

## **BOND UPDATE : Yields remain TOO low and we WILL bounce!**

Ideally the **PROCESS** for the month needs to be, a **YIELD RALLY** post **NON FARM**, (“front load” the month with a yield higher **BIAS**), then late on **DROP BACK** to close at the **LOWS ALREADY** in place. We shall see, but this would be the optimum game plan, plus too many think they can manipulate the **FED**.

All **US** weekly yield charts have **REDICULOUS** **RSI**'s so anyone buying bonds here is challenging major historical dislocation. (See pages 3,7,11,15). This is the difficulty as previous yield rallies from this extension have been sizeable, highlighted by the **LAST** rectangle on each chart. Additionally most have hit and **HELD SOLID** retracement levels. The daily charts also compliment the call for higher yields.

**\*\*I finally think it is worth SHORTTING** bonds, ideally with stops above yesterdays highs OR preferred at recent yield retracement, listed on the weekly charts **\*\***

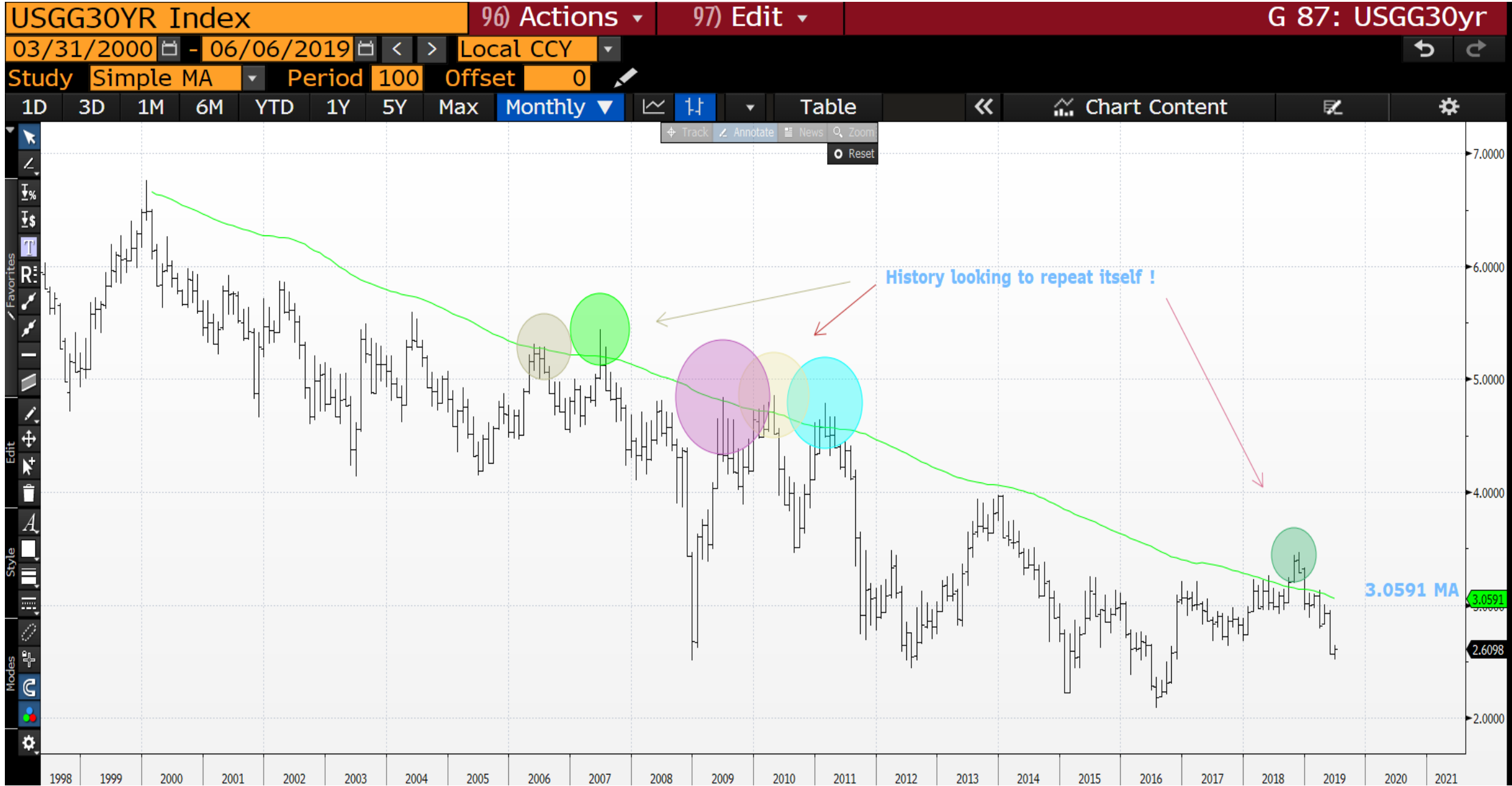
### **US 5-30 curve**

This was the quickest stop out (post yesterdays recommendation) BUT do think it is worth one last flattening attempt. Stop at 82 initially to be on the safe side and **ADD** significantly on a close sub 74.701. The **RSI** is now on side.

Also remember **ALL CTA** s have rolled and are long given **ALL** major spreads have sold off.

**\*\* Remember this is only “TIME OUT” in a bigger historical yield fall. \*\***

USGG30yr monthly : The great thing is this month we have already made a NEW YEAR low so the “damage” has been inflicted. We can travel up last months extended range knowing we will revisit those lows at month end.

