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Investment Solutions & Products
Global

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Credit Suisse Technical Analysis

Technical Analysis - Fixed Income Daily

Key Themes

- **Chart of the Day: The German 2yr bond yield has morphed into a new technical pattern, and is now trading towards the bottom of this bearish potential ‘ascending triangle’. Resultantly, we see favorable risk/reward for a bearish bias, with a break above support at .52% needed to trigger the pattern and for conviction to grow considerably. Resistance is seen at -.595% and -.62%. The ‘triangle’ time projection suggests we should see a breakout before mid-April.**
- **10yr German yields** saw a volatile ‘long-legged doji’ weekly candlestick, which are typically reversal patterns. This occurred alongside last week’s successful defense and reversal from key resistance at .62%/.59%, which saw us enter into a high conviction bearish bias. Additionally, a potential base remains in place on intraday charts, triggered on a break above support at .70%/.705%. This is an important support, as the market failed here over ECB, and only above here would complete a technical base.
- **10yr UK yields** saw a reversal higher last week and we see a high conviction bearish bias now that we have tested the key 1.44/385% zone. Above 1.57% would complete a technical base, with next support seen at 1.67/69%.
- **10yr US yields** have been range-bound for the past month now. Positioning is most likely to be lighter than it was prior to this ranging phase. A clear break above 2.905% remains needed though to provide a new directional signal. In contrast, key resistance remains seen at 2.80%/785%, below which would complete a top and see a bullish bias take hold.

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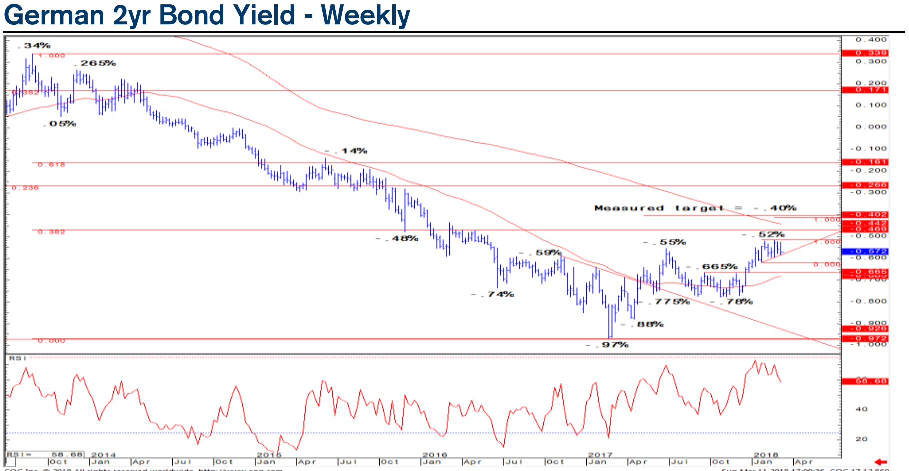
German 2yr Bond Yield - Weekly



