

Tuesday Macro Technicals – Echoes of the Reflation...

Tuesday Macro Technicals - 28 February 2017: Volume 1, Edition 1.

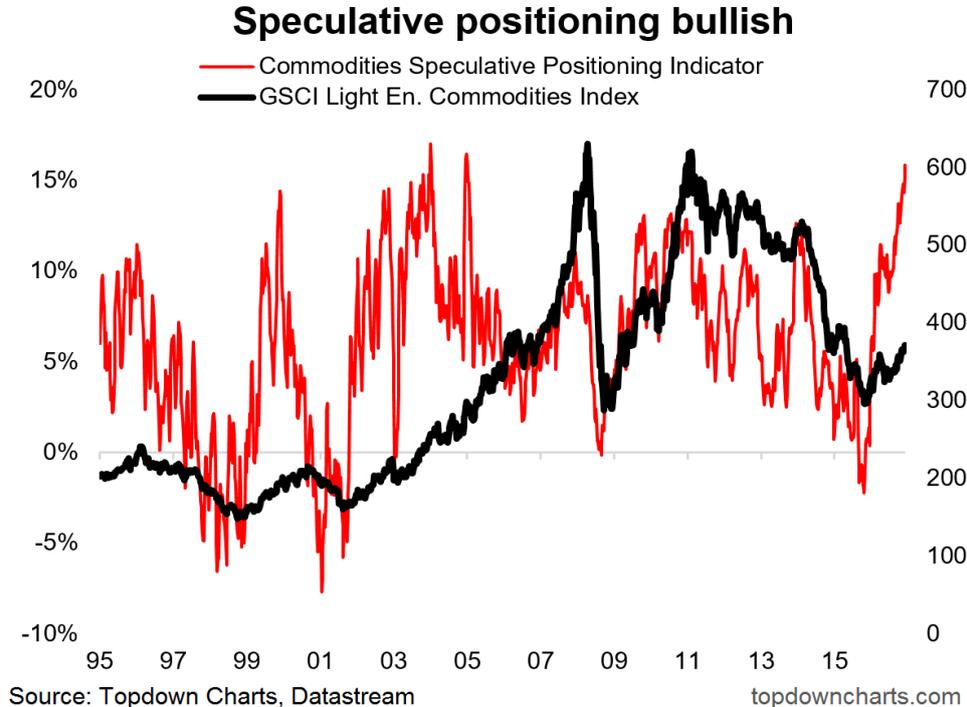
Welcome to the Tuesday Macro Technicals by Topdown Charts. This report looks across global markets and asset classes to find the most relevant, compelling, and unique market insights for investors. The emphasis is on identifying actionable opportunities, risks, trigger points, and key global market trends. The intended audience is investors with a multi-asset or go-anywhere scope, but also those simply looking to bring in the often-unrealized importance of other markets and asset classes to keep on top of trends and risks that may impact their particular market of focus.

Key technical views in this report

1. **US Treasuries:** Neutral, but expect a short-term retest of the lows in bond yields.
2. **Financials:** Bullish MT, but short-term risks are elevated given distance from trend.
3. **Euro Stoxx:** Broadening top pattern means heightened near-term downside risk.
4. **Gold:** Running up against overhead resistance, wait for a break (or otherwise).
5. **Commodities:** Bullish strategic bias; signs of a new bull market.

Chart of the week

This one made it to chart of the week because of the spectacular speculative net-long positioning across commodities (a 12-year high!). See if you can figure out why I think this chart is so important for the strategic view on commodities as an asset class...