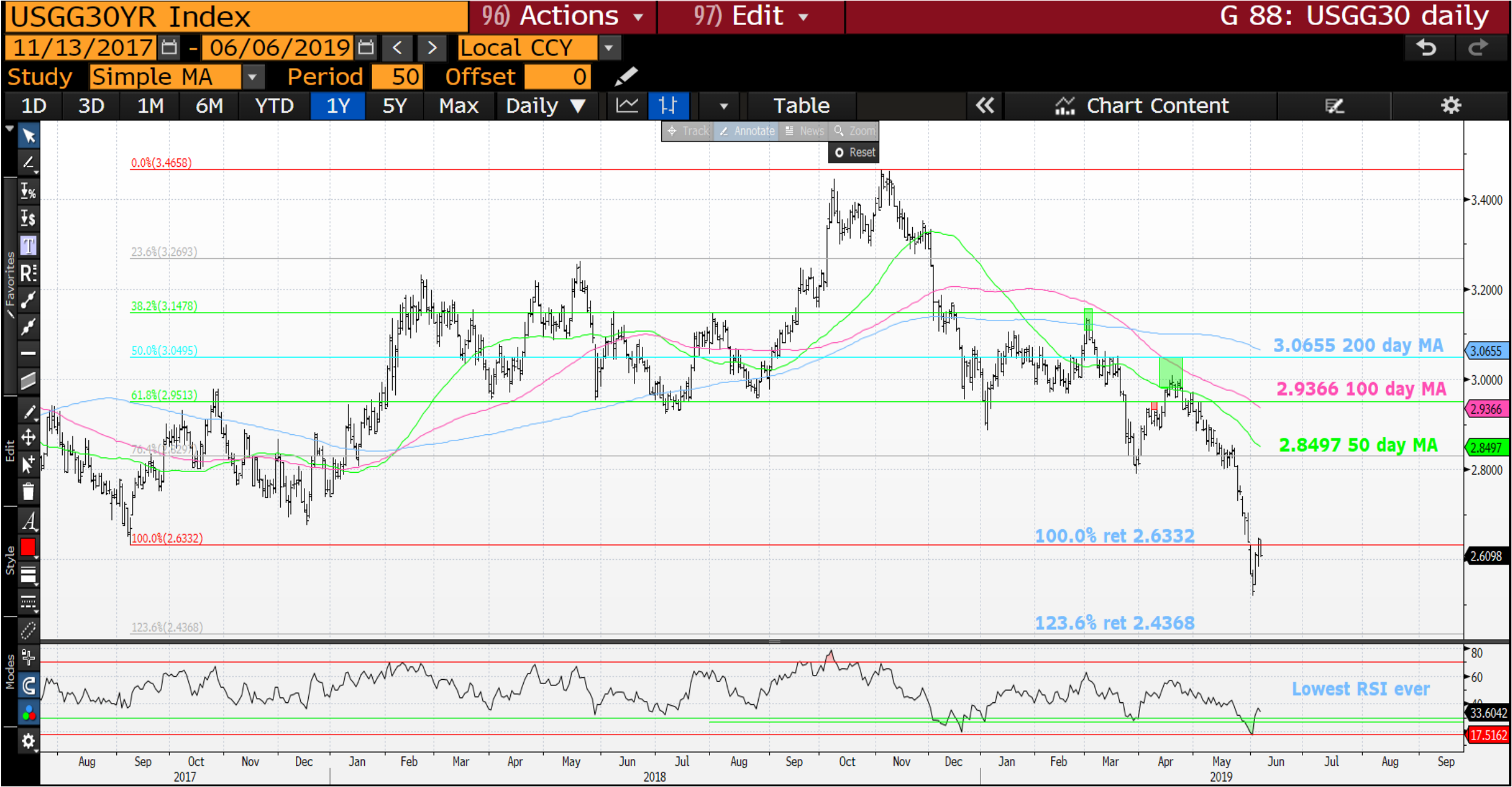


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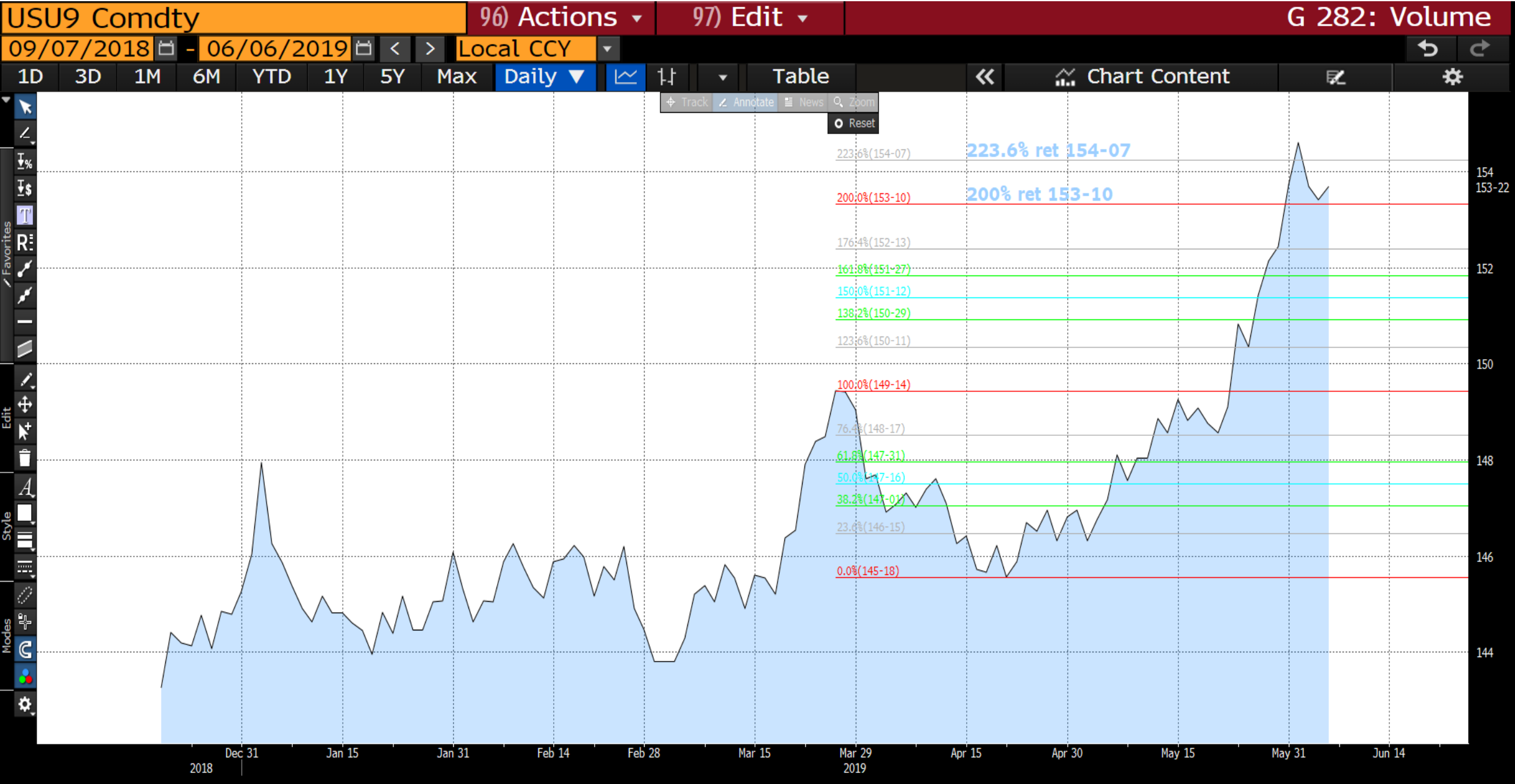
USGG30yr weekly : This is the PROBLEM chart given the RSI is SO RARE and more worryingly the performance post previous dislocations! We could see 3.500 if this chart is right so don't fade the move too early, that said the daily should help formulate a yield top worth properly fading. Also all stops on ANY bond shorts if the 23.6% ret 2.5334 is breached.



