

25 May 2021

Technical Trend Monitor

Essential short-term trend developments

A bottom in European rate futures

German 10-year yield

Long-term trend: Neutral. Topping at EMA-200 line in weekly chart at -12bp
Short-term trend: Neutral. Uptrend intact above -17bp in daily chart

BTP future continuous chart

Long-term trend: Neutral. Successful test of horizontal support area 146.40-145.50 in weekly chart
Short-term trend: Neutral. Close below 147.30 is weak, but limited downside potential

Buxl future continuous chart

Long-term trend: Neutral. Bottoming above the solid horizontal support around 197.65
Short-term trend: Up. Recovery, but strong horizontal resistance around the 204.70 level

US 10-year Treasury note

Long-term trend: Neutral. Recovering from the EMA-200 line at 131 1/32 in the weekly chart
Short-term trend: Up. Improving, confirmed by the bottoming MA-50 line at 132 5/32

Markit iTraxx Main Index

Long-term trend: Down. Topping around the EMA-40 line in weekly chart at 51.44
Short-term trend: Neutral. A tightening towards the horizontal support around 49.35 is still possible

Markit iTraxx Senior Financial Index

Long-term trend: Neutral. Upward sloping trend line in weekly chart around the 50.90 level
Short-term trend: Neutral. Widening ended below the EMA-200 line at 63.16

Brent Oil July contract

Long-term trend: Up. Consolidating below the horizontal resistance around USD71.85/bbl
Short-term trend: Up. Successful test MA-50 line during recent weakness

Silver

Long-term trend: Up. Weekly close above USD30.00/oz is necessary for a Buy signal
Short-term trend: Neutral. Overhead horizontal resistance USD28.50-29.30/oz

Zinc

Long-term trend: Up. Successful consolidation above breakout level around USD2,905/MT
Short-term trend: Up. Interesting buying opportunity in consolidation above MA-50 line at USD2,880/MT

S&P500 Index

Long-term trend: Up. Upper end rising trend channel monthly chart around 4,405
Short-term trend: Up. Prices bottomed above support area 4,075-4,055

DowJones Industrial Average Index

Long-term trend: Up. Large completed bottom formation suggests price target at 40,450
Short-term trend: Up. Successful consolidation in uptrend above support around 33,570

Nasdaq100 Index

Long-term trend: Up. Bullish scenario intact above horizontal support around 12,195
Short-term trend: Neutral. Upward bias intact and higher prices are likely

DAX Index

Long-term trend: Up. Breaking above the 20-year rising resistance line around 15,100
Short-term trend: Up. The uptrend continues in case of a close above horizontal resistance around 15,477

Eurostoxx50 Index

Long-term trend: Up. Successful pull-back former breakout area 3,871-3,825
Short-term trend: Up. Trying to close above the horizontal resistance around 4,038

STOXX Europe 600 relative Utilities sector

Long-term trend: Neutral. Unexpected weakness violates outperformance
Short-term trend: Down. Underperformance is beginning

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A bottom in European rate futures

The most interesting development within the markets is the coming top in the yield and the bottom in the interest rate futures in Europe. This is confirmed by the **German 10-year yield** on page 3 and the **Buxl future** on page 5. These two charts are clearly showing that we should at least expect a short-term relief in the yield. The **BTP future** on page 4 could be bottoming as well, which should be in line.

It is difficult to interpret what this should mean for the market as a whole.

Furthermore, we are a bit puzzled about the difference between the US stock markets and European markets. The upside potential should be limited for the **S&P500 Index** on page 12 as we mentioned many times before. However, the **DAX Index** on page 15 and particularly the **Eurostoxx50 Index** on page 16 are suggesting further upside. A short-term divergence between the European stock markets and the US is possible, although it seems unlikely that European equity markets will rise when the US markets are starting a correction.

We are on a high alert of possible coming reversal patterns.