Source: CQG, Credit Suisse

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10yr US Yield – 240 Minutes

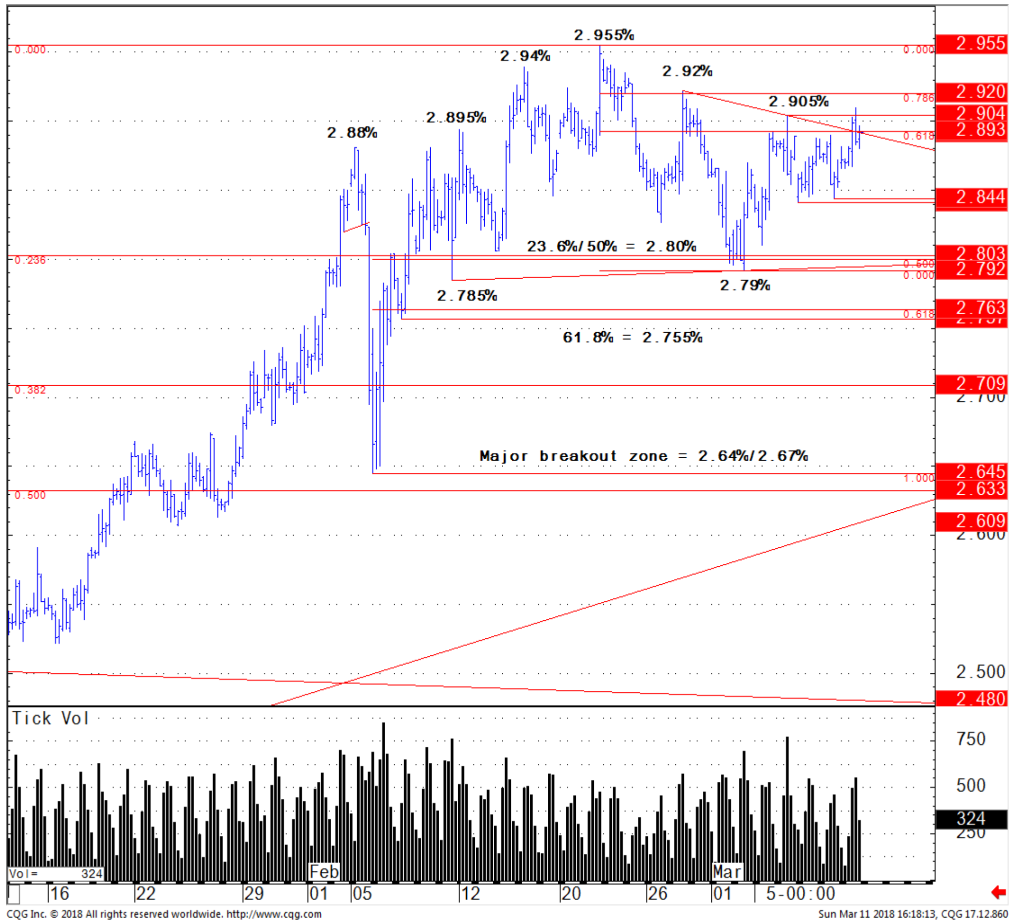
Resistance

2.67%/2.69%**
2.71%
2.74%
2.765%/2.755%*
2.805%/2.785%**
2.81%
2.845%/2.84%
2.865%

Support

2.905%*
2.91%
2.92%
2.955%
2.985%*
3.01%
3.05%***
3.22%

Resistance/Support tables rank importance of levels by stars *,**,to *** being the most important



Source: CQG, Credit Suisse

10yr US Yield

US 10yr bond yields have been a neutral range for the past month now, but we are biased towards a break higher. The US 10yr bond yield rose slightly last week; however the reality is that despite the noise, the market has been in a neutral ranging phase for past month now. Positioning is therefore inevitably lighter, and given the long term bearish picture and break above secular support at 2.64/69%, we remain medium term bearish for a test of 3.05%. A clear and sustained break above 2.905% should set an intraday base and indicate a retest of the 2.955% highs, before the long term Fibonacci support at 2.985%.

Resistance is seen at 2.845/40%, before 2.80/785%. Only below here can reignite the bullish pressure and complete a broader top to start a corrective move lower, with resistance next seen at 2.755%. However, a break below 2.785% would most likely see a move to the 2.67%/2.64% major breakout point, which continues to be seen as the lower limit in any rally, and we would look to reset a bearish bias here if seen.

We see a bearish bias following the break above 2.905%. Next resistance is seen at 2.84%. In contrast, we would see a bullish bias below 2.785%, with resistance then seen at 2.67%.

Resistance

.48%/.47%**
.52%*
.545%/.54%*
.57%
.59%*
.605%
.62%**
.625%

Support

.70%/.705%**
.725%
.75%/.76%*
.795%
.80%/.805%**
.82%*
.93%/.945%**
1.06%**

Resistance/Support tables rank importance of levels by stars *,**,to *** being the most important

10yr German Yield – Weekly

Source: Updata, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

10yr German Yield

The 10yr German bond yield posted a volatile 'long legged doji' weekly candlestick, ending the week unchanged, however we maintain our bearish view. The 10yr German bond yield saw spikes in both directions post the Italian election and over the ECB to ultimately end the week unchanged. The dominant feature for us was the successful defense of the key breakout point and 2017 high at .62%, and we now see a high conviction bearish bias.

The market also has a potential intraday base in place, with a break above short term support at .70/705% needed to trigger the base. This is a strong support though as it includes the 50% Fibonacci retracement of the recent rally and series of price lows, and importantly it capped the market during ECB selloff. The next intraday level is seen at .75/76%, the 78.6% Fibonacci retracement and intraday price highs. More important support is seen at .80/82%, which we continue to see as a tough barrier. We eventually look for a break though, with key long term support seen much higher at .945%.

