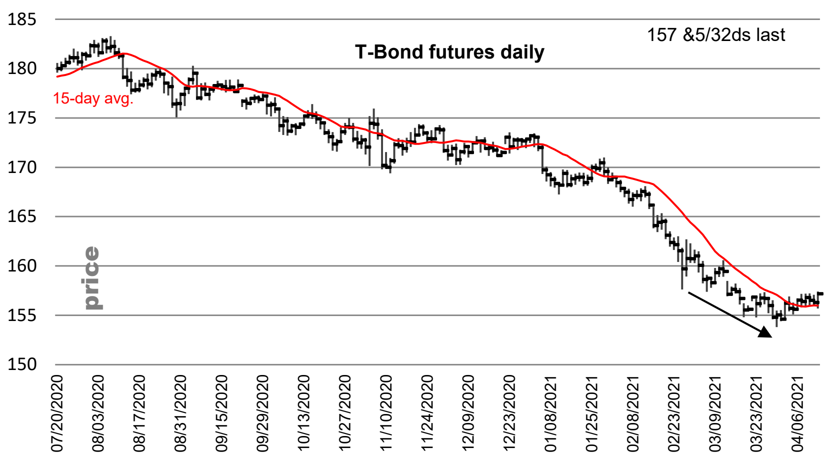
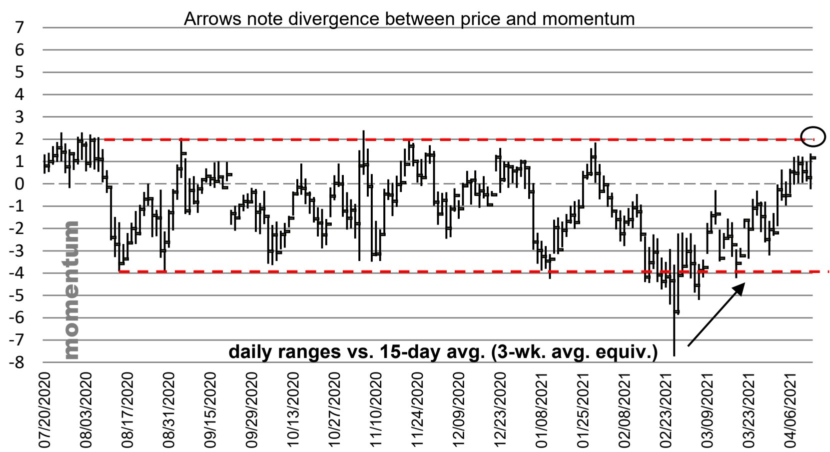
April 13, 2021

T-Bonds close up





MSA is going to begin to focus on shorter-term technicals in U.S. government Bonds (also TLT), gold, and the U.S. stock market (the S&P 500 and NDX). The reason is that we think a turn is either already underway or about to begin in each. Specifically with T-Bonds and gold to the upside, probably already having seen their lows, and with U.S. stocks nearing a peak and a turning point. And if our more near-term assessment identifies these turns, there's a good chance that what begins with weekly momentum will trigger larger technicals that aren't far away in these markets.

In this report we focus on T-Bonds, one of the two "alternatives" to the stock market.

We've argued that the positive linkage over the past year and more between T-Bonds and gold continues and will likely persist for several more months. However, we strongly suspect that after the next surge in both we'll see a divorce, with T-Bonds peaking and turning down long term, but gold continuing upside. That would leave gold, silver, and commodities as the conspicuous alternative asset category. As this divorce between rate direction and gold occurs, it will no doubt confuse many investors and asset managers who have grown accustomed to the (recent) linkage between those two markets and who assume it will persist. A problem for them to sort out.

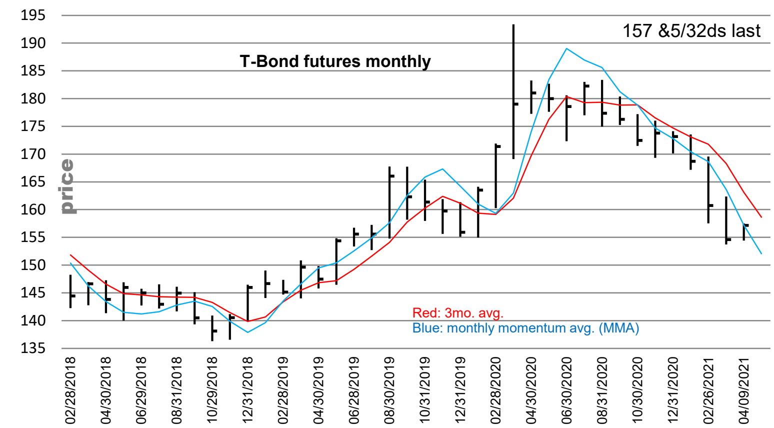
The charts above show "weekly" momentum of T-Bonds using a 15-day avg. instead of a 3-wk. avg., with the action plotted in daily bar format for better clarity.