USGG30yr yield daily : The daily RSI is the LOWEST EVER and the latest drop was too fast. Sadly no retracement hit.



US 30yr futures daily : We are teasing the 223.6% ret highlighting this has been an incredible bounce. Providing we continue to fail the 223.6% ret 154-07 then a breach of the 200% ret 153-10 will be painful.



US 10yr yield quarterly : The long-term historical view remains for lower yields.



USGG10yr weekly : Another PROBLEM chart given the RSI, SOLID retracement hit and previous BOUNCE! Again don't get TOO drawn in to FADING the yield rally early GIVEN the RSI is the lowest since 2011! The daily RSI will help with a TOP.



USGG10yr daily : No level hit but what an RSI.



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US 10yr futures daily : Again we have been drawn to the 223.6% ret 127-08+ extension and we are FAILING IT NICELY.



USGG5yr quarterly : We have breached the 1.9877 moving average and thus should continue lower.

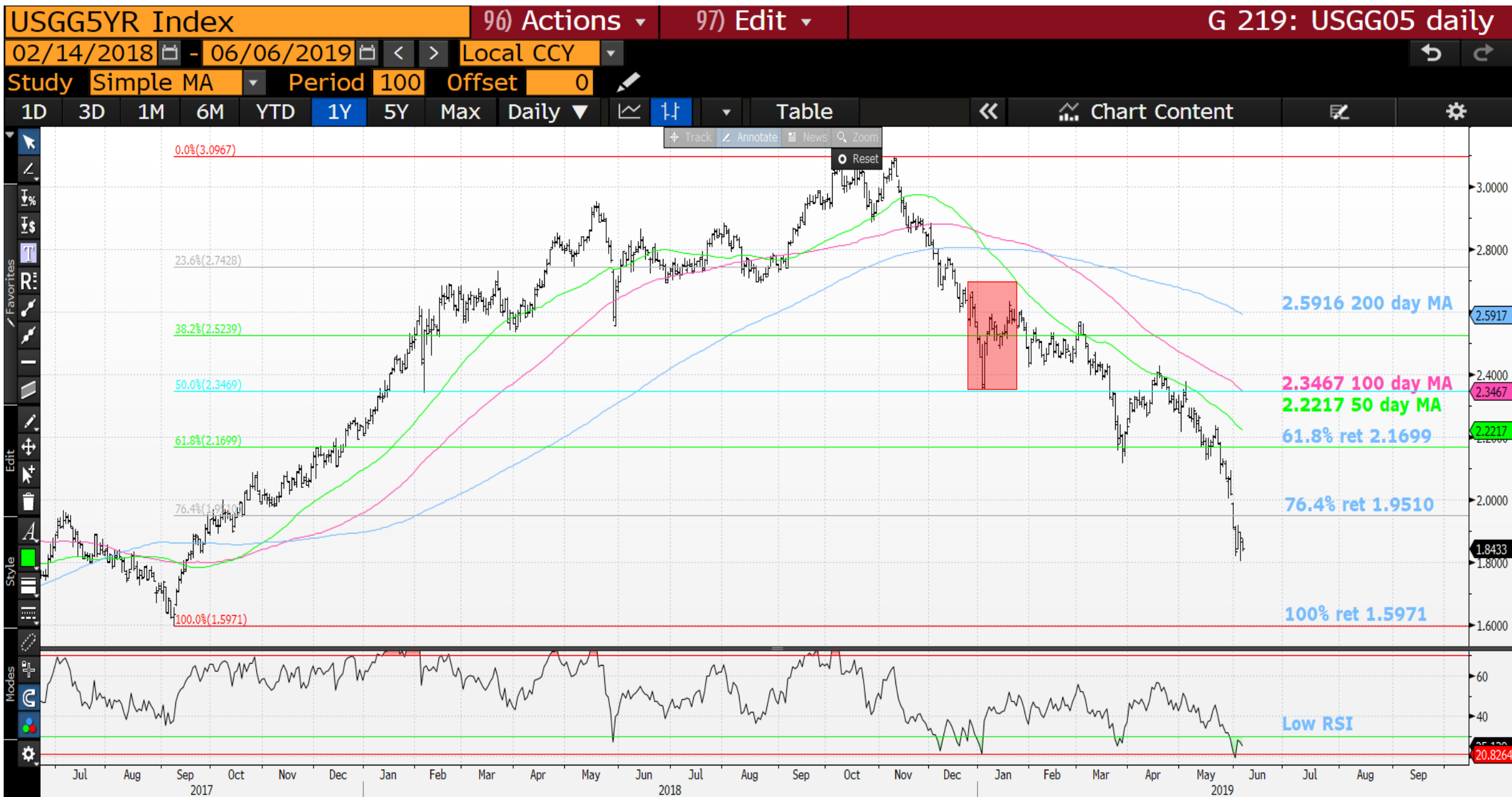


USGG5yr weekly : Another PERFECT and PROBLEM CHART. We have hit and HELD the 50% ret 1.8167 and this time the RSI is at 2010 levels. Big worry again is the level of bounce previously!



