



## GORDON T LONG

### Advanced Technical Analysis



**Gordon T Long**  
Global Macro Research |  
Macro-Technical Analysis



**Technical Analysis**  
Market Road Maps | HPTZ  
Methodology



**SII**  
Global Macro Research |  
Market Road Maps

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A hand is shown stacking wooden blocks to spell out the word 'BONDS'. The blocks are arranged in four columns of increasing height from left to right. The first column has one block with a percentage sign (%). The second column has two blocks with percentage signs (%). The third column has three blocks with percentage signs (%). The fourth column has four blocks: the bottom three have percentage signs (%), and the top one has the letter 'B'. A dashed black arrow points upwards and to the right, starting from the first block and ending above the top of the fourth column. The background is a solid light blue color.

# YIELDS – HOW HIGH IS TOO HIGH?

*“Expect the best. Prepare for the worst. Capitalize on what comes!”*

October 11th, 2023

# AGENDA

## KEY MESSAGES

### CENTRAL BANK RATE POLICY

WILL HOLD UNTIL SOMETHING BREAKS  
US ENTERS A RECESSION

### EARLY WARNINGS

CREDIT, BOND & CURRENCY MARKETS

### FUNDAMENTALS

SPIKING REAL RATES & TIGHTENING FCI  
SUPPLY AND DEMAND  
SPIKING TREASURY YIELDS

### TECHNICAL ANALYSIS

MATASII CHARTS  
ELLIOTT WAVE

### CONCLUSION

GOLD LOOKING INTERESTING

## Yields – How High Is Too High?



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## GREATEST BOND BEAR MARKET IN HISTORY

After peaking in July 2020 and in the subsequent 28 months drawing down by a record 25%, this is now the single greatest bond bear market of all time!

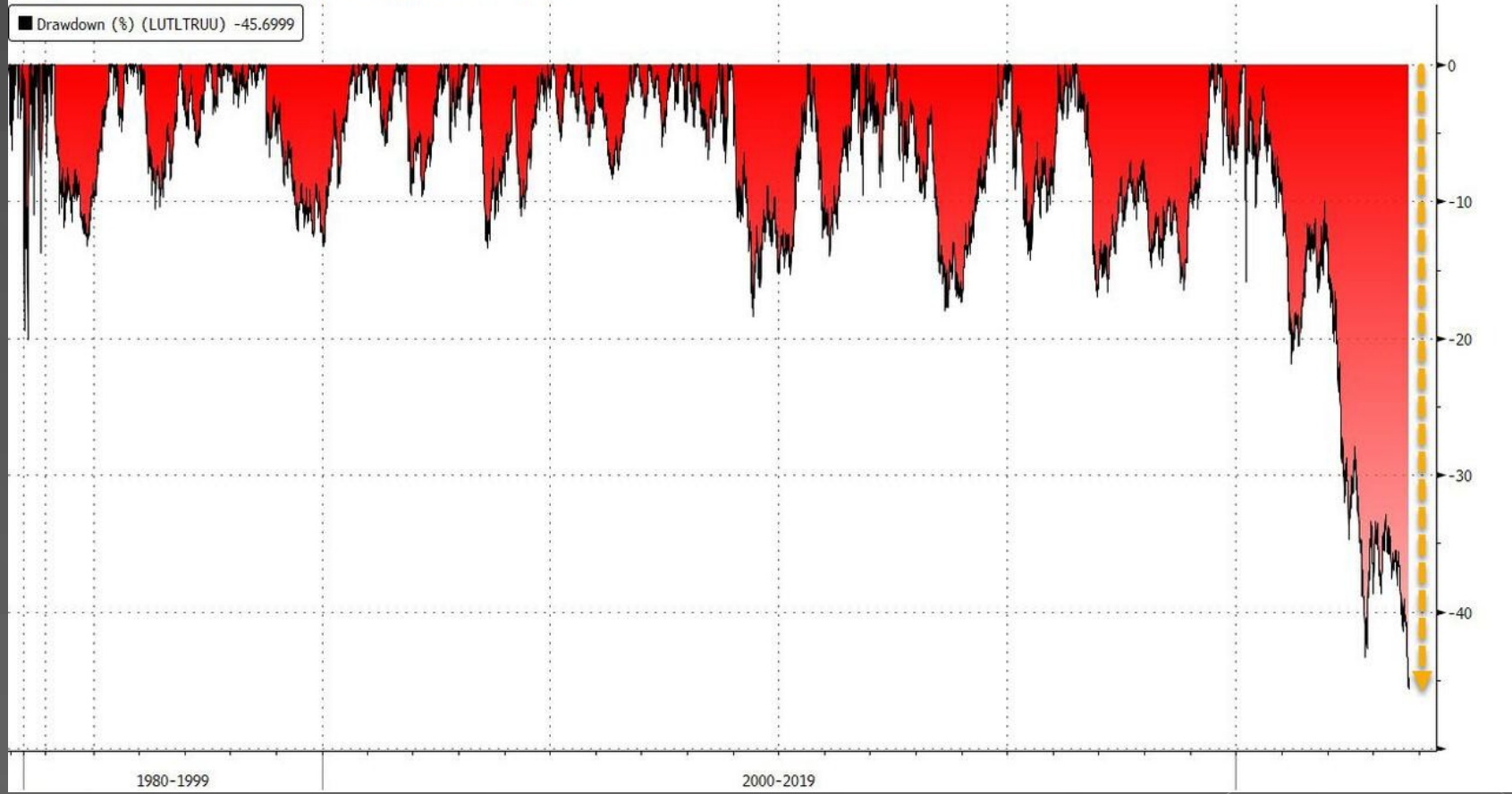
**Table 1: The greatest Treasury bear market of all time.. 2020-today**

History of US Treasury bond bear markets

Date of Market Peak	Date of Market Trough	Peak to Trough Performance	Recovery One Year from Trough	Duration of Bear Market (mos)
7/31/2020	10/31/2022	-24.7%	0.0%	28
06/30/1860	05/31/1861	-18.7%	32.4%	12
05/31/1835	12/31/1839	-16.1%	19.0%	56
06/30/1979	02/29/1980	-15.8%	8.2%	9
05/31/1931	01/31/1932	-15.4%	18.5%	9
06/30/1980	09/30/1981	-14.6%	43.1%	16
09/30/1833	03/31/1834	-13.7%	16.5%	7
05/31/1811	03/31/1813	-11.3%	6.8%	23
02/28/1987	09/30/1987	-10.5%	14.7%	8
10/31/1993	11/30/1994	-10.2%	25.1%	14
7/31/2012	12/31/2013	-10.1%	10.8%	18

Source: BofA Global Investment Strategy, Global Financial Data; \*bond bear market\* = total return decline of 10% or more

# Long-term Treasuries Fall More Than 45% From Peak




# Global Yields Hit 15-Year High to Defy Bond Bulls

## Debt sell-off extends despite hopes for central bank pivots

■ Bloomberg Global Agg Treasuries Total Return Index Value Unhedged USD - Index Yield to Worst