Roelof-Jan van den Akker, Senior Technical Analyst

German 10-year yield

Long-term trend: **Neutral**. Topping at EMA-200 line in weekly chart at -12bp

Short-term trend: **Neutral**. Uptrend intact above -17bp in daily chart

Daily chart



Source: Updata

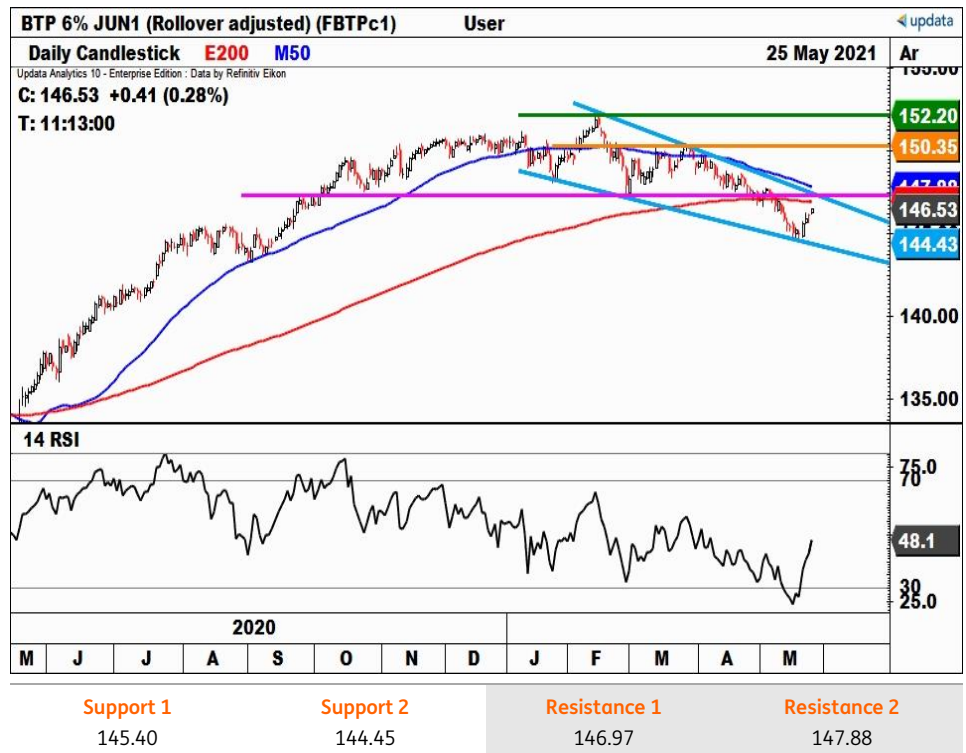
- The weekly chart shows a top at the EMA-200 line at -12bp, which should be considered as a normal reaction. However, looking at the daily chart it is too early to expect that the yield has topped, and 10-year German bonds should be favoured here.
- A successful pull-back to the previous breakout level and bottom at the lower end of the rising trend channel, both around -17bp, is still not ruling out a continuation of the uptrend in the yield. A weekly close above the EMA-200 line at -12bp will confirm a rise towards the next horizontal resistance around 8bp before a top and reversal will be imminent.
- A close below the -17bp support area in the daily chart, followed by a close below the rising MA-50 line at -25bp will confirm a larger correction in the yield, which should be bullish for the 10-year bonds. Next solid support will then come in between the rising EMA-200 line and horizontal line, both around -38bp.

BTP future continuous chart

Long-term trend: **Neutral**. Successful test of horizontal support area 146.40-145.50 in weekly chart

Short-term trend: **Neutral**. Close below 147.30 is weak, but limited downside potential

Daily chart



Source: Updata

- The market was weaker than expected as prices broke below the short-term crucial horizontal support around 147.30. However, the downside potential seems limited after the close below 147.30 and therefore the short-term rating remains at 'Neutral'.
- First, the weekly chart shows a successful test of the solid and crucial horizontal support area 146.60-145.50. Secondly, prices tested the lower end of the short-term falling trend channel around 144.50 last week, followed by a recovery.
- However, the short-term upside is limited for now, with prices meeting plenty of resistance between the flat EMA-200 line at 146.97 and the declining MA-50 line at 147.88, with the falling trend line in between around 147.30. A short-term lower top and a decline should not be ruled out within this resistance area. However, as long as the solid horizontal support area 146.60-145.50 remains intact on a weekly closing basis, we should consider this as the development of a bottom.

