Technical Analysis Chart Pack

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Key Market Themes

As we went through all the charts in this report, a clear theme seems like that all markets were pricing in peaking inflation and Fed pivoting in last couple of weeks. G4 interest rates retraced sharply after a relentless rally. Dollar seems to have formed a peak. Commodity index looks like peaked as well, which usually leads a peak of inflation. DM equity market sentiment also turned positive. However, given that the long-term downtrend is intact, the current short-term upturn remains viewed as bear market rally in our view. EM equity looks relatively attractive.

Rates:

- U.S. CPI Index: Inflation May Have Peaked
- U.S. 10 Yr Yield: Forming a Short-Term Peak
- U.S. 2s10s Yield Curve: Inversion Continues
- Gilts 10 Yr Yield: Down-Turning of the Roller-Coaster Ride?
- Bunds 10 Yr Yield: Uptrend Remains, but Reached a Key Support
- JGBs 10 Yr Yield: Anchored at the Ceiling of BOJ's YCC

Credit:

- U.S. HY Spread: Are We There (Peaked) Yet?

Equity:

- DM Equity: Bear Market Rally, So Far
- EM Equity: Oversold, Attractive Risk/Reward Ratio
- S&P 500: A Bear Market Rally, Not Out of the Woods Yet

Commodities:

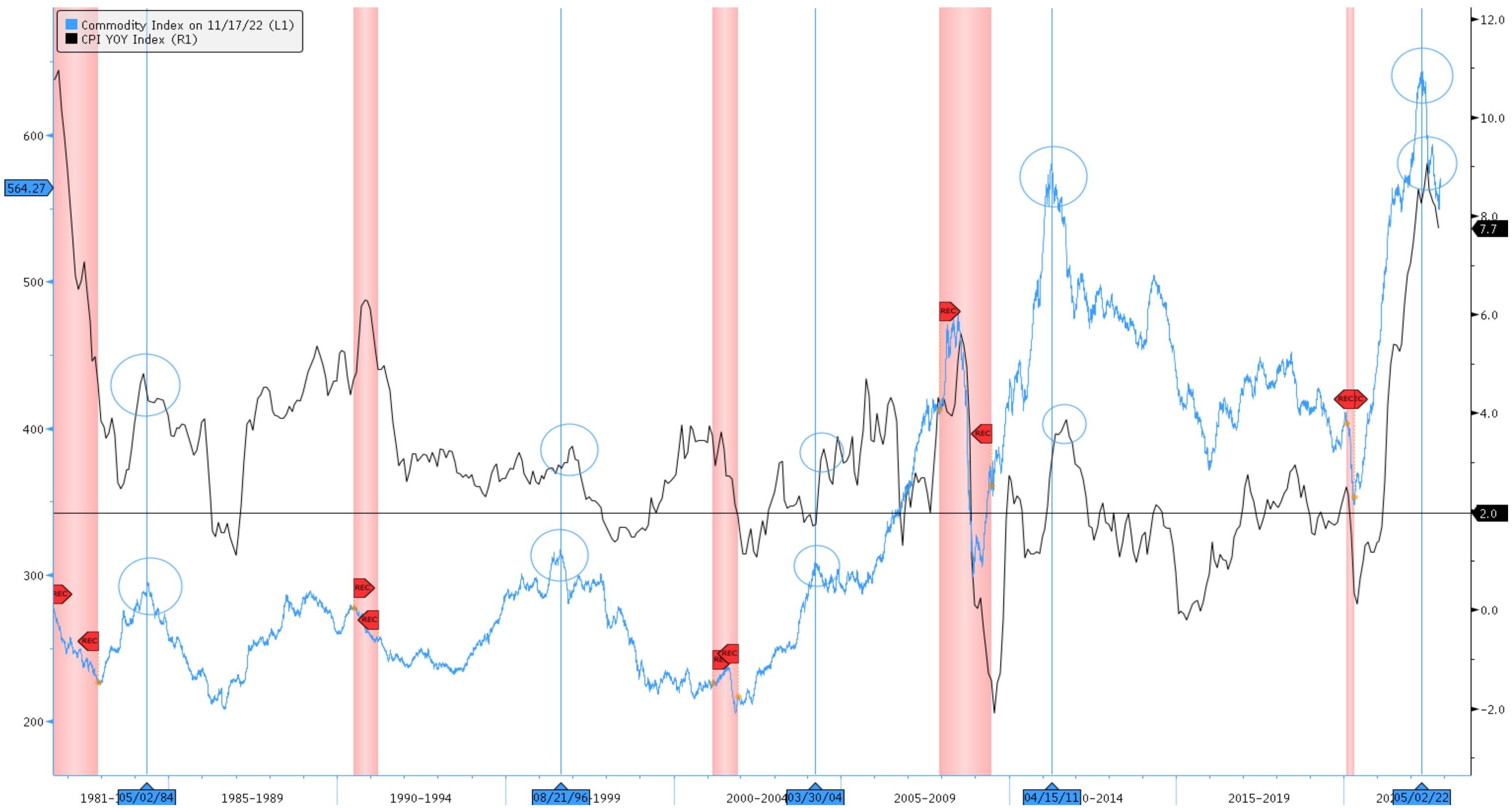
- WTI Crude Oil: Downtrend Is Intact
- Copper: Sideways Market Is Likely to Continue
- Gold: Long-Term Rangebound Market Remains