Source: Bloomberg

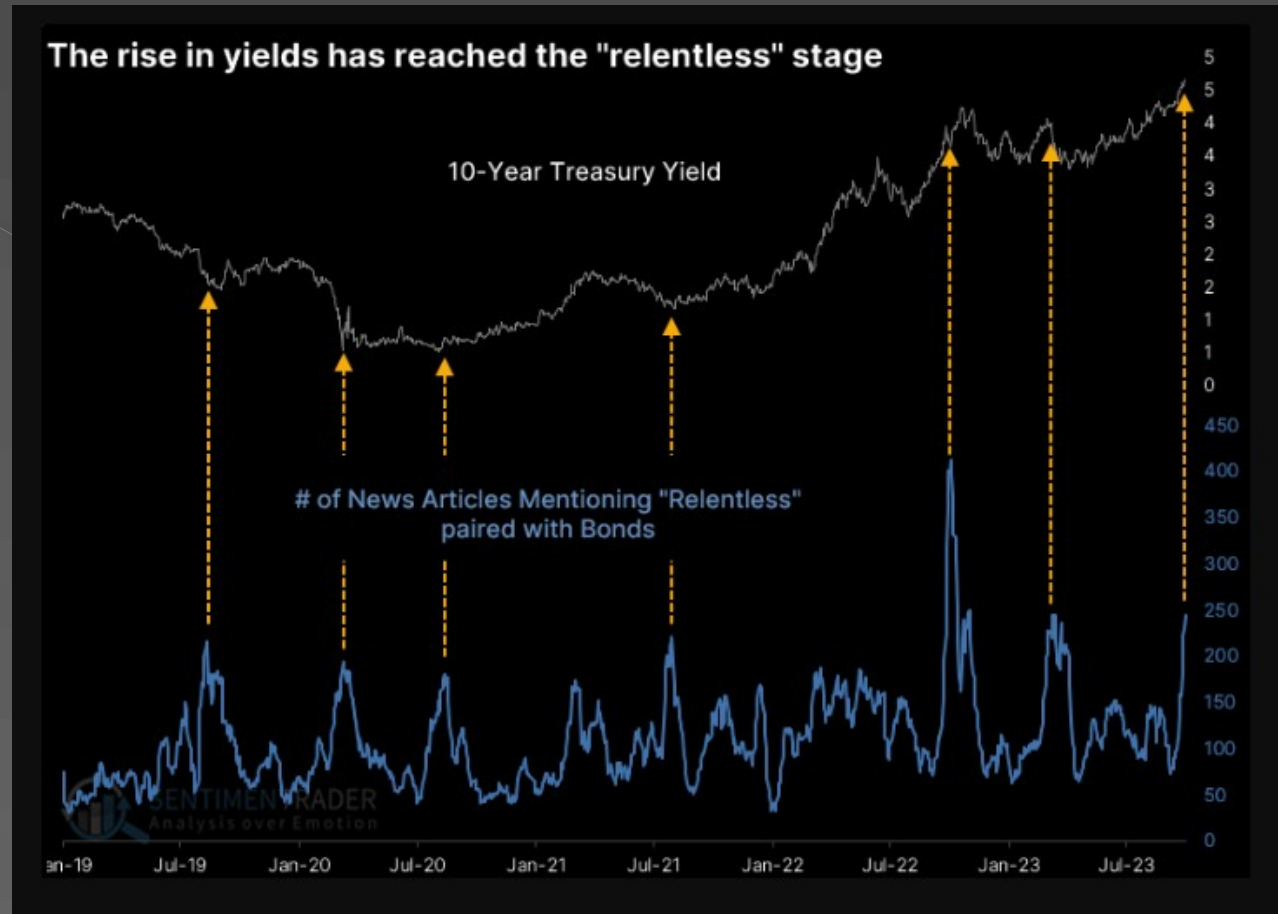
Bloomberg 



Bonds Obsession

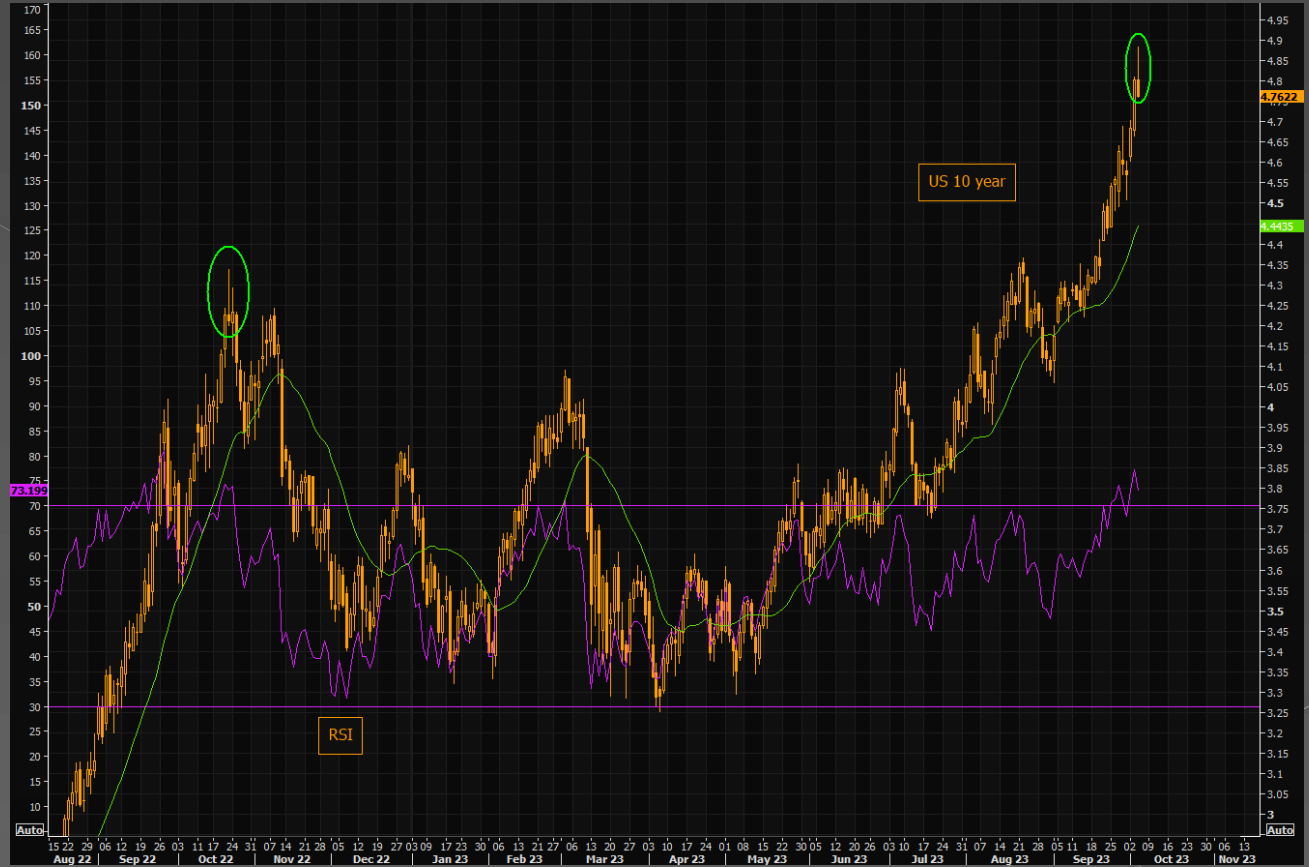
Forget AI ....

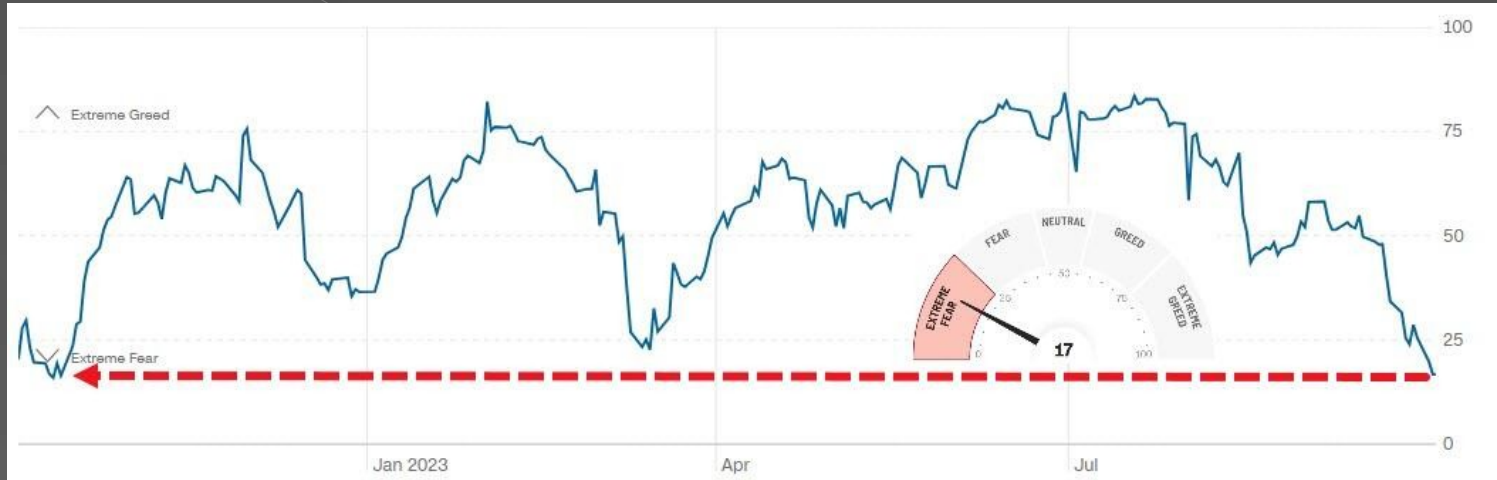
“Bonds” is the  
new buzzword.

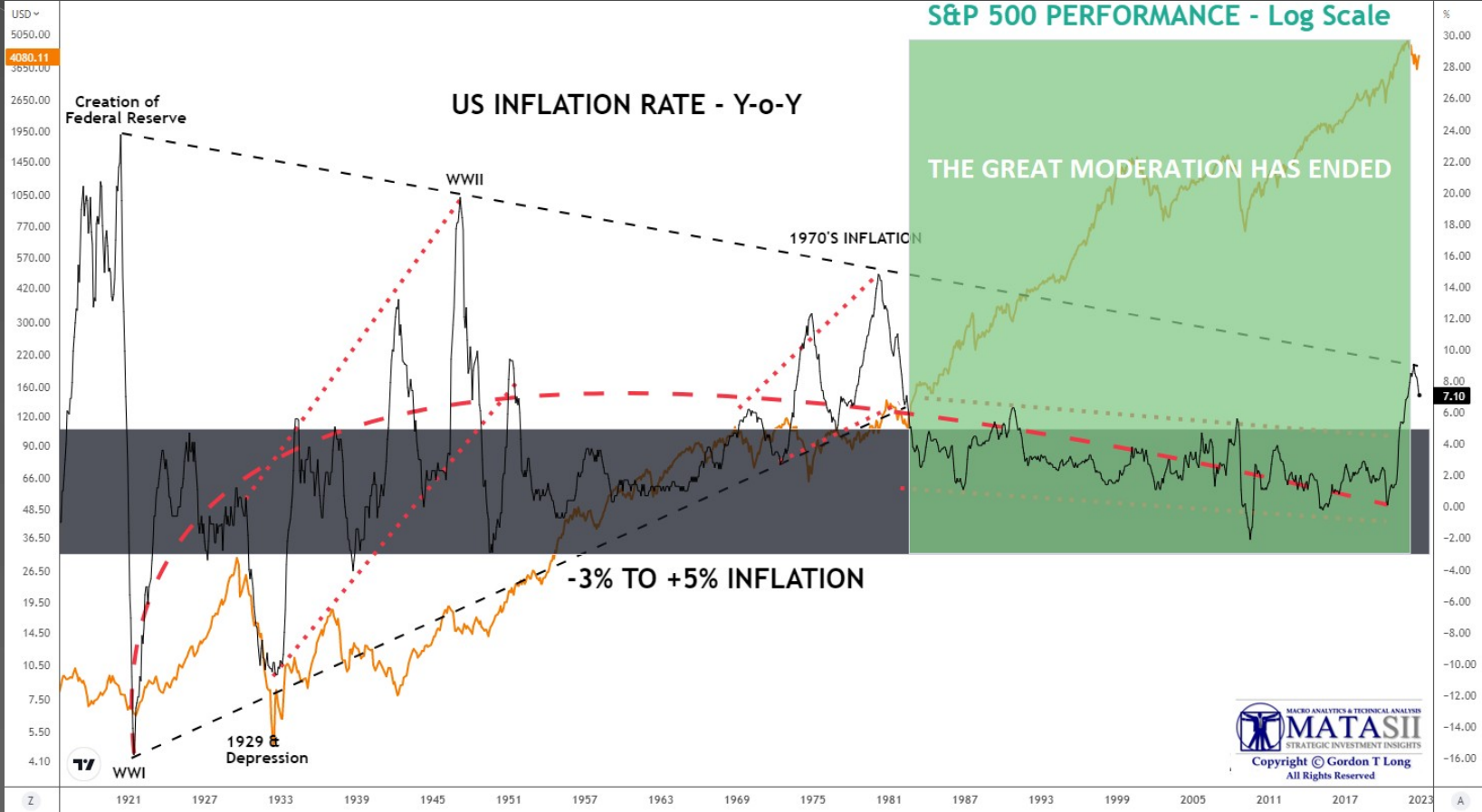


The surge in yields has been extreme, but note we are putting in a possible shooting star candle here.

RSI is at extreme levels, and we are 32 bps above the 21 day moving average as of writing.