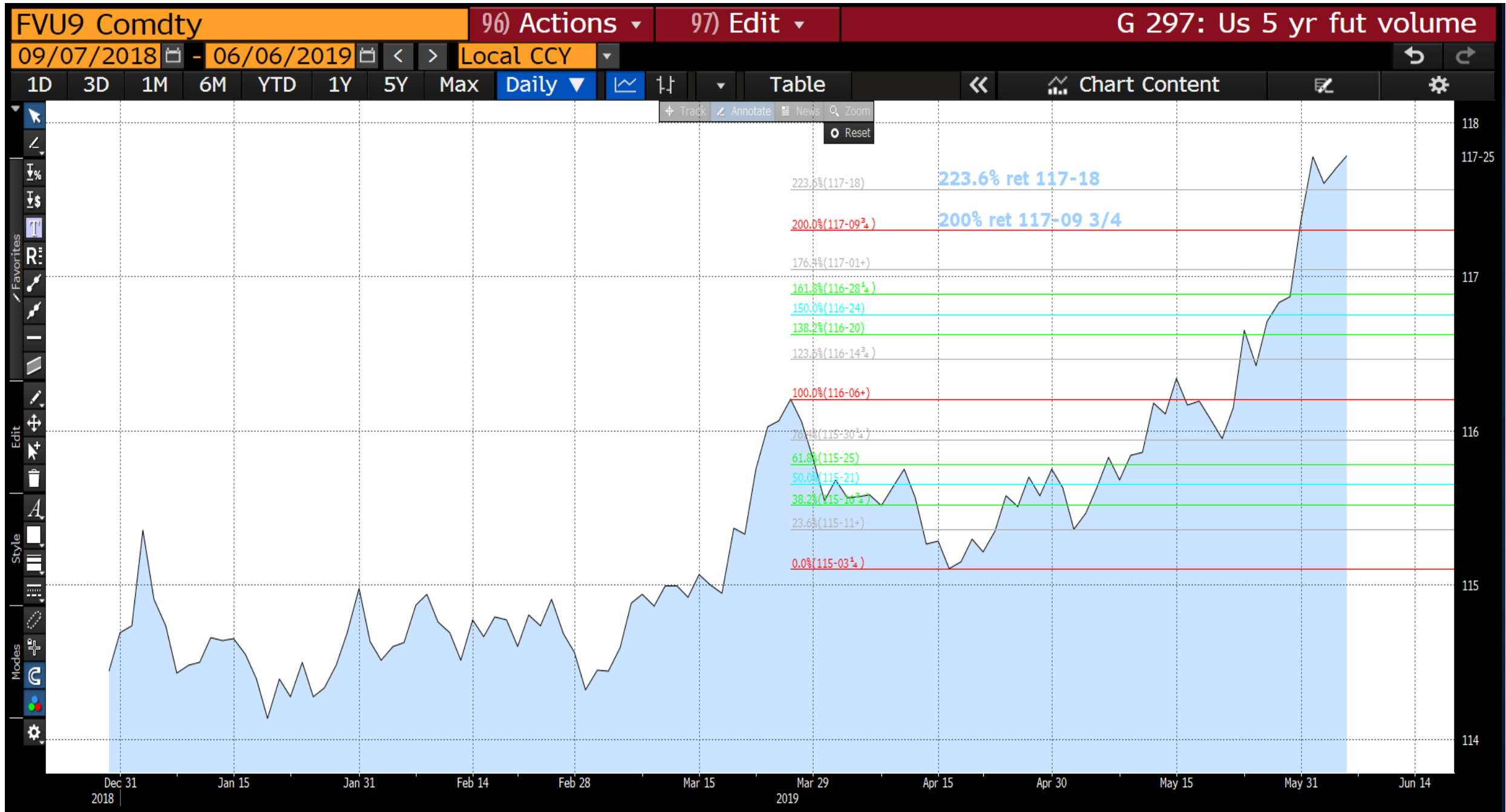
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USGG5yr daily : We might be SUB all major moving averages but the RSI is over extended here too.



