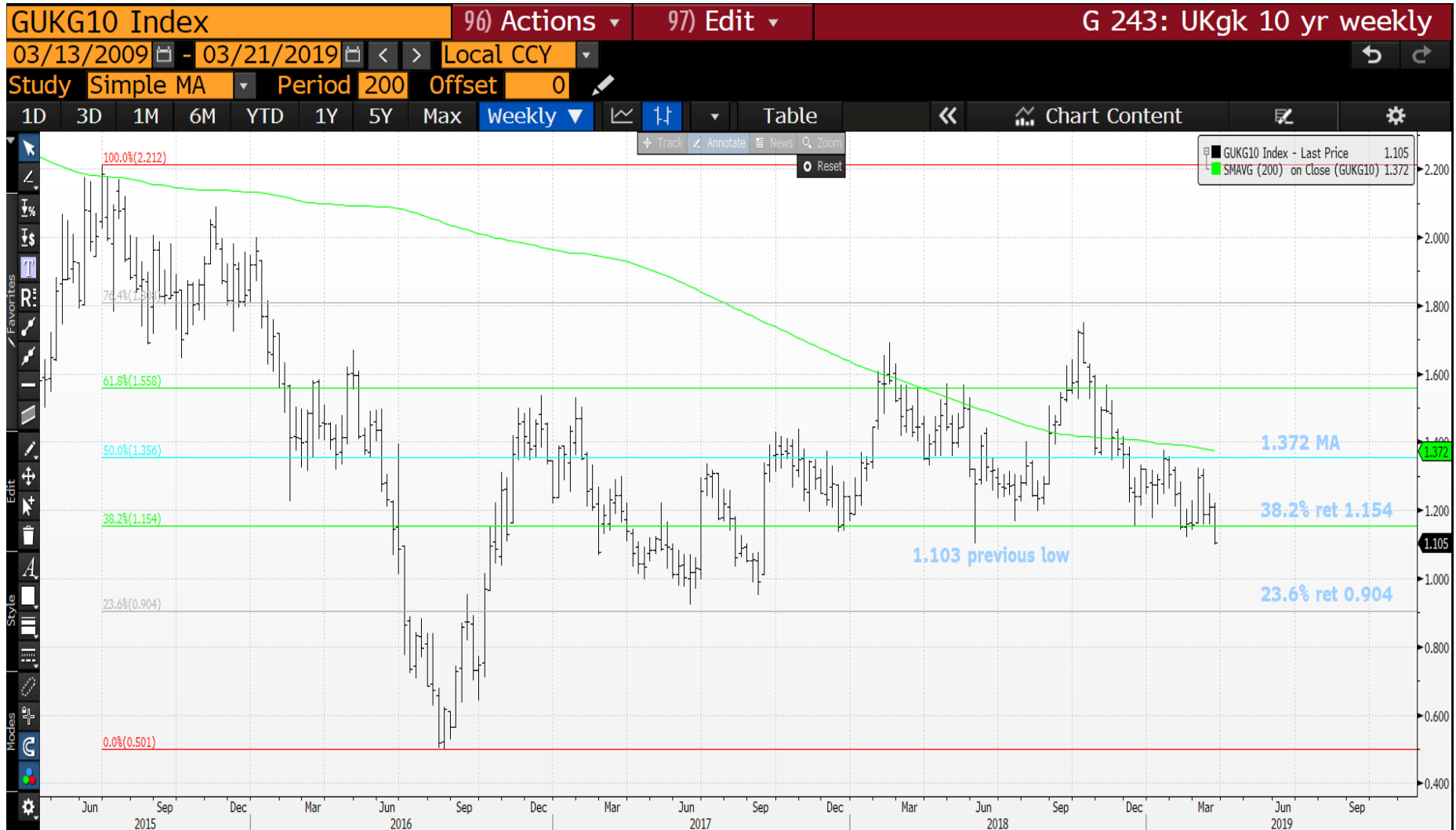
UK 10yr yield monthly : Again historically we remain inside the channel and sub the moving average 1.389, we should continue lower.



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UK 10yr yield weekly : We have now breached the 1.103 previous low so the 23.6% ret 0.904 is the next draw.



UK 10yr yield daily : We are through the recent low and therefore yields should remain heavy.



Italian generic 10yr daily : We are TEASING the 2.463 previous low so a MAJOR DROP if we close below it.





## 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.



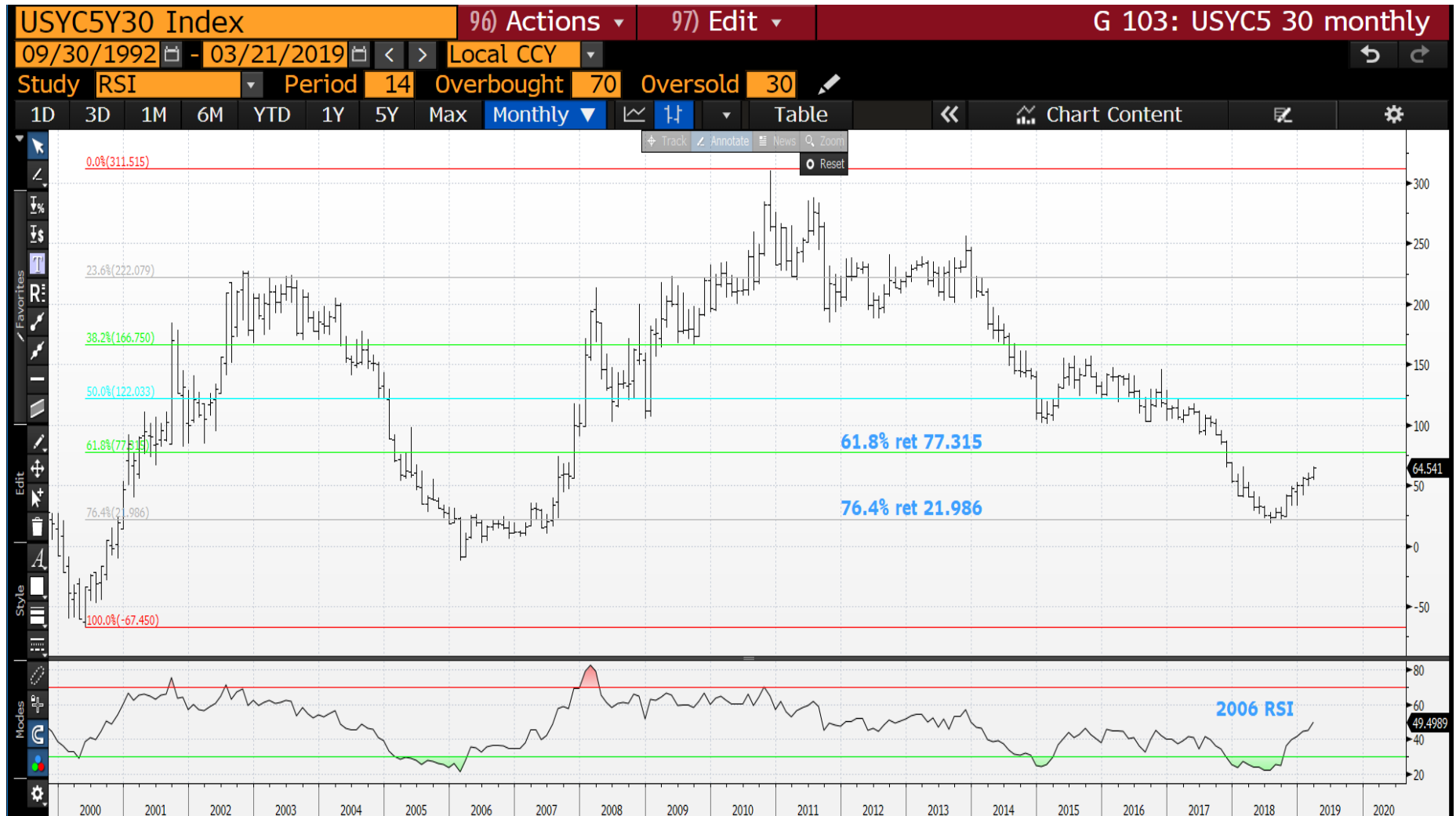
US 2-30 curve monthly : ANOTHER PERFECT hit and possible PERFECT BOTTOM to trade from. TO me this remains a VERY long-term trade and “what a great entry” knowing the LOW has been tested TWICE. We should start heading higher from here!



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



US 10-30 curve monthly : We have breached the multi-year 61.8% ret 38.721 thus a BIG statement.



# EQUITIES

**EQUITIES : THESE ARE THE ONLY PART OF THE BIGGER PUZZLE TO FALL INTO LINE BUT SHOULD DO SHORTLY.**

**Many will argue that stocks are FINE and a level of comfort is now built in. This has never been more of a critical location TO FAIL. Optimism is built in along with positions however MANY US markets remain sub key 200 day moving averages. AS bond yields drop it will be a double WHAMMY.**

**They continue to perform but further upside progress seems limited. We remain around numerous 200 day moving averages!**

**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.**

**Both Nasdaq and Russell have 200 day moving average resistance.**

DAX monthly : We have reversed the months gains so it is KEY to see if we close SUB the trend channel?