Buxl future continuous chart

Long-term trend: **Neutral**. Bottoming above the solid horizontal support around 197.65
 Short-term trend: **Up**. Recovery, but strong horizontal resistance around the 204.70 level

Weekly chart



Source: Updata

- The correction has likely ended after prices arrived at the solid horizontal support around 197.65, showing a bullish set-up above the EMA-200 line at 198.34 in the weekly chart last week. This likely suggests a short-term recovery, confirmed by a break above the steep falling trend line around 199.15 in the daily chart today.
- That means, we reverse the short-term rating to 'Up' from 'Down'. However, we should expect that we might be entering the bottoming process, suggesting increasing volatility. Prices will meet strong resistance between the declining MA-50 line at 203.95 and the horizontal line around 204.70. We recommend selling the rallies towards this resistance area on a short-term basis.
- Within the weekly chart, prices will meet overhead resistance between the declining EMA-40 line at 212.00 and the horizontal line around 214.85.

US 10-year Treasury note

Long-term trend: **Neutral**. Recovering from the EMA-200 line at 131 1/32 in the weekly chart

Short-term trend: **Up**. Improving, confirmed by the bottoming MA-50 line at 132 5/32

Daily chart



Source: Updata

- The daily chart shows the development of a bottom, with prices successfully consolidating above the horizontal support around 131 27/32 and hovering around the bottoming MA-50 line at 132 5/32.
- This should be followed by a break above the horizontal resistance around 133 3/32 to confirm our bullish scenario. This would suggest a rally towards the strong horizontal resistance area 134 9/32 and 134 24/32, with the declining EMA-200 line offering next resistance at 134 31/32.
- A next sell-off should not be ruled out after a pull-back towards the 134 9/32-134 24/32 resistance area, as a test of the solid horizontal support in the weekly chart around 128 should be expected before definitely bottoming. A weekly close below the EMA-200 line at 131 1/32 will confirm this scenario.

Markit iTraxx Main Index

Long-term trend: **Down**. Topping around the EMA-40 line in weekly chart at 51.44
 Short-term trend: **Neutral**. A tightening towards the horizontal support around 49.35 is still possible

Daily chart



Source: Uputata

- The widening in the daily chart is still ending at the EMA-200 line, currently at 52.80. This is not ruling out that a short-term tightening will result in a test of the lower end of the short-term trading range around 49.35. A close below the MA-50 line at 51.16 will confirm this bullish scenario.
- A tightening below the horizontal support around 49.35 is necessary to expect a decline towards the next solid horizontal support around the 45.30 level. We do not expect a break above the EMA-200 line on a short-term basis, but if so, a widening towards the long-term falling trend line should be expected.

Markit iTraxx Senior Financial Index

Long-term trend: **Neutral**. Upward sloping trend line in weekly chart around the 50.90 level

Short-term trend: **Neutral**. Widening ended below the EMA-200 line at 63.16

Daily chart



Source: Updata

- There is no clear trend, with the daily chart showing a range between 57.25 and 64.25. The recent widening was short lived and ended well below the EMA-200 line at 63.16, showing a decline thereafter.
- To expect a tightening towards the lower end of the trading range and horizontal support around 57.25, prices must close below the slowly rising MA-50 line at 59.39.

Brent Oil July contract

Long-term trend: **Up**. Consolidating below the horizontal resistance around USD71.85/bbl
 Short-term trend: **Up**. Successful test MA-50 line during recent weakness

Daily chart



Source: Uputata

- We lowered the lower end of the trend channel in the daily July contract after the recent weakness, showing a broader parallel rising trend channel with the lower end offering support around the USD64.70/bbl level.
- The recent weakness should also be considered as a successful pull-back towards the flattening MA-50 line at USD66.64/bbl, from where a rise started towards the horizontal resistance around USD69.90/bbl. The momentum chart is relatively weak, so its questionable if the horizontal resistance around USD69.90/bbl will be broken immediately.
- This is not ruling out a successful consolidation above the lower end of the rising trend channel before we could see an upward breakout above the horizontal resistance around USD69.90/bbl. A close above the next horizontal resistance in the monthly chart around USD71.85/bbl is necessary for a durable breakout and sustainable rise. Until then, sideways within the uptrend.
- A violation of the lower end of the rising trend channel around USD64.70/bbl indicates the start of a larger consolidation with solid support coming in between the horizontal line around USD60.45/bbl and the rising EMA-200 line at USD57.60/bbl.