Important resistance continues to be seen at .62% and only a close below here, which should be confirmed by a break below .605%/.59%, would negate our bearish view.

We see a bearish bias, with resistance seen at .59%, and only below here would we turn neutral. Important support continues to be seen at .945%.

Resistance

1.21%
1.28%/1.27%
1.32%/1.31%
1.355%/1.35%*
1.385%**
1.42%/415%*
1.44/435%*
1.455%

Support

1.53%
1.54%
1.57%**
1.585%/1.59%*
1.615%
1.655%*
1.67%*
1.69%*

Resistance/Support tables rank importance of levels by stars *,**,to *** being the most important

10yr UK Yield - Weekly

Source: Updata, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

10yr UK Yield

The 10yr UK yield saw some muted weakness last week, with the key feature remaining the reversal from the key 1.44/385% resistance zone. The 10yr UK bond yield weakened last week following the important reversal from long term resistance at 1.44%. Now that we have seen the expected test of resistance, we maintain a high conviction bearish bias which is reinforced by a plethora of bearish technical signals, including bearish confirmation for the recently completed "hammer" candlestick pattern as well as a potential intraday base which is in place. This intraday base would be triggered on a break above support at 1.57%, with the next key price support thereafter seen at 1.67%/1.69%, before the 50% retracement of the 2014/2016 rally at 1.79%.

Resistance below 1.44% continues to be seen from Fibonacci levels at 1.415%, before the "neckline" at 1.385%. We would look to scale into a bearish bias at each of these levels on any further political noise, and we continue to look for it to act as a firm floor.

We are bearish. We see resistance at 1.385%. Next support is seen at 1.79%.

Resistance

2.90%
2.93%
2.965%/2.955%*
2.99%/2.98%**
3.02%
3.045%
3.07%*
3.11%/3.09%

Support

3.175%
3.20/215%**
3.23%*
3.24%/3.255%**
3.26%*
3.29%
3.38%/3.40%
3.515%**

Resistance/Support tables rank importance of levels by stars *,**,to *** being the most important

30yr US Yield – Weekly

Source: CQG, Credit Suisse

30yr US yield

The 30yr US has seen four consecutive neutral weekly candlestick patterns, and remains capped below key long term support. The 30yr US bond yield remains very range bound following four neutral weekly candlestick patterns.

Crucial long term support is seen just above current levels at 3.215%/3.255% – the 2016/2017 price highs, the 2015 price highs and 61.8% retracement of the 2013/16 rally. This continues to be seen as a strong cluster of support, and we therefore look for a protracted ranging phase as we do not expect these levels to be broken, however we are modestly biased higher within the range as the rest of the curve sees another leg higher. However, we would see a strong risk/reward bullish rationale on any further tests into this zone.

In contrast, only a clear break of key resistance and the range bottom at 3.09%/3.07% would set a top and see a direct move lower, with next resistance then seen at 3.02/00%.

We are neutral. Next support is seen at 3.23%, where we would turn bullish, with the next level thereafter seen at 3.255%. We would also turn bullish below 3.07%. A close above 3.255% would turn us bearish.

Resistance

-.185%
-.165%
-.115%/-.12%
-.08%/-.085%
-.06%/-.05%**
-.035%*
-.02%/.-03%*
.015%*

Support

.035%
.06%
.095%**
.105%/.11%*
.135%
.155%**
.245%*
.27%

Resistance/Support tables rank importance of levels by stars *,**,to *** being the most important

5yr German yield – Weekly

Source: Updata, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

5yr German yield

The German 5yr yield saw a volatile 'bearish reversal week', and we maintain our bearish view. The German 5yr bond yield saw a volatile bearish 'key reversal week' last week, reversing exactly from key resistance from the back of the old broken channel top, now seen at -.02%. We now have a high conviction bearish bias, with next support seen from the intraday highs which capped the market last week at .095%, before the more important highs at .135%/.15%. The key cluster of major support is seen higher at .24%/.27%, the 50% Fibonacci retracement of the 2013/2016 bear leg and notable 2015 highs.

First intraday resistance is seen at .015%, before the old broken channel top and 'gap' resistance at -.015%/-.035%. This continues to be seen as a strong resistance area and we look for it to act as a firm floor.

We see a bearish bias. Resistance is seen at -.035%. Support is seen at .24/.27%.