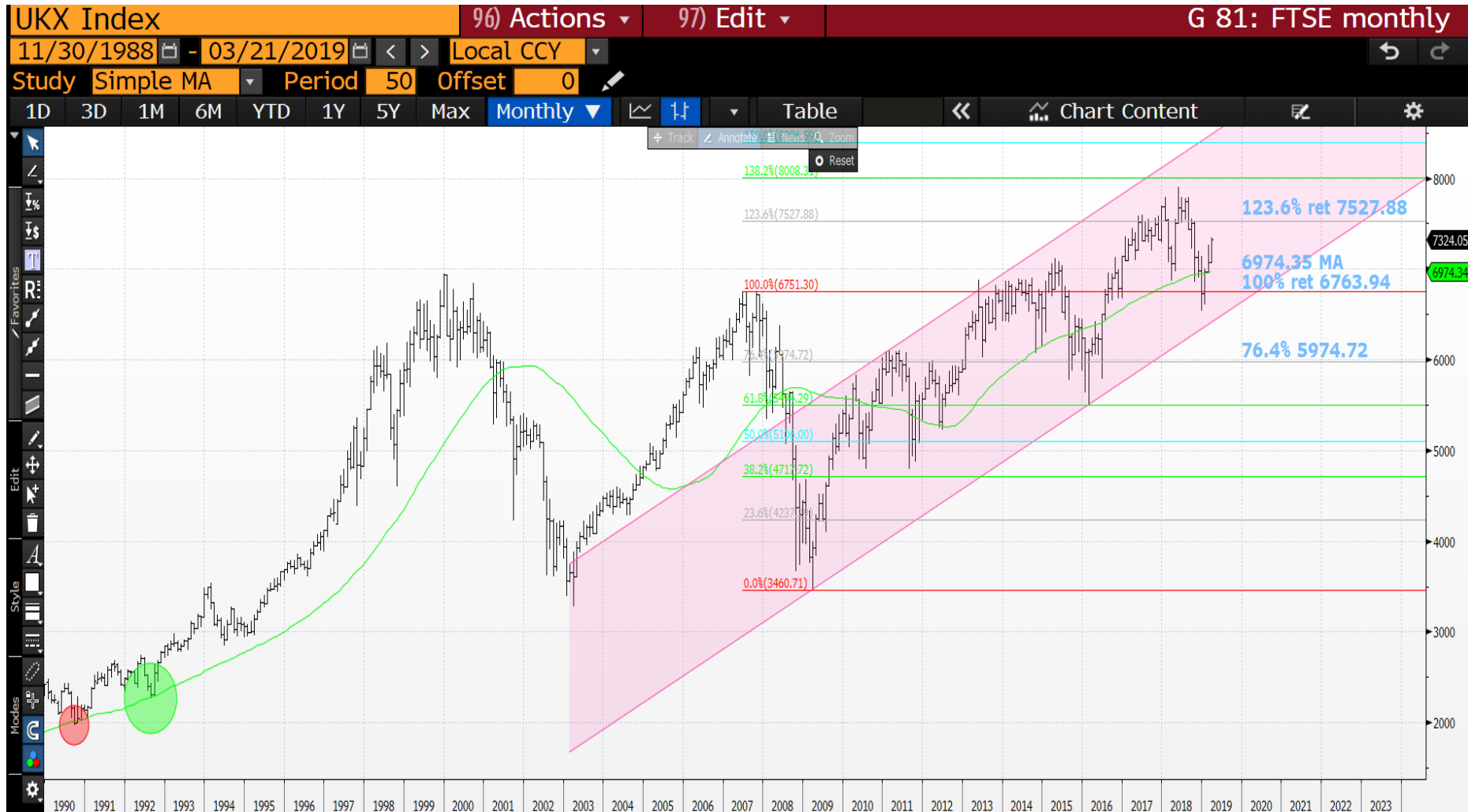




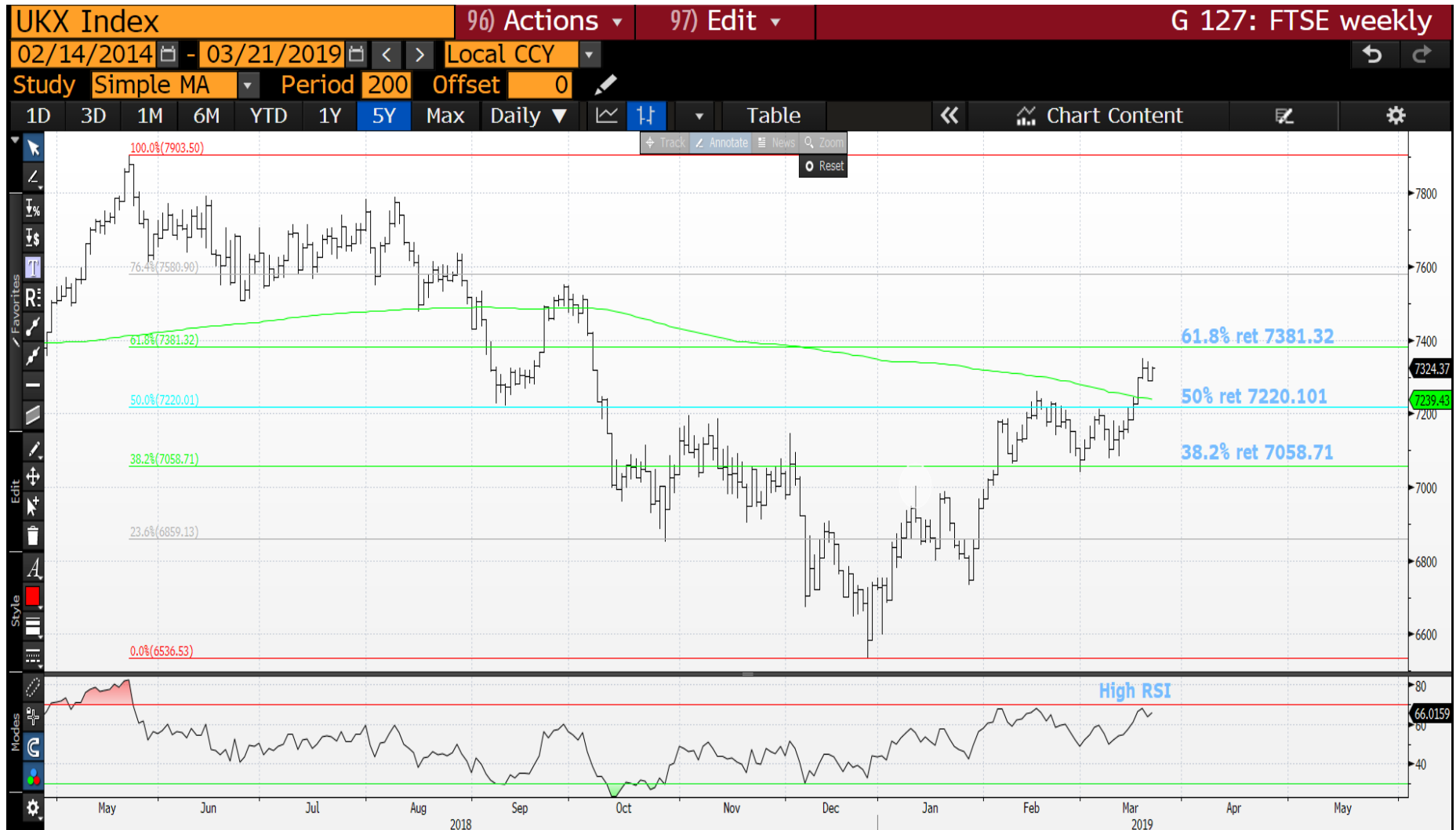
Dax daily : ITS NOW OR NEVER! We have failed the 11779.24 moving average neatly and need to push below the 38.2% ret 11396.59 before the weekend.



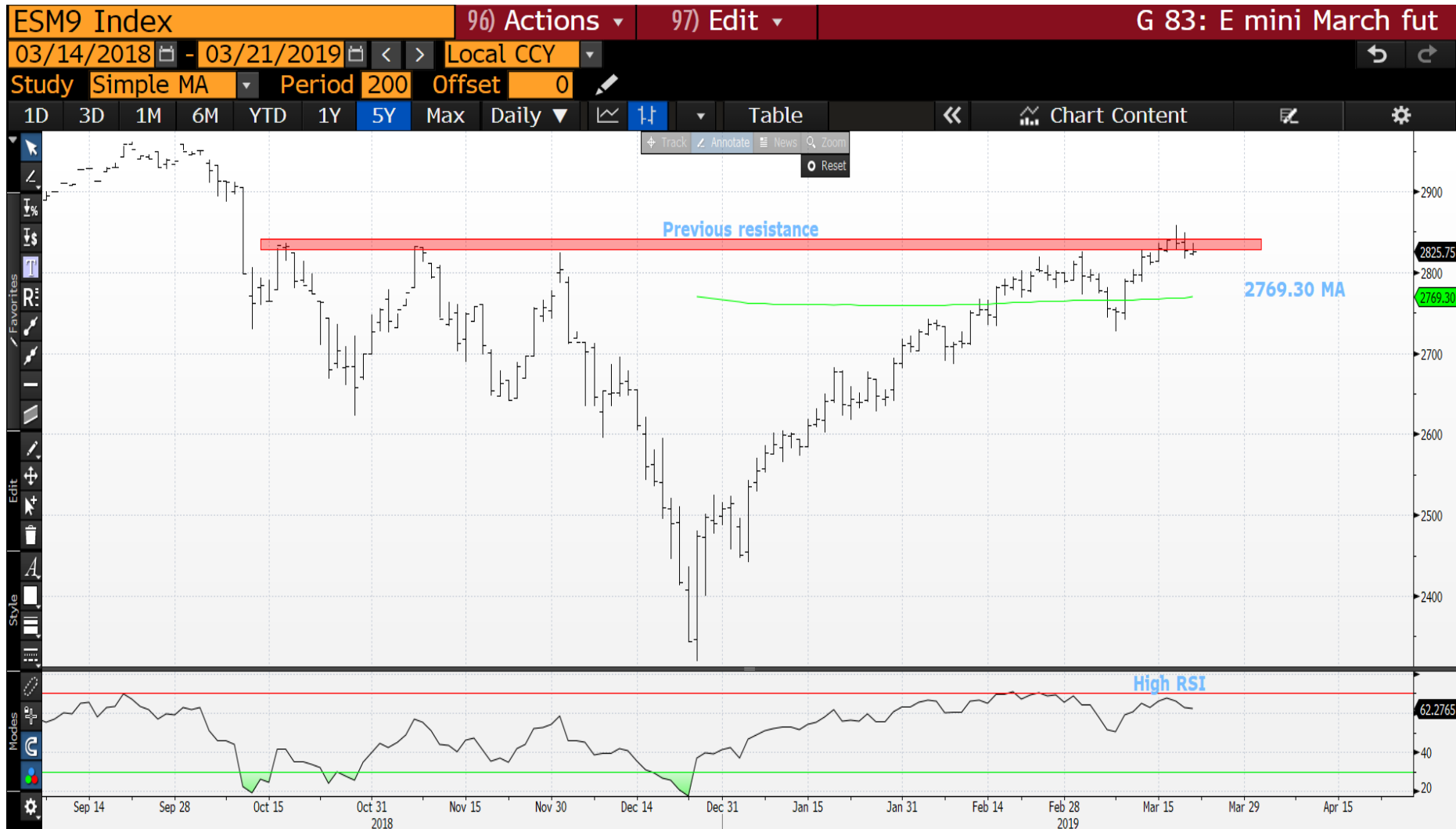
FTSE monthly : We are through last monthly high SO little negative about this chart.



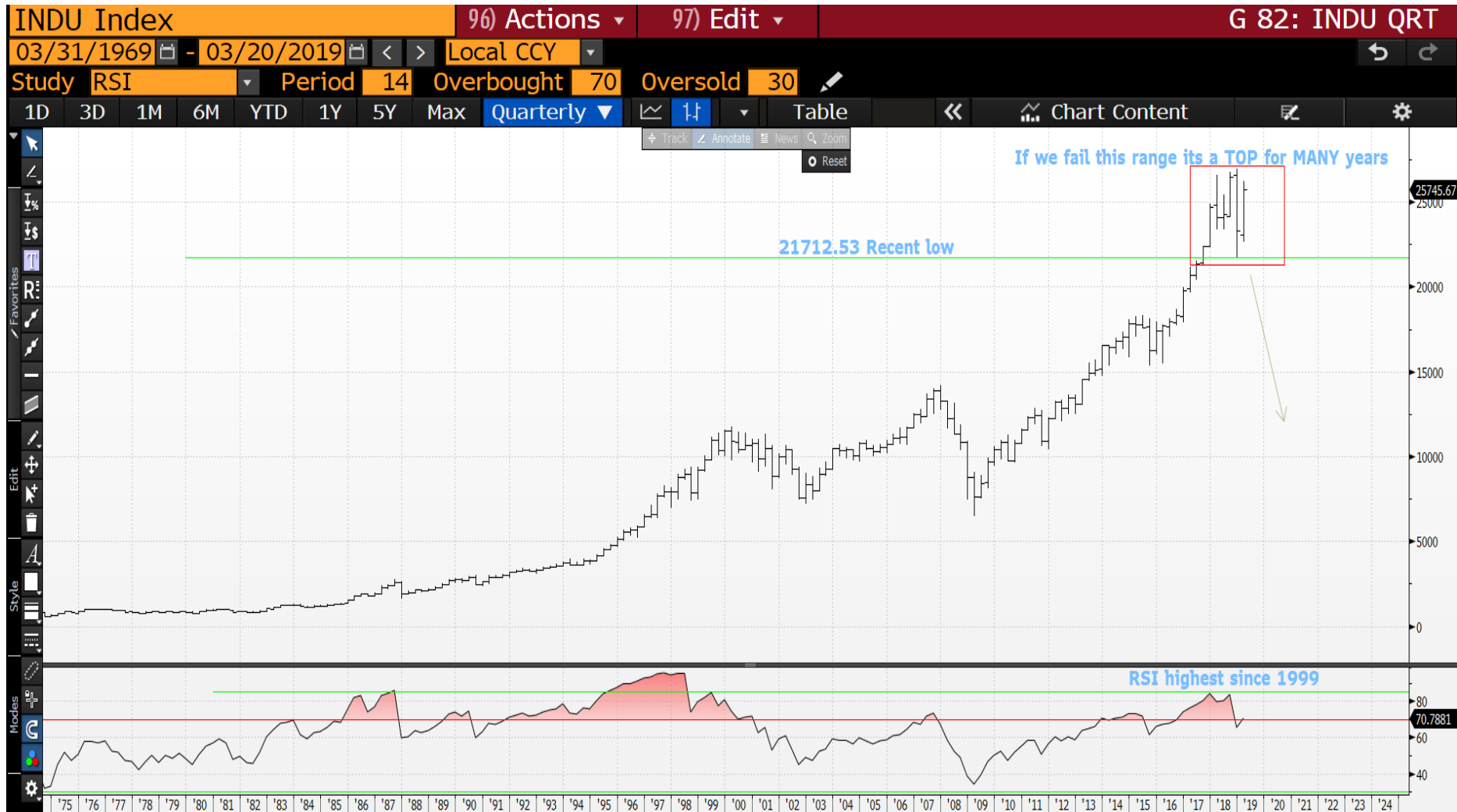
FTSE daily : We are through most levels of not and now relying on the OVERBOUGHT RSI to kick in.



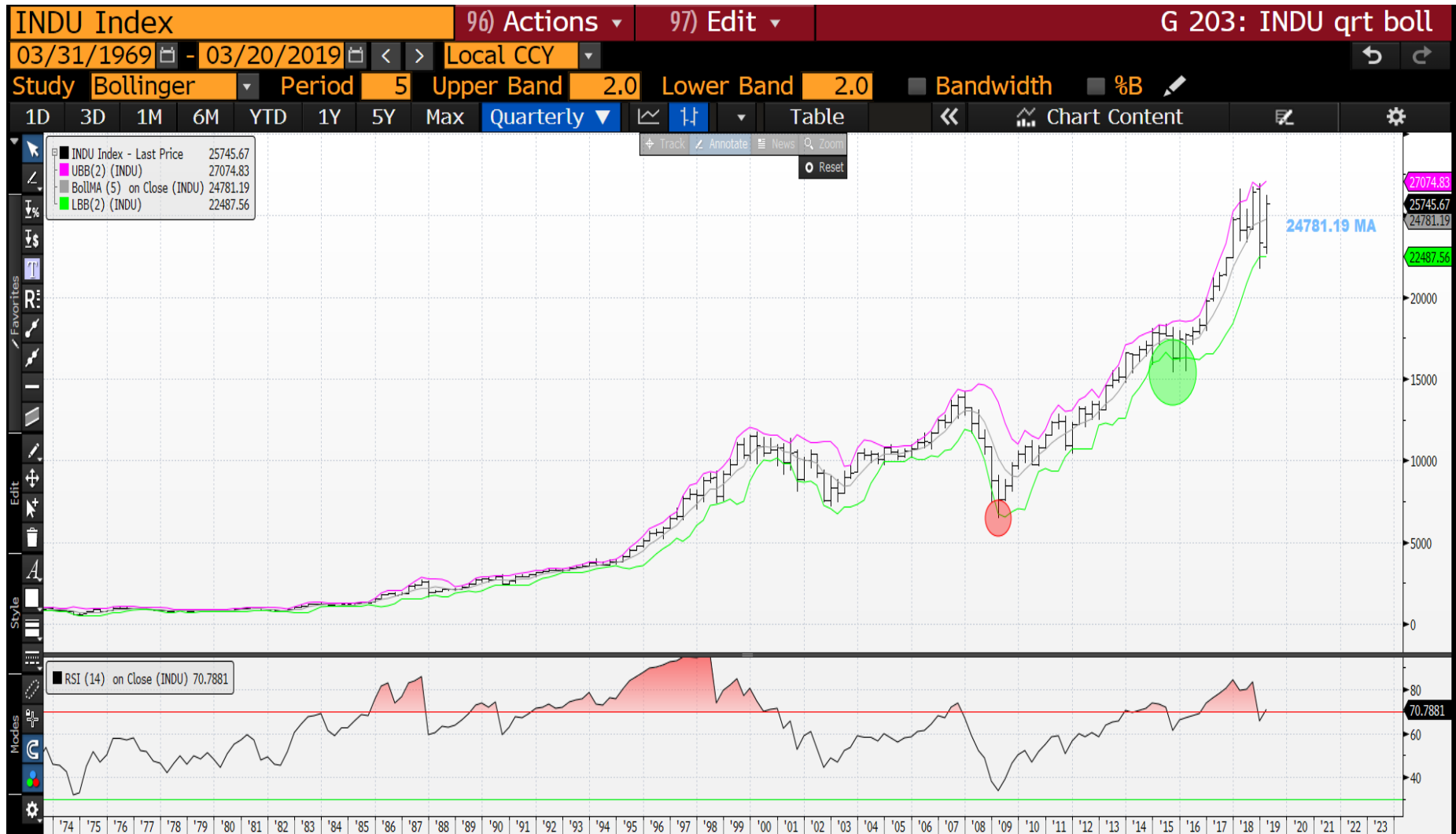
E mini S\*P daily : Again NOW OR NEVER, we remain at solid previous resistance. The RSI is high. We need to move lower soon.



