The US 10 -Year Treasury Yield May Break Its Former All-time Low

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On September 30, 2017, the chart of the US 10-year Treasury yield was presented with the bullish engulfing reversal month in September from 2.034 to 2.344%, along with a crossing up monthly STO, which was expected to fuel a rise above the monthly cloud toward 3.036%, the previous high of 2013. We wrote at the time that this rebound following the break of the major descending trendline joining the highs in the yield since 2007 was confirming "the area of 1.33% as a major bottom, out of which a new uptrend is developing for probably many years".

Fast forward to October 2018, where the yield had reached 3.248%, which were just 20 basis points above the 2013's high. That 'higher high' was reversed the next month by a black candle engulfing the previous white one.

In December 2018, the decline accelerated and the rising support trendline joining the 2016's low at 1.336% and the higher low at 2.034% was broken in January 2019. The decline paused only a month above 2.52 % (38% Fibo retracement of 1.336 to 3.248 %) before cascading down. Once below the monthly cloud, in August the yield staged an impressive big down black candle from a high at 2.028% to a low at 1.446%.

Such a decline is raising the fear that the previous low of 1.336% could be broken because momentum is in parabolic deceleration (as displayed on the chart) by a strongly negative MACD and by an extremely oversold monthly STO, lacking any bullish divergences.

Looking behind the monthly candle, on a daily chart a wide gap at 1.84%-1.78% has to be kept in mind as the area to be filled to break the dynamics of the downtrend and again start to call for a major low, which may fit with the 60 year cycle low observed for more than 200 years.

Meanwhile, on an hourly chart, a descending wedge displays some bullish divergences: thus a minor rebound may have started toward 1.57%-1.62%. Failure to rise above 1.62% will let the US 10-year yield decline again with lower lows toward 1.381% and possibly later with a break of 1.336%, the all-time low. At that point, market technicians would then measure the width of the wide range between 3.03% and 1.336% and subtract it from 1.336%... Yes, that would be a negative yield!

Graph:

US 10 year yield in monthly candlesticks with moving average 40 months and 20 months surrounded by 2 Bollinger bands.

Further are displayed the Ichimoku cloud which has been broken and suggests further possible decline of US 10 year yield.

On the lower panel are the momentum indicator Slow Stochastic and below it, the MACD.

Source: Stockcharts.com