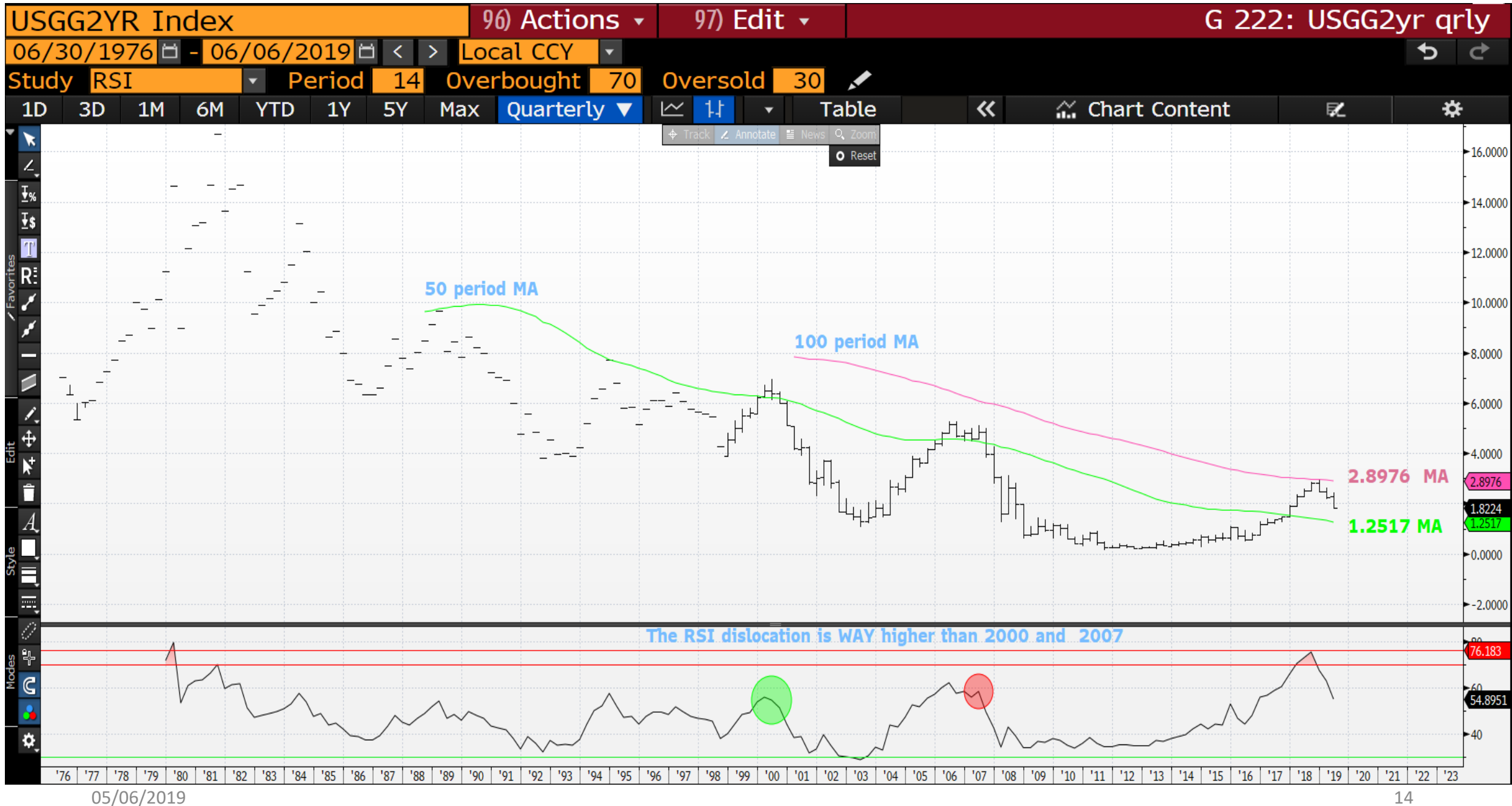
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USGG5yr daily : This market is more over extended than others i.e. above the 223.6% ret 117-18 hence helps add credence to the US 5-30 flattener.