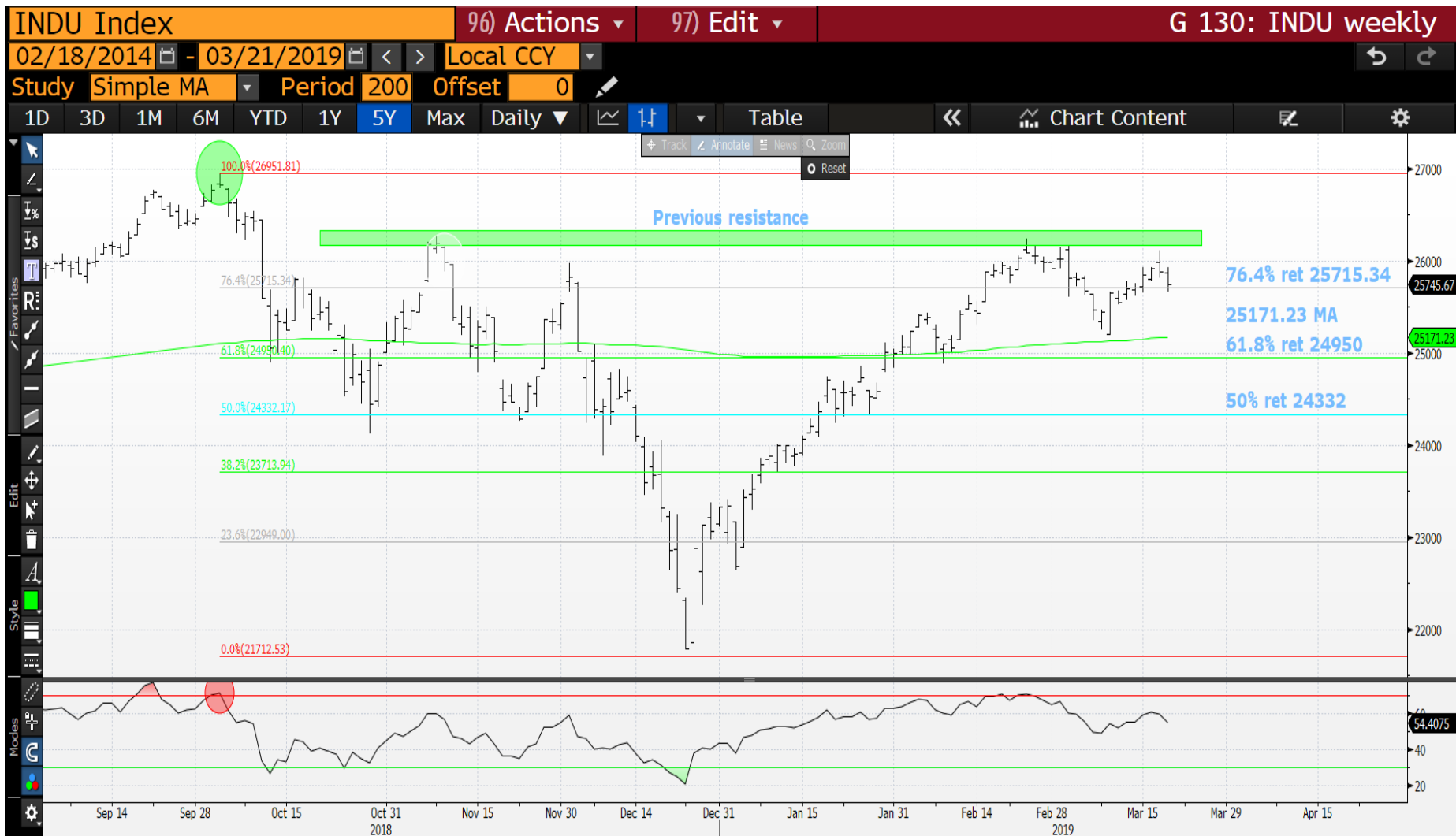
DOW quarterly : We have a “TOP” but need to capitalise on that with a move SUB the 23344.52 previous low.



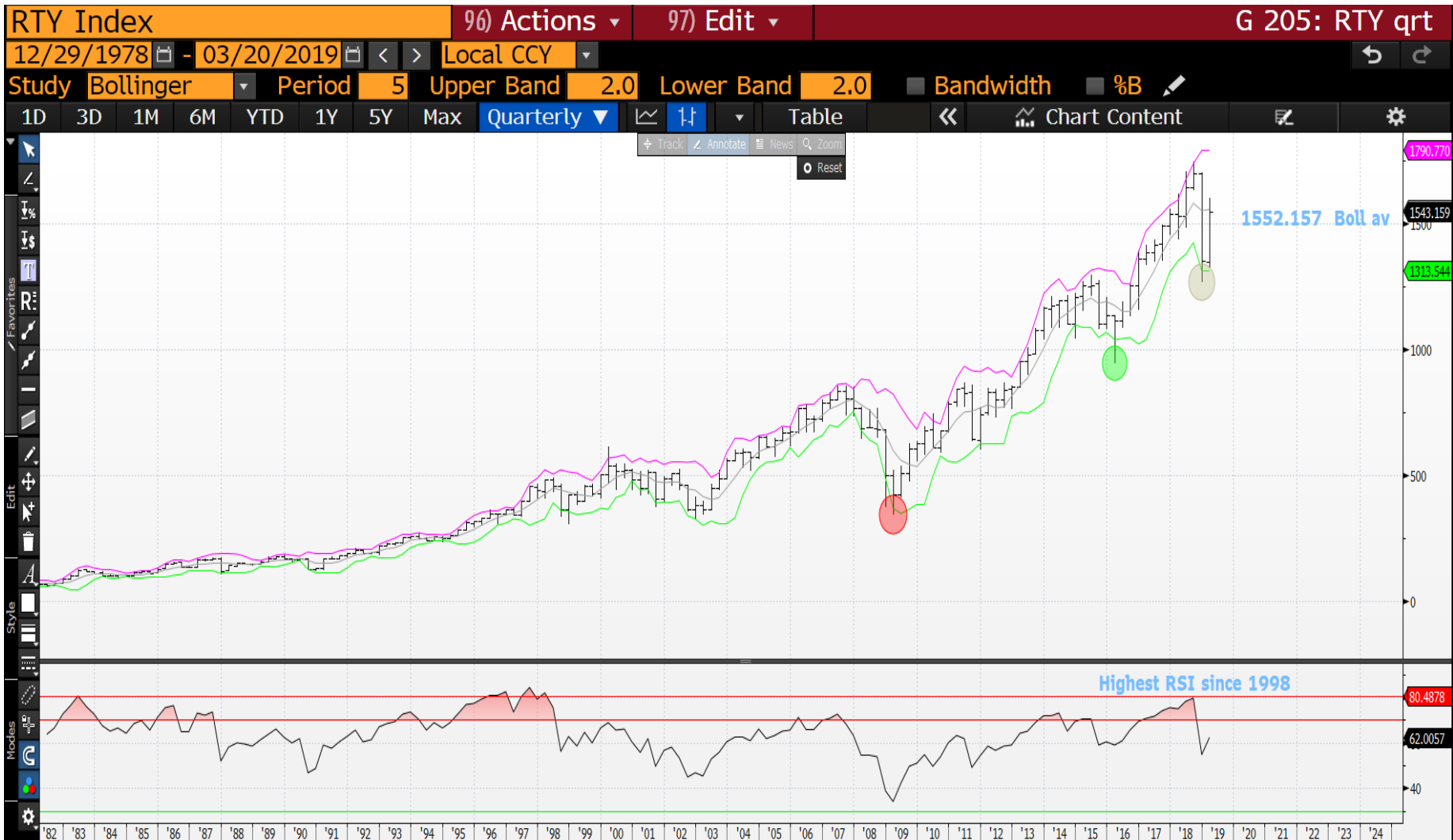
DOW quarterly : Last quarter generated pierces at either end of the range so IDEALLY to continue the bearish outlook we need to fail the 24781.19 moving average.



DOW daily : The resistance is obvious and WORKING so hopefully we can confirm this with a close sub the 76.4% ret 25715.34.

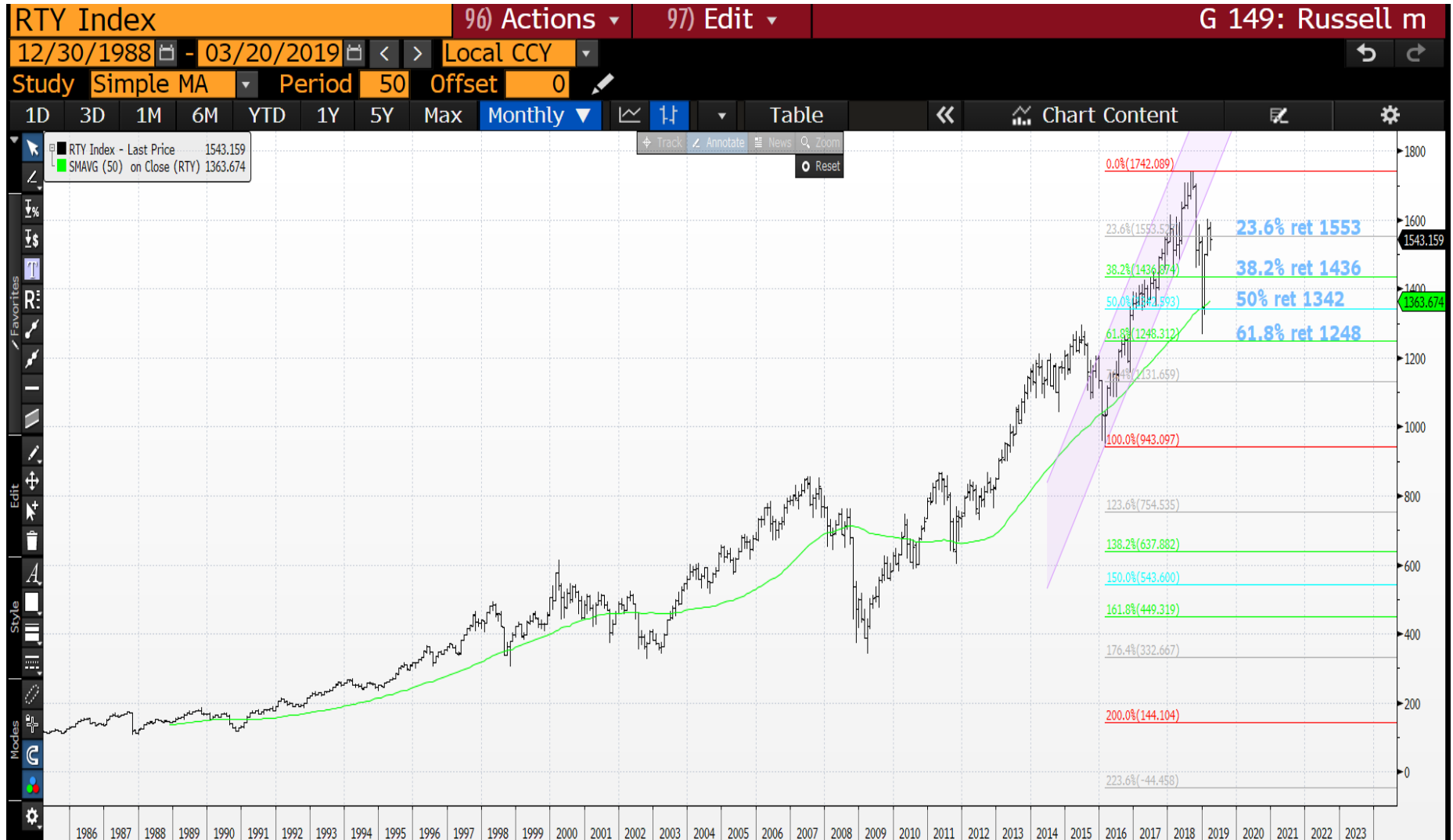


Russell quarterly : We have had a sizeable bounce but looks doubtful it will repair the terminal damage. Ideally we need to breach back below the 1552.157 bollinger average.