FX:

- EURUSD: Sentiment Has Turned Positive
- USDJPY: Rejected by 150

U.S. CPI Index: Inflation May Have Peaked

- The commodity index is highly correlated with the U.S. CPI index.
- The commodity index is likely to form a peak after a recession, and may lead a peak of the CPI index, as the bule circles shown in the chart below.
- The commodity index formed a peak in May this year. If the commodity index continues trending downward, we would expect U.S inflation to move lower as well, based on the relationship between the two indices.



Source: Bloomberg and MIM

U.S. 10 Yr Yield: Forming a Short-Term Peak

- The long-term uptrend for U.S. 10yr yield is intact in our view.
- However, the yield seems to lose its short-term upward momentum, and is consolidating around 4%.
- If the yield continues to move lower, the next strong resistance is around 3.1%. There is no meaningful support from the current level to 3.1%.
- The prior peak - 4.3% serves as the next support, and then around 5%, in our opinion.

Source: Bloomberg and MIM

U.S. 2s10s Yield Curve: Inversion Continues

- We feel that the trend for the 2s10s yield spread remains downward, although this deep level of inversion has not been seen since 1982.
- Based on the relationship between the 2s10s curve inversion and recession, it is reasonable to expect a recession to follow about 12 months after the 2s10s yield curve bottoms.

Source: Bloomberg and MIM

Gilts 10 Yr Yield: Down-Turning of the Roller-Coaster Ride?

- The yield dropped sharply in last few weeks, while the long-term uptrend is intact.
- The momentum has turned negative (shown in the second panel), and we believe that the yield could continue to move lower.
- The next resistance is around 3%. If there is a break below that, 2% could be a stronger resistance.
- The next support is around 4% in our view.

Source: Bloomberg and MIM

Bunds 10 Yr Yield: Uptrend Remains, but Reached a Key Support

- The yield retraced 50bps from the prior peak of 2.5%, and now is testing the key resistance of 2%.
- The long-term uptrend is intact, while the momentum has been deteriorating, as shown in the second panel.
- We could see a continued consolidation/correction in the near term.

Source: Bloomberg and MIM

JGBs 10 Yr Yield: Anchored at the Ceiling of BOJ's YCC

- The yield has been anchored at 0.25% since the beginning of this year, which is the upper-bound target of the Bank of Japan's Yield Curve Control (YCC).
- As the BOJ remains committed to its YCC policy, we expect the yield to continue hovering around 0.25%.

