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The Monthly Market Technical View of Bruno Estier Strategic Technicals

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US Treasury 10-Year Yield (4.51%): Triangle Pattern v. Toppy Cycle Phase

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Were investors right to be Bearish on US Treasury Bonds & Notes after the sharp rise in US 10-year yield from 3.88 to 4.60 in just 6 days in early April (after Liberation Day)? Or again after May 22, when it retested its previous top at 4.60% (*while the 30-year yield made an even higher high at 5.15% above the previous April's top 5%*)?

Several times, BestView underscored that there could well be a 60-year cycle (*others even argue for an 80-year one*) in US Treasury long yields. The US 10-year Note yield's decline from 15.84% in 1982 to almost zero (0.0398%) during the Covid's low of 2020 lasted nearly 37 years. Then the yield rose to 5% until the 4Q 2023, followed by a pause within 5.00-3.60%. The range is even morphing into a Triangle Pattern (*red dashed line*), classified as a 'continuation pattern' by analysts who know that the previous main uptrend is likely to resume as the Cycle-Up Phase is expected to last several decades, but, of course, not in a straight line! Thus, any analyst is aware that once above the Triangle Resistance near 4.62-4.65%, a Fibonacci price target is activated at 5.077%, then at 5.85-6.00%.

Meanwhile, prudent market analysts know to stay quiet during consolidations, while heuristics suggest a breakout of a triangle usually occurs at 2/3rds of the pattern's size, forecasting the development of a triangle is not a sinecure. Some analysts will characterise/label the 3 or 5 branches within the triangle with letters to monitor its evolution (*see diverse colours of labels ABCDE on the chart*). Others will focus on the fractal nature (*5 waves up or 3 down*) of the branches of the triangle to fine-tune the timing of its breakout. Finally, analysis of divergences between Price and Momentum can help to spot turning points (*see arrows of diverse colours on the lower panel, suggesting the next turning points for prices*).

Following a recent low spike that nearly tested the rising 40-week MA (4.30%), the current weak momentum analysis suggests that this week's rebound will likely be minor and short-lived, particularly if it remains capped at 4.60%. This will likely be followed by a test of the Cloud, which ranges from 4.17% to 4.09%. A decline toward the lower support of the Triangle, near 4%, is also a possibility. If the price falls below the Triangle's support at 4%, the next Fibonacci price target would be set at 3.31%.

The cyclical spectral analysis of two major dominant cycles indicates a time window that favors a downward trend. This suggests a declining cycle phase until the next bottoming time window in early August, which should then lead to a subsequent phase of rising yields.

CBOE10-Year US Treasury Yield Index

Weekly candlesticks with a 20-week moving average, surrounded by two narrowing Bollinger Bands (4.09 & 4.65%). The Ichimoku Cloud whose upper band should offer support at 4.17, and a slightly rising 40-week MA (4.30), nearly tested this week.

UPPER PANEL: The spread of US 10-Year minus 2-year at 0.46 (***black solid line***), well above zero since Q4 2024, as the yield curve is dis-inverted between the 10 & 2 Year Note. The US$ Index has been in a downtrend since January 2025 (*brown dotted line*).

LOWER PANEL: Both momentum indicators, Slow Stochastic has crossed down after testing the overbought area, but without clear divergence, and flat, barely positive PPO (MACD), suggesting the recent high at 4.62% to be followed by a developing decline toward potential diverse successive supports: 40-wk MA, or Cloud, or lower support of the Triangle near 4%.

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Data Source: Stockcharts.com
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