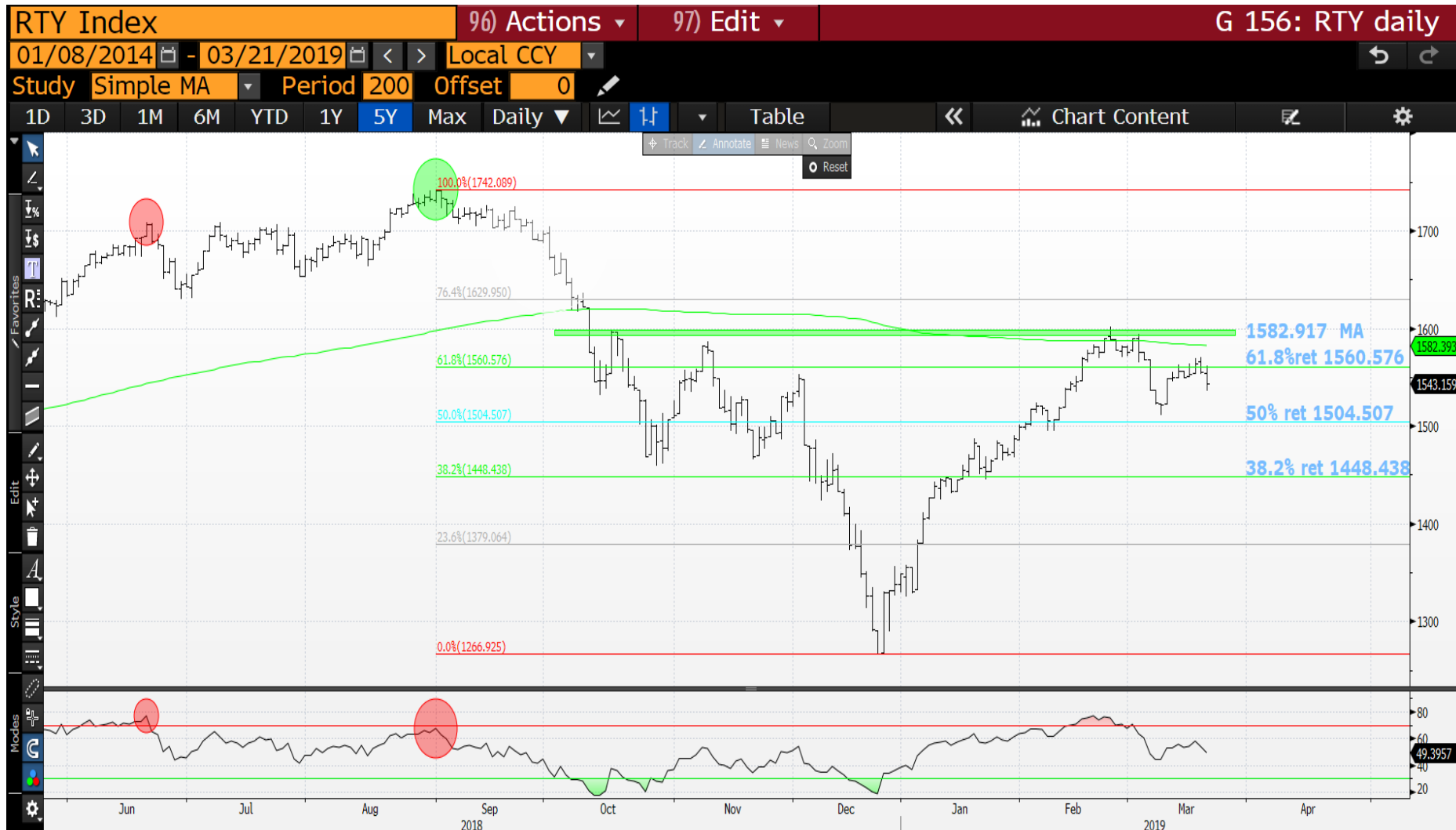




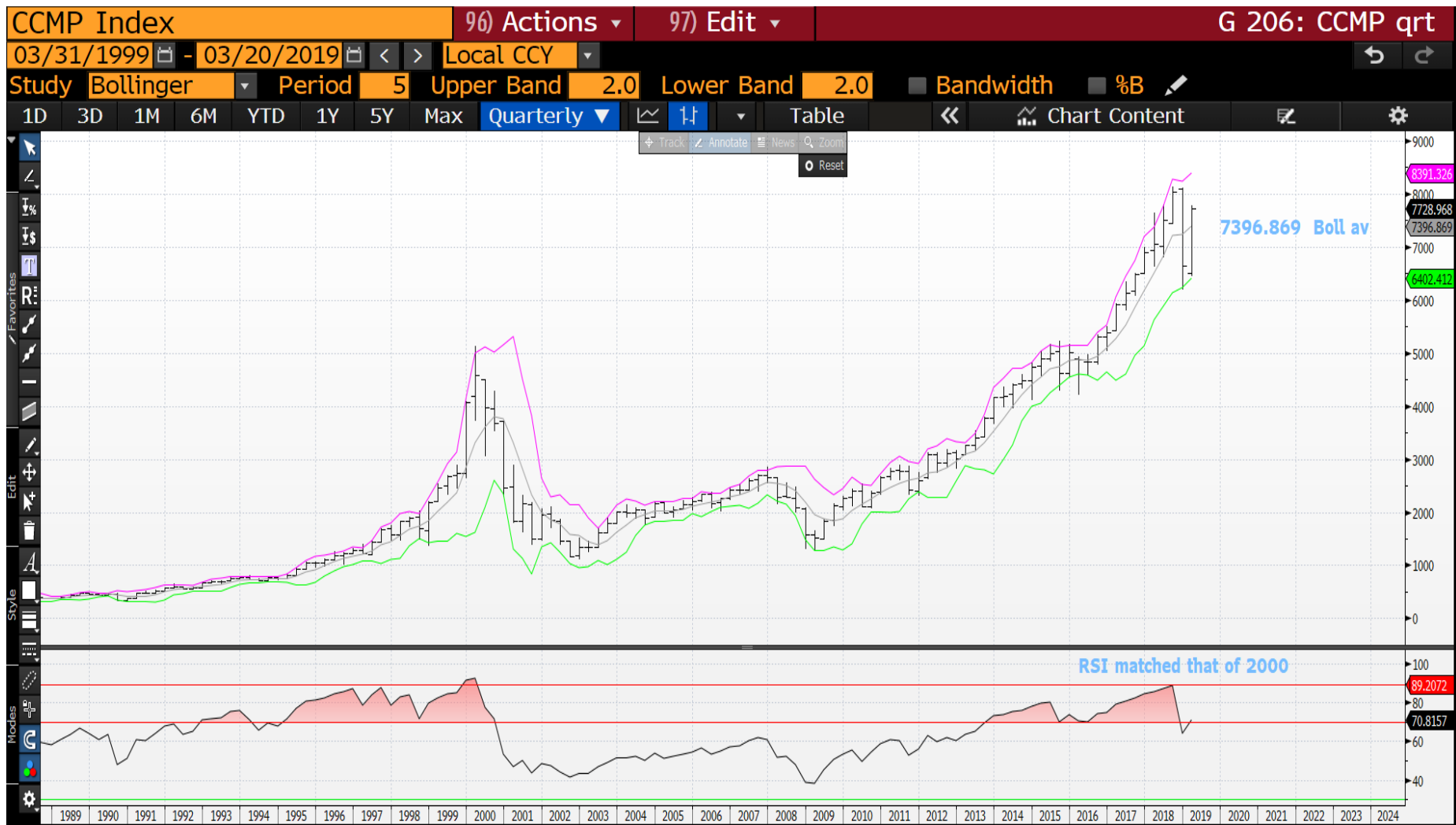
Russell monthly : We have had a sizeable bounce and ideally nip back below the 23.6% ret 1553 on a closing basis.



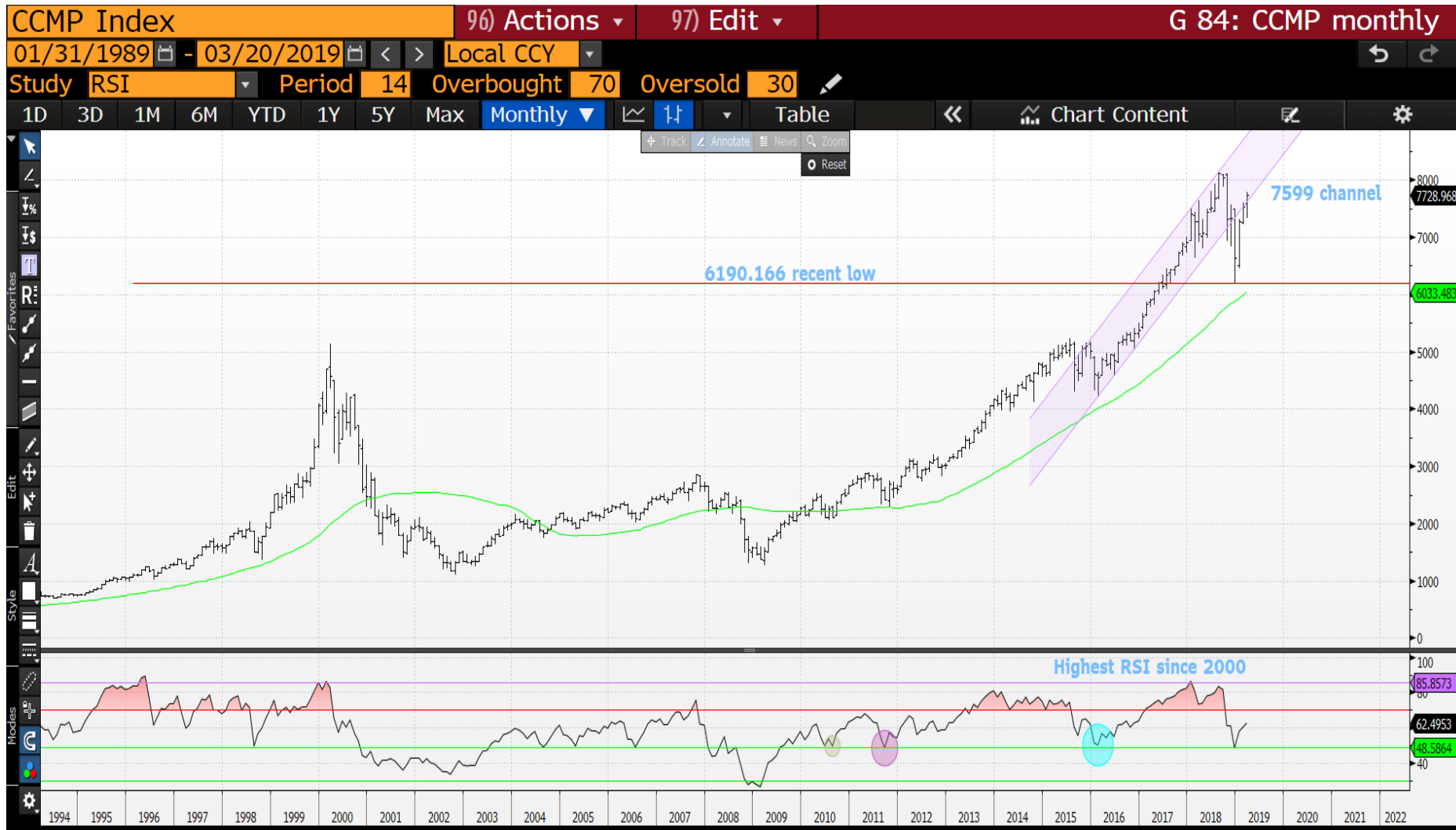
Russell daily : This has been a NEAR PERFECT failure! All we need to do is capitalise on the OPPORTUNITY. It needs to happen given the RSI is of little use.



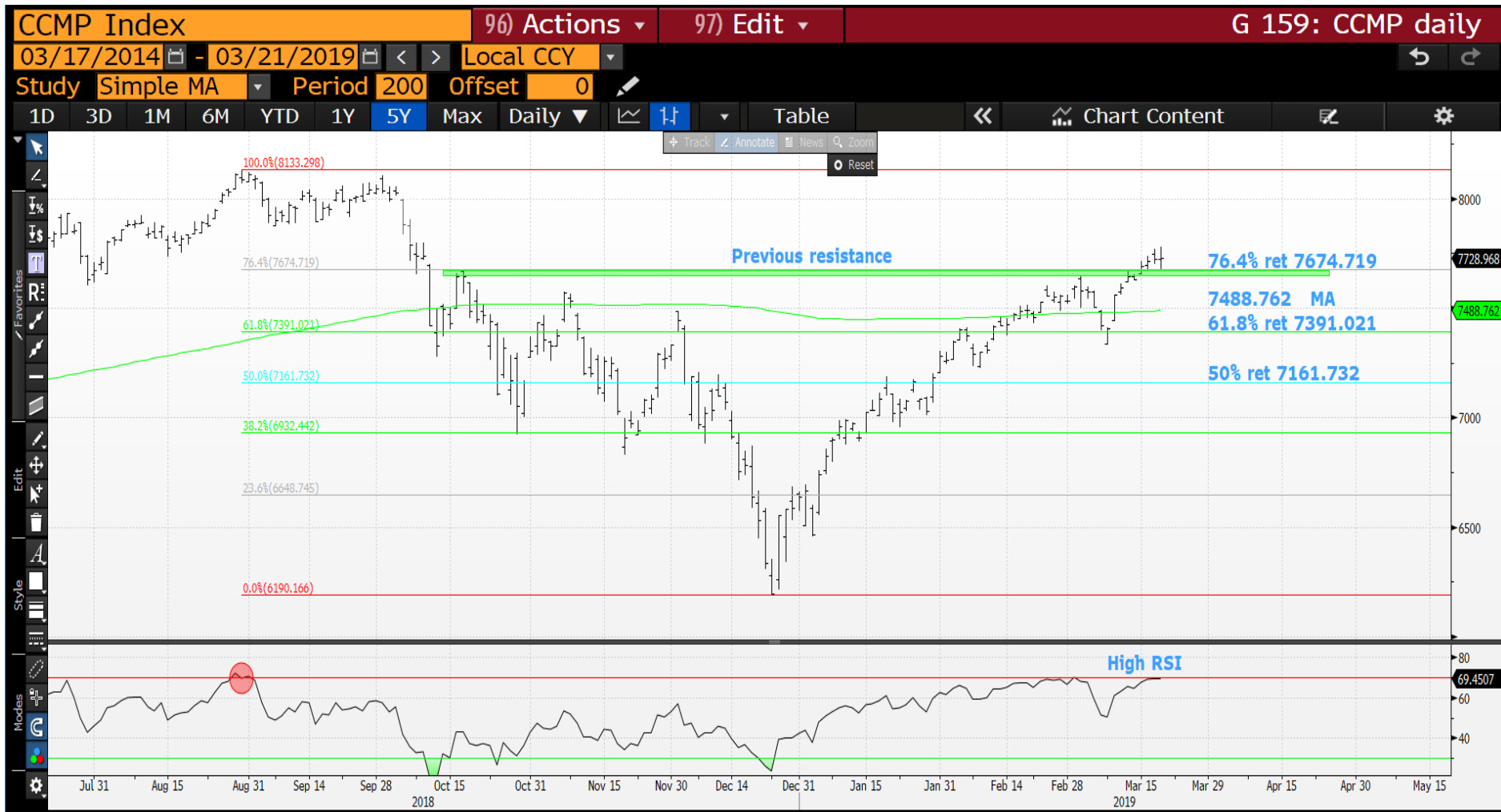
CCMP quarterly : A nasty bounce that minimally needs a close sub the 7396.869 bollinger average.