Source: Bloomberg and MIM

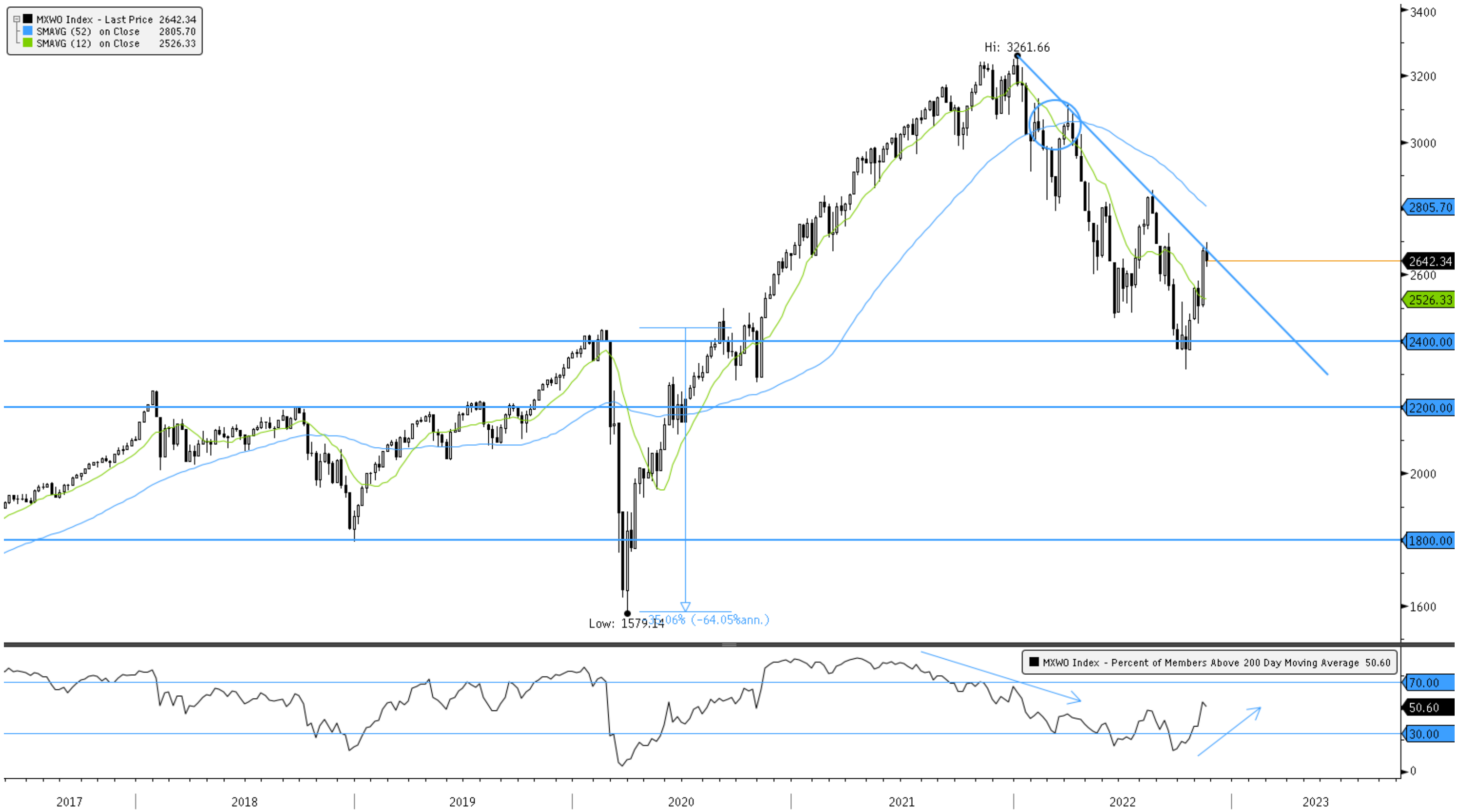
U.S. HY Spread: Are We There (Peaked) Yet?