Callum Thomas
Head of Research
Topdown Charts Limited

info@topdowncharts.com
+64 22 378 1552

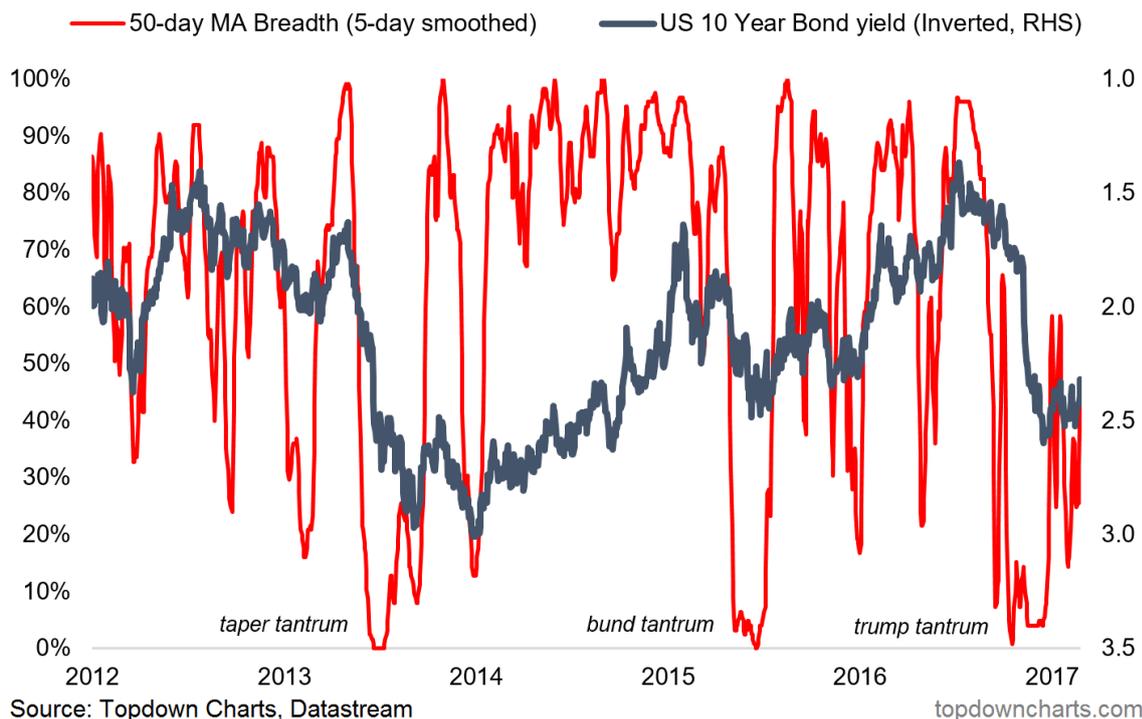
1. US 10 Year Bond Yields – Descending triangle

- US 10-year treasury yields remain rangebound within a descending triangle pattern.
- Latest test of 2.30% highlights importance of that support level while global sovereign bond breadth appears to confirm a top in yields for now.
- Key is to wait for a break of the trendlines and go with it; simple measure rule points to as much as a 30-40bp move on a break of either trendline e.g. downside to ~1.9%.

Overall Technical View: Neutral, but a retest of the lows, possibly as low as 1.9%, is likely.



Global 10-Year Sovereign Bond Breadth



3. Euro Stoxx – Broadening Top

- Broadening top pattern raises the risk of seeing a short-term correction in Europe.
- At the same time, it presents useful trigger points for building or switching positions i.e. a break of those trendlines will tend to see prices continue in the direction of the break.
- Looking at the monthly chart we’re reminded that the Euro Stoxx still faces an important test in the form of a longer term down trend line.

Overall Technical View: Bearish bias given heightened near-term downside risks.