CCMP monthly : We have opened this month TESTING the channel resistance at 7599.



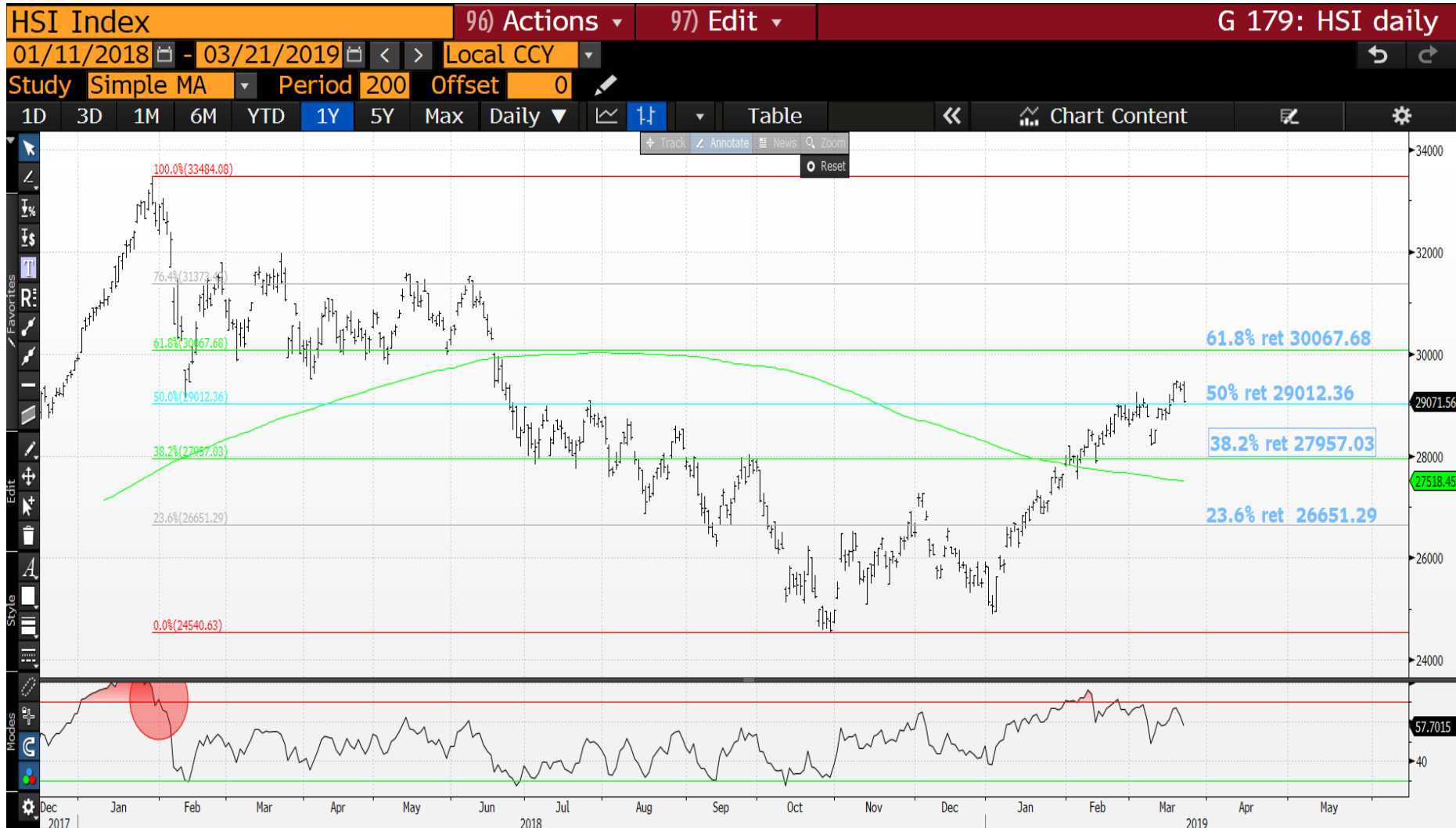
CCMP monthly : The last line of DEFENCE! We need to fail here and get back below the previous resistance-76.4% ret 7674.719, the RSI should help!



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 25447.29.



Hang Seng daily : Some hope of a TOP given a breach of the 50% ret 29012.36 looms.



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

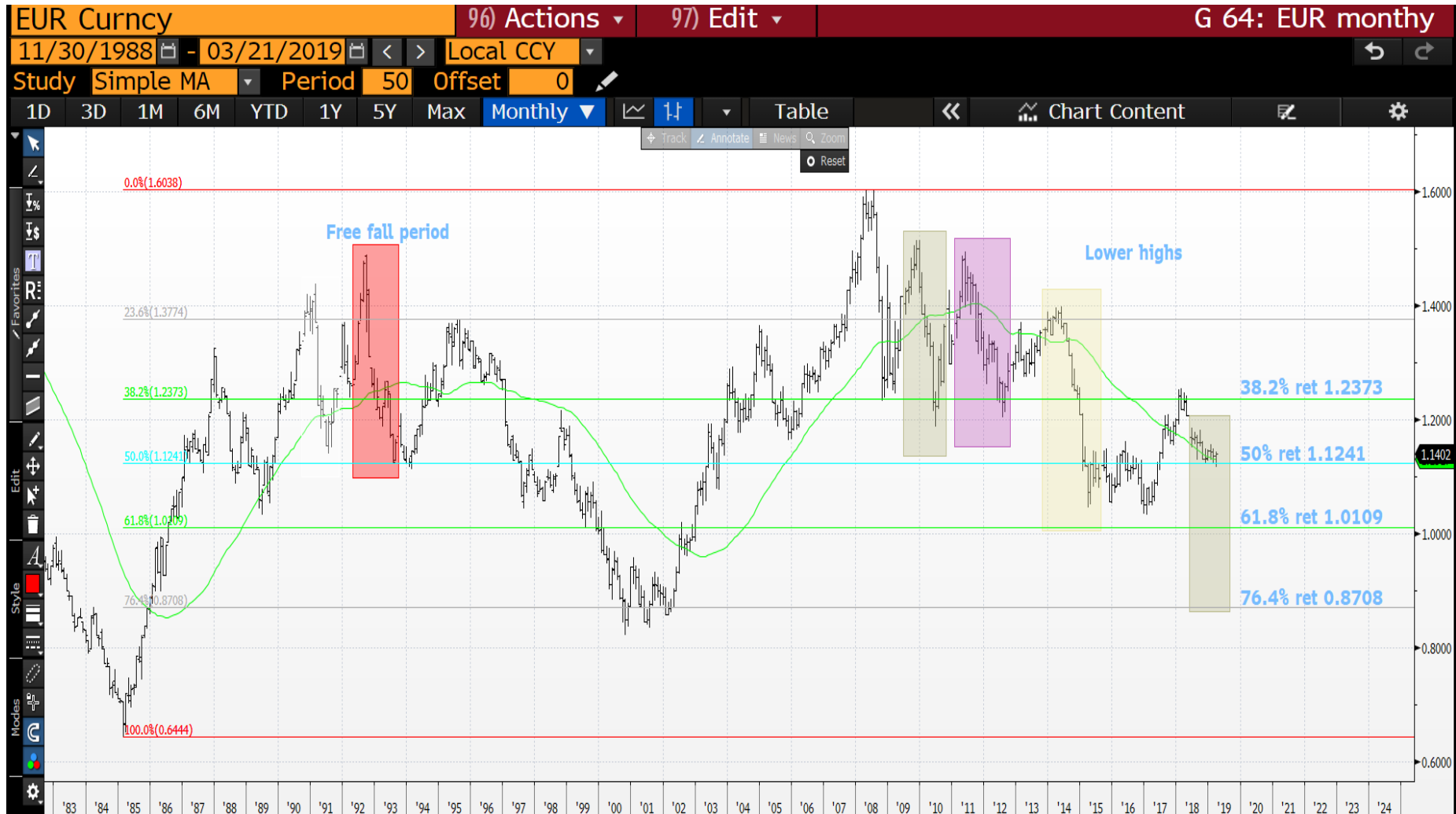




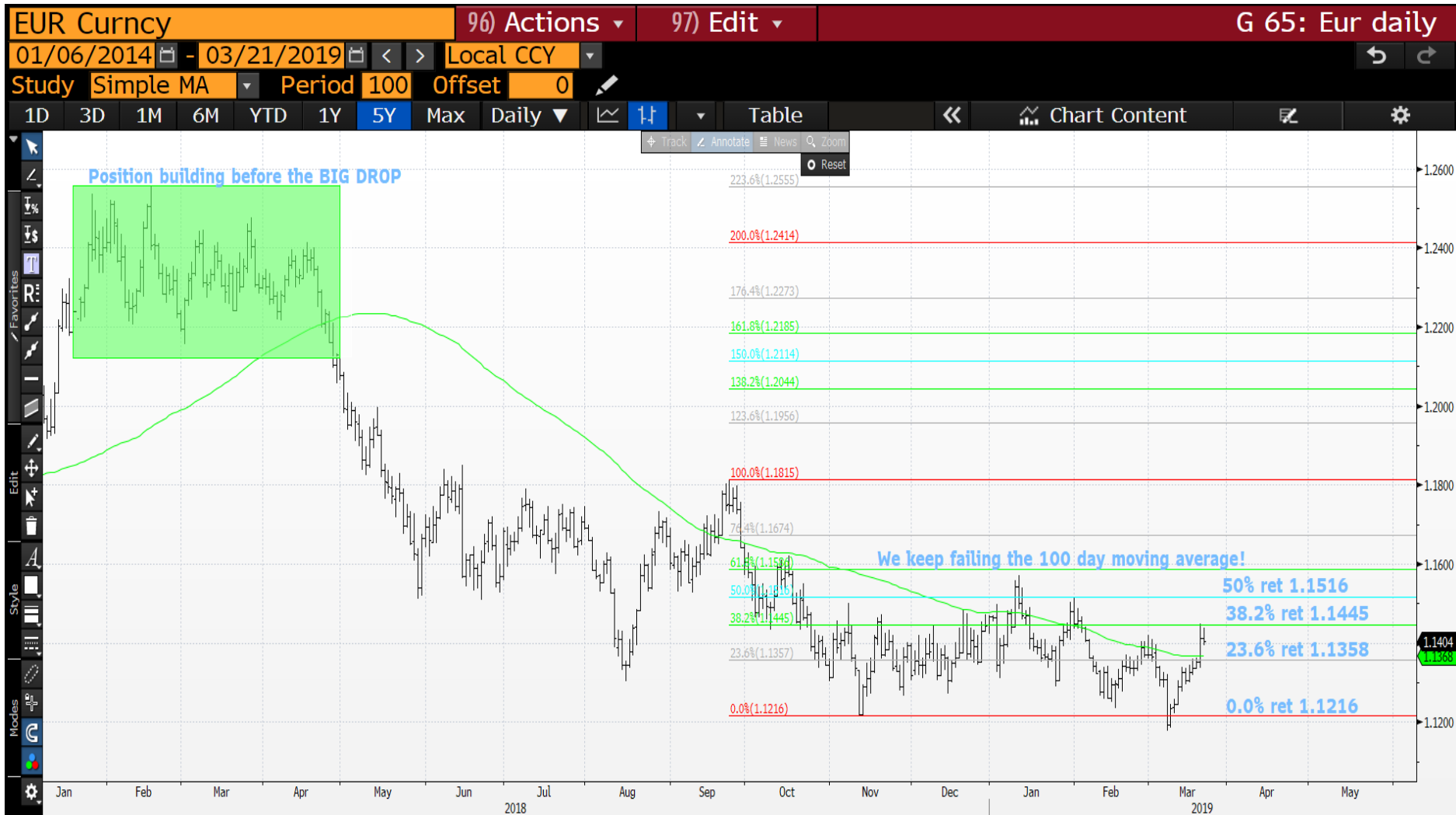
## FX UPDATE

- **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. We have a major test on right now as we TEASE constant moving average resistance 1.1358.
- **EUR GBP** I have long favoured a short in this and the market looks poised to stretch its legs, am convinced this will come with the EURO breaching 1.1241. This could be the STAR trade for 2019.
- **The DXY index** is teasing the 50% ret 95.859 with little RSI drive.
- **EM** now stepping forward as MANY multi year tops are close to being confirmed. EM is a firm favourite with REAL MONEY.