- The momentum of the spread widening trend has slowed, while the long-term uptrend remains intact.
- The spread is on the wider side relative to its long-term average, but it is nowhere near to any prior recession/market crisis levels.
- Based on the cycle indicator at the bottom of the chart, it signals that the spread could peak in the first quarter of next year.
- Fundamentals indicators, e.g., Senior Loan Officer Survey and Default Cycle, also suggest that the spread could continue widening in the next couple of quarters.

Source: Bloomberg and MIM

DM Equity: Bear Market Rally, So Far

- The index bounced off from the key support of 2400 (i.e., the pre-pandemic peak), and the short-term trend has turned upward.
- However, the medium- and long-term trends are intact and remain bearish, based on the moving averages and the downward trendline.
- The market breadth has improved, as shown in the second panel. The index is testing the downward trendline. Before seeing a clear break above that, we view the current upturn as a bear market rally.



Source: Bloomberg and MIM

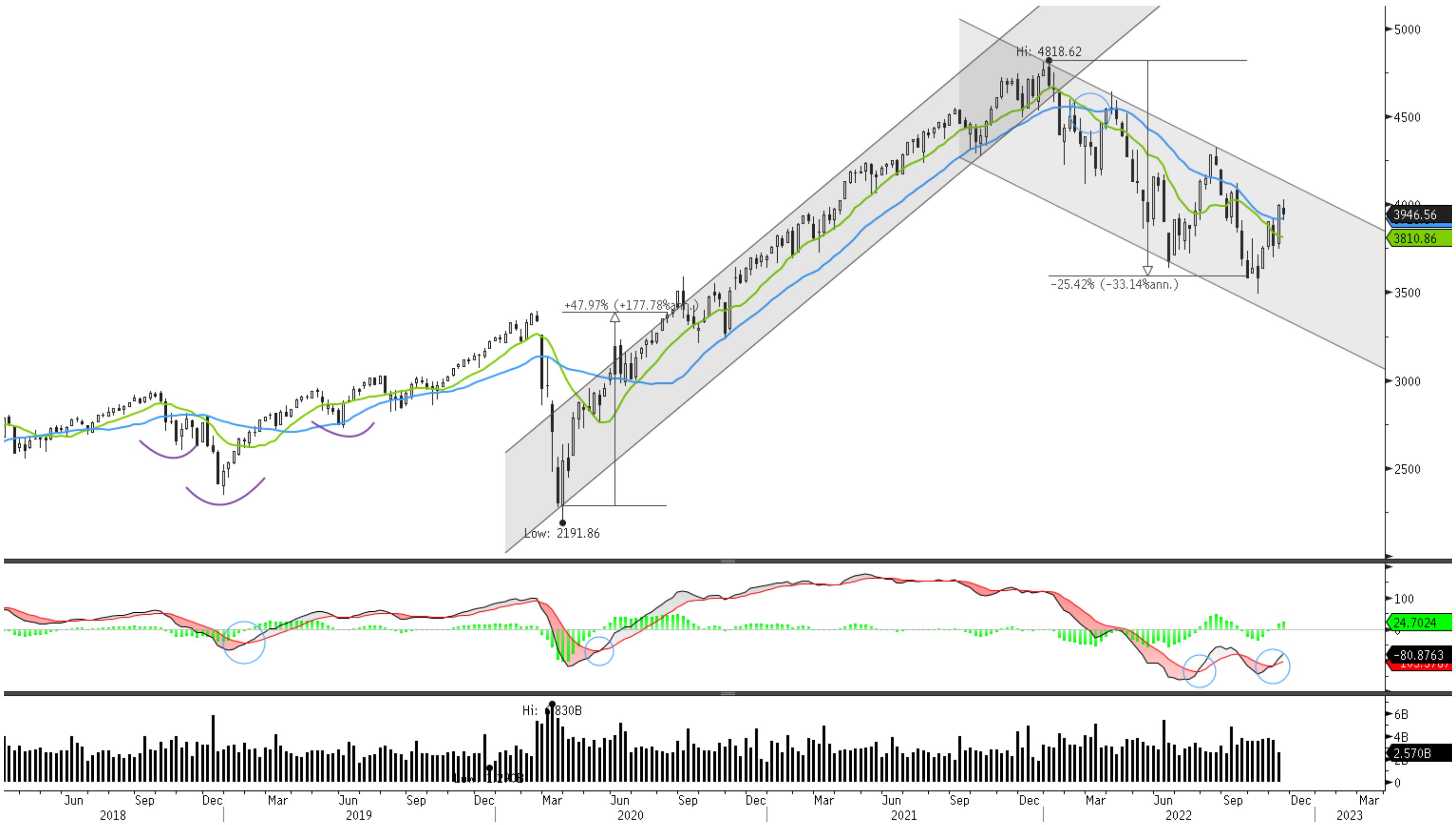
EM Equity: Oversold, Attractive Risk/Reward Ratio