Euro Stoxx 50: The line in the sand



Source: Topdown Charts, Thomson Reuters

topdowncharts.com

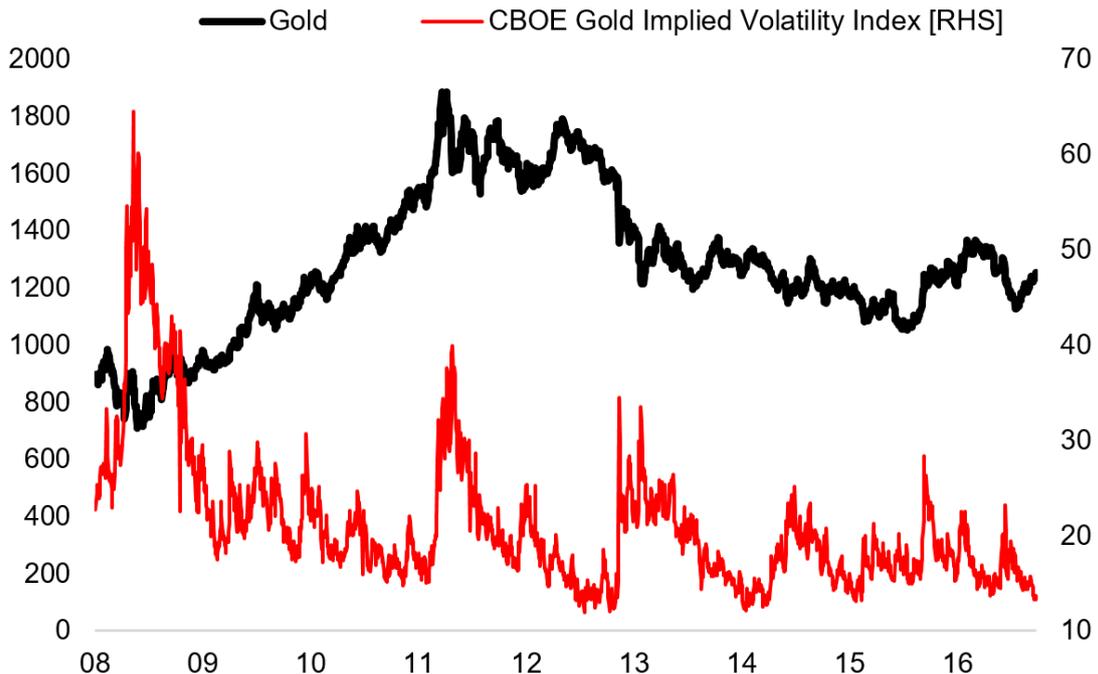
4. Gold – Overhead Resistance

- Gold will soon be testing the short-term downtrend line and is also passing through a couple of zones of resistance.
- 1250 has been an important level and for now it is holding above that, the next important test will be 1300. Failure will mean a trip back to at least 1200 if not lower.
- The other signal comes from implied volatility, which has compressed to the lows and this is often a precursor of a big move, and often to the downside.

Overall Technical View: Cautious; upside break will be very bullish, but obstacles are evident.



