

LE COIN TECHNIQUE

US 30-Year Yield: Rebound After a Secular Low

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In April 2020, it was suggested that the Elliott Wave count characterized the US 30-year yield March low near 0.99% as the secular low. A year later, the April 2017 weekly chart displays a sizeable rebound back to the fourth wave of the previous degree near 2.43%, which by its impulsive pattern, confirms the secular low of March 2020.

Indeed, after the first rise to 1.68% and a pullback to 1.19% into mid-2020, the 30-year yield has launched a sharp rise to 2.45%, moving above the weekly cloud (1.80%) along with MACD turning positive at the end of 2020. The previous high of December 2019 and the current weekly overbought STO suggest a pause in the yield rise within a range of 2.45-2.20% or a range 2.45-1.97%. The strong rise from 1.20% to 2.45% should not retrace more than 38% (1.97%) if the uptrend is expected to extend further to higher highs and lows. It is interesting to note that 1.97% is close to its former low of July 2019 at 1.94%, thus 1.97%

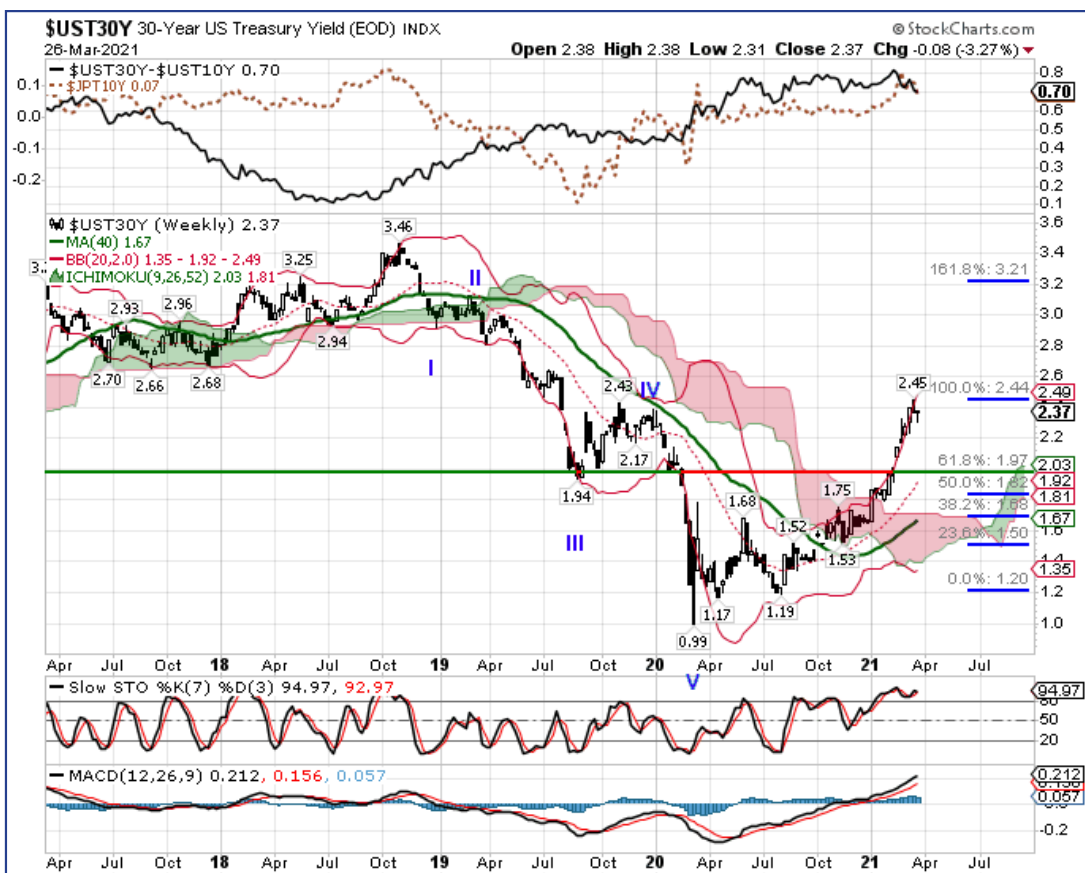
is most likely a very important support area. On the upper panel, the black line represents the spread 30-year yield minus the 10-year yield. This informs us about a recent flattening of the yield curve between these two maturities, which followed a rise from December 2020 to February 2021. This flattening suggests a pause in the rise of the 30-year yield.

If the yield pullback reaches only 2.20% and the yield bottoms there, then the current third up-wave may not yet be over and the rise may extend toward 3.21% as a potential Fibo extension target. This suggests that inflation expectations have become much stronger than presently anticipated, and could have bearish repercussions on the Equity market as the relationship between Bonds and Equities is again embarking on its classic relationship.



Graph:

US 30-year yield in weekly candlesticks with 20-week moving average surrounded by two Bollinger Bands. Also displayed is the Ichimoku Cloud which has been broken after the secular low for US interest rates in March 2020. On the upper panel, the black line represents the spread 30-year minus 10-year yield which shows the recent flattening of the yield curve between these two maturities that followed a rise from December to February 2021. On the lower panel, the momentum indicators show the Slow Stochastic hitting the overbought area and the MACD turning positive at the end of 2020.



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Source: Stockcharts.com