Silver

Long-term trend: **Up**. Weekly close above USD30.00/oz is necessary for a Buy signal
 Short-term trend: **Neutral**. Overhead horizontal resistance USD28.50-29.30/oz

Daily chart



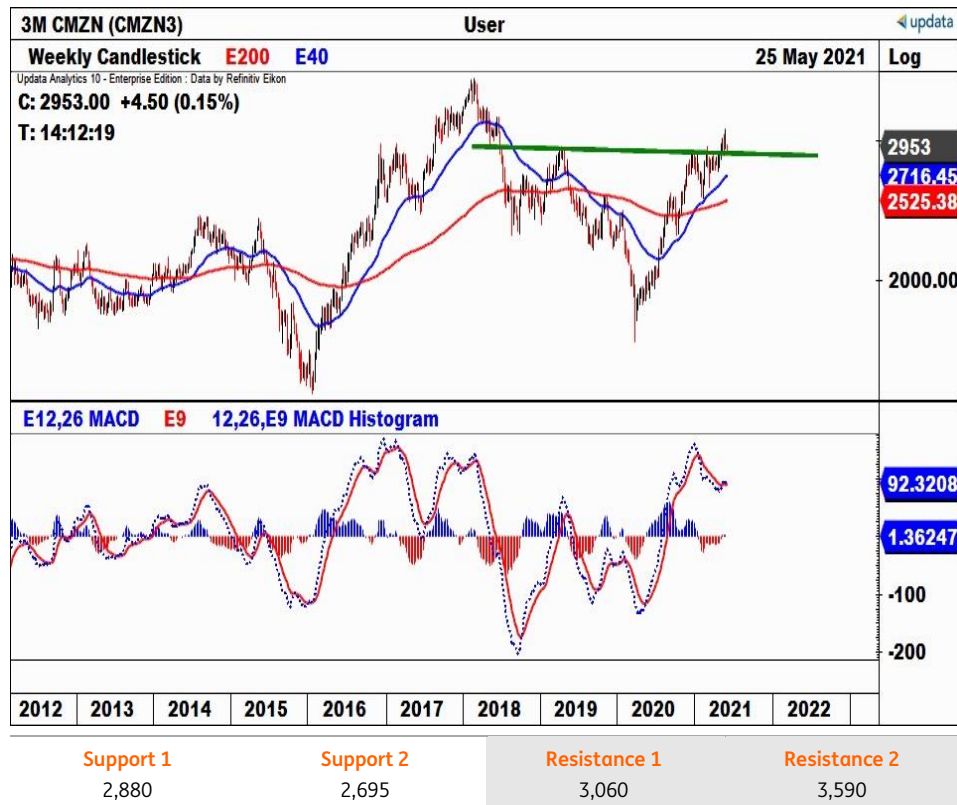
Source: Updata

- Prices rallied to the overhead horizontal resistance area USD28.50-29.30/oz after making a high at USD28.74/oz last week. A top around this strong horizontal still shows a trading range between USD24.30/oz and USD28.50-29.30/oz.
- The daily momentum chart is deteriorating, not ruling out the start of a decline, suggesting prices are topping below the horizontal resistance area USD28.50-29.30/oz. Next solid support within a possible decline begins at the rising MA-50 line at USD26.16/oz, with the rising EMA-200 line at USD24.99/oz.
- We recommend buying on weakness, as an upward breakout above the horizontal resistance around USD30.00/oz in the weekly chart should be expected in the end.

Zinc

Long-term trend: **Up**. Successful consolidation above breakout level around USD2,905/MT
 Short-term trend: **Up**. Interesting buying opportunity in consolidation above MA-50 line at USD2,880/MT