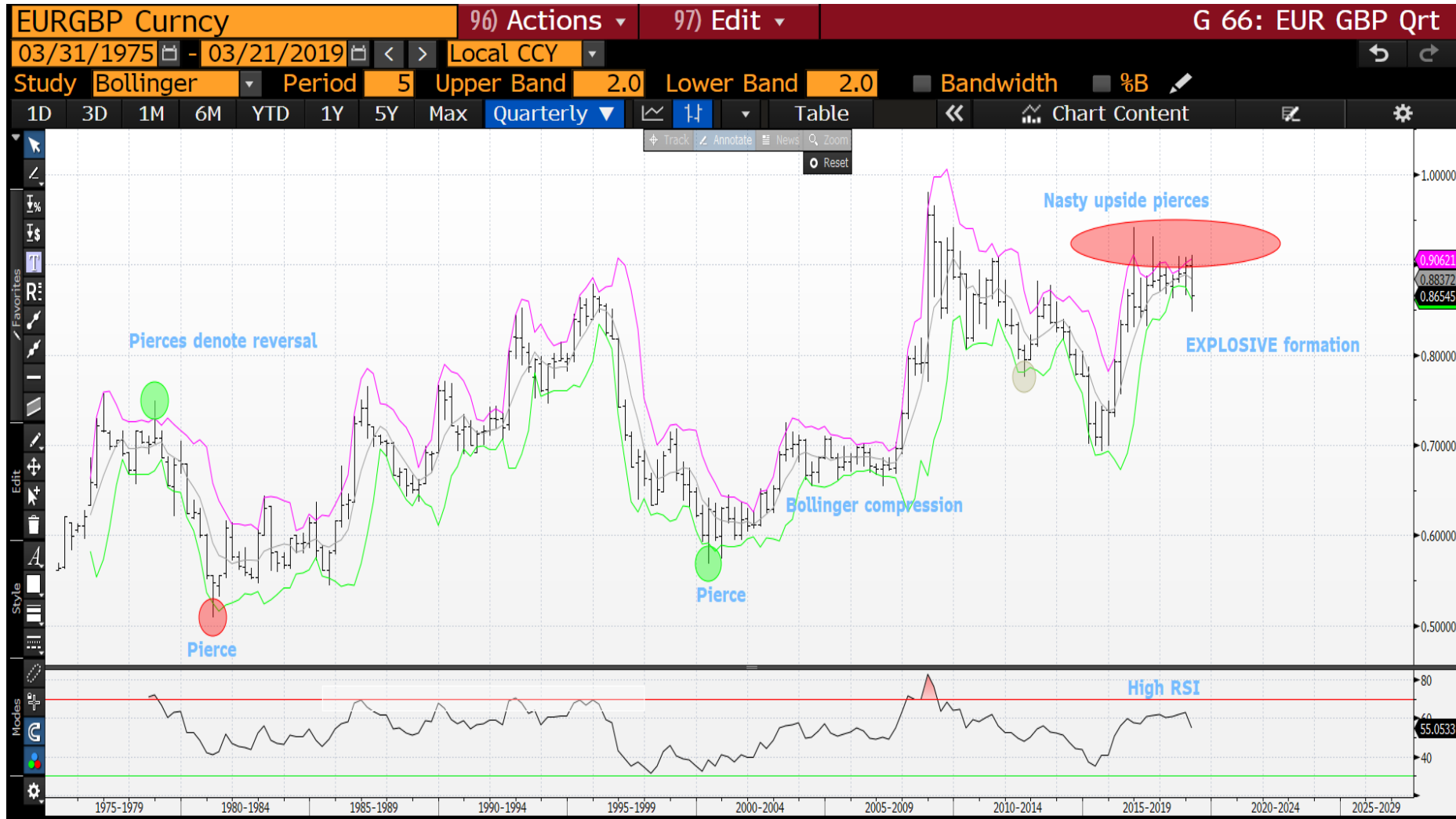
EUR USD monthly : The niggles here is we have HELD the 50% ret 1.1241 but continue to trade sideways with little bounce. Sub 1.1241 we freefall, there are previous range extensions highlighted. A weaker USD seems to be helping the market hold.



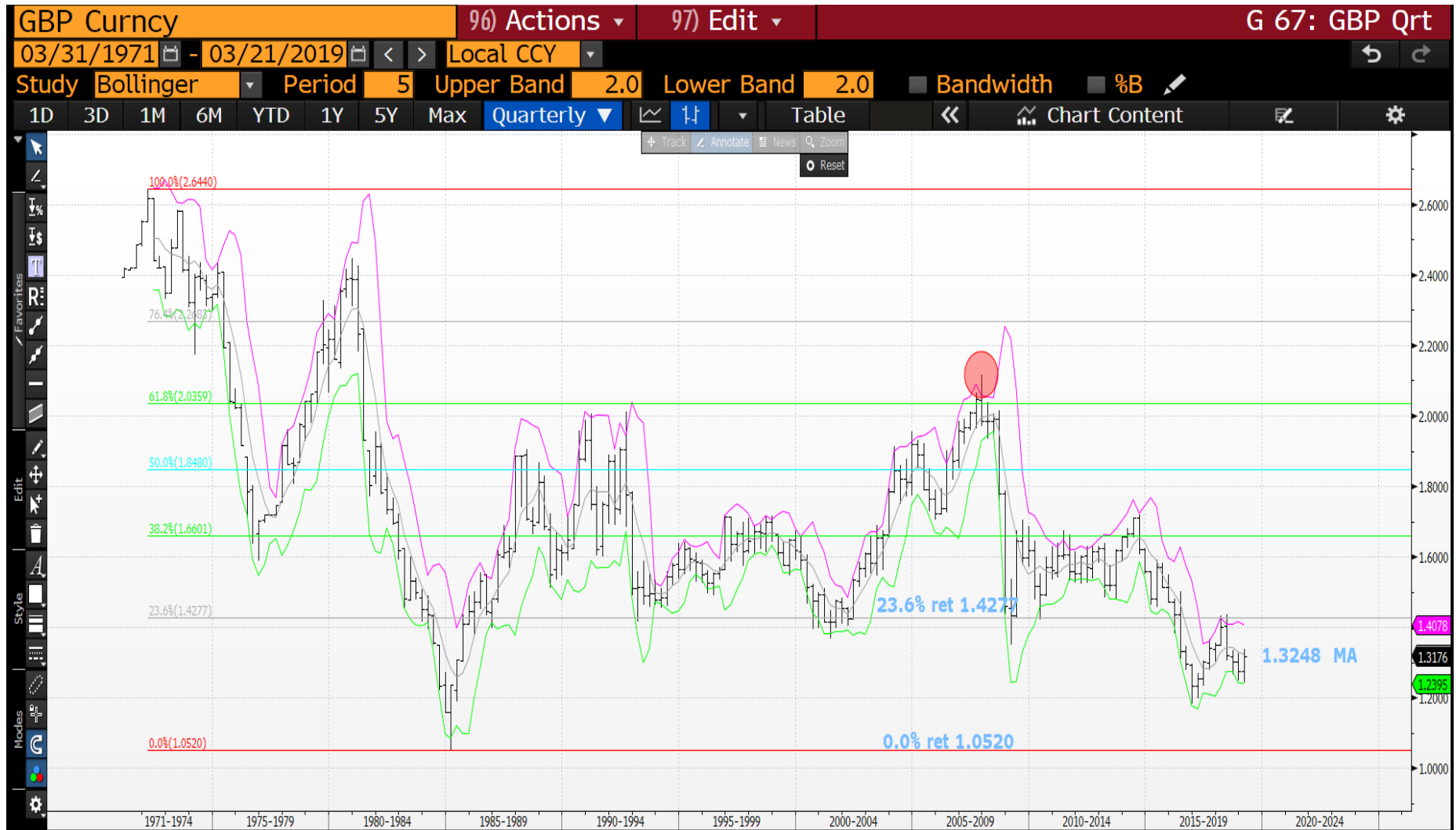
EUR USD daily : A MAJOR TEST HERE as we have popped the VERY RELIABLE 100 day moving average, but yesterdays high could be a nice reversal (LOWER) signal.



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! For obvious reasons the one to watch but the speed of the move will be the killer blow!



Cable quarterly : A reasonable recovery with in the bollinger bands, a BIGGER statement has been made above the 1.3248 moving average.



DXY monthly : A tricky location and rather a neutral one being at a 50% ret 95.859 of the last 18 years. Issue here though is that the recent upside pierces are forecasting a BEARISH move lower soon. A breach of the 50% ret 95.859 will be a very bearish statement.



AUD USD monthly : AUD low in place and now ready for a decent move higher. The latest pierces are very positive. Above the 61.8% ret 0.7185 we bounce.

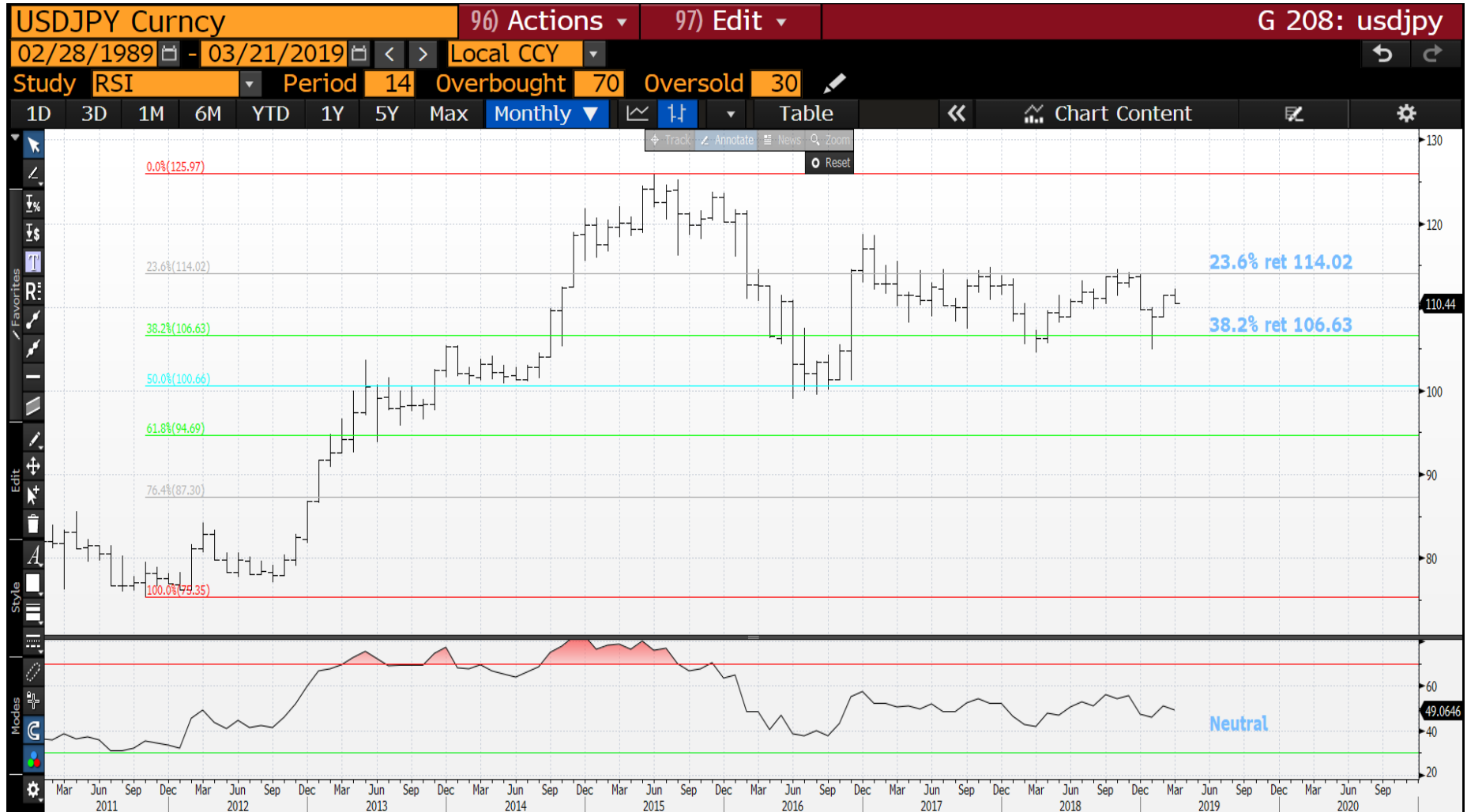


USD CAD weekly : The moving average continues to be the solid support on any dip, next step is to breach the 23.6% ret 1.3451.