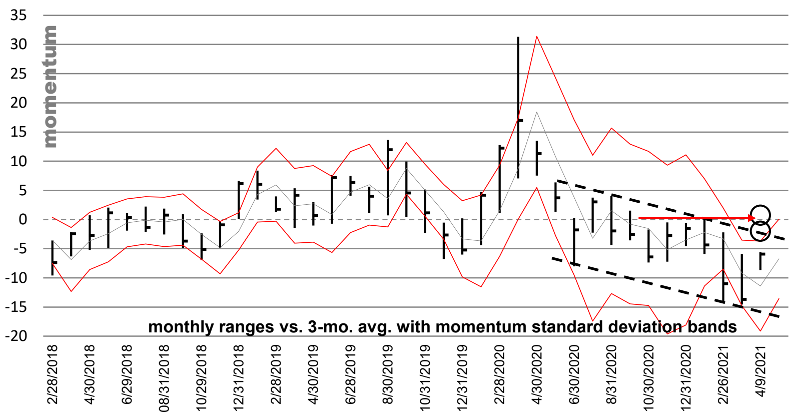
When T-Bonds crested this past summer (coincident with gold), weekly momentum went negative. Notice that all rally highs were shallow on the momentum chart, generally at or below two points over the zero line (the highest close on the momentum chart was back in August at just below the +2 level). Meanwhile, the lows were repeatedly four points below. A negatively biased range of behavior, fitting with the downtrend.

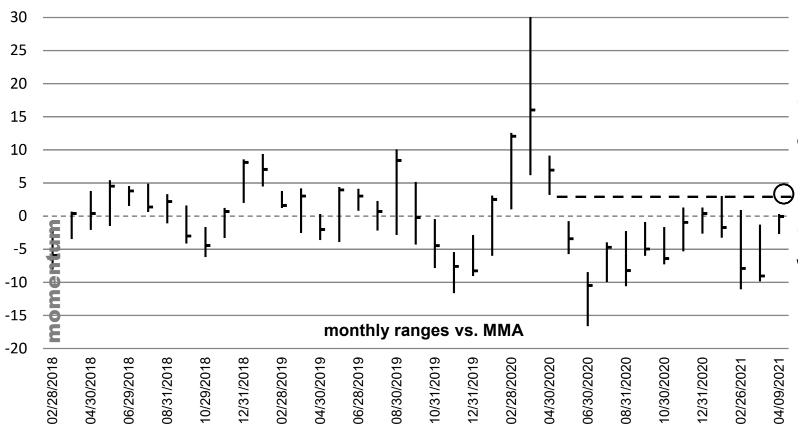
Then in February as price accelerated on the downside, momentum took out that deep clear momentum floor at -4. An indication of emotional capitulation on the downside. However, that downside passion waned as the momentum readings aborted back above that aged floor in early to mid -March. And price then began to go mostly sideways. Today's price, for example, is where it was a month ago.

Meanwhile, the momentum action is moving to attack the shallow massive ceiling that goes back nine months! Almost turning what's normally a shorter-term technical indicator into something of larger scale.

Close a day two full points over the 15-day avg. and consider that a breakout. Tomorrow that number will be **158 & 2/32ds**. Less than one point above today's settlement on the June future. The 15-day avg. is now flat, so that breakout number for this momentum chart will remain the same any day this week.







We mentioned there are **larger dominoes to trigger** in these market turns—T-Bonds, gold, and U.S. stocks. Here's one example: **T-Bond monthly momentum** (two different monthly oscillators).

The first thing to note is that at the February close, **3-mo. avg**. momentum registered an oversold reading (the upper SD band dropped below the zero line). March continued down in price but at a lesser rate, while the March momentum action stabilized mostly within the readings seen in February. This month has now taken out the March oscillator high.

Key breakout levels on the middle chart: First is the parallel downtrend channel (lower circle). Momentum will take that channel top out if price reaches **161** during this month. Second, if price closes the month over the zero line (**163 & 3/32ds** this month or around **158 & 24/32ds** next month, noted via the red arrow), then momentum will close over all action since last October. A major base breakout.

Our monthly momentum average (MMA) oscillator will break out if price trades to **160 & 4/32ds** this month.

Meaning that if weekly momentum merely engages several more points of upside, which we think likely given the size of the weekly base, then these monthly factors will in turn be triggered.

MSA's projection, if weekly factors trigger monthly, is that T-Bond futures will rally to the 170 to 175 zone before encountering major resistance.

A 15-day momentum study of the S&P 500 will be sent tomorrow.

Positions in markets mentioned: long PHYS (Sprott Physical Gold Trust) and SLV calls