

## Technical Analysis

BOND YIELDS HIGHER FOR 2015 : UPDATE. REMAIN VIGILANT THE MONTH ISN'T OVER!!!  
ITS QUIET BUT STILL TIME FOR YIELDS TO CLOSE STRONG ON THE MONTH AND WRONG FOOT  
EVERYONE.

\*THE CORE VIEW REMAINS FOR HIGHER YIELDS BUT WE DO NEED TIME TO RECOVER.\*

\*\* MAYBE JOIN THE FLOW AND BUY BUND JUL 150 P BOUGHT FOR 12.5/13 TICKS IN 20K\*\*\*

# THE DILEMMA

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It appears that NO ONE apart from me is bearish bonds!

I have listened to a lot of RM accounts tell me why they have to be long and totally agree, only a technician currently can stand up in any morning meeting and call bonds lower. Technically, we are on course for a major reversal of last year and hope the charts below portray that. Whilst the longs cannot relinquish their positions, I still feel some protection via a futures hedge or options risk reversal are in order. This is a significant week and ALL are long cash bonds, all countries and all maturities awaiting the central bank golden buy ticket. Longs are in a very crowded place and the REAL MONEY is nervous about its "NEW QE long" friends. Open interest in futures does not reflect any hedging taking place so the exit door "if needed" will be too small!

I have been watching UK 60 's of late as I feel the back end (where the yields were previously high) is in danger, these bonds are already back 38.2% from the initiation of the rally in mid 2013! Also many peripherals are significantly over bought already. QE needs to work or yields will rally BIG TIME, I feel people will struggle with the speed of the bond drop and any curve moves will predominantly be associated with liquidity issues rather than the normal correlation process. A dangerous time !Post Non Farm yields have rallied. CTAs continue to drive bonds lower as the REAL MONEY long decide what to do next. Asian accounts have been significant sellers throughout Feb so we'll see if they are back in Monday. Everyone remains long bonds given various fundamental reasons but if stocks rally hard then bonds will see yields rise too. We have run numerous liquidation stops but the move has a lot more momentum.

We have seen a massive forced liquidation and finally people are hedging off positions with futures given the recent increase in open interest. I stepped in front of my own yield call higher yesterday i.e. looking for a bond bounce but IT really looks like this is enough! Non Farm could formulate that bounce what ever the number. The yield bounce is too exaggerated and so bonds should bounce but location and expensive vol make entry tricky. Look at the DAILY charts for bond bounce view.

Yields drifted for the second half of this month but I feel that they will recover today, post the month end extensions. Speaking to REAL MONEY the world remains long bonds (with some token hedging in bunds and bobl), the latest bond price bounce is realistically VERY MUTED especially in PERIPHERALS !

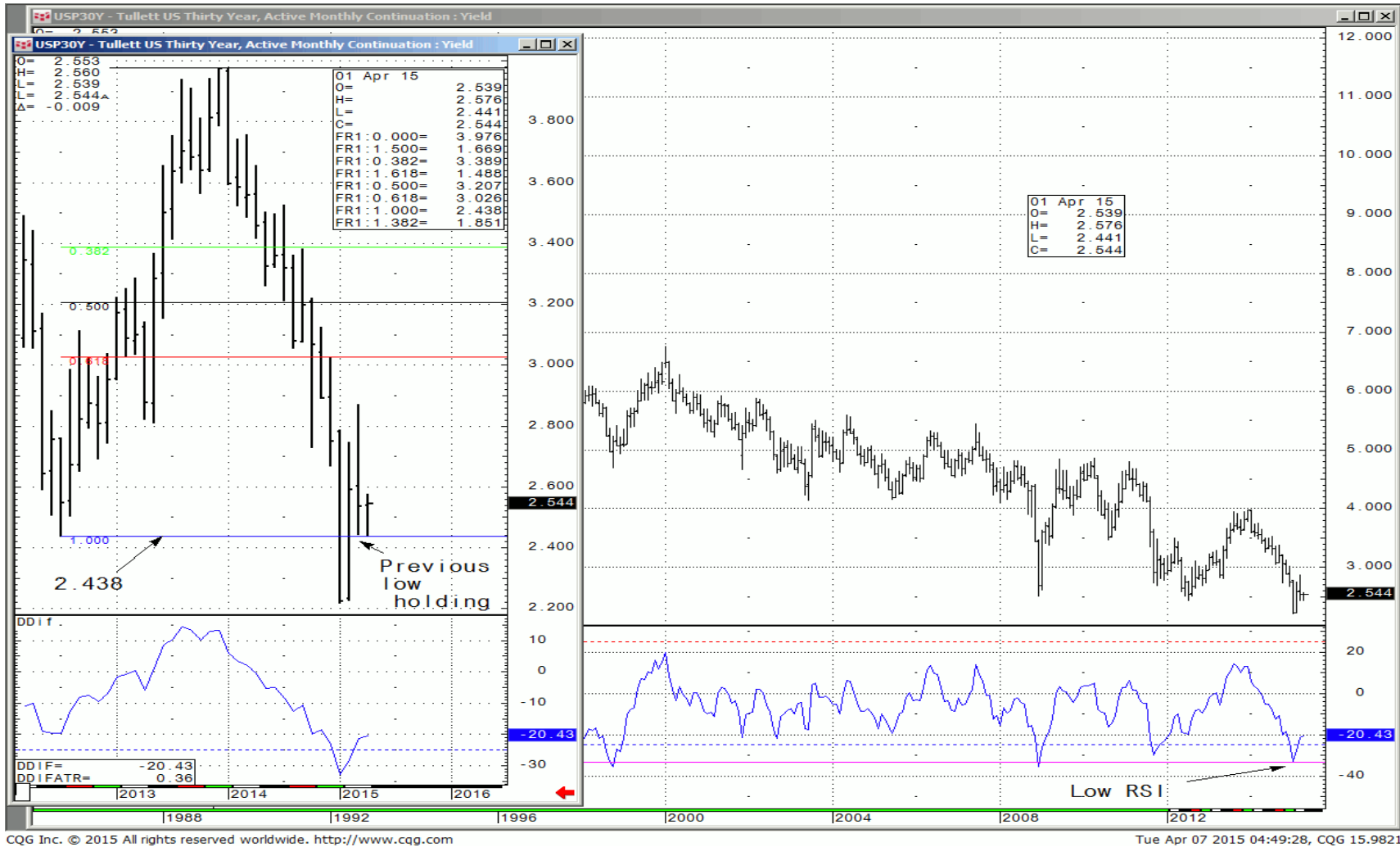
Be prepared for every eventuality today as many WEEKLY yield charts are VERY bearish yield-contradicting the monthly-yearly call. Tonight's auction and month end extensions are very important, My best scenario is a price rally into month end then a significantly poor auction.