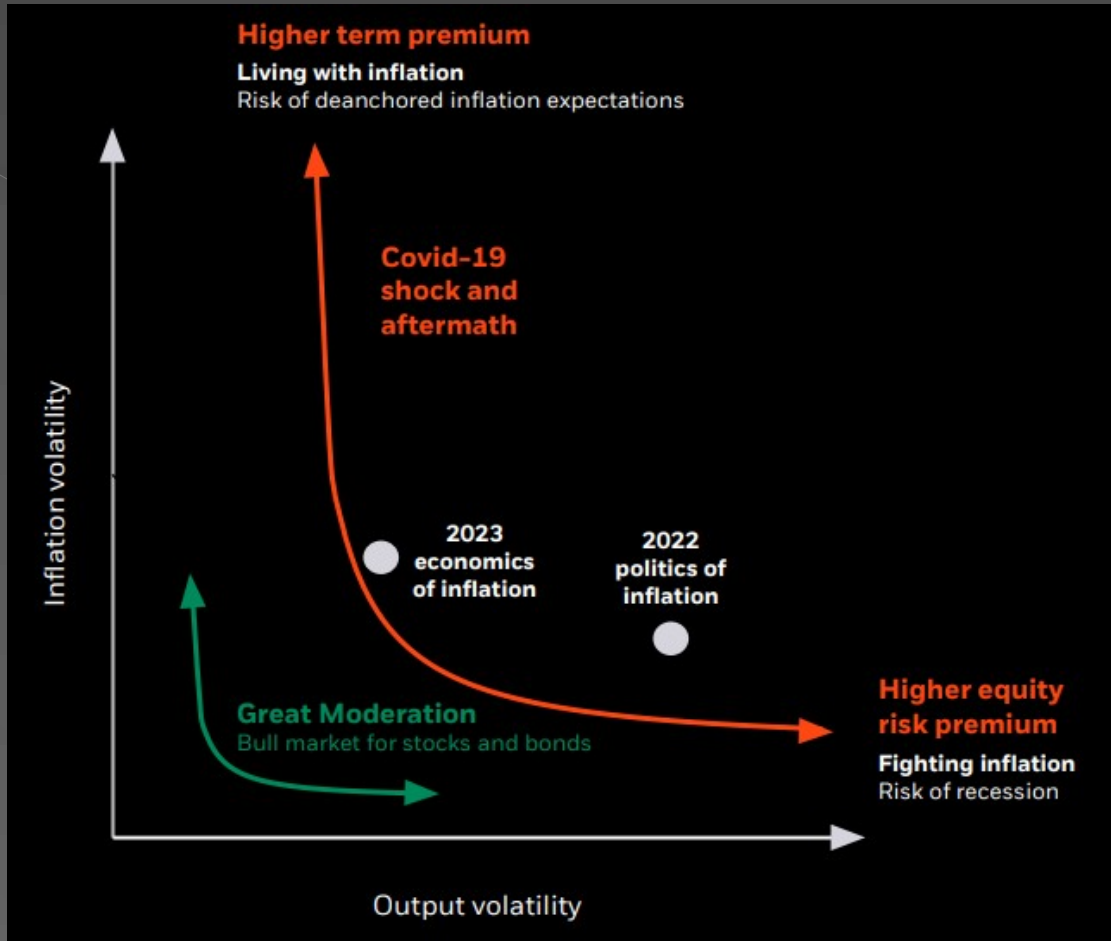


# MATASII MACRO MAPS



## THE GREAT MODERATION





# KEY MESSAGES

## YIELDS: HOW HIGH IS TOO HIGH?

- Keep Your Eye On BOTH Short and Long Term Drivers,
- SHORT TERM: Spiking Real Rates – Tightening FCI & Soft Landing  
Spiking Real Rates
- LONGER TERM: Changing Monetary & Fiscal Policy  
Inflation Break-Evens
- Expect Yield Rise to Come In Increasing Wave Sizes (Was Inflation, Now Real Rates .... )

## SHIFT IN CONTROL

- Yield Curve Control, Price and Capital Controls,
- Credit Creation  
New Federal Reserve Credit Facilities and Banking Regulations,  
US Treasury Credit Guarantees Using Contingent Liability Accounting

## LIQUIDITY – THE NEW CONTROLLER

- WAS: Growth in Fed Balance Sheet
- NOW: RRP must fall at faster RATE than Fed Bank Reserves Shrinkage,  
Inverted Fed Balance Sheet Mirrors US 10Y Yield

## VALUATION & PRICING

- Gold is becoming less sensitive to Real Rates (tracks closely as measured by the US 10Y TIPS)

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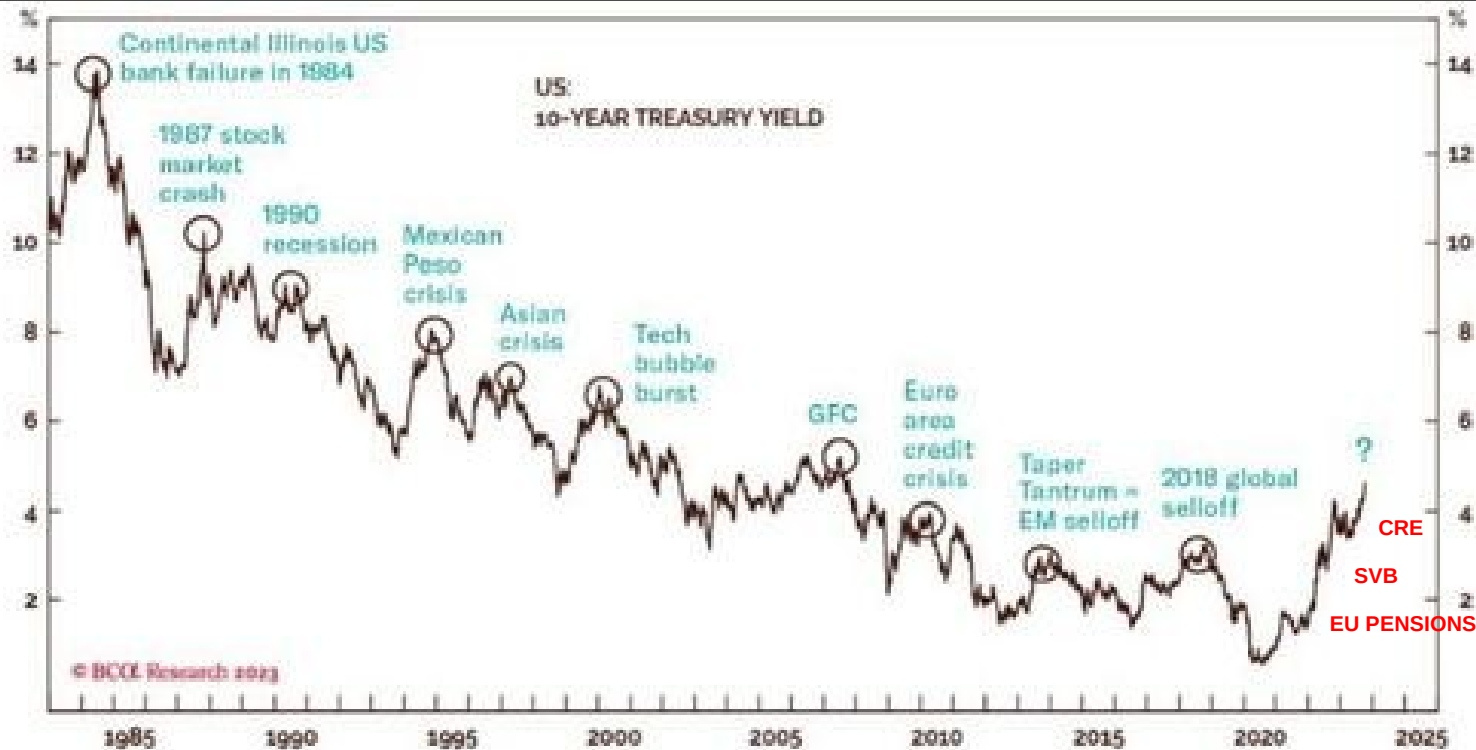
GOLD LOOKING INTERESTING

## Yields – How High Is Too High?











## Real rates starting to hurt

UST 10-year real rate %



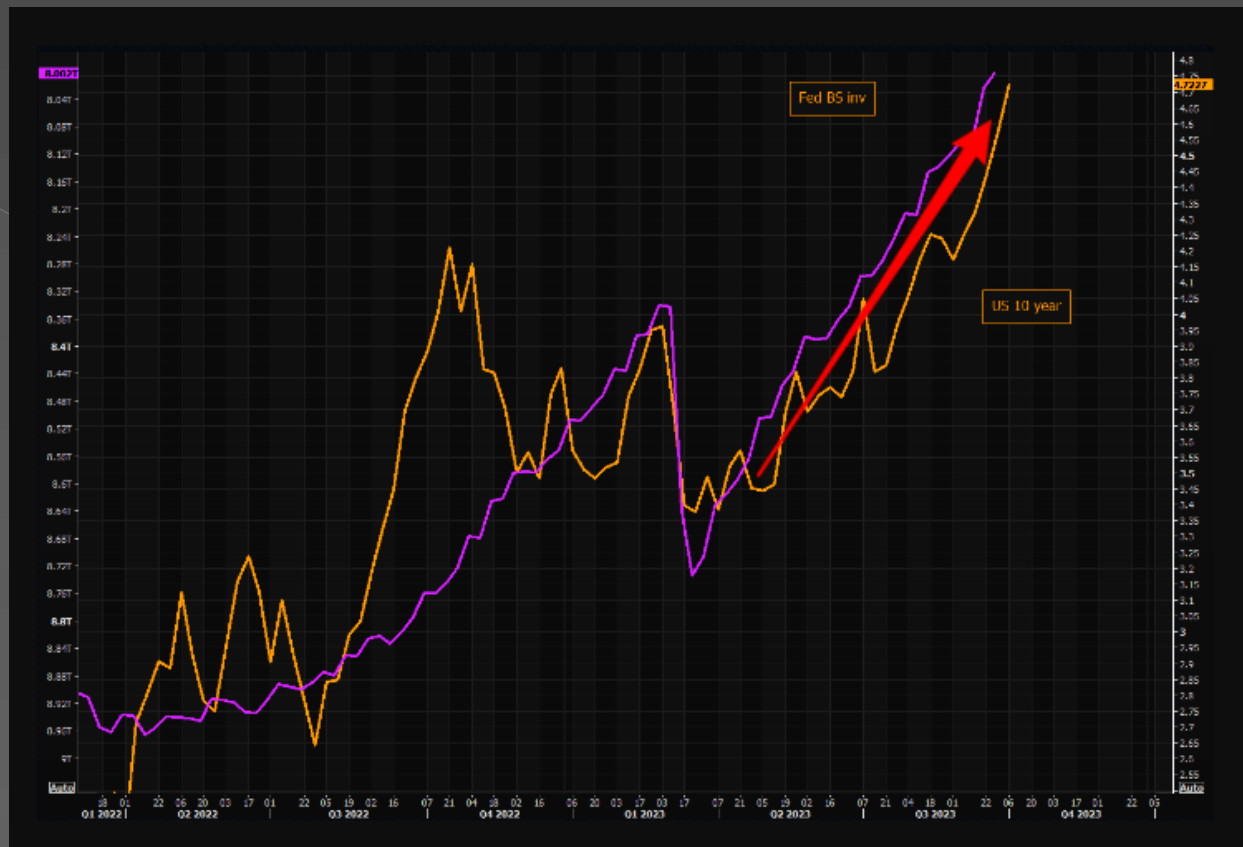
Posted on



Source: BofA Global Investment Strategy, Bloomberg, GTII10 Govt

# QT MATTERS!

Fed Balance Sheet inverted vs US 10 year have moved in perfect tandem since April.



# 84% Of CEO's Expect A Recession In 2024 (& 0% Of Fed Staff)

Forecaster	Estimated U.S. Recession Probability (Next 12 Months)
Federal Reserve Staff	0%
Yield Curve*	61%
Economists	48%
Consumers	69%
Goldman Sachs	15%
Bank of America	35-40%
CEOs**	84%

## 2024 PROJECTIONS

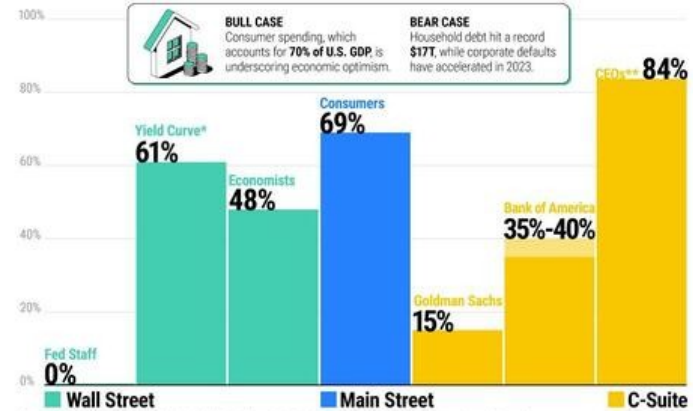
# What's Next for the U.S. Economy?