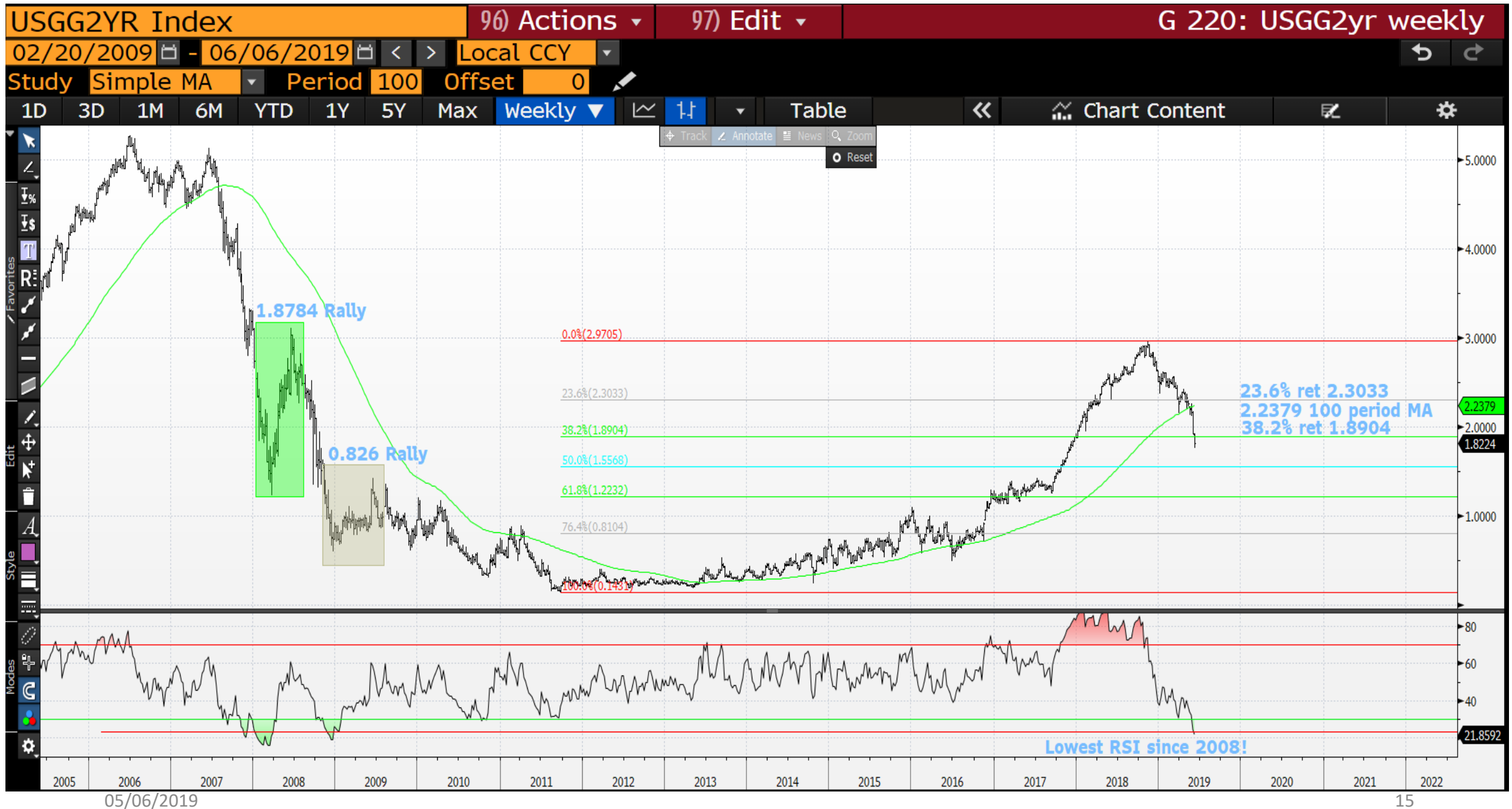


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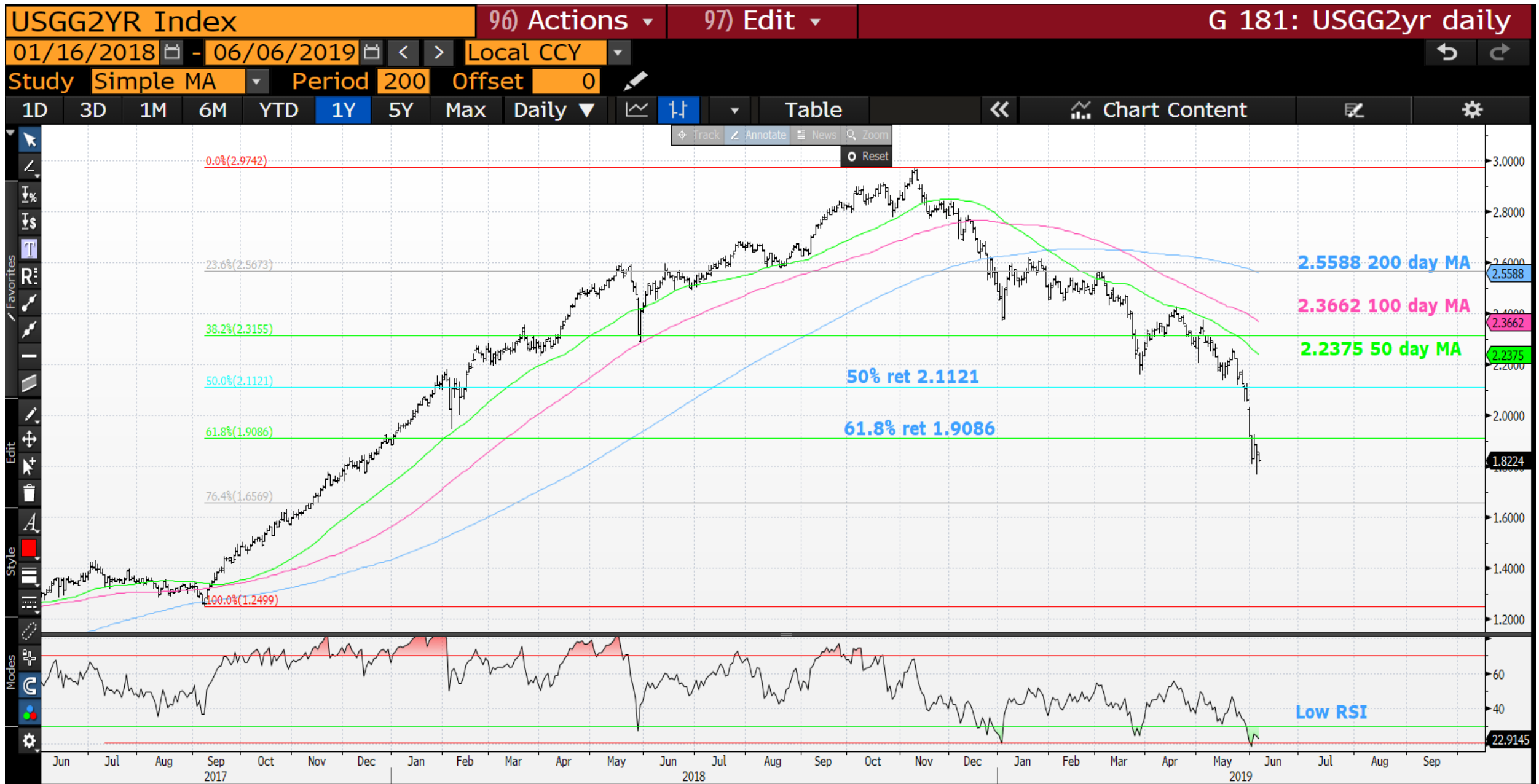
USGG2yr quarterly : This chart is very clean and clear in its representation, we have hit a rare 100 period 2.8976 with an RSI dislocation matching that of 1980. This really is forecasting SIGNIFICANTLY LOWER YIELDS.



USGG2yr weekly : Main focus here is the RSI, the lowest since 2008! Back above the 38.2% ret 1.8904 should form a HOLD.



USGG2yr daily : The RSI is prominent and a close above the 61.8% ret 1.9086 negates all shorts.



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USGG2yr daily : A PERFECT technical performance hitting the 223.6% ret 107-17 1/8<sup>th</sup> on the NOSE. Other technical hits highlighted.

