

LE COIN TECHNIQUE

The US 30-year yield has made a historic secular low

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October 2019 was the start of a rising quarterly candle for the US 30-year yield and many had expected the low spike just near 2% to be the final low of a declining period which started in the 1980s. However, the pullback in the early weeks of January was a clear divergence to the performance of the US equity markets and, as the health crisis exploded, the black down candle of the first quarter of 2020 is going to retain historic proportions on the log scale chart from 1977.

However, the low spike toward 1% is most likely becoming a secular historic low for the US 30-year yield as a rebound has already started, and the upcoming next quarter will probably become a white candle. Here we are likely influenced in our expectation by the huge stimulus package by the US Congress and by the Fed, which should ultimately have some kind of a reflationary impact. From a technical analysis viewpoint, a rise from 1.29% toward 1.78% is needed to confirm a reversal. Currently, only the resumption of the steepening between the

30-year and the 10-year maturity is an early confirming sign of the ongoing rebound of the US yield. Such a rise would not only create a monthly reversal, but allow the yield to re-enter the former descending wedge that has been in the making since 2009.

The speed of the rebound, or the absence of it, will be a good indicator of the type of economic regime (reflationary or deflationary) we are going to get in coming years.

Graph:

US 30-year yield in quarterly candlesticks with moving average 20-months surrounded by 2 Bollinger bands.

Further is displayed the Ichimoku cloud which is still capping the downtrend in yield and a tentative Wave count with a final spike low in March 2020, suggesting a potential secular low for US interest rates.

On the upper panel is represented the spread 30-year minus 10-year yield in black line, which gives information about a recent steepening of the yield curve between these 2 maturities.

On the lower panel are the momentum indicator Slow Stochastic hitting oversold area as in 2016 and, below it, the MACD, which will remain negative for a few quarters.

Source: Stockcharts.com / Support lines & parameters are provided by BEST.



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