\*\*\*\*Trade to do : Buy some bond downside despite VOL being high(ish) taking the view that the auction is poor and yields rally into June.\*\*\*  
Trade flow this morning BUND Jul 150 P bought for 12.5/13 ticks in 20k

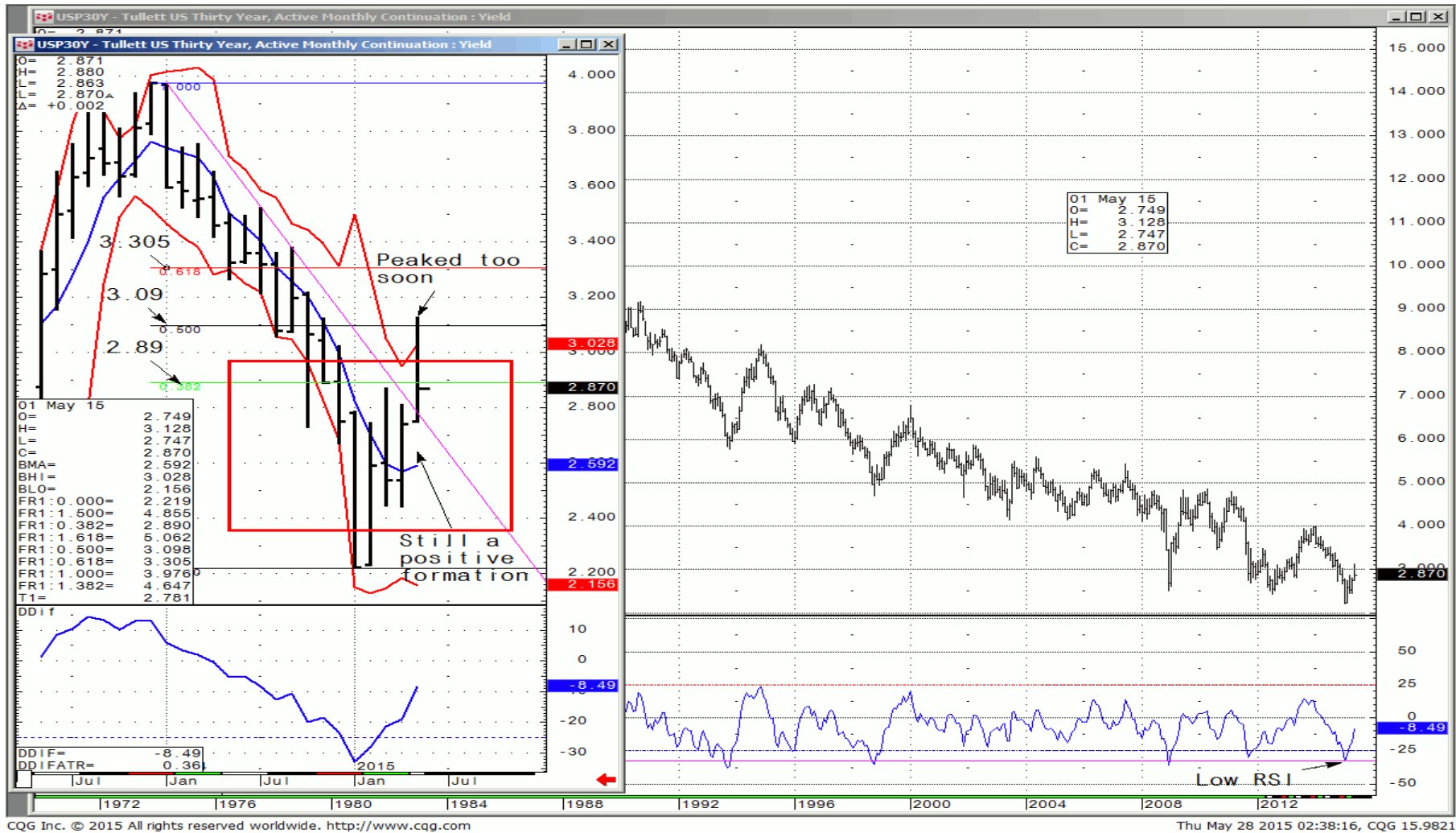
A key close so remain vigilant despite the quiet environment.