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

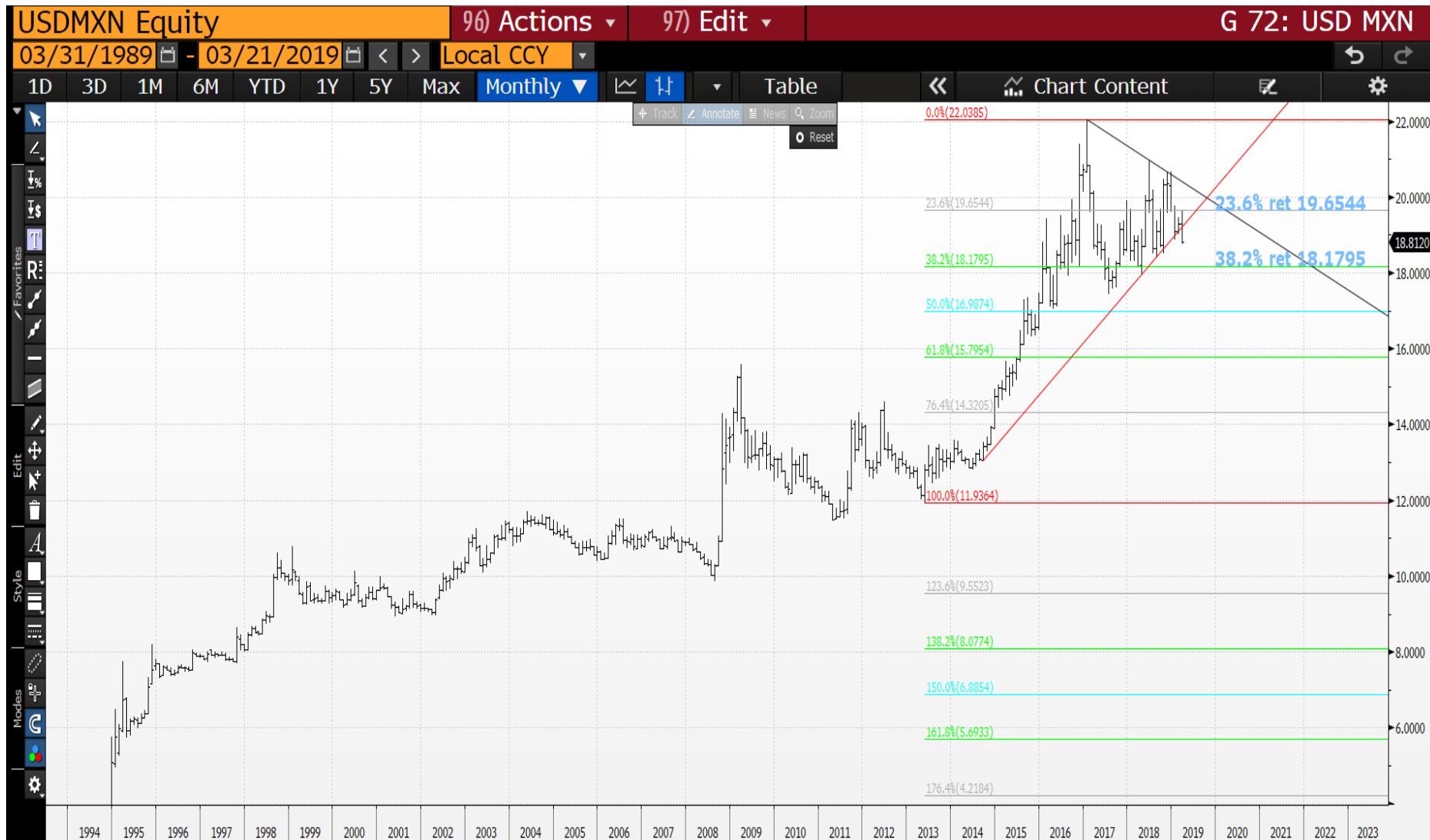


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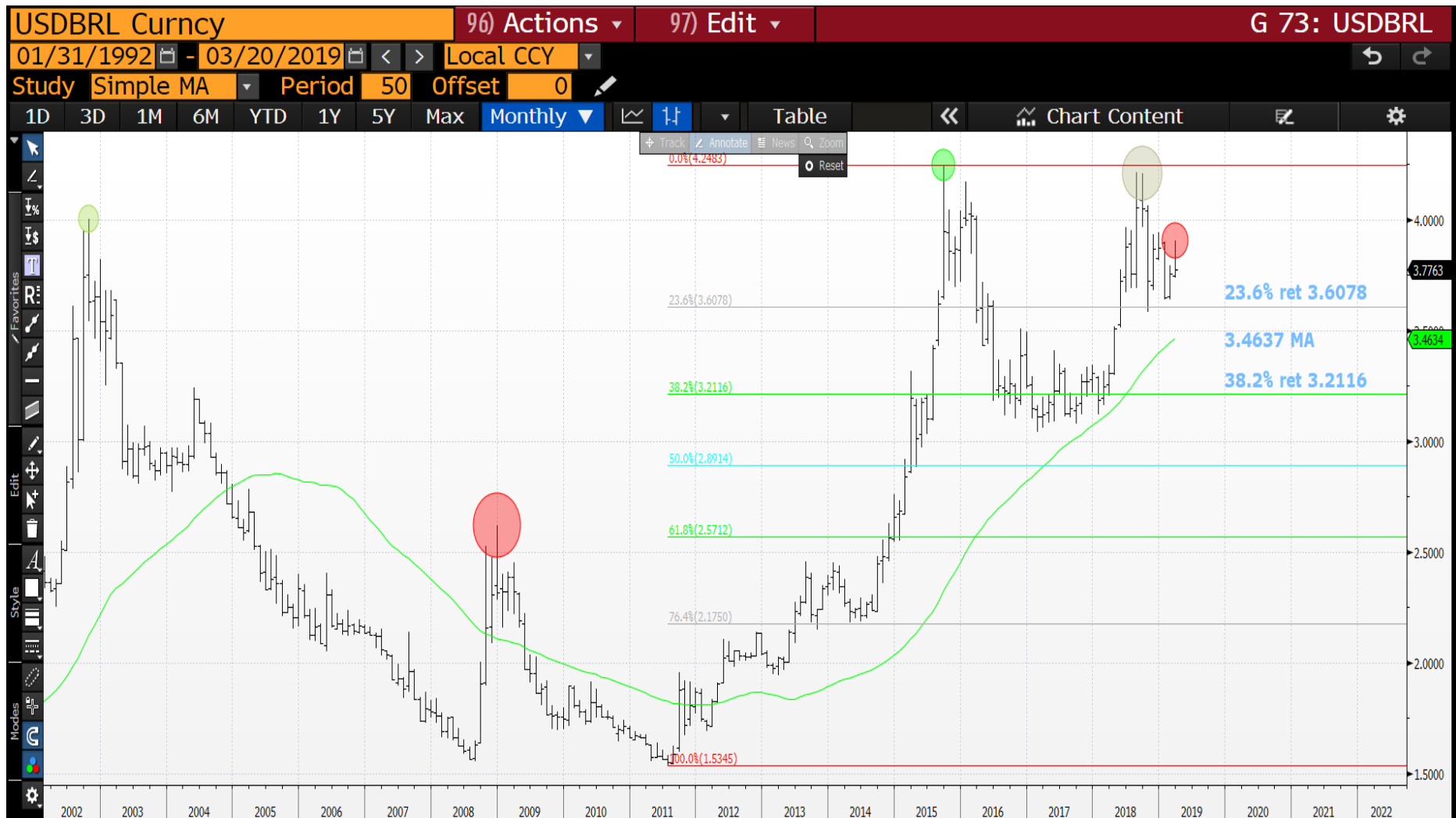
# EM UPDATE

- **EM : This is where REAL MONEY has already taken advantage of sizeable yields and if CORE yields head lower, WILL ADD.**
- **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 AND poised to break lower!**

USD MXN monthly : We have broken the out of the VERY TEDIIOUS triangle so the 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.

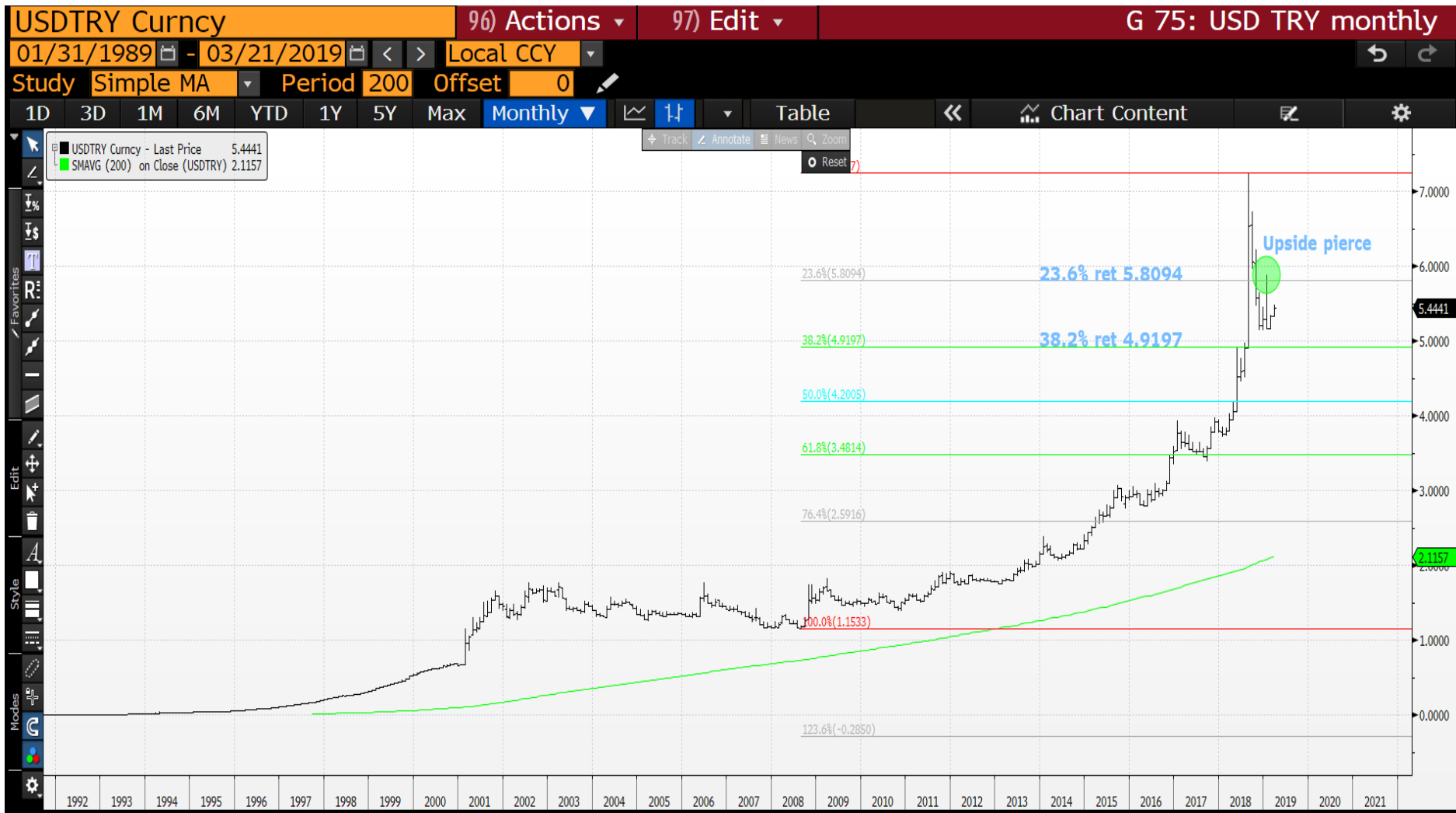


GTBRL10Y weekly : Yields have to continued to remain sub the 100% ret 9.117.

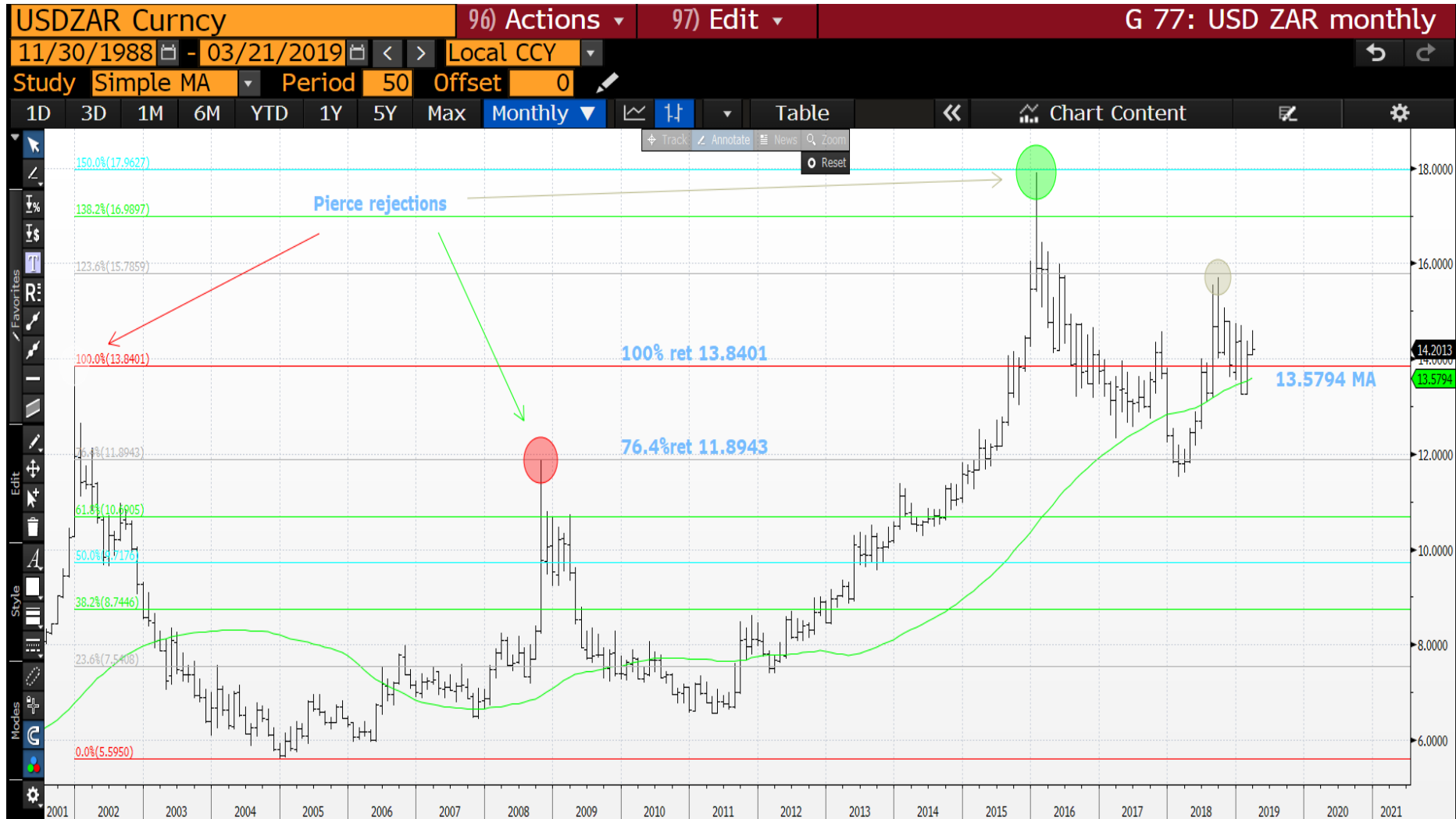


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USD TRY monthly : We have opened above last months high so this has tempered the bearish view.