Gold price vs Implied volatility



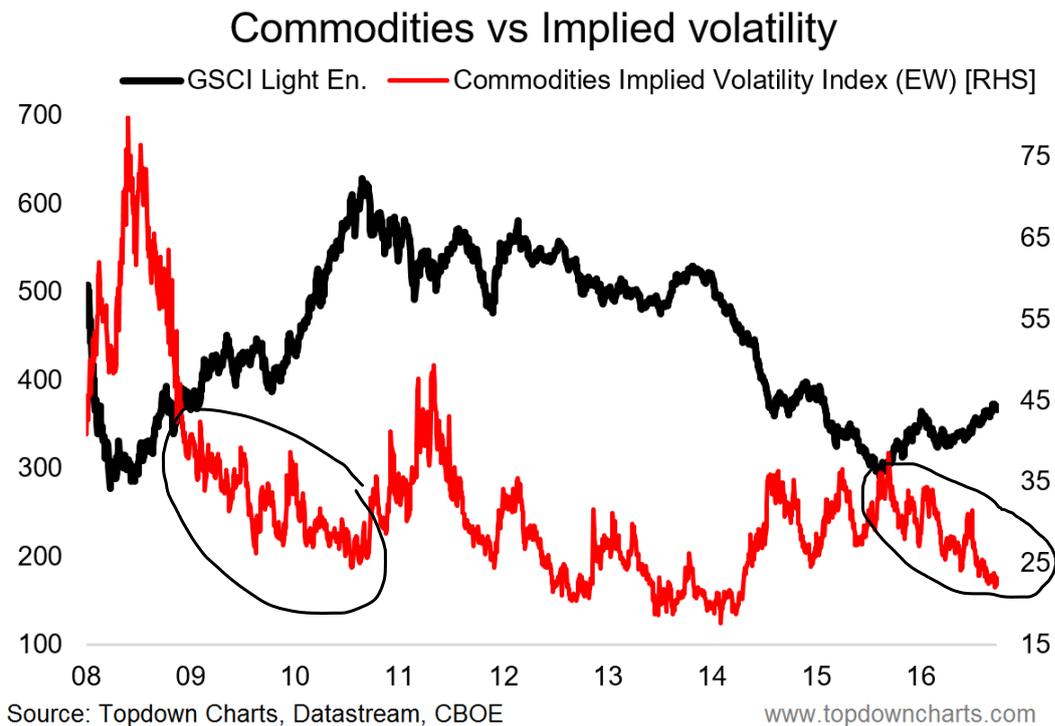
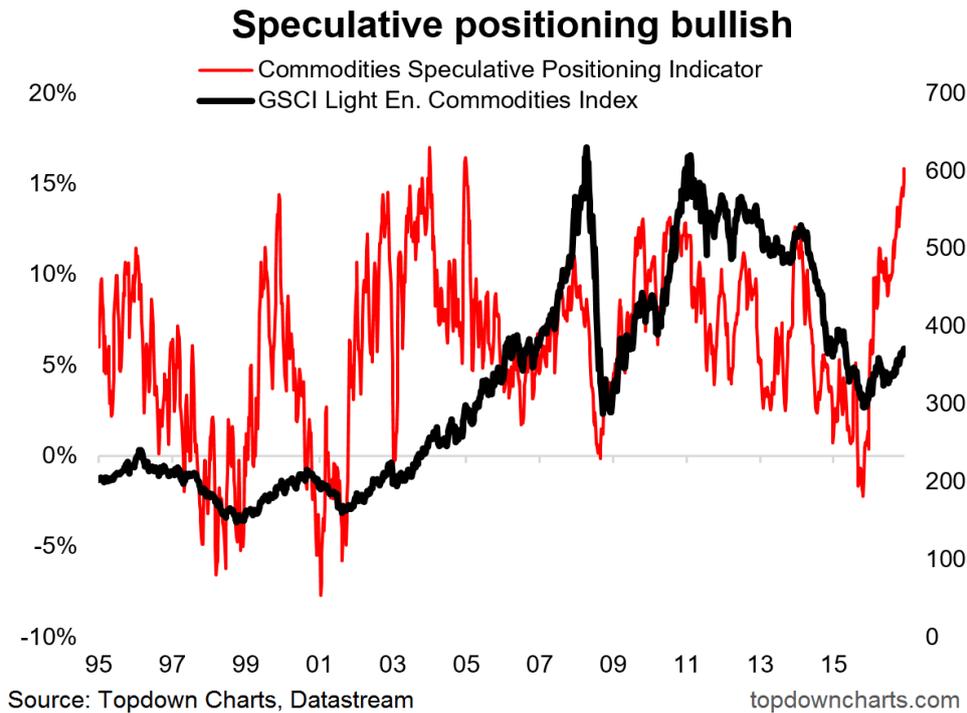
Source: Topdown Charts, Datastream, CBOE

topdowncharts.com

5. Commodities – Familiar Signs...

- Commodities average net speculative futures positioning at a 12-year high.
- Commodities average implied volatility close to a 30-month low.
- On both fronts these are signs of extreme optimism as well as complacency, and such conditions have often been found around short-term highs. But such patterns have also been seen before e.g. coming out of bear markets and into new bull markets.

Overall Technical View: Bullish strategic bias – looks like a new bull market.



Please note that this is a paid subscription service, notify: info@topdowncharts.com if you have received this report and are not a subscriber. We take very seriously the need to ensure that our paying subscribers are treated fairly and it is not fair for us or them that people receive top quality investment insights for free when others are paying and receiving the full service.

Please get in touch if you are not a subscriber but would like to subscribe.

Also note, we offer generous rewards for referrals so please do help on that front if you can.

Disclaimer

This report is intended for the specified recipient and may not be forwarded or duplicated without permission. This report is for informational and entertainment purposes only. Topdown Charts Limited (trading as Topdown Charts and Topdown Charts Institutional) is not a registered financial adviser and none of the content here should be construed as financial advice or an offer or solicitation for securities.

The content of this report is provided for informational purposes. The content is not intended to provide a sufficient basis on which to make an investment decision. It is intended only to provide observations and views of individual analysts and personnel of Topdown Charts. Observations and views expressed herein may be changed by the analyst at any time without notice. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, expressed or implied is made regarding future performance.

The content of this report has been obtained from or based upon sources believed by the analyst to be reliable, but each of the analysts and Topdown Charts does not represent or warrant its accuracy or completeness and is not responsible for losses or damages arising out of errors, omissions or changes in market factors. This material does not purport to contain all of the information that an interested party may desire and, in fact, provides only a limited view of a particular market.

NOTES:
