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10-Year U.S. Treasury Yield Index—Stalling Soon, Ready for a Decline?

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Here we propose the view of the declining US 10-year Treasury Yield from now into the Fall based on the analysis of two charts: a monthly chart since 2007 and a weekly chart since May 2022. As a chart is worth a thousand words, the readers are asked to use their eyes to integrate both time horizons. To help you, comments have been made for each chart, where we hide our conclusion. With a little market experience, a true piece of cake! Right?

Source of data:
Stockcharts.com
Analysis by BEST

Chart 1: 10-Year U.S. Treasury Yield Index, Monthly

In monthly candlesticks with a 20-month moving average surrounded by two narrowing Bollinger Bands (3.25% and 4.75%). Also, the green bullish rising Ichimoku Cloud, is currently near 2.0%, and is well below the rising 40-month MA (2.95%).

Upper panel: *the spread between the 10-year US Treasuries minus the 1-year in (black line) is still below, but rising toward zero, and the US$ Index is in a narrow range for the last 15 months (orange dotted line).*

Lower panel: *the momentum indicator Slow Stochastic which recently crossed up, while the MACD has just re-crossed down after displaying a bearish divergence during 2023. Given the top in 2007 near 5.31% and the price rise from 2020, expect the 10-year US Treasury Yield to top within a developing triangle pattern for many months before resuming its secular uptrend. Have a look at the weekly chart as well. (next page).*

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The weekly chart in comparison to the monthly chart suggests the 10-year US Treasury Yield is likely to stall below the strong resistance area of 4.80-5.20% and lead to a slow decline until the Fall.

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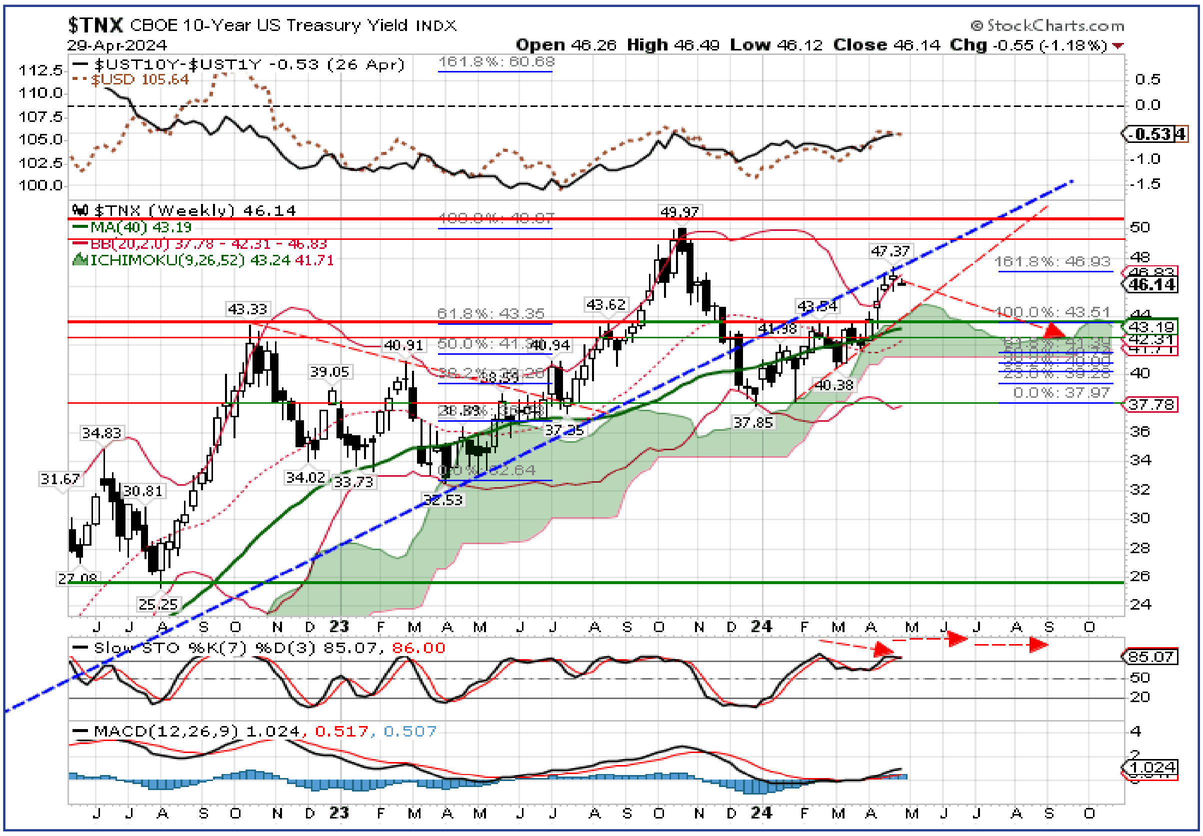

Chart 2: 10-Year U.S. Treasury Yield Index, Weekly

In weekly candlesticks with a 20-week moving average surrounded by two expanding Bollinger Bands (3.77% and 4.68%). Also, the Ichimoku Cloud should offer support near 4.40-4.20 between May and September, while the rising 40-week MA lies in the middle of the cloud at 4.32%.

***Upper panel:** the spread between the 10-year US Treasuries minus the 1-year in (black line) is still below, but rising toward zero, and the US$ Index is in a narrow range for the last 15 months (brown dotted line).*

***Lower panel:** the momentum indicator Slow Stochastic is about to signal a bearish divergence which would call for a slow decline until September, while the flat MACD is barely positive, thus confirming a lack of upward momentum in 2024.*

EPILOGUE—My purpose is to make clear in a subliminal way that integrating Time horizon is an art and I would be very happy that anyone would come back by saying "but there are contrary signals in these two charts." It is a matter of priority between the short-term and the long-term time horizon or, in other terms, a matter of which cycle is exerting more influence. Any questions? Get in touch.