Despite slowing growth, Federal Reserve staff are no longer forecasting a recession due to the economy's resilience.



### Who Thinks a Recession is Coming?

ESTIMATED U.S. RECESSION PROBABILITY IN THE NEXT 12 MONTHS

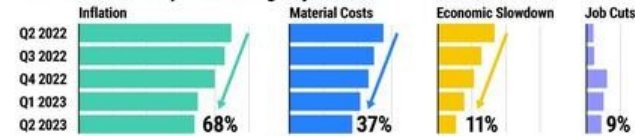


Source: Federal Reserve Bank of New York, Wolters Kluwer, The Conference Board, Goldman Sachs Investment Research, Bank of America. Data based on surveys and projections conducted August-September.

\*Based on a New York Fed model estimating recession probabilities using 10-year minus 3-month Treasury yield spreads, based on data from 1959-2009.

\*\*Conference Board Q3 CEO survey probability of a recession over the next 12-18 months.

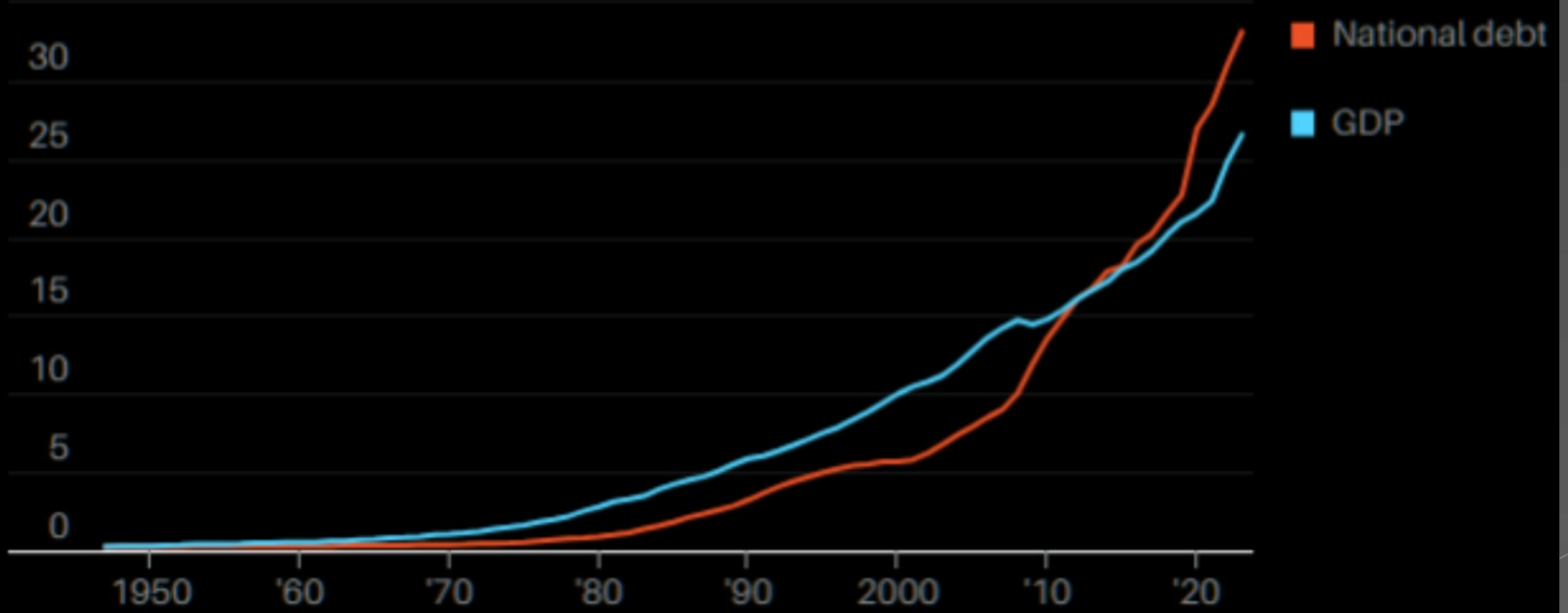
### % of S&P 500 Companies Citing Key Words in Earnings Calls



Source: Bloomberg Finance L.P. via JP Morgan. Data as of August 24, 2023.

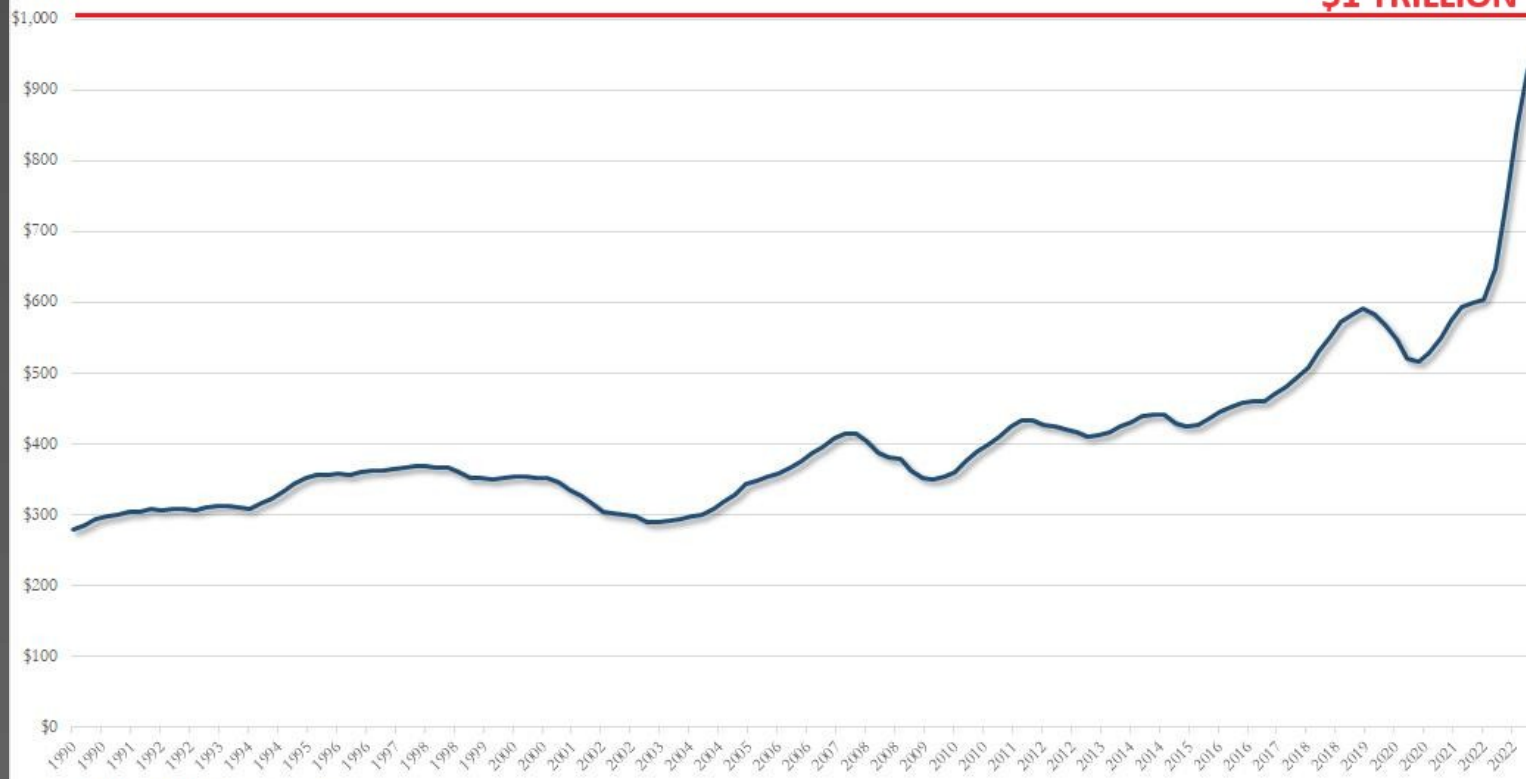
# The U.S.'s national debt is growing faster than the economy.

\$35 trillion



## Federal Government Expenditures: Annualized Interest Payments (\$BN)

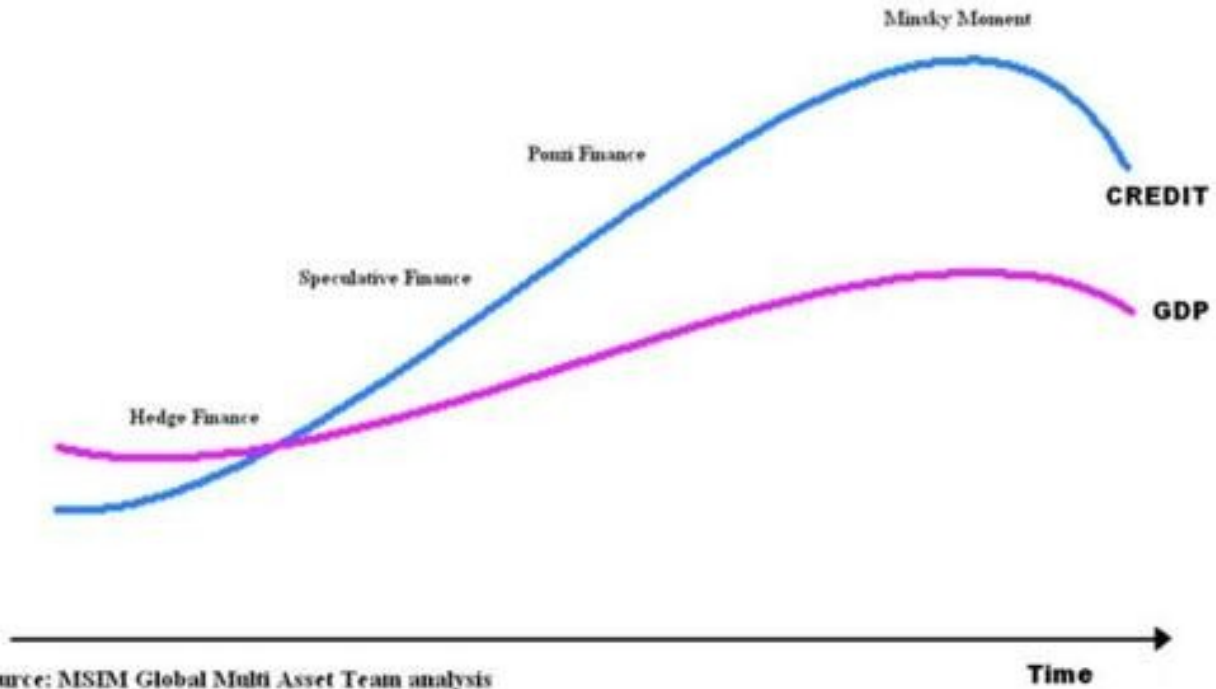
**\$1 TRILLION**



Source: St Louis Fed FRED, Zerohedge



*Stylized "Minsky Cycle"*



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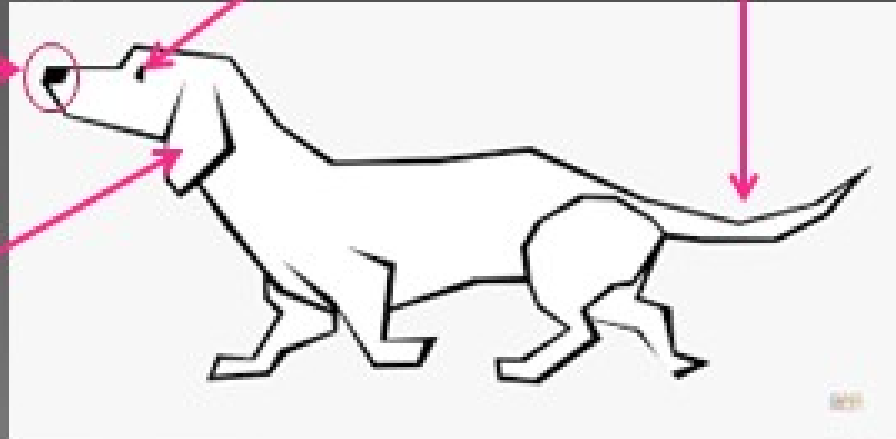