Update in red

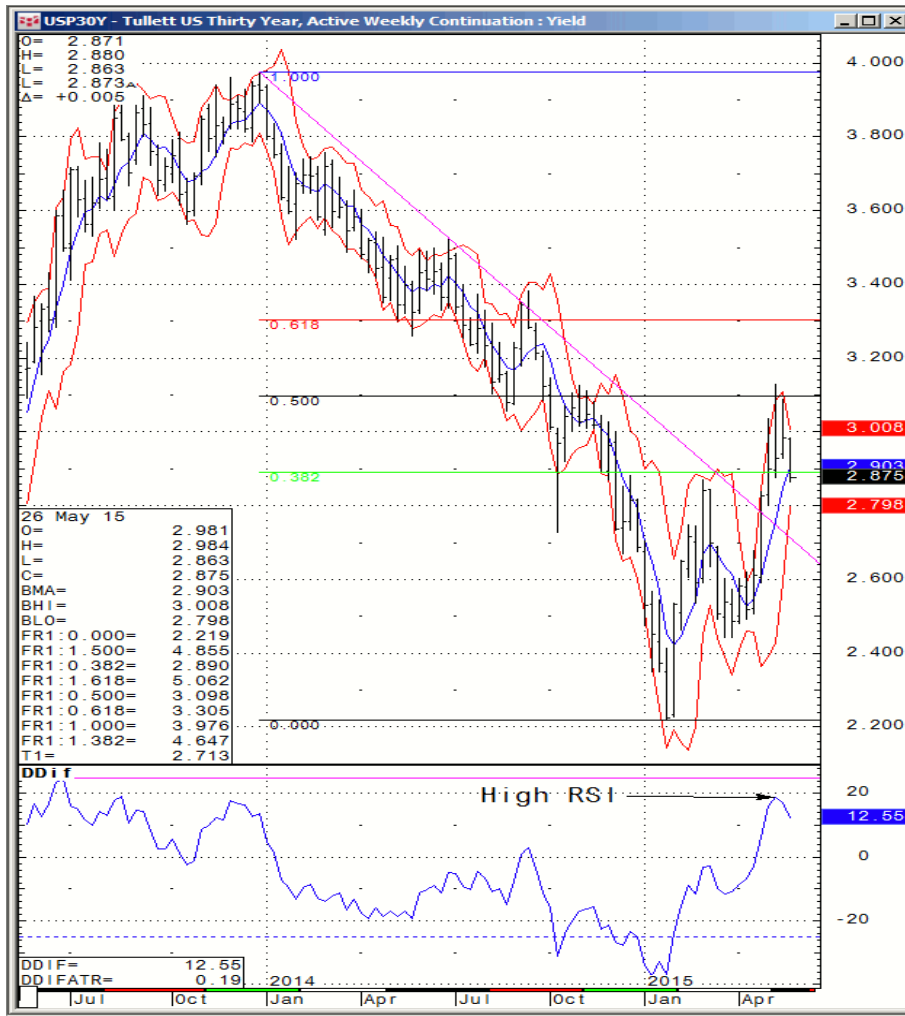
**US 30YR MONTHLY : THIS IS ATTEMPTING TO BASE GIVEN THE NATURE OF THE RSI OVER EXTENSION BUT I DO NEED MORE OF A YIELD RALLY TO CONFIRM THE BOUNCE.**



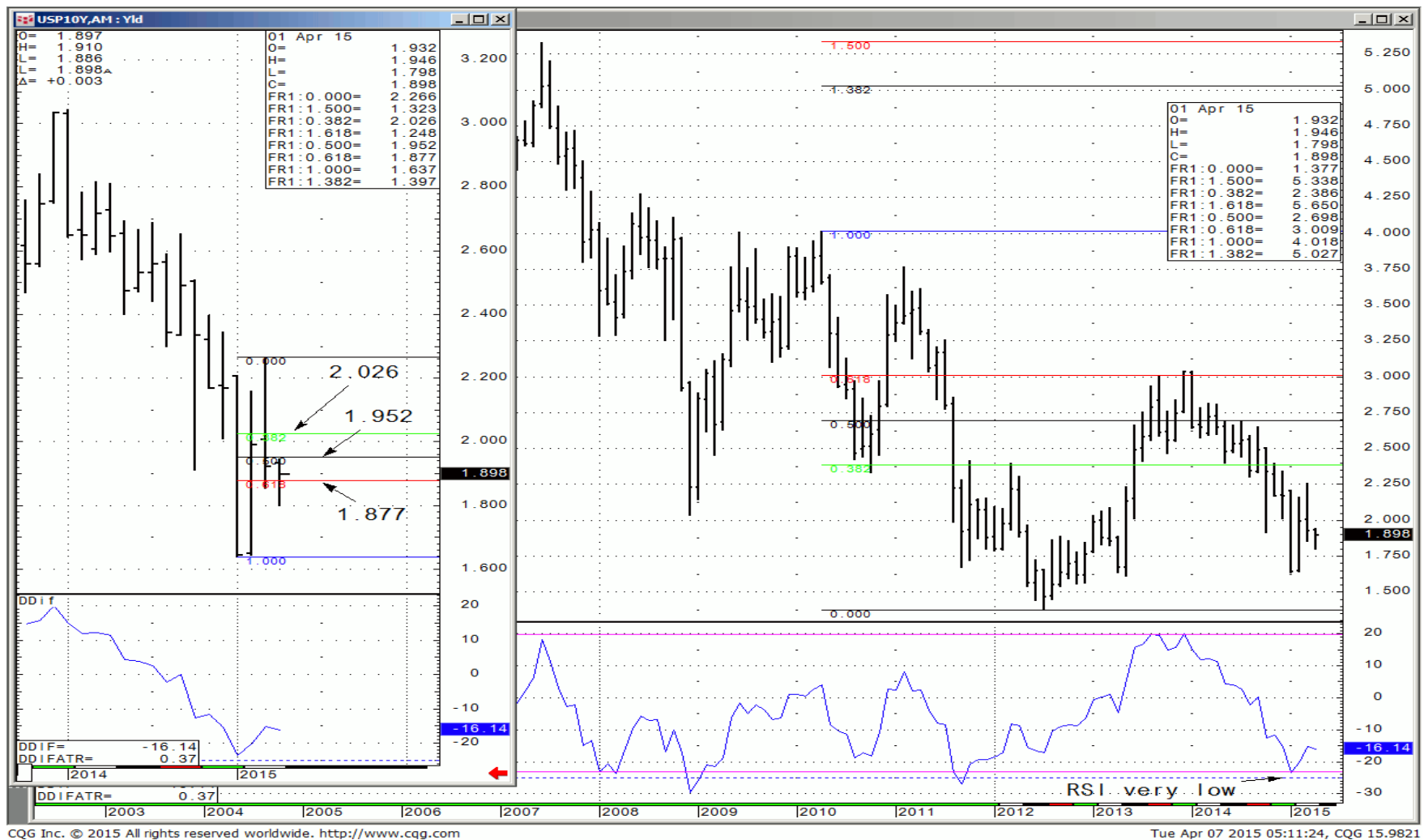
**UPDATE: THE EARLY YIELD BOUNCE WAS AGGRESSIVE AND WE STALLED AT 3.09, BUT OVERALL A CLOSE ABOVE 2.89 WILL BE ENOUGH TO CONTINUE THE THEME FOR HIGHER YIELDS.**



**US 30YR YIELD DAILY: THIS IS WHERE THE CONFLICT STARTS, THE WEEKLY CHART ON THE LEFT IS EXTREMELY BEARISH AND THE DAILY NOT SO, THUS MAKING IT TOUGH UNTIL THE CLOSE IS IN!**



**US 10 YR YIELD: THIS HAS BOUNCED BUT DOES NEED TO BREACH 2.026 TO CONFIRM THE RECOVERY. THE RSI IS THE LOWEST SINCE 2011.**



**UPDATE: WE PEAKED TOO SOON AND FAILED AT 2.34 , IDEALLY NEED A CLOSE ABOVE 2.174 TO REMAIN ON TARGET FOR HIGHER YIELDS ON THE YEAR.**

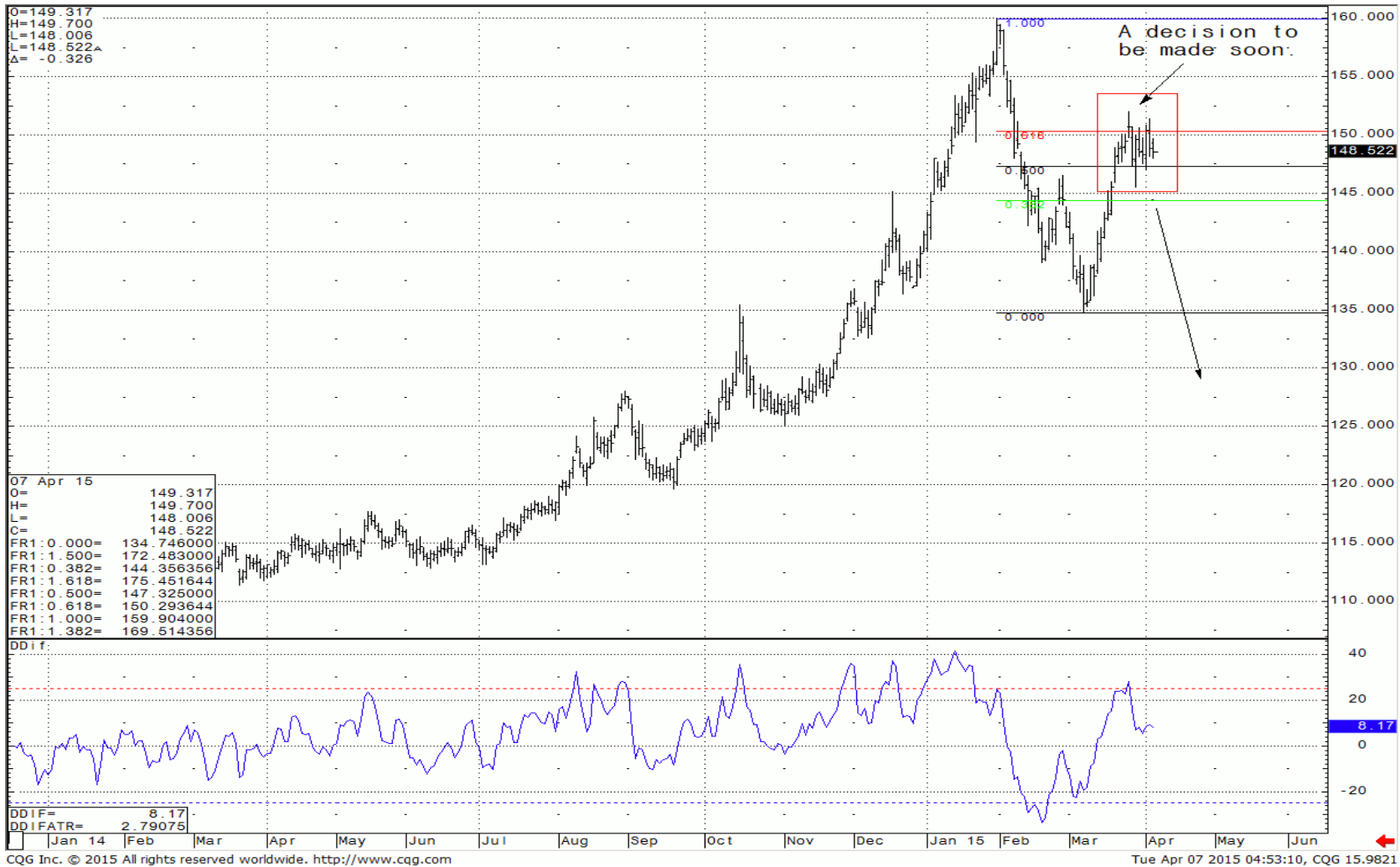


**US 10YR YIELD DAILY: \*\*FURTHER CONFLICT\*\*, LEFT WEEKLY DURATION IS EXTREMELY BEARISH GIVEN THE PIERCES AND RSI , THE DAILY IS LESS DEFINED.**

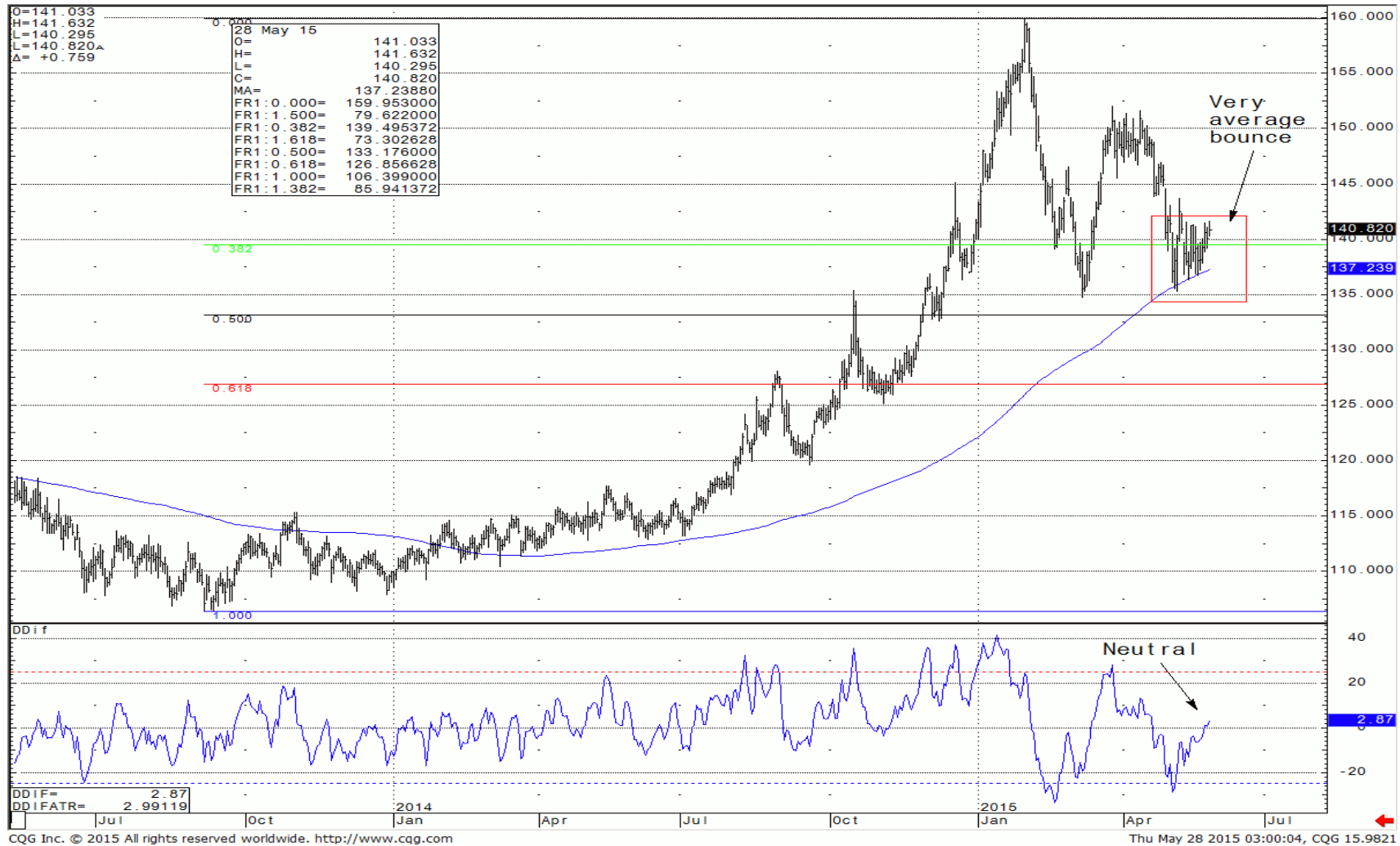




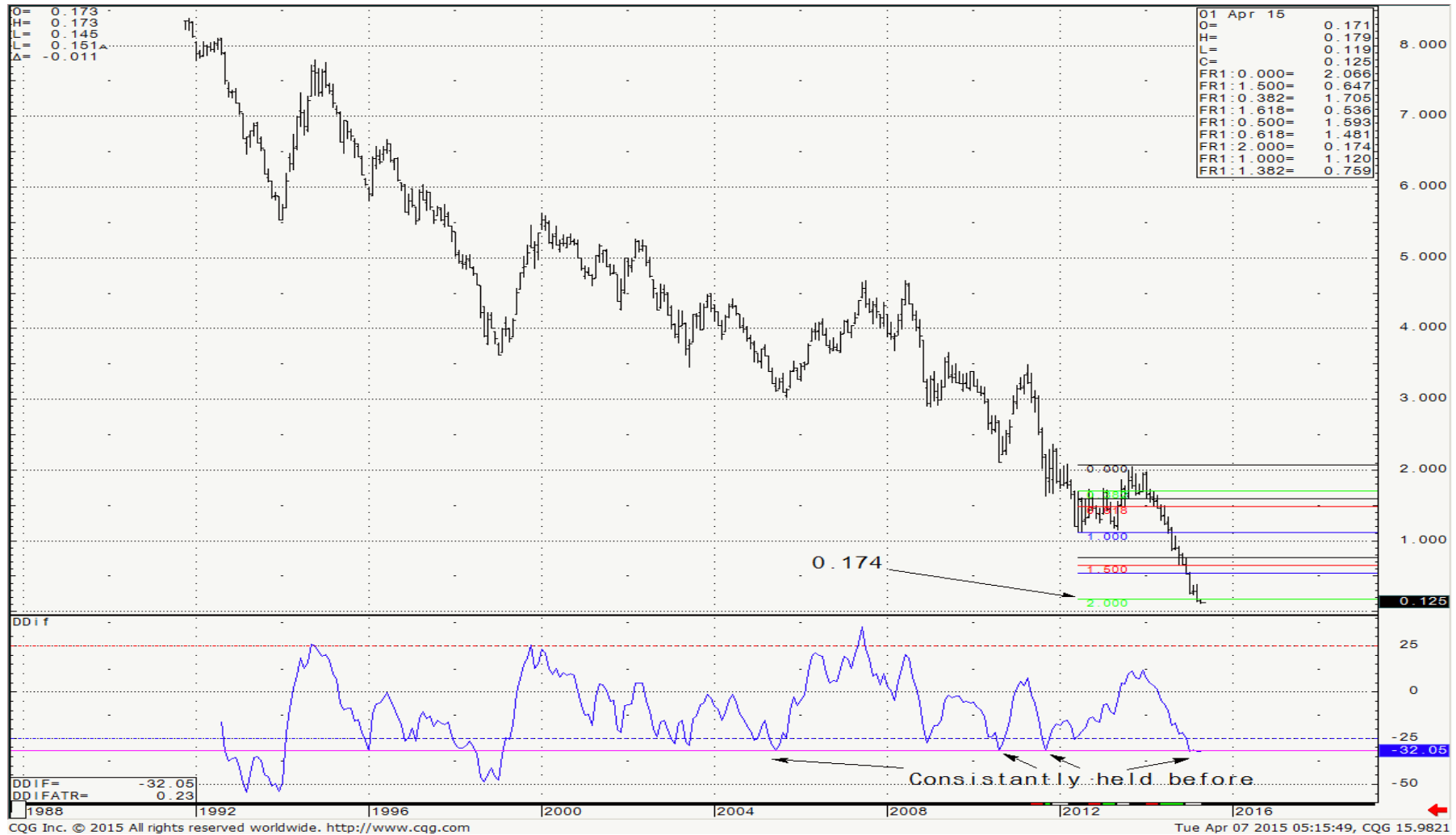
**UK JAN 60'S : THERE IS RESISTANCE FORMING AT THE 61.8% RET 150.28 THUS A CLOSE SUB THIS WILL SIGNIFY A TOP.**