Weekly chart



Source: Uptdata

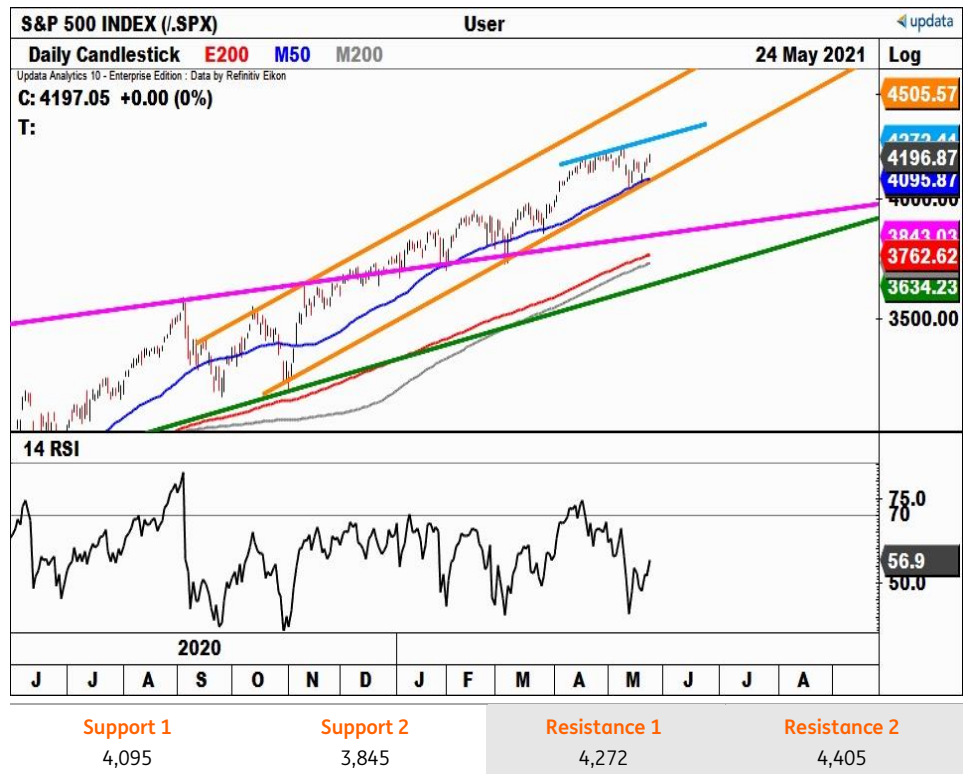
- The overall picture is bullish. Prices are successfully consolidating above the previous breakout level around USD2,905/MT level after the breakout at the end of April. This at least suggests that prices will return to the February 2018 top around the USD3,590/MT level.
- This short-term consolidation is offering an interesting buying opportunity in the uptrend in the daily chart above the MA-50 line at USD2,880/MT. That is why we upgrade the short-term rating to 'Up' from 'Neutral'.
- A close below the long-term rising trend line and MA-50 line, both around USD2,880/MT, would be short-term weak. This indicates a decline towards the rising EMA-200 line at USD2,695/MT before we should expect the development of a bottom.

S&P500 Index

Long-term trend: **Up**. Upper end rising trend channel monthly chart around 4,405

Short-term trend: **Up**. Prices bottomed above support area 4,075-4,055

Daily chart



Source: Uputata

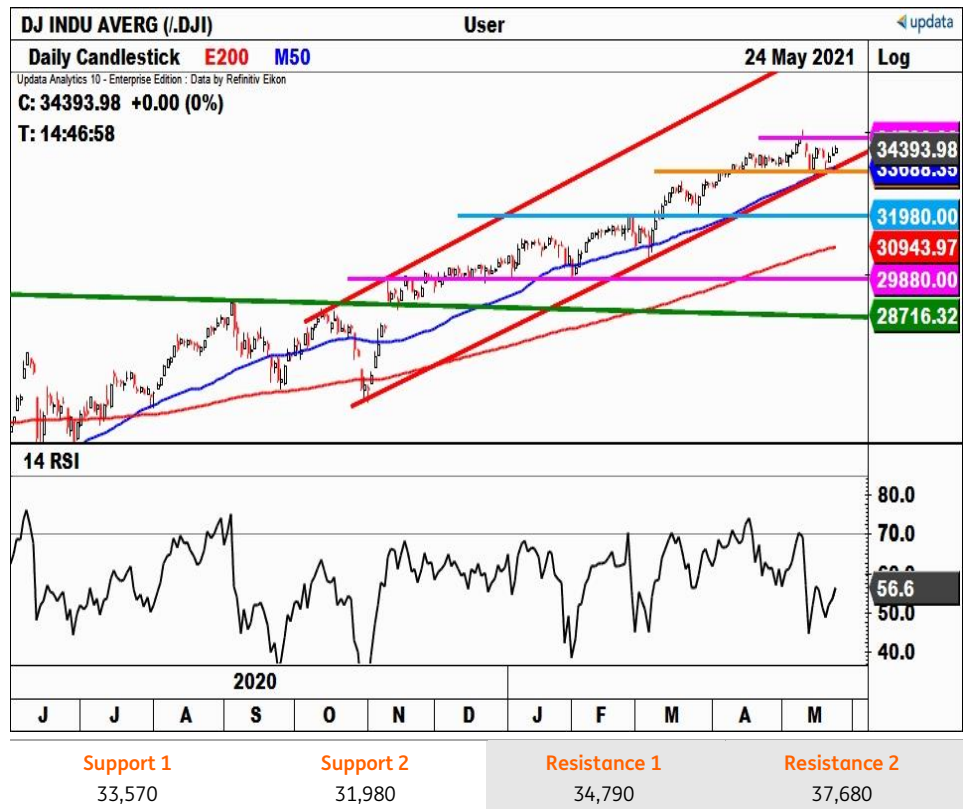
- Prices successfully tested the lower end of the rising trend channel and rising MA-50 line between 4,075-4,055 during the recent weakness. This shows that the rising trend remains intact. This bull-run seems to be in its final stages, as the upper end of the 12-year rising trend channel in the monthly chart comes in around the 4,405 level. This suggests that a larger decline is welcome after such a long winning strike.
- Within the daily chart, a close above the rising resistance line around 4,272 is required for a final rally within the uptrend. Until then, prices should rally back and forth in achieving higher prices.
- The uptrend remains intact above the rising MA-50 line and lower end of the rising trend channel, both around the 4,095 level. Once broken, we should see a sharp decline. All in all, we recommend selling the rallies towards the upper end of the 12-year rising trend channel in the monthly chart.

DowJones Industrial Average Index

Long-term trend: **Up**. Large completed bottom formation suggests price target at 40,450

Short-term trend: **Up**. Successful consolidation in uptrend above support around 33,570

Daily chart



Source: Uputata

- The overall picture remains bullish, despite this month's volatility. The daily chart shows a successful consolidation above the horizontal support and lower end of the rising trend channel, both around the 33,570 level, within this consolidation.
- The current recovery should result in a close above the horizontal resistance around 34,790 in continuing the uptrend. The longer-term target remains unchanged at 40,450, but the upper end of the long-term rising trend channel in the monthly chart comes in around 37,680 after a close above the horizontal resistance around 34,790.
- A close below the horizontal support around 33,570 would be short-term bearish and suggests the start of a larger correction. Next solid support then comes in between the horizontal line around 31,980 and the rising EMA-200 line at 30,944.

Nasdaq100 Index

Long-term trend: **Up**. Bullish scenario intact above horizontal support around 12,195
 Short-term trend: **Neutral**. Upward bias intact and higher prices are likely

Daily chart



Source: Uptdata

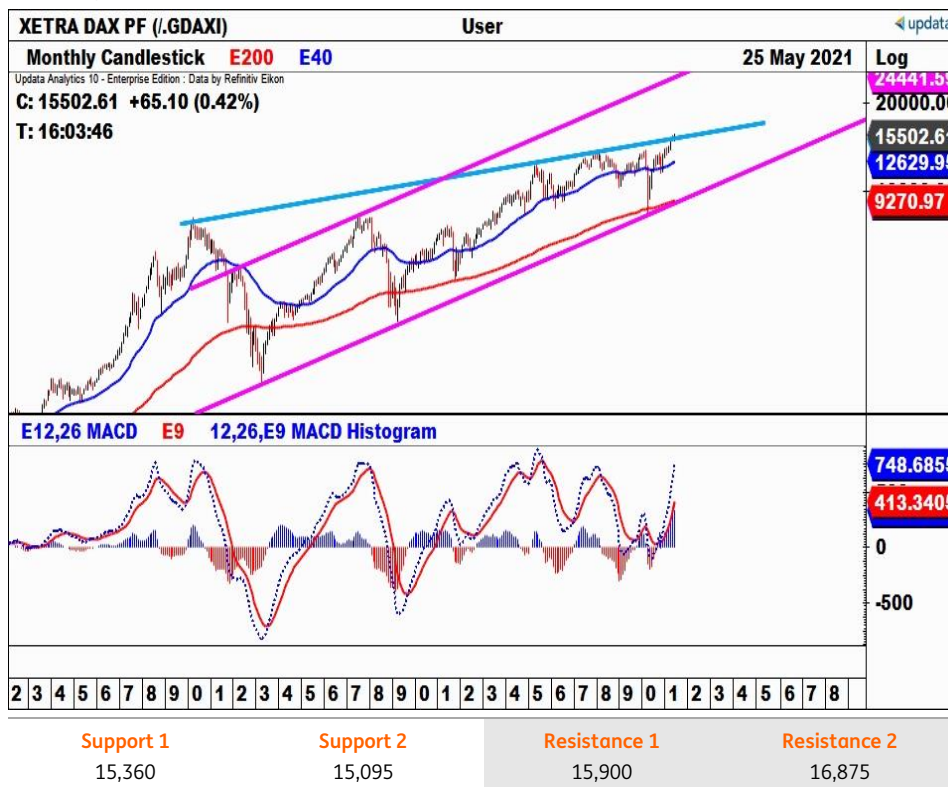
- The daily chart shows a large consolidation pattern since the beginning of this year, with an upward bias. The recent bottom above the lower end of the rising trend channel around the 12,995-12,965 area is followed by a close above the still rising MA-50 line at 13,748, indicating further rising prices.
- However, the upside potential will be limited and therefore we leave our short-term rating unchanged at 'Neutral'. The rising resistance line should offer next resistance, currently around 14,205. A break above this resistance line is required to expect an acceleration in the uptrend, with the upper end of the rising trend channel coming in around the 14,860 level.
- A close below the lower end of the rising trend channel around 13,035 would suggest selling pressure, but plenty of support comes in within the horizontal support area 12,645-12,238. The rising EMA-200 line is at 12,741 in between.

DAX Index

Long-term trend: **Up**. Breaking above the 20-year rising resistance line around 15,100

Short-term trend: **Up**. The uptrend continues in case of a close above horizontal resistance around 15,477

Monthly chart



Source: Uptdata

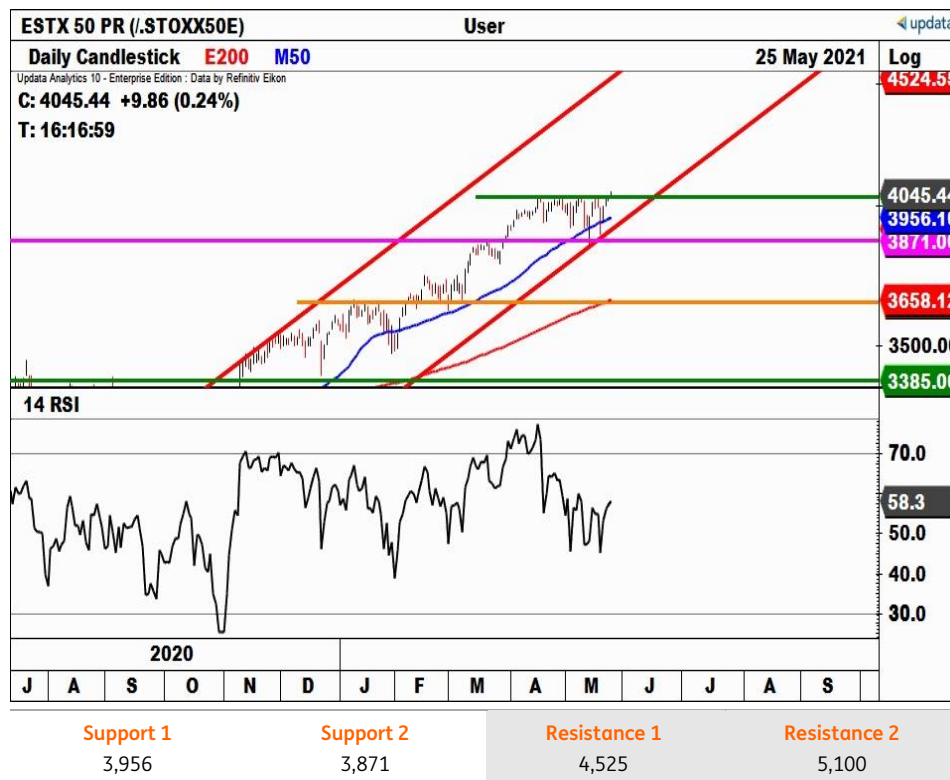
- The daily chart is breaking above the horizontal resistance around 15,477 in continuing the uptrend. However, still missing the conviction to expect a solid rise. The weak and lagging daily momentum chart is confirming the lack of strength within the uptrend.
- Nevertheless, as long as prices are staying above the horizontal support around 15,360, we should expect further gains. Next resistance comes in at the upper end of the rising trend channel around the 15,900 area and there is a bullish set-up with a target at 16,875.
- Please note that a clear close above 15,100 by the end of this month will definitely confirm a bullish break above the 20-year rising resistance line in the monthly chart. This is bullish and signals further upside in the coming months and years. Therefore, we upgrade the long-term rating to 'Up' from 'Neutral'.

Eurostoxx50 Index

Long-term trend: **Up**. Successful pull-back former breakout area 3,871-3,825

Short-term trend: **Up**. Trying to close above the horizontal resistance around 4,038

Daily chart



Source: Uputata

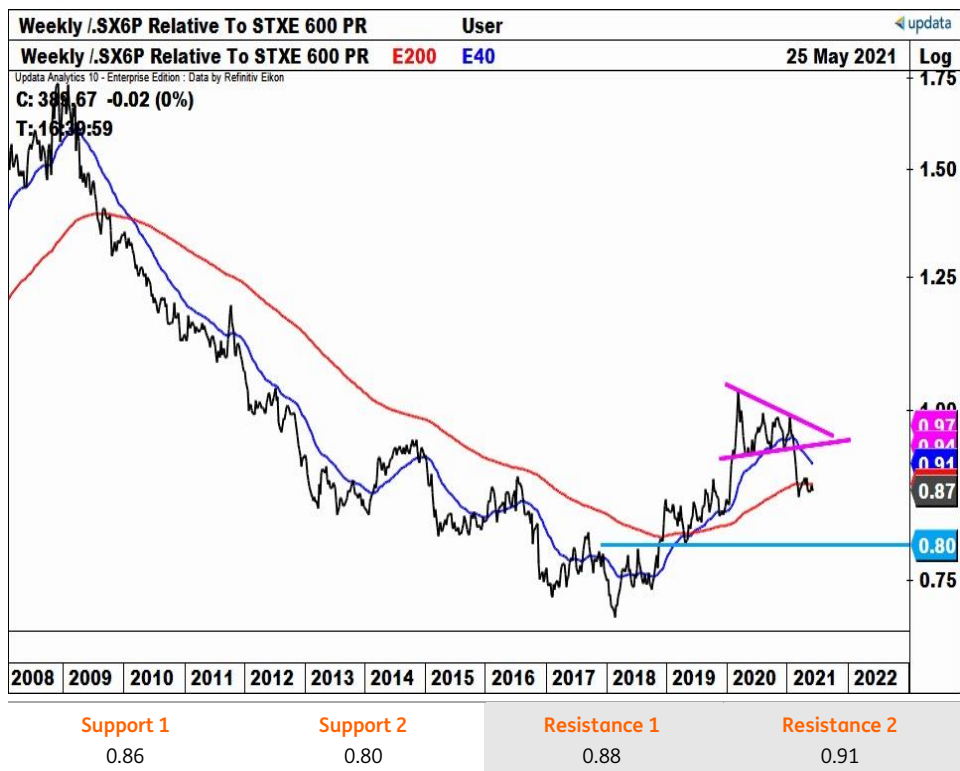
- The recent weakness, the successful consolidation above the horizontal support around 3,871, should be considered as the pull-back towards the previous breakout level around 3,825. This is bullish, as the breakout of this 8-year large sideways pattern between 2,550 and 3,825 suggests a long-term price target of around 5,100.
- That said, this pull-back should be followed by a continuation of the uptrend soon. Prices are slowly breaking above the horizontal resistance around 4,038 in the daily chart. Next horizontal resistance in the weekly chart comes in around the 4,280 area, with overhead resistance between 4,500 and 4,580.
- The upper end of the rising trend channel in the daily chart comes in around 4,525 after a clear close above the horizontal resistance around 4,038. The alternative scenario would be an extension of the consolidation pattern by prices successfully consolidating above the rising MA-50 line at 3,956 and the lower end of the rising trend channel around 3,913 before the uptrend will be continued.

STOXX Europe 600 relative Utilities sector

Long-term trend: **Neutral**. Unexpected weakness violates outperformance

Short-term trend: **Down**. Underperformance is beginning

Daily chart



Source: Uptdata

- The weekly relative chart started a consolidation phase last year after an interesting reversal of outperformance in the past years before. We expected a resumption of the outperformance after this consolidation, but the downside breakout of this consolidation pattern is bearish.
- This at least violates the outperformance, suggesting a longer-term market performance in building a possible longer-term bottom formation. That is why we downgrade the long-term rating to 'Neutral' from 'Up'.
- A short-term consolidation below the EMA-200 line 0.88 is bearish, suggesting more underperformance to come with next solid horizontal support coming in around the 0.80 level. This increasing downside risk resulted in a downgrade of the short-term rating to 'Down' from 'Neutral'.

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