Resistance

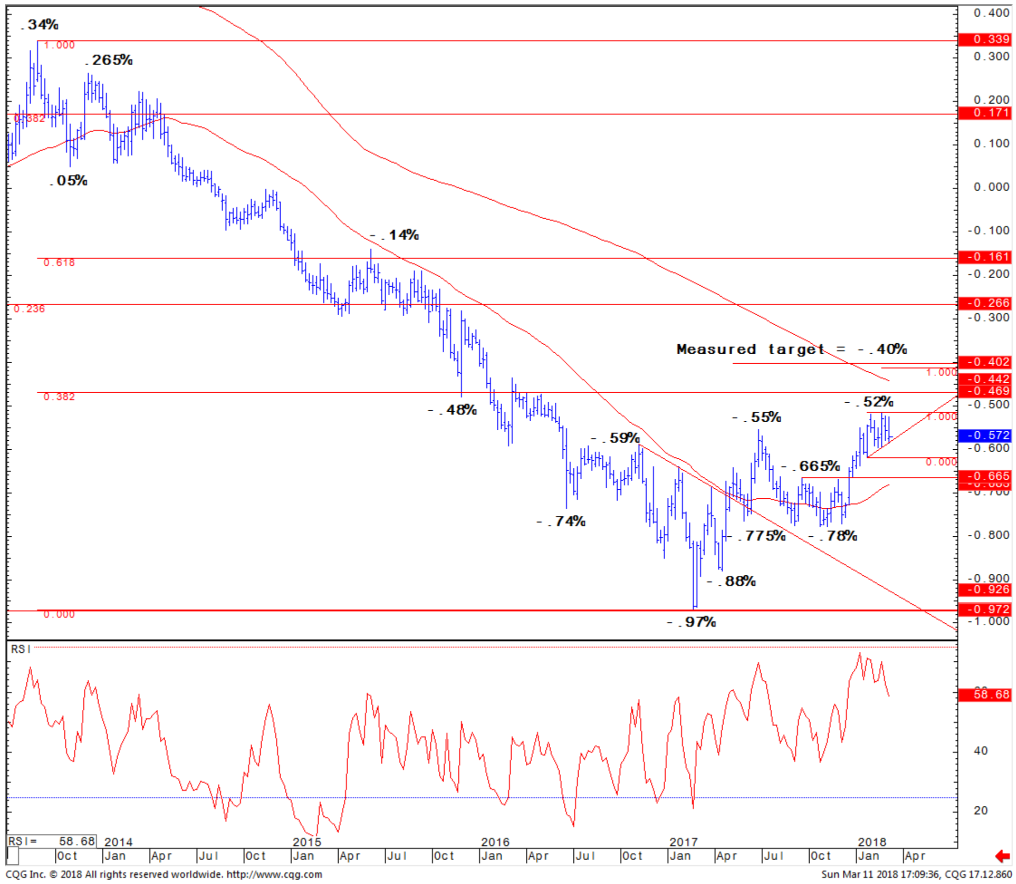
-.72%
-.695%
-.675%
-.665%**
-.645%/-.64*%*
-.635%*
-615%/-.625%*
-.585%/-.595%*

Support

-.56%
-.525%/.52%**
-.515%
-.495%
-.47%*
-.44%*
-.40%
-.325%

Resistance/Support tables rank importance of levels ,wby stars *,** to *** being the most important

German 2yr yield – Weekly



Source: CQG, Credit Suisse

German 2yr yield

The German 2yr bond yield saw a very volatile week, but ultimately ended unchanged. The German 2yr bond yield saw a very volatile week last week, although the price action was entirely contained within its recent range. The market now looks to have formed a clear potential 'ascending triangle' continuation pattern, which points to higher levels. We therefore now see a favorable risk/reward for a tactical bearish bias, reinforced by the fact that the longer term picture also points to higher yields. A break above the recent highs at -.52% would trigger the pattern and confirm a move higher, with next support then seen at -.40%. In contrast, a break below -.595% would confirm a move back into the range, and would most likely see a further move lower as disappointed shorts capitulate. Next resistance is then seen at the previous -.665% breakout point, where we would certainly look to hold above once again.

We see a bearish bias at Monday's open, with conviction growing considerably on a close above -.52% with support then seen at -.40%. Resistance is seen at -.62%, below which we would turn neutral.

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