- Both the short- and long-term trends remain downward.
- The index has been extremely oversold, based on the stochastic indicator in the third panel.
- The index has given back all the gains since the pandemic bottom in March 2020, so it offers an attractive risk/reward ratio in our view.
- The momentum indicator, MACD in the second panel, has issued a buy signal.

Source: Bloomberg and MIM

S&P 500: A Bear Market Rally, Not Out of the Woods Yet

- The index formed a similar patten as the DM equity index.
- The momentum in the second panel has issued a short-term buy signal.
- The long-term bear market trend remains intact, as the downward trading channel shows in the first panel.
- We maintain our bearish view, until there is a clear break above the upper bond of the downward trading channel.



Source: Bloomberg and MIM

WTI Crude Oil: Downtrend Is Intact

- After WTI broke below the lower bound of the 2-year upward trading channel, it has been consolidating around $80s/barrel in last few weeks.
- We feel that the short- to medium-term trend for WTI remains downward with slightly tilting sideways.
- If a recession unfolds in the next 12 months or so, as we projected, the downward trend may continue.
- The next support is about $75 before testing $65 in our opinion.

Source: Bloomberg and MIM

Copper: Sideways Market Is Likely to Continue

- The round trip in last two weeks did not change the sideway trend.
- Given that the global manufacturing PMI index has been slowing, we feel, it is very likely that copper may continue moving sideways if not moving lower, given our outlook of slowing global economic activities.
- The next key support is around 330, in our view.