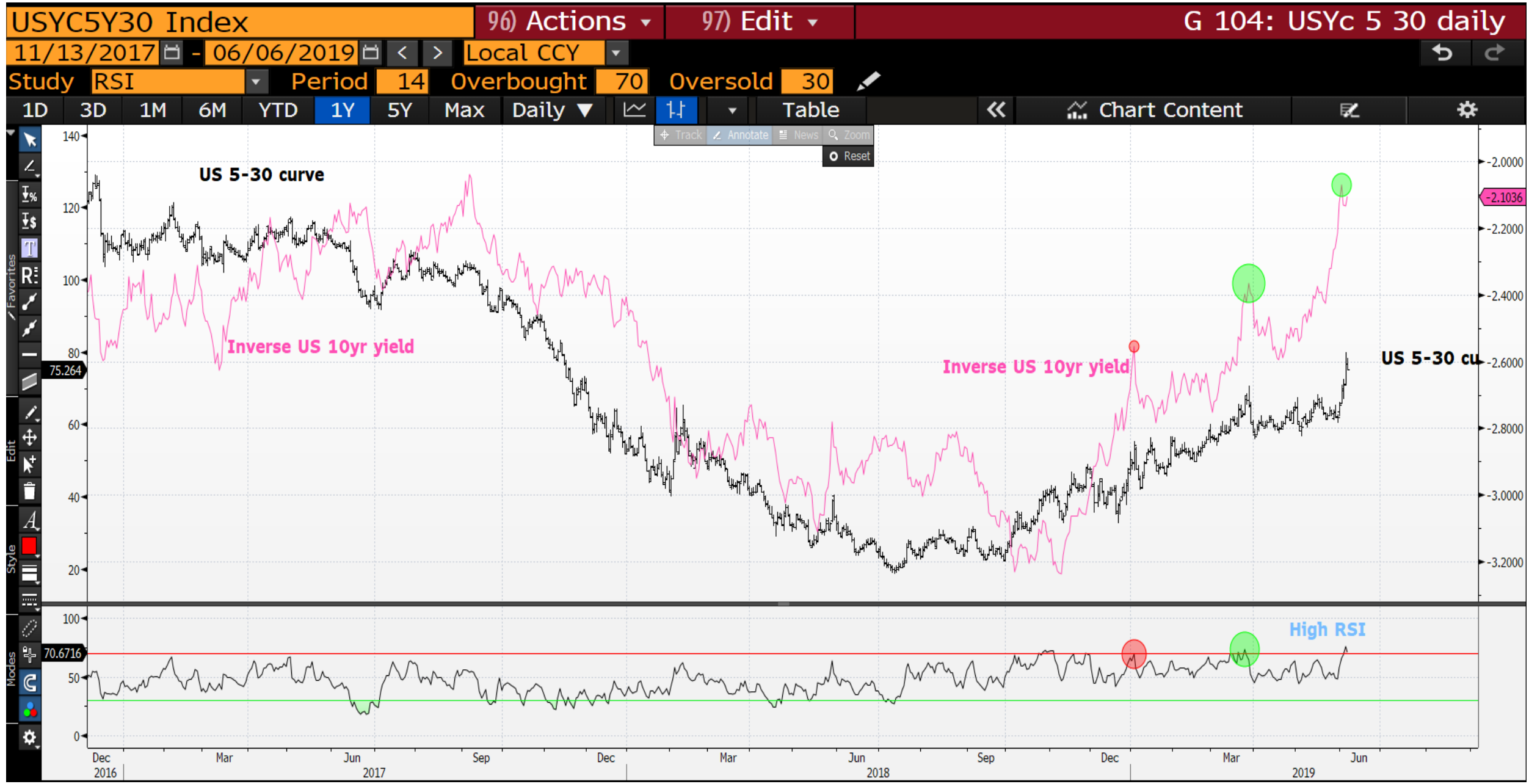


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US 5-30 curve weekly : TAKE TWO : Given looking for US yields to bounce then selling into a US 5-30 flattener should work well. The 5yr sector has the "longest reach" above the 223.6% ret. Any stop would have to be at 82.00 initially and ADD on a close below the 23.6% ret 74.701.



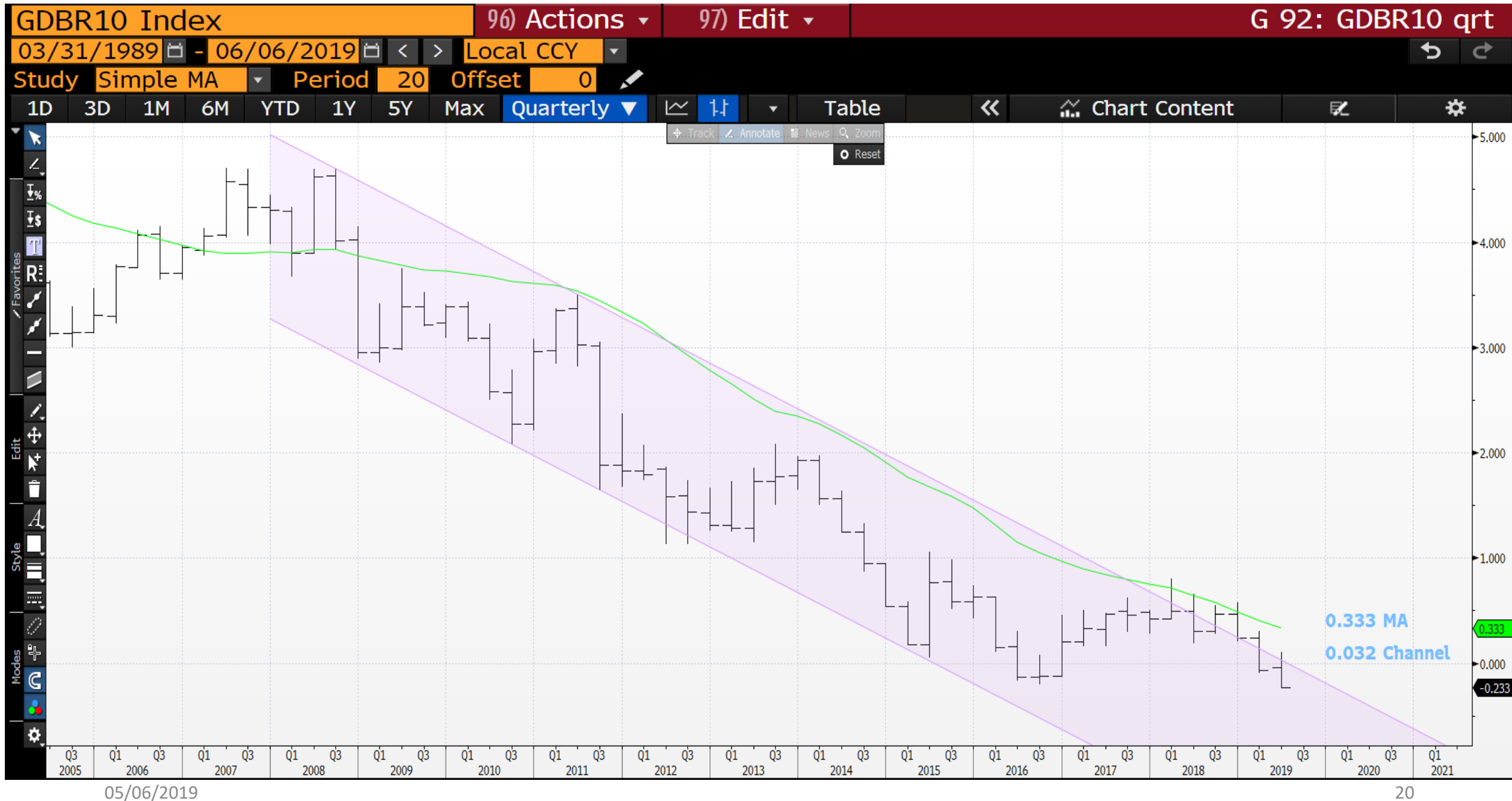
US 5-30 curve daily : The daily curve RSI is now extended and vindicates the call flatter.