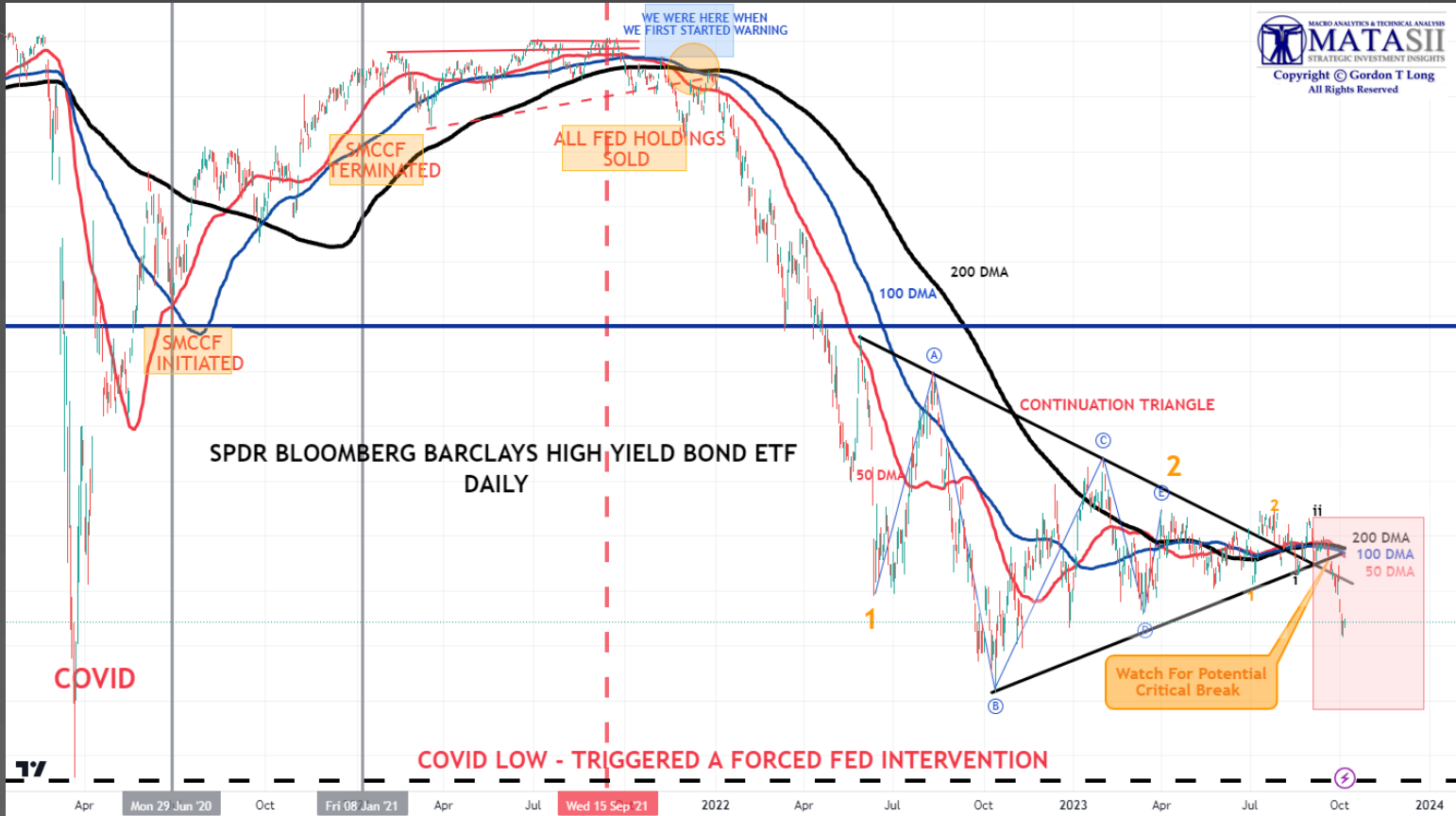
CURRENCY  
MARKET

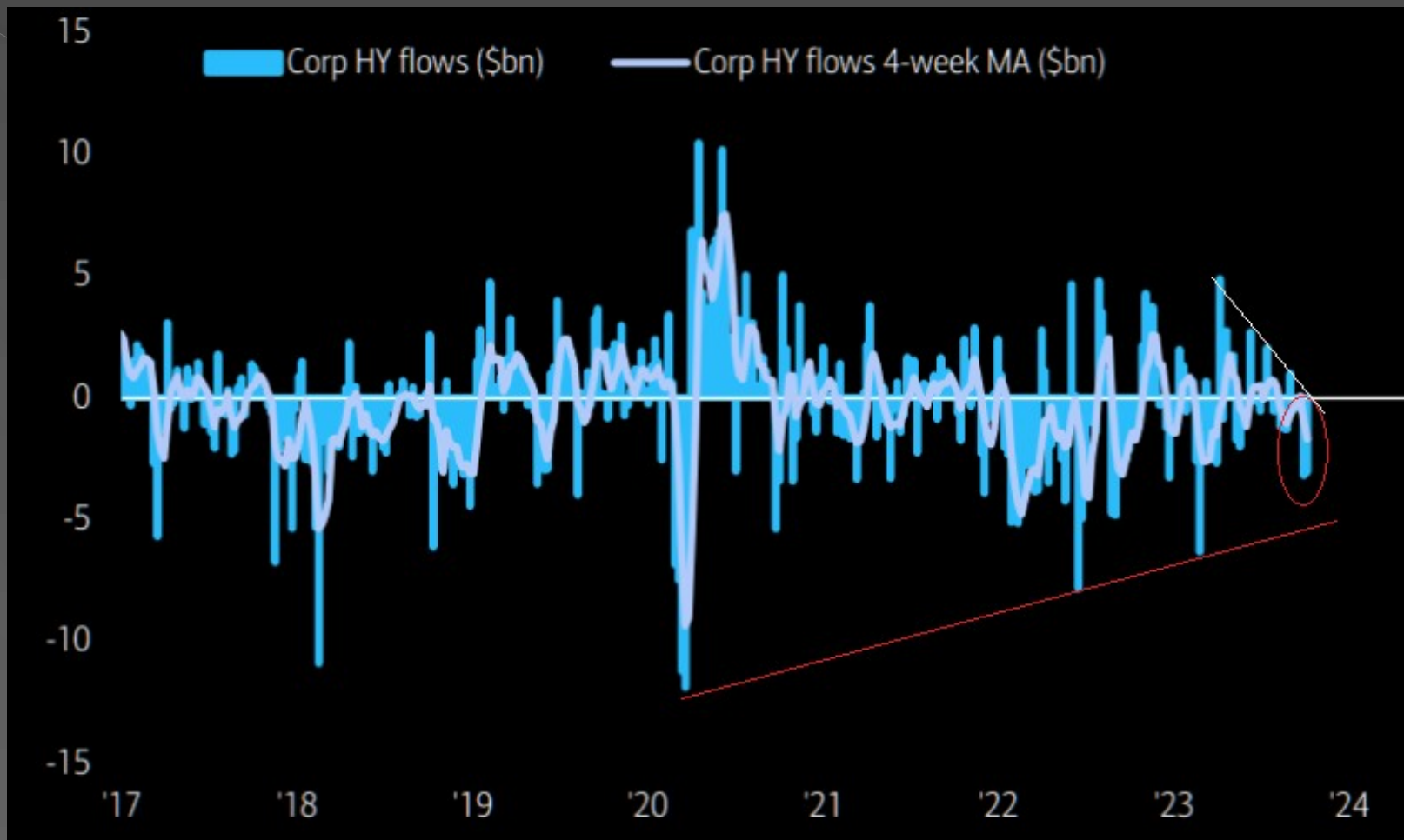
EQUITY  
MARKET

CREDIT  
MARKET

BOND  
MARKET

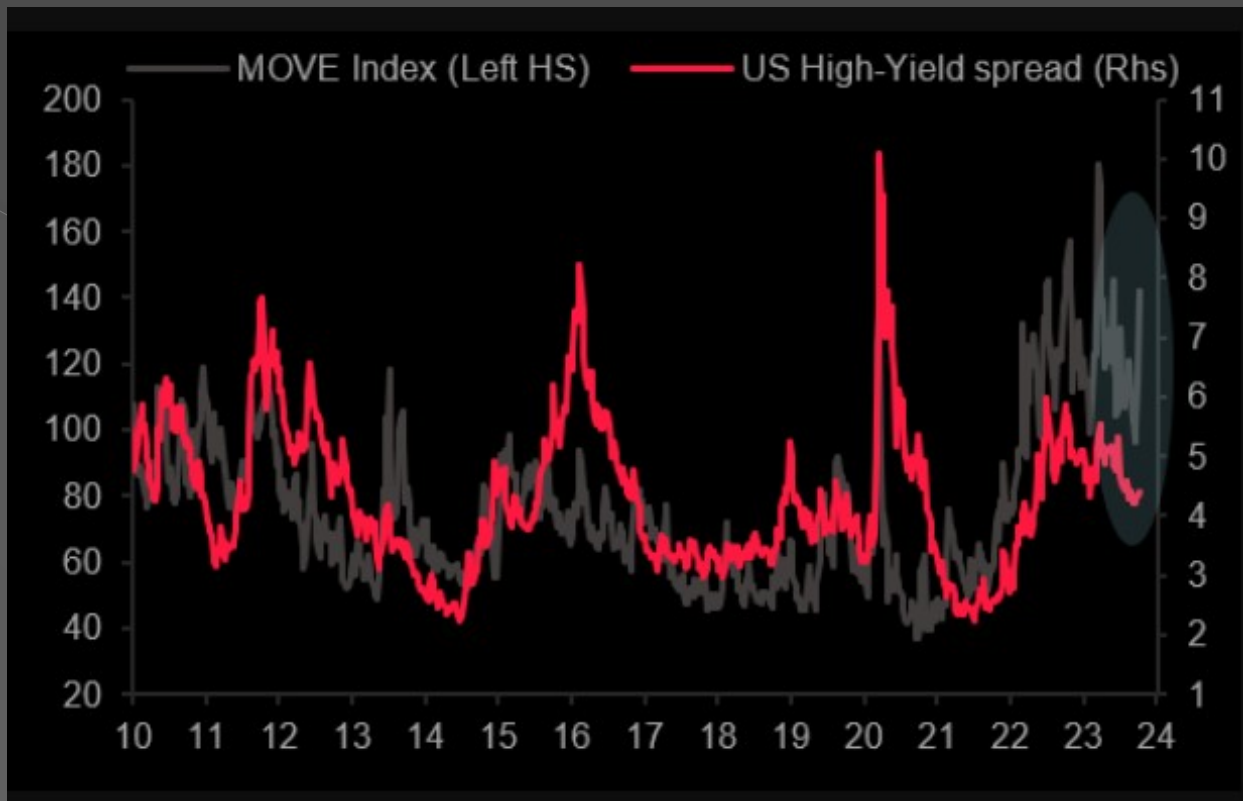






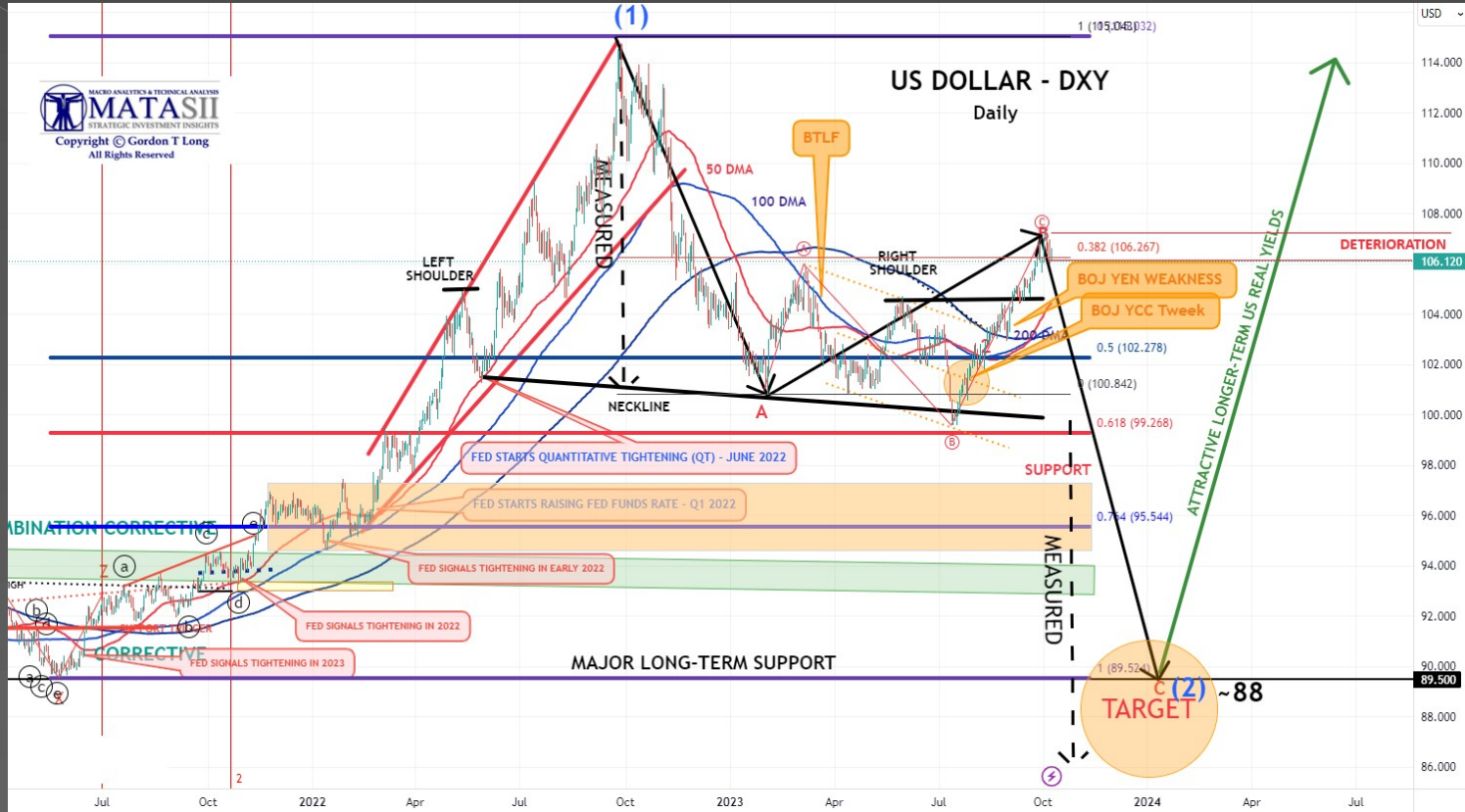
## CREDIT SPREADS

The next shoe to drop as bond volatility comes back in fashion?



# US DOLLAR - DXY

Daily



**(2)**  
**TARGET**  
 ~88

ATTRACTIVE LONGER-TERM US REAL YIELDS

DETERIORATION

BOJ YEN WEAKNESS  
 BOJ YCC Tweek

BTLF

(1)

MAJOR LONG-TERM SUPPORT

LEFT SHOULDER

RIGHT SHOULDER

NECKLINE

FED STARTS QUANTITATIVE TIGHTENING (QT) - JUNE 2022

FED STARTS RAISING FED FUNDS RATE - Q1 2022

FED SIGNALS TIGHTENING IN EARLY 2022