Source: Bloomberg and MIM

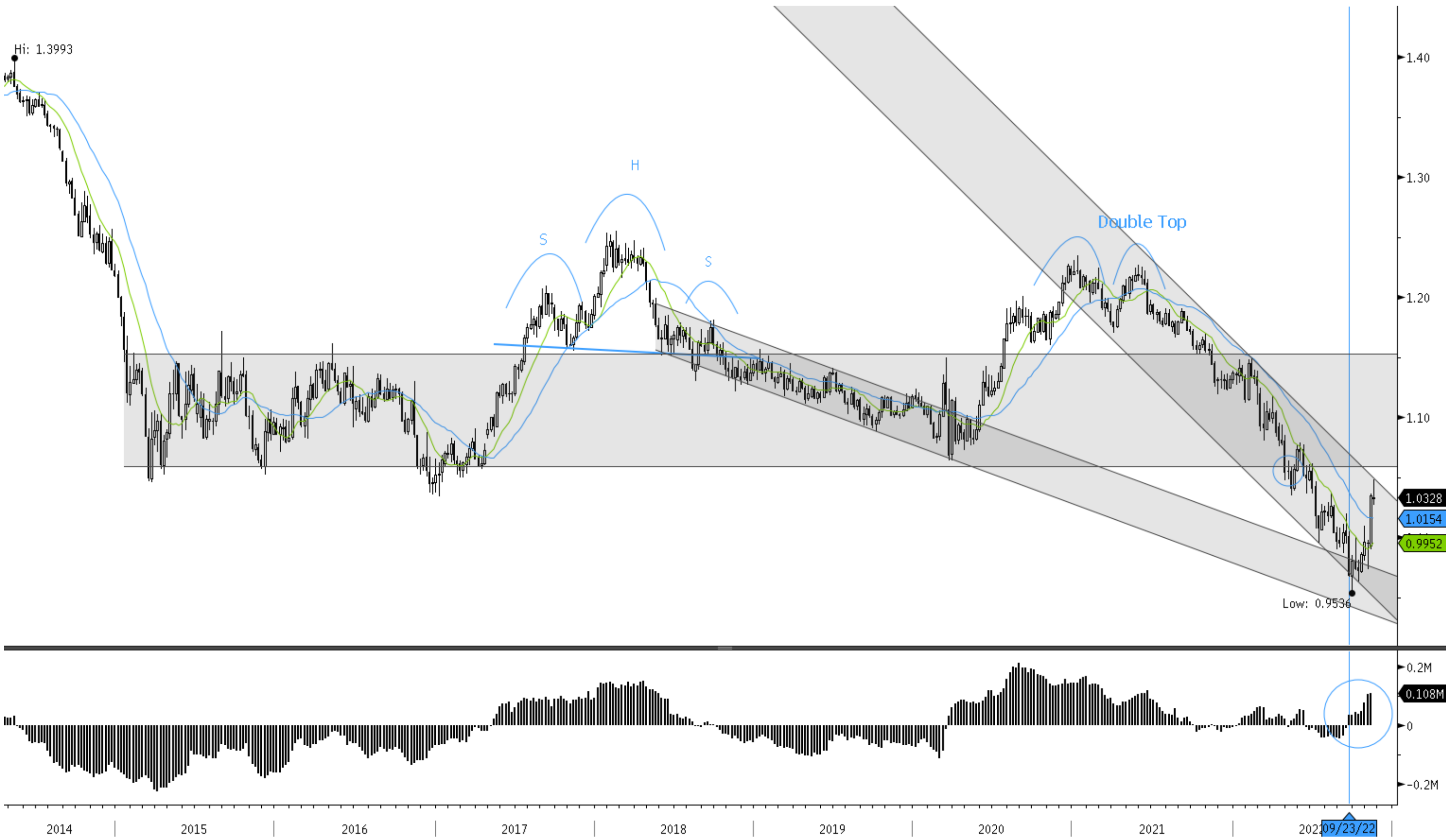
Gold: Long-Term Rangebound Market Remains

- The US Dollar weakening seems to be the main factor for the Gold rally in last week, because of the high correlation between Gold and US Dollar.
- Gold broke above the short-term downward trendline, while the long-term rangebound market (1600 ~ 2000) remains intact.
- We feel that a continued short-term rally is possible, as signaled by the MACD momentum indicator in the second panel.
- The next resistance is around 1800, a psychological level and the apex of the symmetric triangle formed in 2021.

Source: Bloomberg and MIM

EURUSD: Sentiment Has Turned Positive

- The pair broke above both the short- and long-term moving average lines, and now is testing the upper bound of the downward trading channel. If there is a clear break above that, it would confirm the turning of the current downtrend.
- The CFTC positioning data, in the second panel, indicates that investor's sentiment has turned positive on EUR.



Source: Bloomberg and MIM

USDJPY: Rejected by 150

- The pair failed to break above 150. It had a sharp drop in last week. The long black candlestick bar suggests that the current correction could continue in our opinion.
- We believe that the interest rate differential was the main driver for the correction, given the significant move of US 10yr yield and unchanged JGB 10yr yield in last couple of weeks.
- We would watch closely the 26-week moving average line (blue line). If there is a clear break below that, it could signal the end of the current medium- to long-term uptrend.
- The next strong support is around 125 in our opinion.

Source: Bloomberg and MIM

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Jun Jiang is a Market Strategist in Global Economic & Market Strategy team, where he helps to develop and communicate the firm's global macro-economic outlook and market views as well as assisting in the overall asset allocation and portfolio management process. Previously, Mr. Jiang was in the Global Portfolio Strategy unit, where he worked on portfolio strategy and portfolio analytics. Mr. Jiang joined MetLife in 2011. Prior to joining MetLife, Mr. Jiang was a Credit & Portfolio Risk Management Analyst at Citigroup.

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