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Fixed Income Weekly Hotline

16 January 2014



Chart of the day: 'Dead-cat' bounce by Spanish 10yr Yield

The **Spanish Gov 10 year Bond Yield** reaffirmed resistance at the 100-day moving average in late-December. The slump from that barrier, around 4.3%, quickly became oversold (note the low level of the RSI at the start of the year). However, the bounce from the low of 9 January ('thin lower tail' on that candle denotes intraday support) at 3.67% has had hardly any follow-through. In fact, it would appear at present that the decline could be reasserting.

Long-term graphs reveal that next important chart support is around the 3% mark, the floor established in 2005.



Weekly Comment:

Government Bond Futures

US - During the course of the week, the **5 year Treasury Note** contract launched a strong counter move from 119.086. However, that has been checked already, with resistance arriving at the sideways area along 120; at the 50-day moving average. Note also the top formation evident above that level. A clearance is required to offset scope for a renewal of the down bias from the ceiling near 121, towards the September floor, near 118.50.



UK - **Gilts** extended the

recovery off 106 this week, breaking the downtrend from the October high near 112. That said, there is currently some hesitation noted by the mid-December recovery high, at 108.93, though a more forceful down move is needed to reaffirm that barrier.

Europe - The Euro 5 year Bobl instrument has extended its early-2014 recovery rally this week. However, it is approaching an area of prior resistance around 126, which may well dampen bullish enthusiasm. In the event of a clearance, however, the next chart target will be the spring/summer 2013 ceiling near 127.

Asia - The previous decline by JGBs became oversold by the end of the year. The subsequent recovery rally was strongly extended on Tuesday. In the couple of days since then, the rate of advance has slowed. The late-2013 top area looms, starting near the sideways area along 144.5, and could be a factor. Should that level yield, bulls will aim for the 145 region.



Weekly Analysis

Symbol	Name	Comment	Close	1 day	Support	Resistance

TUH4	US 2yr T-Notes (Mar 14)	Counter move is capped at the 50-day MA.	109.906	-0.0%	109.812	109.914
FVH4	US 5yr T-Notes (Mar 14)	Counter move is checked at the top; and 50-day MA.	119.609	-0.1%	118.461	122.07/121.133
DUH4	Euro 2yr Schatz (Mar 14)	Sharp fall from the early-Nov overbought high slows.	110.325	-0.0%	109.935	110.625
OEH4	Euro 5yr Bobl (Mar 14)	Renews the recovery towards the Nov top.	125.08	-0.1%	122.65	126.12/125.16
RXH4	Euro 10yr Bund (Mar 14)	Recovery from oversold probes the late-2013 top.	140.54	-0.1%	136.53	142.25/140.59
UBH4	Euro 30-year Buxl (Mar 14)	Potential base extension.	122.98	-0.1%	120.64	125
JBH4	10-year JGB (Mar 14)	S-t rally slows on the approach to the Oct-Dec ceiling.	144.18	-0.0%	143.63	144.55
YMH4	Australian 3-year Govt Future (Mar 14)	Reasserts the recovery. Tests the Dec high.	97.06	+0.1%	96.79	97.09
XMH4	Australian 10-year Govt Futures (Mar 14)	Upward tendency emerges from the Dec floor.	95.875	+0.1%	95.367	96.395/96.19
L H4	Short Sterling (Mar 14)	Broadly rangebound beneath 99.5.	99.45	-0.0%	99.4	99.54
ERH4	Euribor 3m (Mar 14)	Retreats from the Nov top.	99.675	-0.0%	99.64	99.83/99.74
EDH4	Eurodollar (Mar 14)	Rallies back to the Nov/Dec ceiling.	99.75	0.00%	99.625/99.71	99.76
G H4	Long Gilt Future Mar 14	Recovery breaks the s-t downtrend.	108.37	-0.3%	106	109.35/108.08
TYH4	US 10 yr T-Bond Future	Counter rally struggles near supply.	123.969	-0.2%	122.109	126.781

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