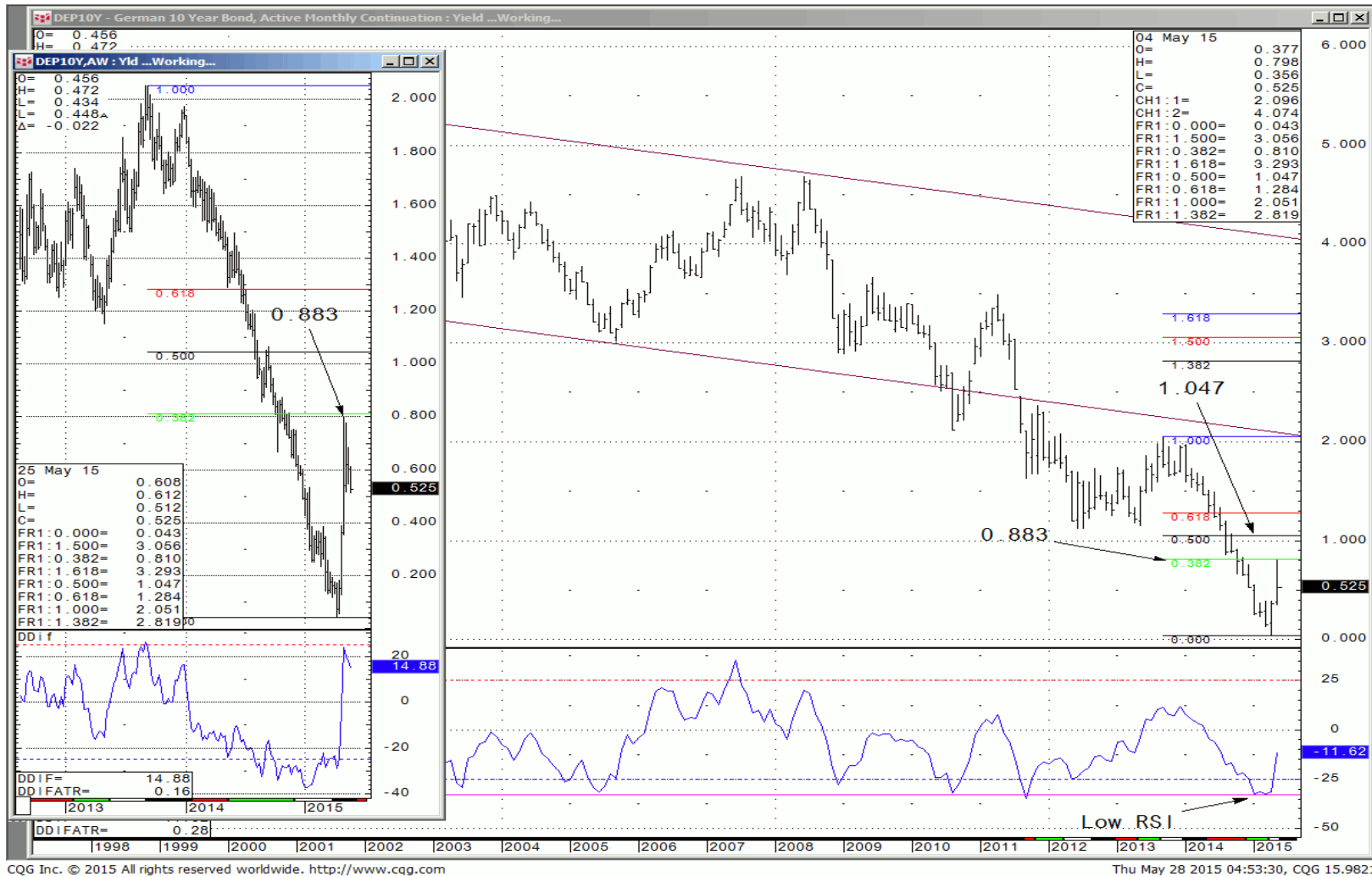
**UPDATE: THIS JAN 60 HAS HELD THE 200 DAY MOVING AVERAGE VERY WELL BUT THE BOUNCE BEEN VERY LIMITED, THE RSI HAS WORKED OFF ITS OVER SOLD STATUS. IF THIS DROPS DON'T FIGHT IT.**



**GERMAN 10YR: IT IS HARD TO QUANTIFY A SHORT IN BUNDS BUT THE YIELD RSI IS HISTORICALLY LOW, ABOVE 0.174 MIGHT FORMULATE A YIELD BOUNCE.**



