the technical analyst AWARDS 2011 FINALIST

18th February 2019

Market Update:

The irrepressibly Bullish Bund

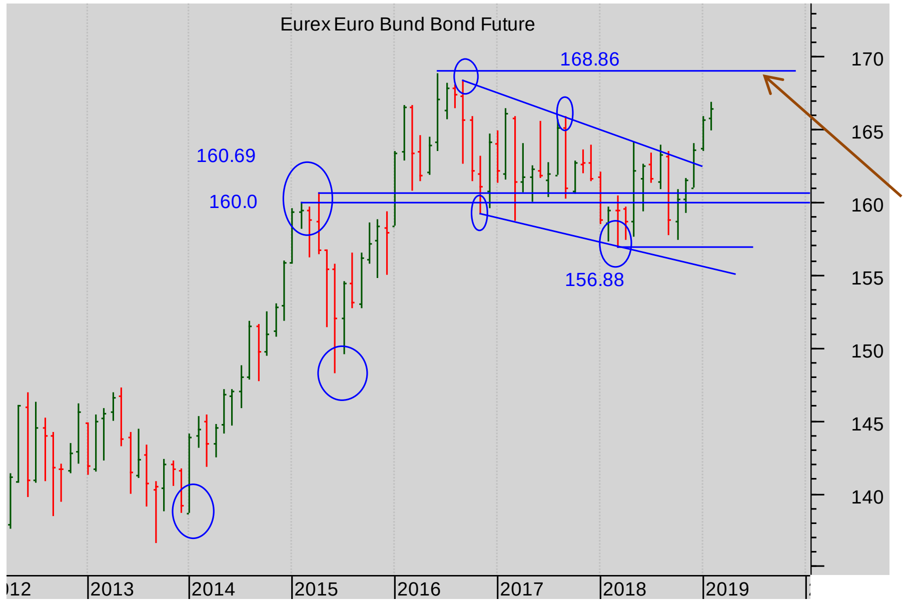
UPDATE
Technical
Fundamental

Disclaimer

Authorised and regulated by the FSA

The irrepressibly bullish Bund

UPDATE
Technical
Fundamental

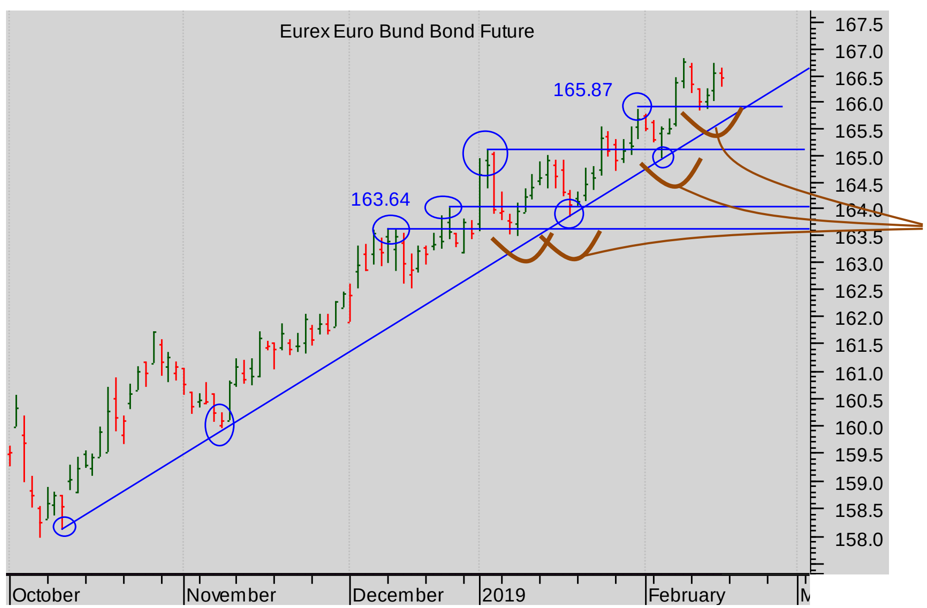


WEEKLY CHART

The market’s completion of a bull triangle (falling wedge) suggests a new bull leg has begun.