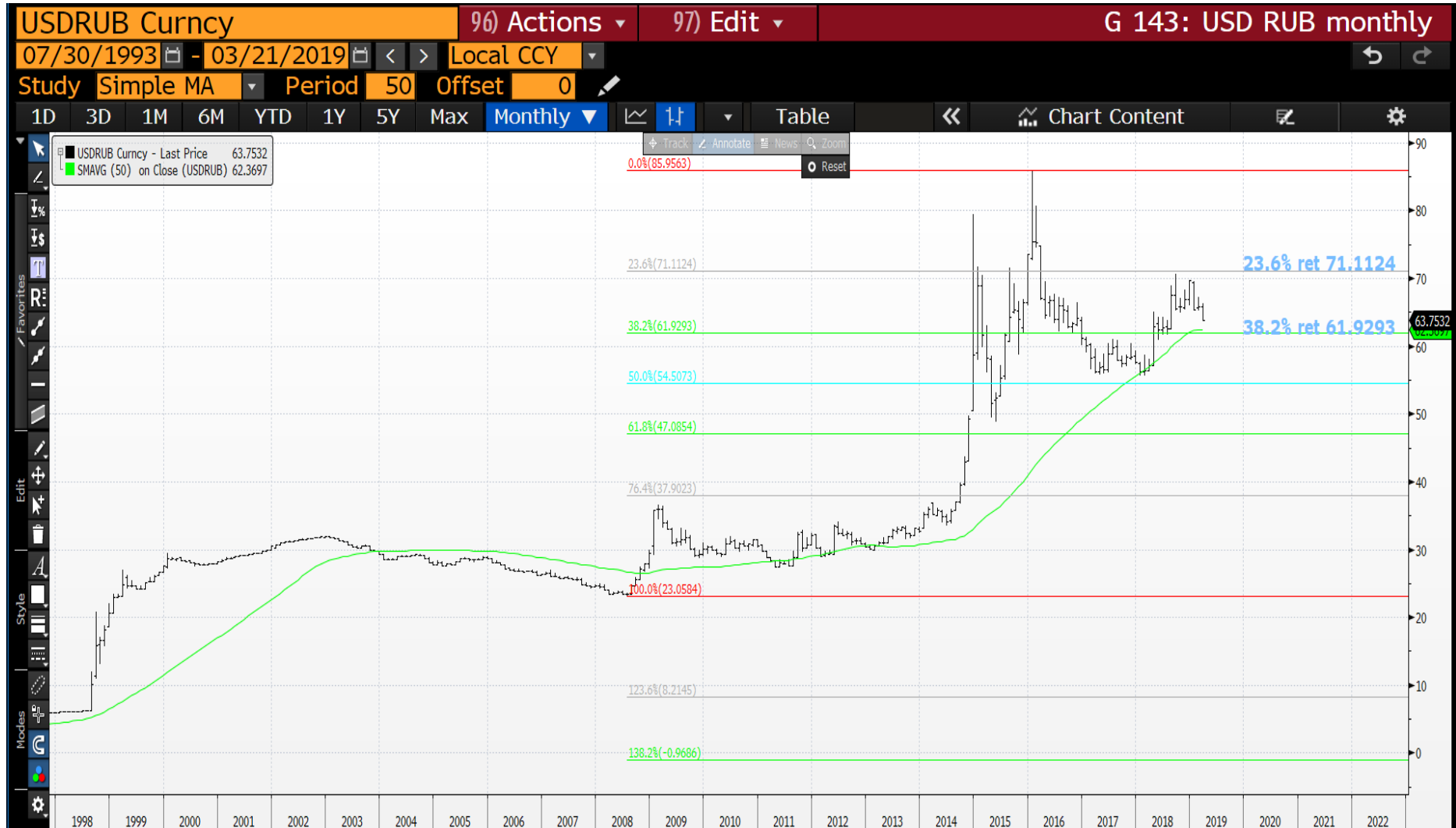


USD ZAR monthly : A nice reversal on the month and opportunity to breach the 100% ret 13.8401. Plenty of scope for ZAR appreciation.



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USD RUB monthly : A nice break of the recent low and the next big test the 38.2% ret 61.9293. Don't forget this is a MULTI YEAR top.

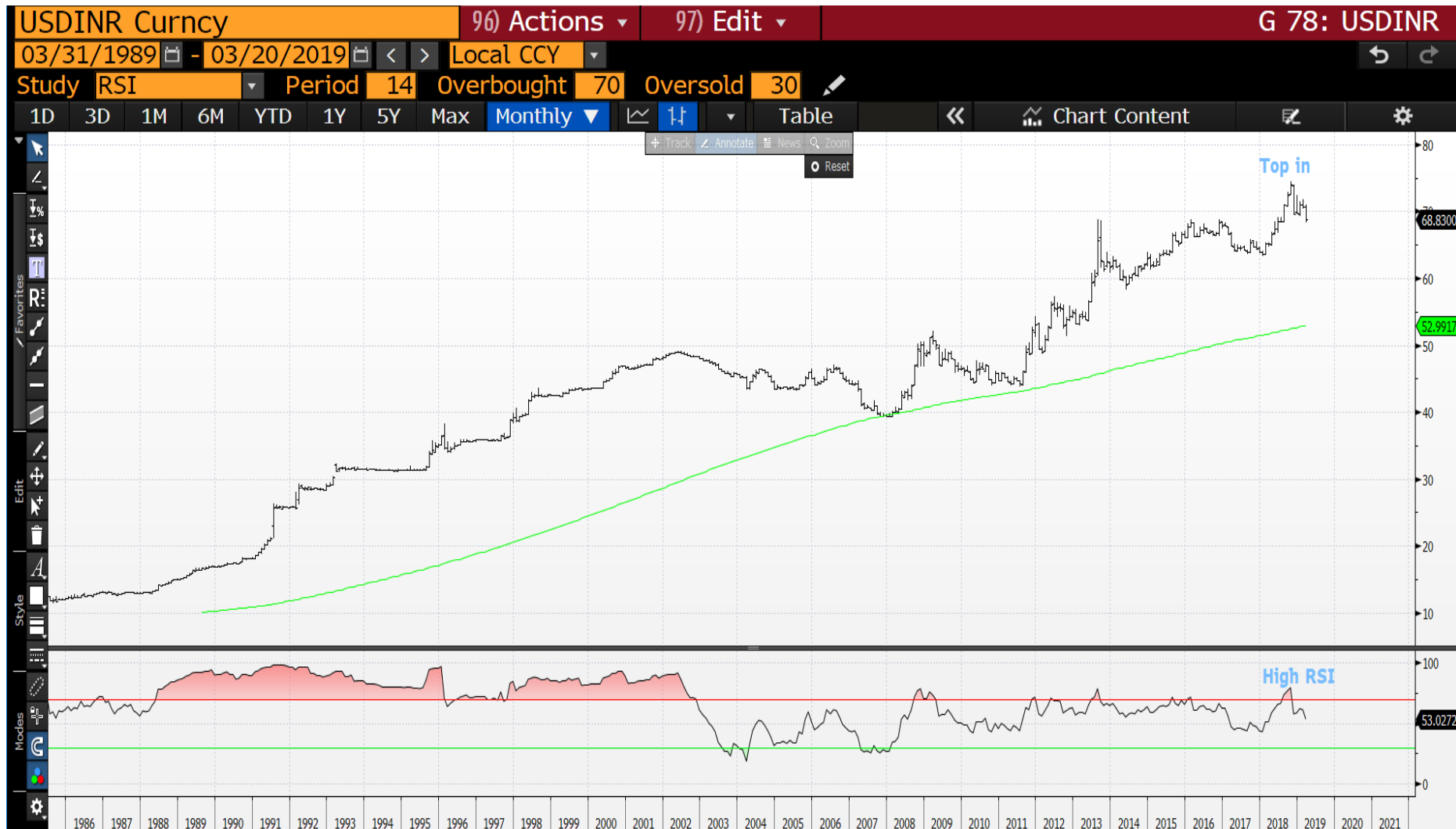




USD CNH monthly : Certainly one to note going forward given its TECHNICAL HIT! We have failed the multi year 100% ret 6.7850 and heading toward 6.6000.



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



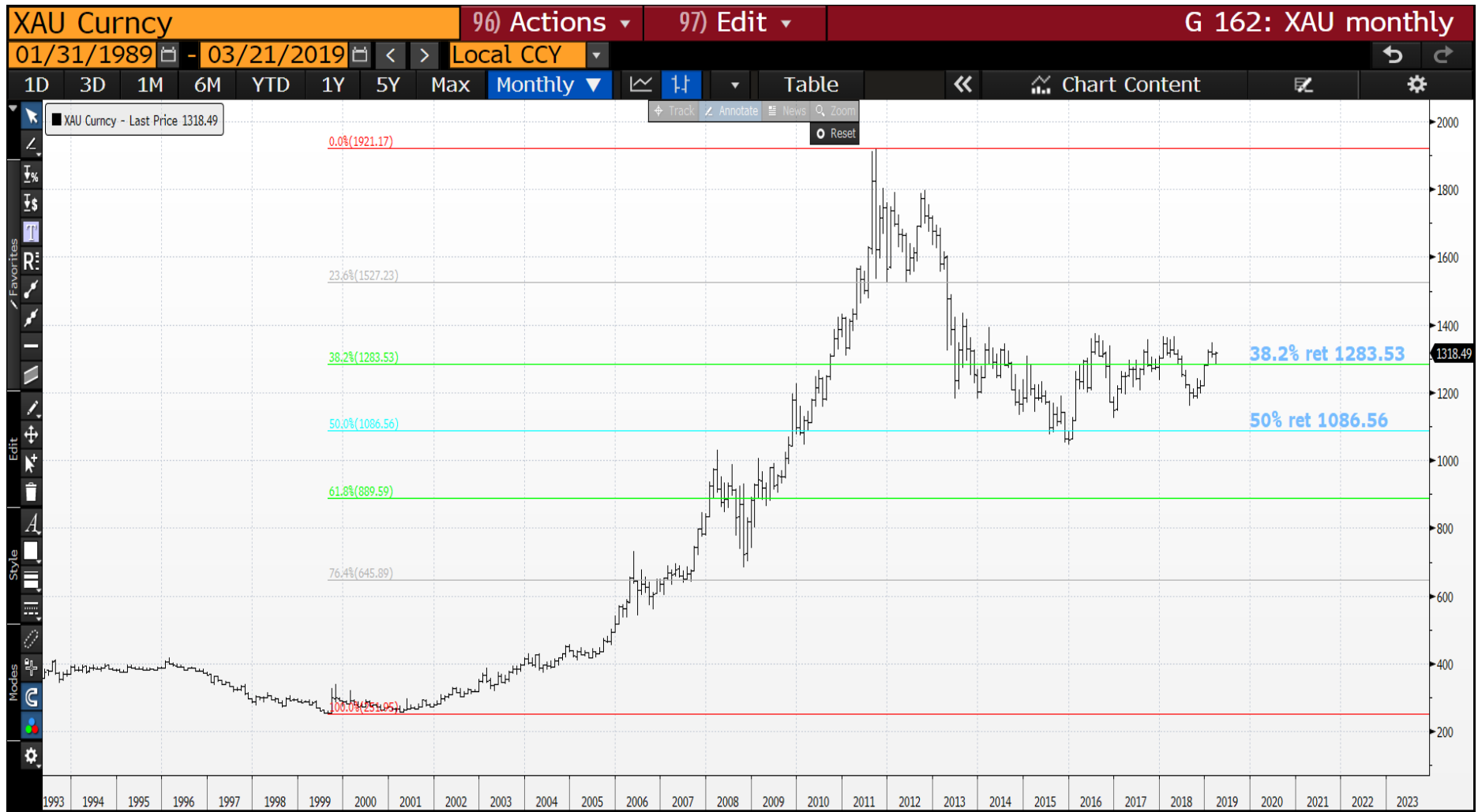
CL1 monthly : A TECHNICAL chart given we have hit and held the 76.4% ret 42.72 first time down. It seems we need to see the 61.8% ret 62.75 first, before the next drop.



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GOLD monthly : If the world is going to chase yield and stocks fail then GOLD must be a massive “value” “ safe haven” DRAW. All positive whilst above the 38.2% ret 1283.52.



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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