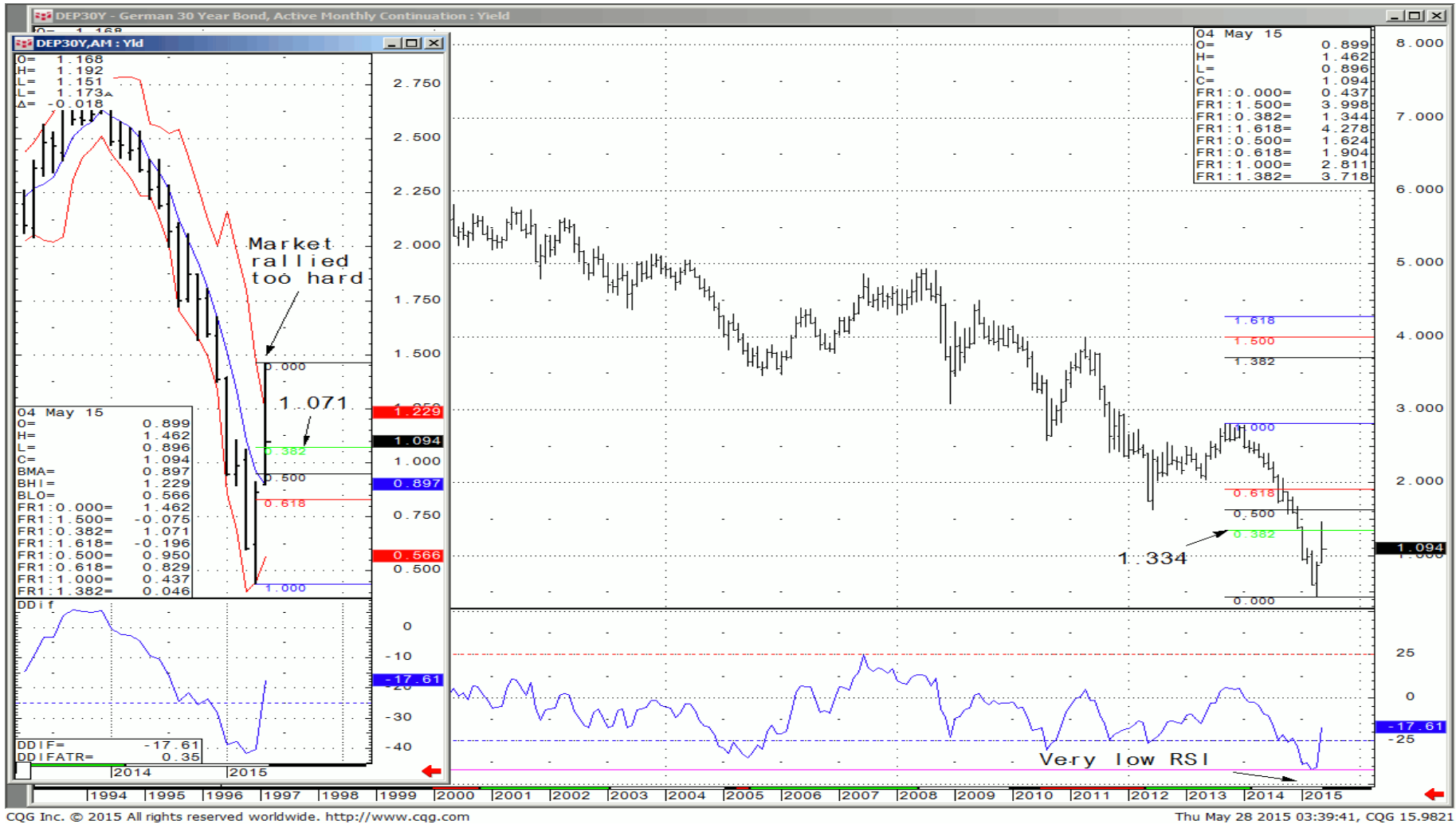
**UPDATE: WE PEAKED AT THE 38.2% RET 0.883 AND THE WEEKLY RSI IS VERY OVER BOUGHT BUT A CLOSE BACK ABOVE 0.65 TO 0.70 WILL HELP.**



GERMAN 30 YR: THESE MAY NEED A DIP TO 0.446 2.00% RET BUT DO NOT THE RSI IS THE LOWEST SINCE 1998.



**UPDATE: WE ARE SUB THE 38.2% RET 1.334 BUT A CLOSE AROUND 1.20 WILL BE SUFFICIENT TO KEEP THE VIEW POSITIVE.**



SPGB 5.15 : DESPITE QE THIS WEEKLY CHART HIGHLIGHTS AN OVER BOUGHT STATUS.



UPDATE: ON THE FACE OF IT THIS HAS BEEN A SHOCKING BOUNCE ( OR LACK OF ) THUS WHILE WE REMAIN SUB 147.57 WE ARE NEGATIVE.





**BTPS 09/44 ; THESE REMAIN OVER BOUGHT AND A CLOSE SUB 150 WILL TRIGGER A TOP/REVERSAL.**



UPDATE: AGAIN NO BOUNCE AND SUB 138.90 IS VERY NEGATIVE.



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