The critical level is the Prior High Pivot at 168.86.

Once through there the market will ratchet itself higher still.



DAILY CHART March 2019 Future

The diagonal support for the bull trend is usually powerful because it is so well defined.

Note too, how the market has found support from successive Prior Highs.

The bulls are in control

Disclaimer

More

The irrepressibly bullish Bund

UPDATE
Technical
Fundamental

FUNDAMENTALS:

The Bund has enjoyed a very solid rally stretching from October 2018 and it looks capable of going a lot further.

Aside from global trade friction that is having a cooling affect on the global economy and BREXIT that is causing local uncertainty, the Euro zone economy is clearly going through a slow patch.

The ECB originally took the view that the slowdown was probably temporary and continued to focus on ending its QE program and gave forward guidance on tightening policy.

But data began to point to gathering economic weakness. The various Eurozone PMI surveys developed a weakening trend and German factory orders and industrial production weakened.

The ECB recently said it could restart QE and at its most recent meeting said it could offer a new round of loans to help support the economy, but the slowdown is looking like something more serious than just a soft patch!

Last week’s release of German Q4 GDP was a weak 0.0% quarter on quarter and 0.6% year on year on a workday-adjusted basis which is their preferred measure. Since Germany is the Euro zones largest economy and acts as the blocs economic motor this is a disturbing development.

The next two largest economies, France and Italy, have never matched German growth rates during the current expansion.

UPDATE
Technical
Fundamental

FUNDAMENTALS: CONTINUED

Clearly the trade policy of US President Trump has done much to undermine confidence with his practice of confrontation. He has hit the EU and to a greater extent, China with significant tariff hikes in an attempt to draw out better trading terms for US business.

But the EU and China are large economies and although the US retains number one spot the other two are in no mood to be pushed around. The US and China have been negotiating over recent months in an effort to not only to avoid further threatened US trade tariffs, but to agree a new trade relationship that would wipe out those already imposed by Trump.

That looks like being a drawn-out process. Latest news from those negotiations is little has been achieved and not enough to warrant a Trump/Xi summit! In any event, once economic momentum has been lost and confidence hit, it doesn't just turn on a penny.

The ECB will most likely have to change policy direction and offer monetary stimulus. But they have a record of acting late. Add in the approaching end of Draghi's tenure as ECB President and a state of policy paralysis could set in.

A weak economy and the prospect of the ECB adopting an easing bias and maybe restarting QE, will support the Bund and drive it to new highs.

Moreover a dis-orderly BREXIT currently looks the most likely outcome and although that would hit the UK, it would also impact Euro zone/German exports.

We judge the Bund is set to benefit.

SEVEN DAYS AHEAD

UPDATE
Technical
Fundamental

SEVEN DAYS AHEAD
Authorised and Regulated by the FSA
124 REGENTS PARK ROAD LONDON NW18XL
TEL +44 (0) 7849 922573 E-MAIL msturdy@sevendaysahead.com,
jlewis@sevendaysahead.com pallwright@sevendaysahead.com
WEB SITE SEVENDAYSAHEAD.COM

The material and information set out in this research is not intended to be a quote of an offer to buy or sell any financial products. Any expression of opinion is based on sources believed to be reasonably reliable but is not guaranteed as to accuracy or completeness.

The material and information herein is general and for informational purposes only. Although Seven Days Ahead endeavours to provide useful information they make no guarantee as to the accuracy or reliability of the research.
The derivative market comprises volatility and considerable risks. To the maximum extent permitted by law no responsibility or liability can be accepted by Seven Days Ahead, any company or employee within its group for any action taken as a result of the information contained in this presentation. You are requested not to rely on any representation in this research and to seek specific advice from your accountant, legal adviser or financial services adviser when dealing with specific circumstances.

Seven Days Ahead is regulated by the UK Financial Services Authority.