FED SIGNALS TIGHTENING IN 2022

FED SIGNALS TIGHTENING IN 2023

ABINATION CORRECTIVE

CORRECTIVE

1 (89,524)

SUPPORT

MEASURED

MEASURED

0.382 (106.267)

0.5 (102.278)

1 (100.842)

0.618 (99.268)

0.754 (95.544)

USD

114,000

112,000

110,000

108,000

106,120

104,000

102,000

100,000

98,000

96,000

94,000

92,000

90,000

89,500

88,000

86,000

Jul

Oct

2022

Apr

Jul

Oct

2023

Apr

Jul

Oct

2024

Apr

Jul





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### The Fisher Effect

$$i_{LT} = r + \pi^e$$

Long-term nominal interest rate

real interest rate

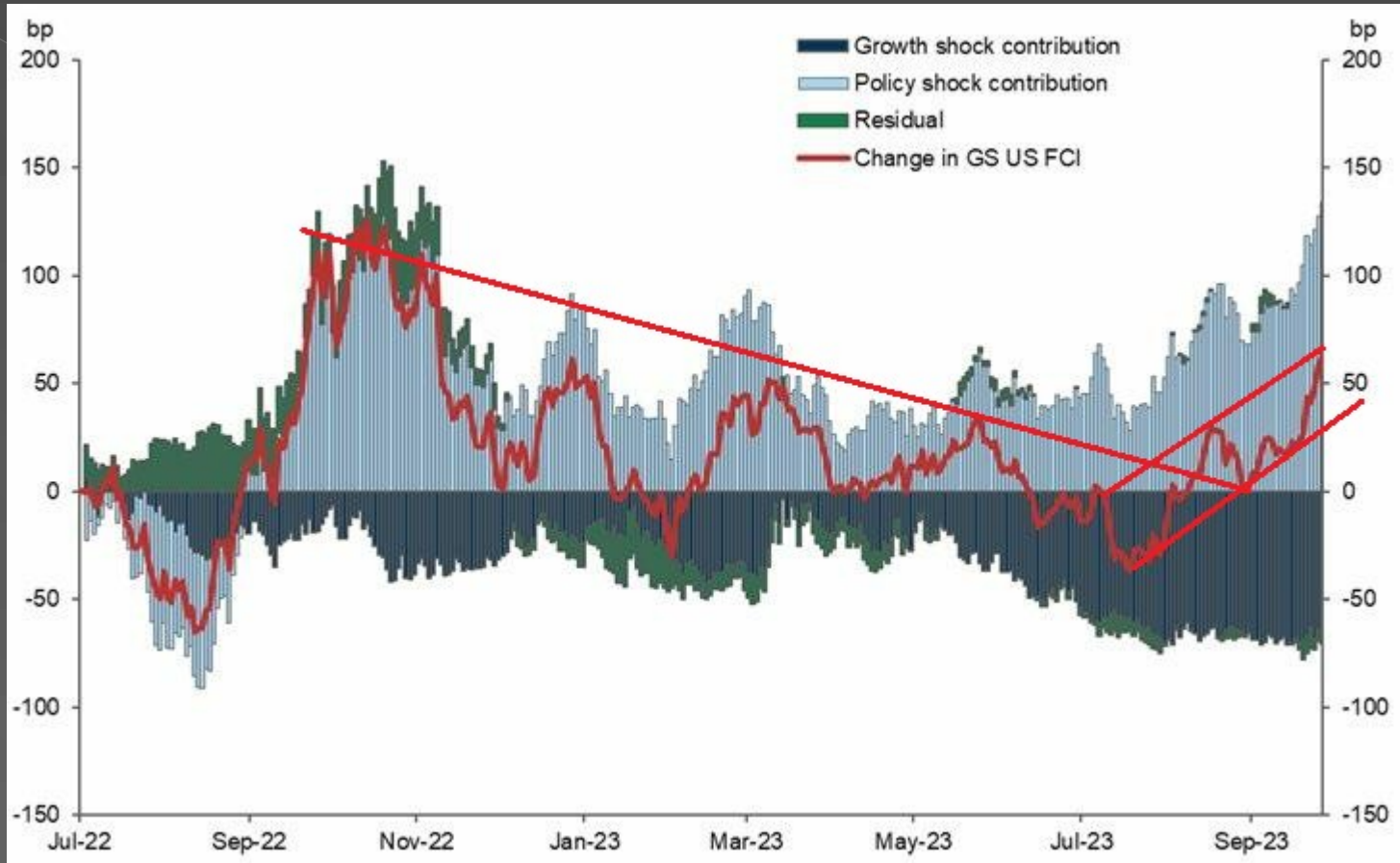
expected inflation(/deflation)

Financial Conditions are Tightening Aggressively.



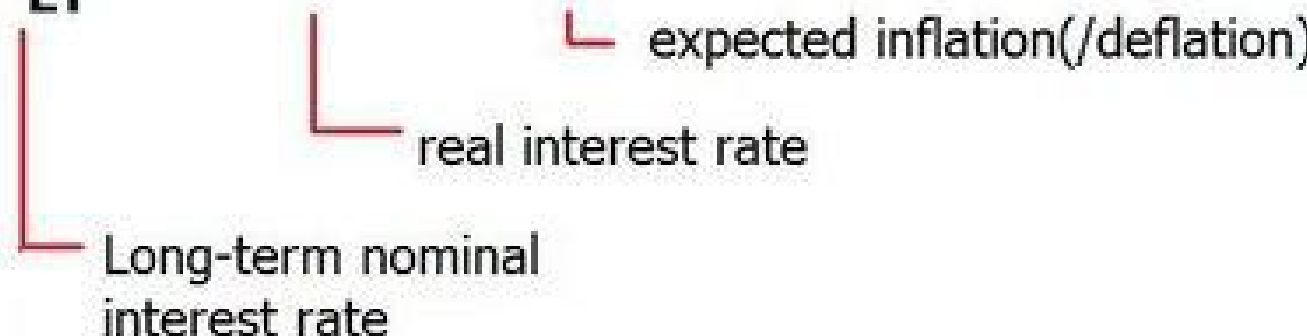
**FED FOMC MEETING**

GS US Financial Conditions Index - Last Price 100.40



## The Fisher Effect

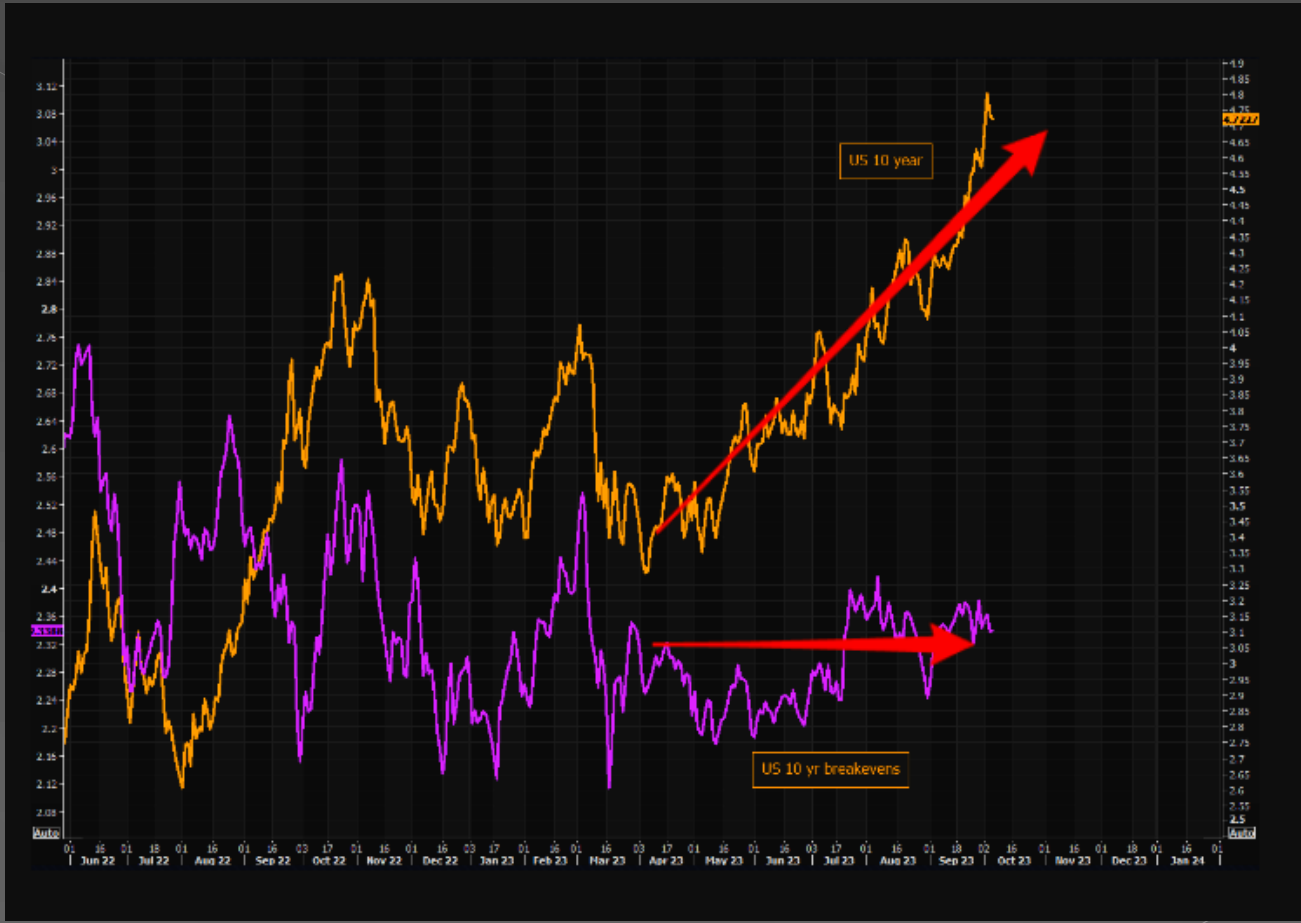
$$i_{LT} = r + \pi^e$$

The diagram consists of three red L-shaped brackets. The first bracket starts under the  $i_{LT}$  term and points down to the text "Long-term nominal interest rate". The second bracket starts under the  $r$  term and points down to the text "real interest rate". The third bracket starts under the  $\pi^e$  term and points down to the text "expected inflation(/deflation)".

Long-term nominal interest rate

real interest rate

expected inflation(/deflation)



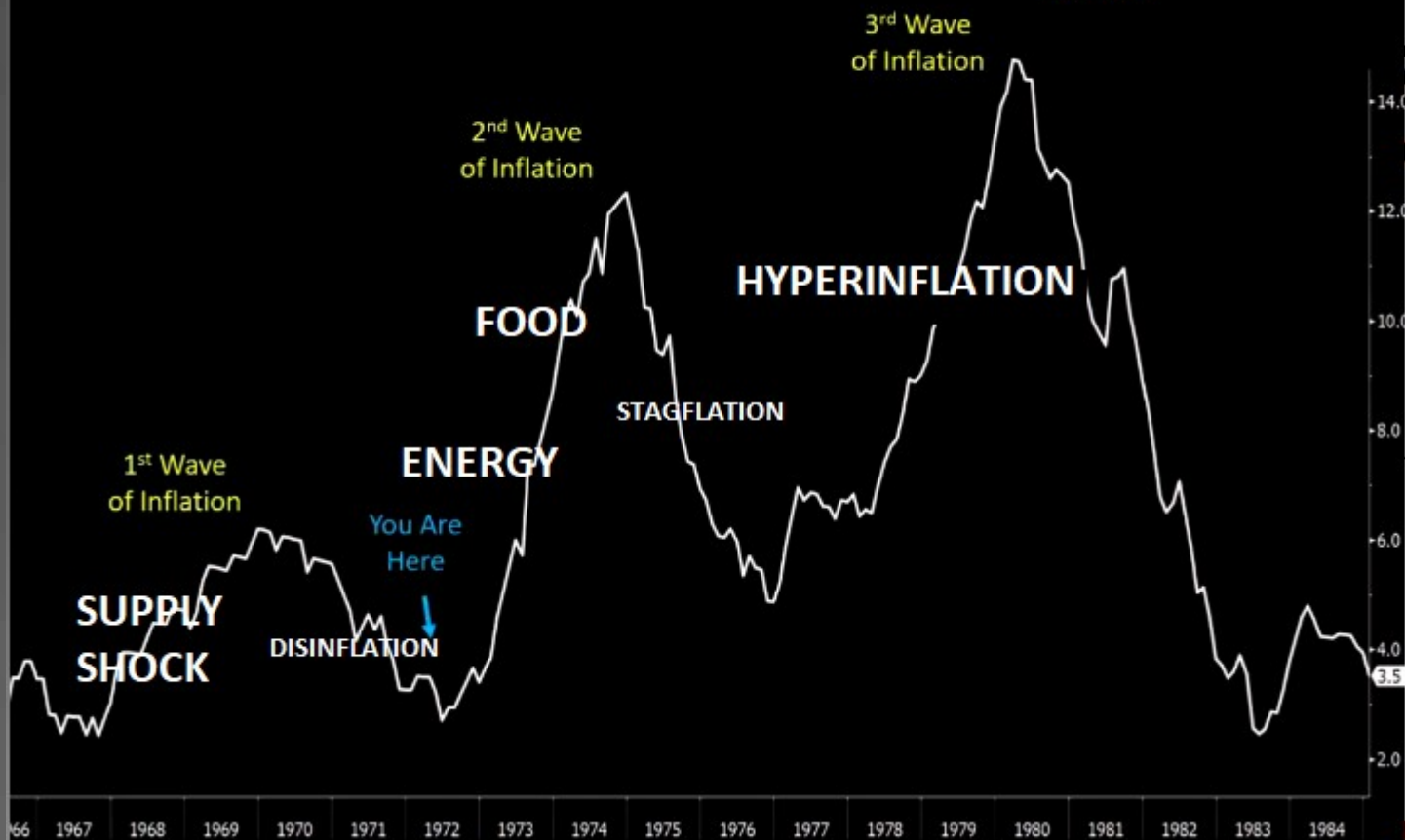
## United States 10 Year TIPS Yield

10 Year TIPS Yield 2.4310 +0.0120 (+0.0120%)

**OUR LONG HELD TERMINAL LEVEL = 2.5%**



# The Three Inflationary Waves of the 1970s 2020's



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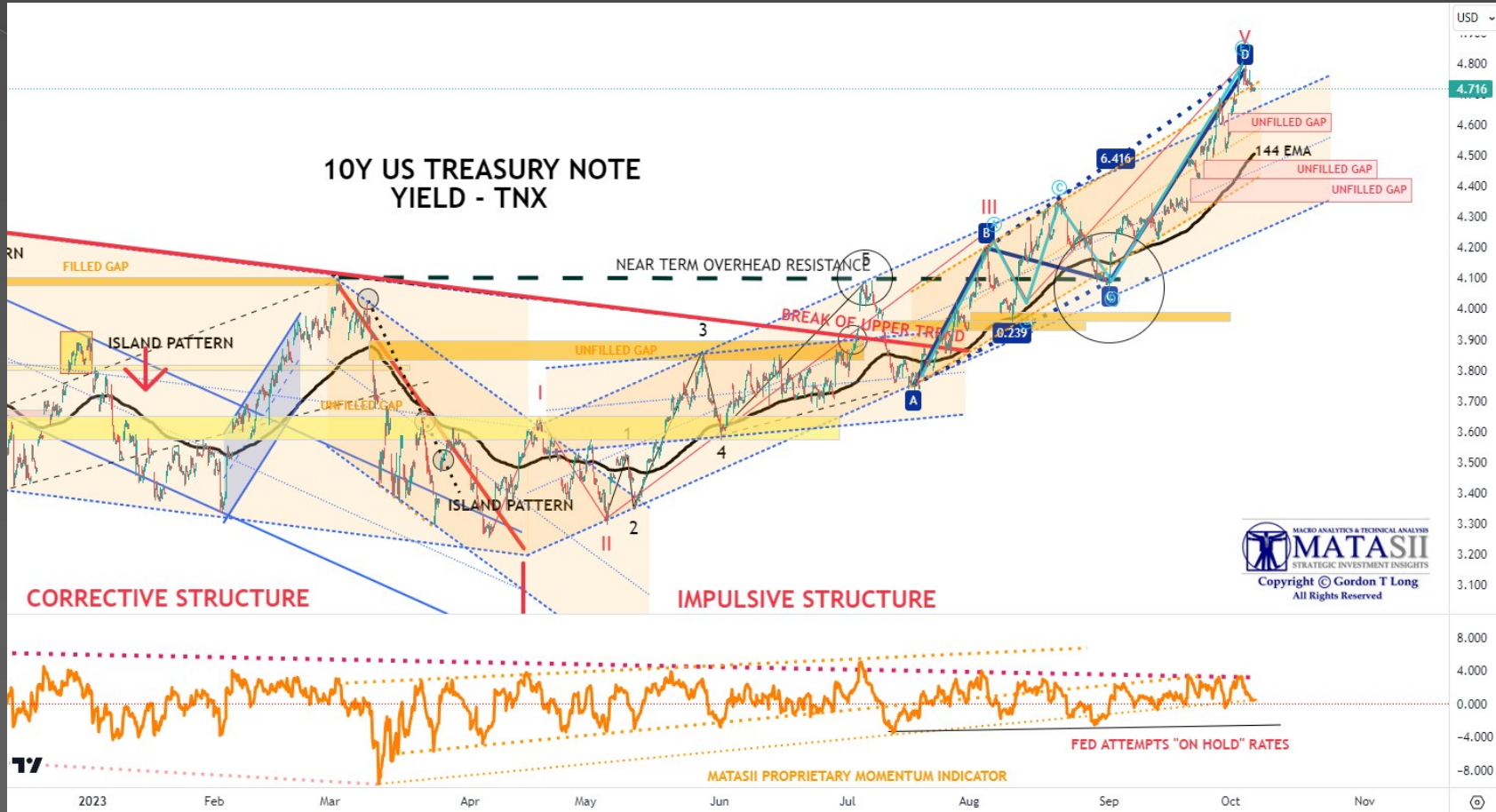


# 10Y UST - TNX (Yield)

Weekly



# 10Y US TREASURY NOTE YIELD - TNX



MACRO ANALYTICS & TECHNICAL ANALYSIS  
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 STRATEGIC INVESTMENT INSIGHTS  
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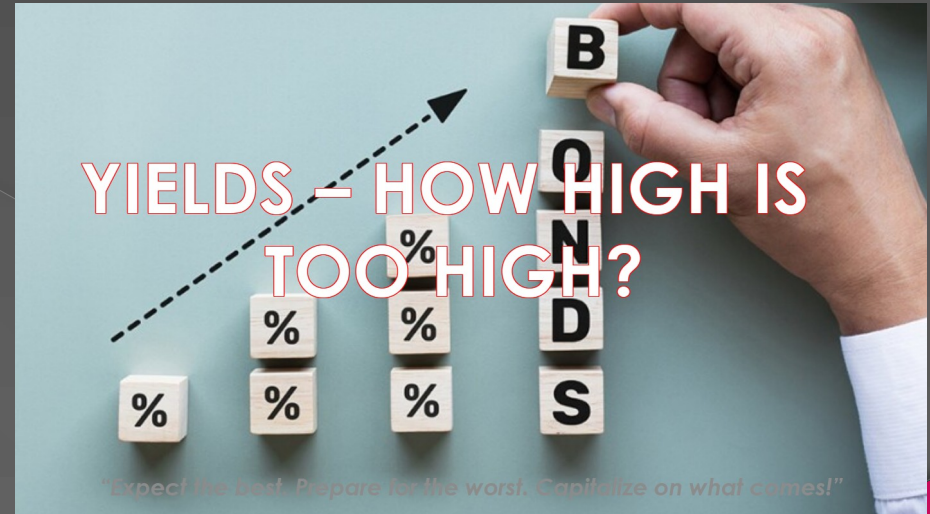
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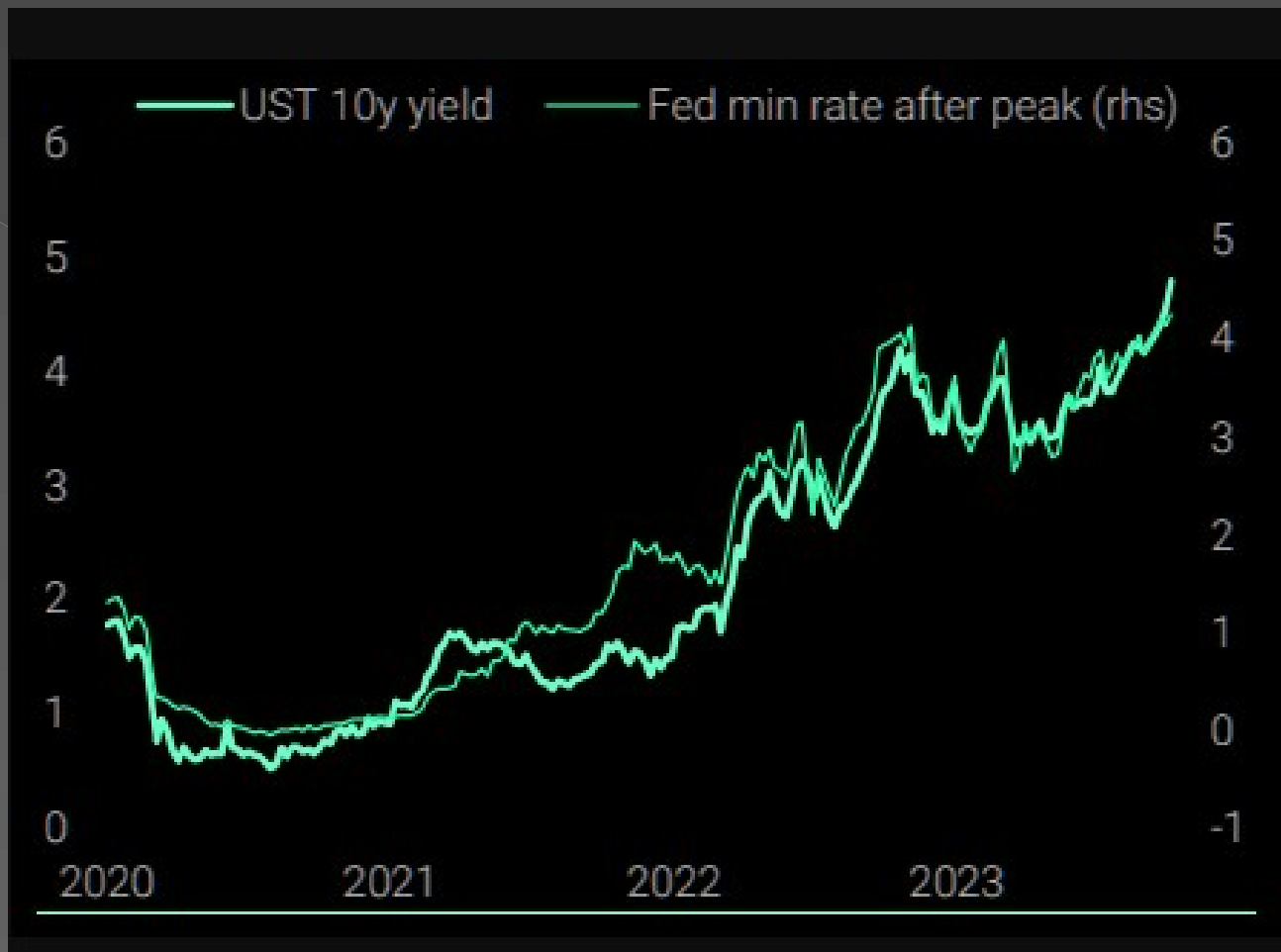
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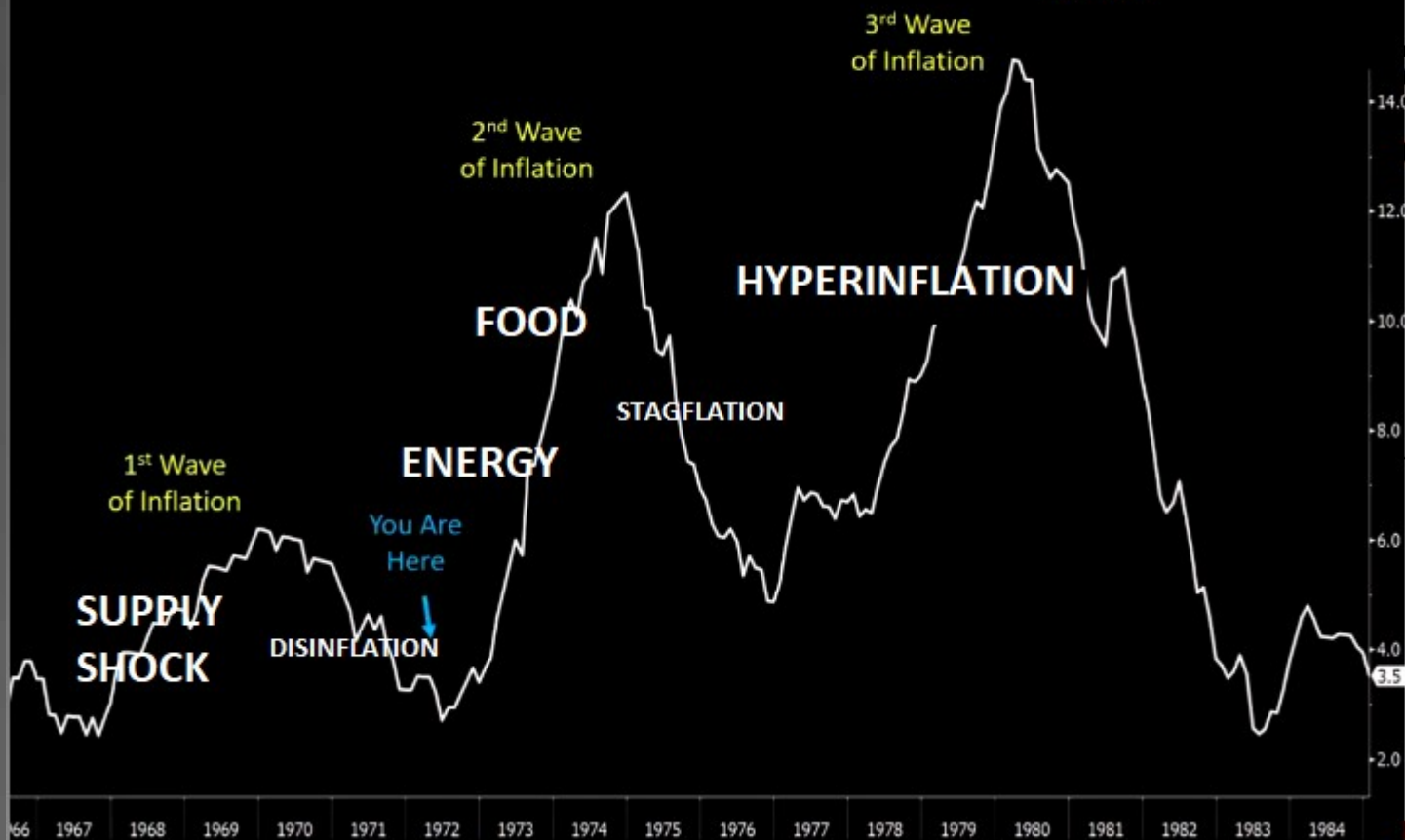
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The 10 year  
and Fed  
"min" rate

Moving in  
perfection



# The Three Inflationary Waves of the 1970s 2020's





**ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ....**

**DON'T WORRY, THEY WILL PRINT THE MONEY!**

**EVERYONE IS NOW IN PLACE & READY!!**



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FEEDBACK THAT WILL IMPROVE OUR  
RESEARCH ANALYSIS



WORLD CLASS MINDS FOLLOW THIS  
CHANNEL & WE VALUE HEARING  
FROM YOU!

IT IS THE ONLY PAYMENT WE ACCEPT  
FOR POSTING THIS FREE YOUTUBE  
CONTENT