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Generic German 10yr quarterly : Despite the yields involved we look to continue a lot lower.

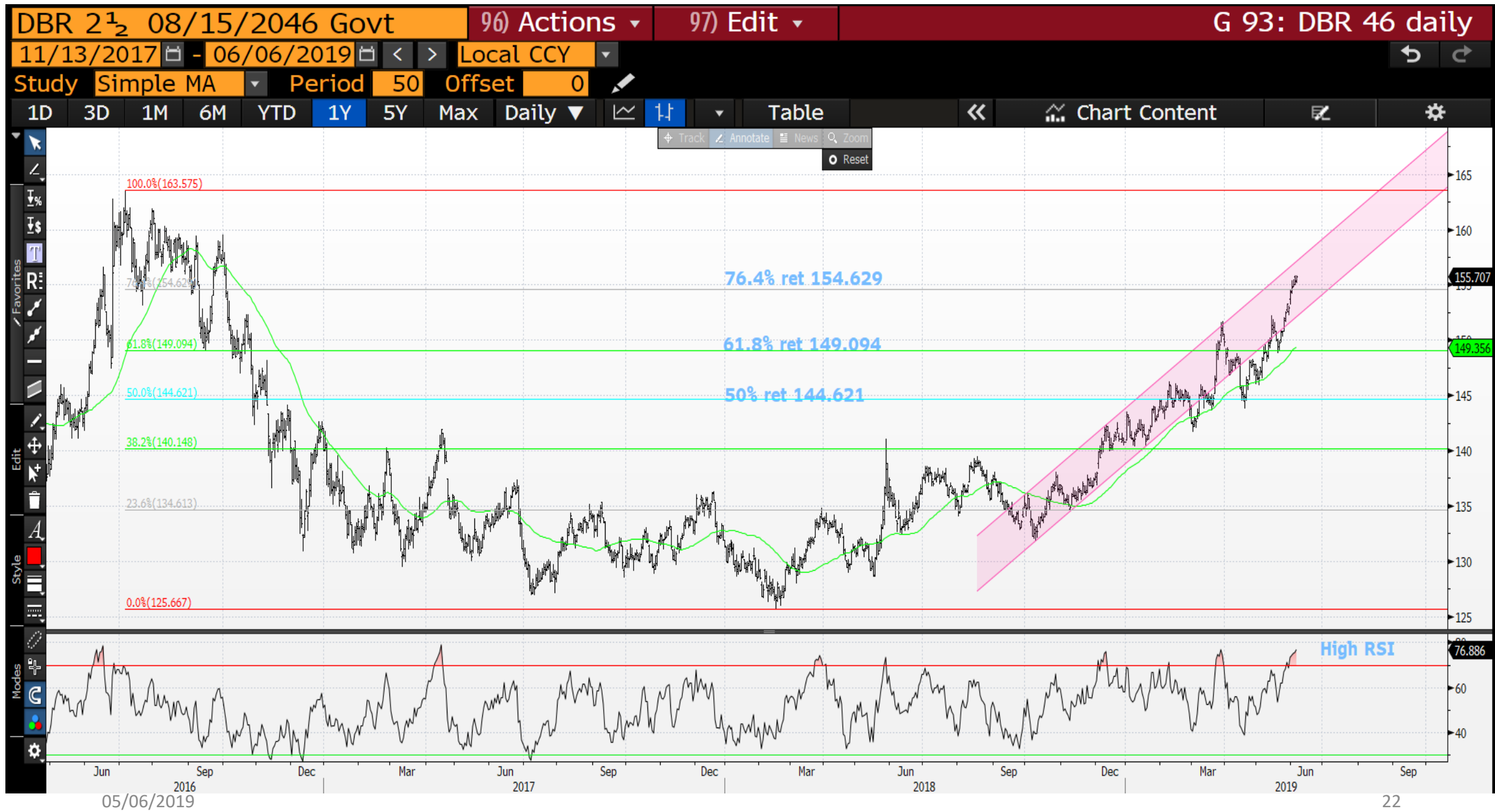


Generic German 10yr daily : Europe is less stretched compared to the US but this RSI remains low. We should see yields recover!



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DBR 46 daily : As always the ever reliable bond but take off all longs if we breach the 76.4% ret 154.629.





GUKG10yr daily : The RSI now looks very LOW.





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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