the technical analyst AWARDS 2011 FINALIST

22nd March 2019

Market Update:

The Bullish 10 year note

UPDATE
Technical
Fundamental

Disclaimer

SEVEN DAYS AHEAD

The Bullish 10 year note

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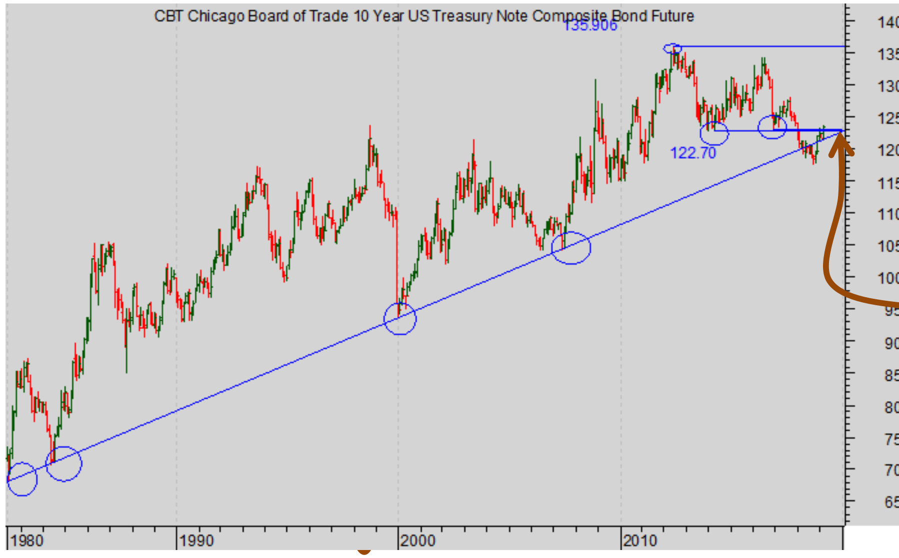
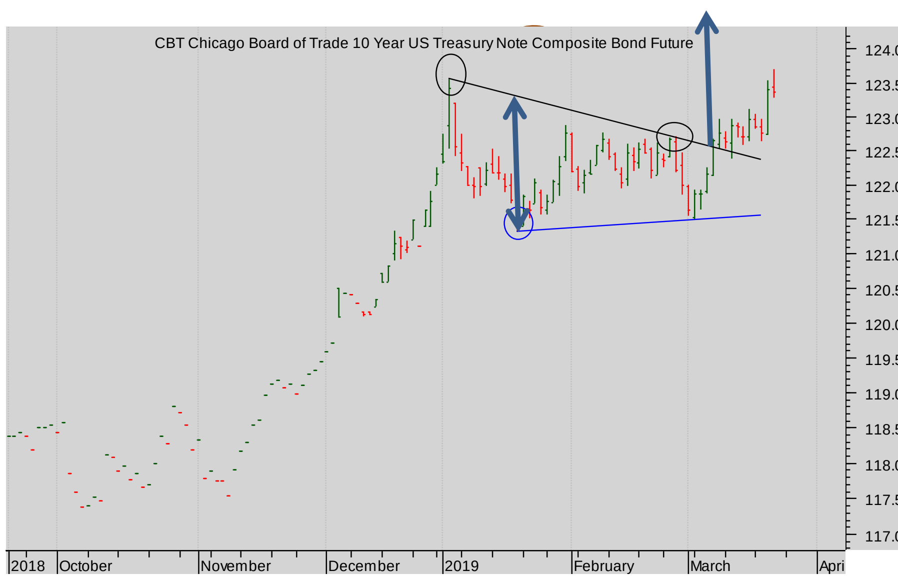


MONTHLY Chart –

The break of the long-term uptrend support has been reversed.

The rally has bounced so hard that the overhead resistance from the Prior Lows in 2014 and 2016 have been smashed.

There is tremendous bull energy.



Daily Chart Jun 2019

The catalyst for the break up has been the bull continuation Triangle in the day chart.

The minimum move? UP as far as 124.50.

The bulls are in charge.

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FUNDAMENTALS:

The 10 year note's almost three months of range-trading has come to an end with a break to the upside.

As traders spent the beginning of the year digesting the Fed's decision to pause it's tightening policy and attempt to work out its likely duration, the market lacked any sense of direction.

While domestic economic data, especially non-farm payroll, continued to indicate a solid expansion was under way, albeit with moderate inflation, the trade dispute with China remained unresolved, despite on going talks between the US and China to agree a new trade deal.

Additionally, President Trump had repeated his threat to put tariffs on EU goods as he judged their trading practices unfair. And although BREXIT seems mainly a domestic UK crisis with some impact on the EU, the Federal Reserve was sufficiently concerned about its potentially disruptive impact to sight it as a risk.

More recently US non-farm payroll appears to indicate job creation has virtually collapsed, whether it will be just a one off or the beginning of a new trend, only time will tell, but the Fed is sufficiently concerned to alter its policy stance.

This week the Federal reserve decided to hold rates steady once more, and offered greater clarity about the future direction of policy. In short policy makers have dropped their intention to raise interest rates this year by the previously indicated two more hikes, but they have gone further.

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FUNDAMENTALS: CONTINUED

In addition to raising interest rates, the Fed has also been reducing its balance sheet from the bloated crisis levels by not renewing its bond holdings as they matured. But at this week's FOMC meeting policy makers agreed to slow the pace of balance sheet reduction from May and stop completely by September as they judged there was currently no case to either hike or reduce policy.

At the post meeting press conference Fed Chairman Powel said there was a need for patience as they needed data to present greater clarity.

So what does all this mean?

In short the Fed has virtually signalled the end of the tightening cycle, and adopted a neutral stance.

They US economy may still be growing but given the mix of global risks domestic growth cannot be taken for granted.

The US Bond market naturally likes this new environment, The economy is still expanding, inflation is tame and the Fed is on hold.

We judge the stage is now set for the 10 year note to not only consolidate this weeks break out from the trading range, but begin a new leg of the Bull trend.

The only possible risk to that outlook is for the US and China to agree a comprehensive trade deal or Trump to drop his tariff threats towards the EU and the UK to arrange a smooth BREXIT. But currently, none of these feels imminent.

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