

10-YEAR US TREASURY YIELD: ABOUT TO GIVE A SIGNAL FOR A SHARP RISE

...article by Bruno Estier Strategic Technicals - <http://bruno.estier.net/> - bruno.estier@bluewin.ch

In April 2021, we reviewed the 30-year US Treasury yield. Now we present the 10-year US Treasury yield that is about to give a technical analysis signal of a sharp rise, by rising back above its rising 40-week moving average (1.35%) and by breaking the short-term descending trend line from the 1.7% area in April to 1.35% right now.

Indeed, in July and August, the pullback in Treasury yields from April to August has left two spikes near 1.12% and should find support near 1.25% thanks to the rising Ichimoku Cloud in the coming months. Because of the potential strong upward momentum, which should develop as shown by the weekly stochastic rising above 50% and by the crossing up of the MACD, which will also turn positive again, it is likely that once above the Fibonacci of 38% (1.37%), the yield will rise first to 1.52% (Fibo 62%) and then

to its former high of 1.76% and later extend toward the 2.16-2.54 area.

Going through 1.76% may also activate a medium-term inverted Head & Shoulder pattern, with a left Shoulder in August 2019 and a Head in March 2020. This classic reversal pattern would fit the perception that the 10-year US Treasury yield had reached a secular low in March 2020, and it should target a level of 3.9%, which looks unthinkable at the current time!

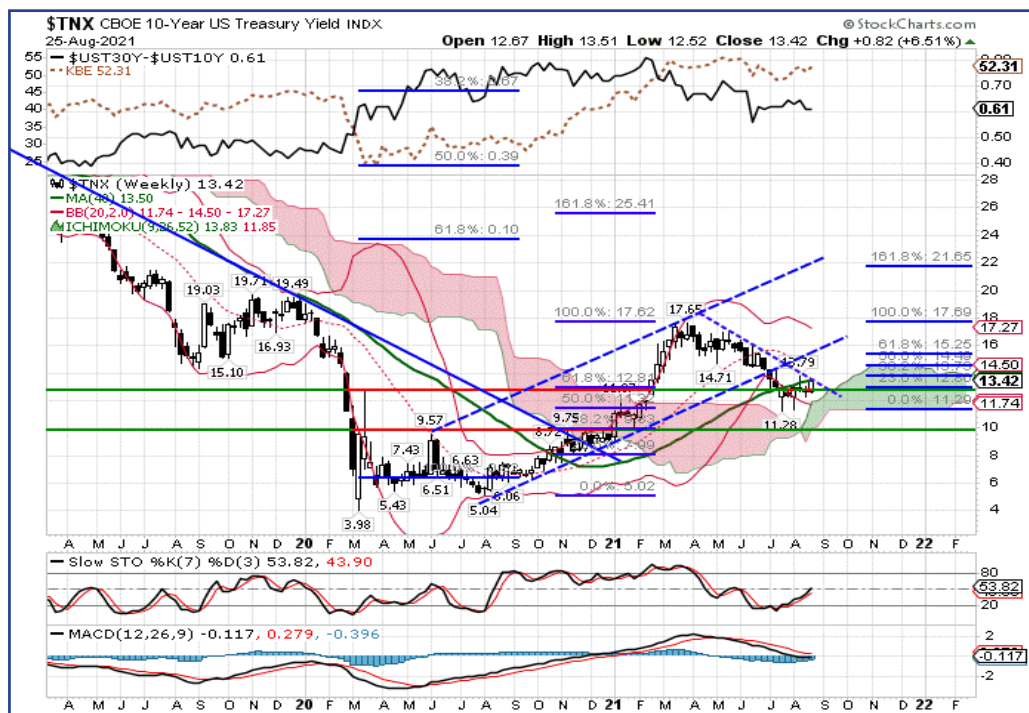
Looking at the top panel, the ETF KBE of US banks seems to correlate well with the previous rise from August 2020 to April 2021. And this asset class could, given the projection of the Head & Shoulders on the 10-year US Treasury yield, become a great safe haven for bondholders in the coming months!

Chart: 10-year US Treasury yield in weekly candlesticks with 20-wk MA surrounded by two Bollinger bands. Further are displayed the Ichimoku Cloud which offers some support near 1.17% and the 40-wk MA (1.35%) which may be broken soon.

On the upper panel is represented the 30-year US Treasury spread minus 10-year US Treasury yield in the black line, which informs about a recent flattening of the yield curve between these two maturities. Also, the dashed lines display performance of US Banks (ETF KBE) is well correlated with the 10-year US Treasury yield.

On the lower panel is the momentum indicator Slow Stochastic rising through 50% and soon crossing up MACD about to turn positive.

Source of data:
Stockcharts.com.



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