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# The Context

March 26th 2018

# The Context

Published weekly

**Inside this week's edition**:

# Know the Flows

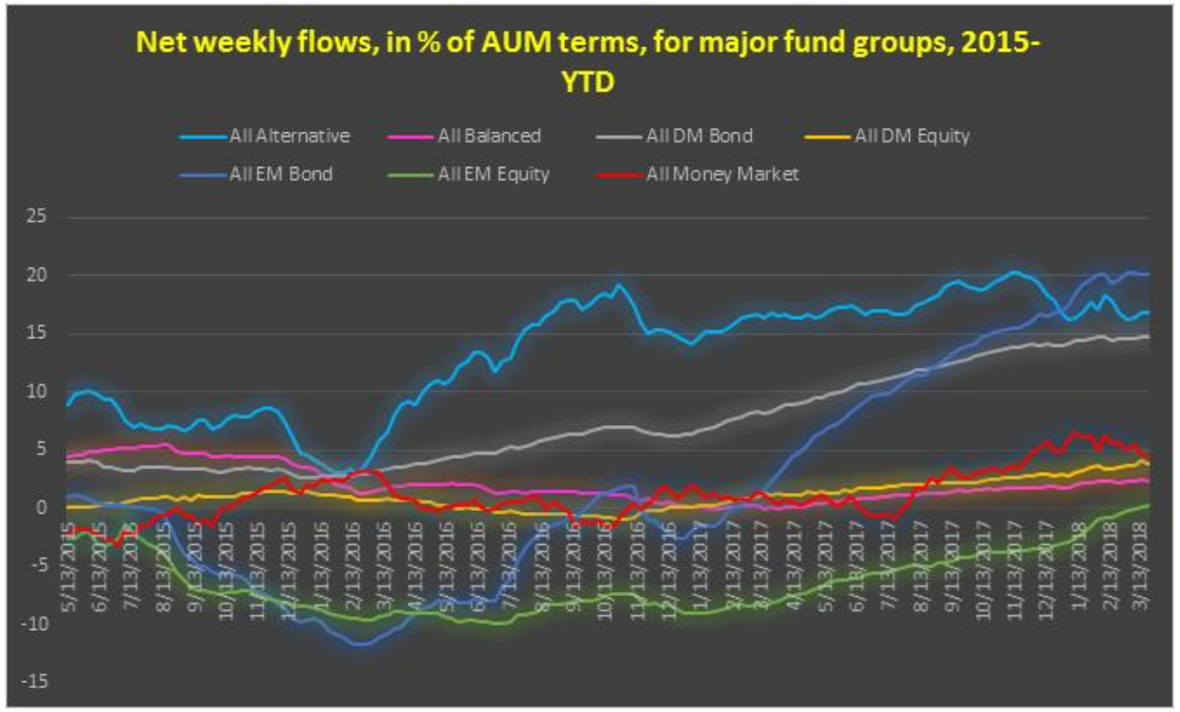
*By Cameron Brandt, Director of Research*

A week after posting record setting inflows, US Equity Funds saw two-thirds of that money flow back out as President Donald Trump pushed forward with his tariff plans and FANG play Facebook's data privacy issues prompted investors to reassess the technology sector. The reporting period also ended with the US Federal Reserve hiking short term interest rates by another 0.25% and raising expectations of three more hikes this year.

With Italy's recent election still casting a shadow over European asset classes, flows during the week ending March 21 favored Global Bond Funds, Gold Funds plus Global Emerging Market and Japan Equity Funds. Overall, EPFR-tracked Equity Funds posted a collective outflow of $19.8 billion for the week, with Dividend Equity Funds experiencing their heaviest redemptions since late 1Q15. Investors steered $4.6 billion into Money Market Funds, $1.8 billion into Bond Funds and $171 million into Alternative Funds.

The combination of speculation about tariffs and another US rate hike dampened - but did not extinguish - investor appetite for emerging markets exposure. Emerging Markets Bond Funds avoided posting consecutive weekly outflows for the first time since 4Q16 while Emerging Markets Equity Funds recorded inflows in excess of $1 billion for the 10th time in the 12 weeks year-to-date.

At the asset class and single country fund levels, China Equity Funds saw their four-week inflow streak come to an end, flows into Brazil Equity Funds hit a 43-week high and Turkey Equity Funds experienced their biggest outflow since mid-3Q13. Inflation Protected Bond Funds recorded their largest outflow since late 1Q13, Convertible Bond Funds posted their biggest inflow in over eight months and High Yield Bond Funds saw money flow out for the 10th week in a row.




During a week when US President Donald Trump prepared to announce punitive tariffs aimed at China and European taxation authorities took aim at major technology companies, sector focused investors opted for ones with a defensive reputation. Consumer Goods, Telecoms and Utilities Sector Funds all posted inflows and commitments to Gold Funds hit their highest level since late 1Q17 while Financial Sector Funds recorded their biggest outflow so far this year.

In addition to the prospect of heavier taxation in Europe, sentiment towards the technology sector suffered thanks to Facebook's issues with data privacy and the recurring question of valuations. Despite this, EPFR-tracked Technology Sector Funds managed to post inflows for the 10th time year-to-date.

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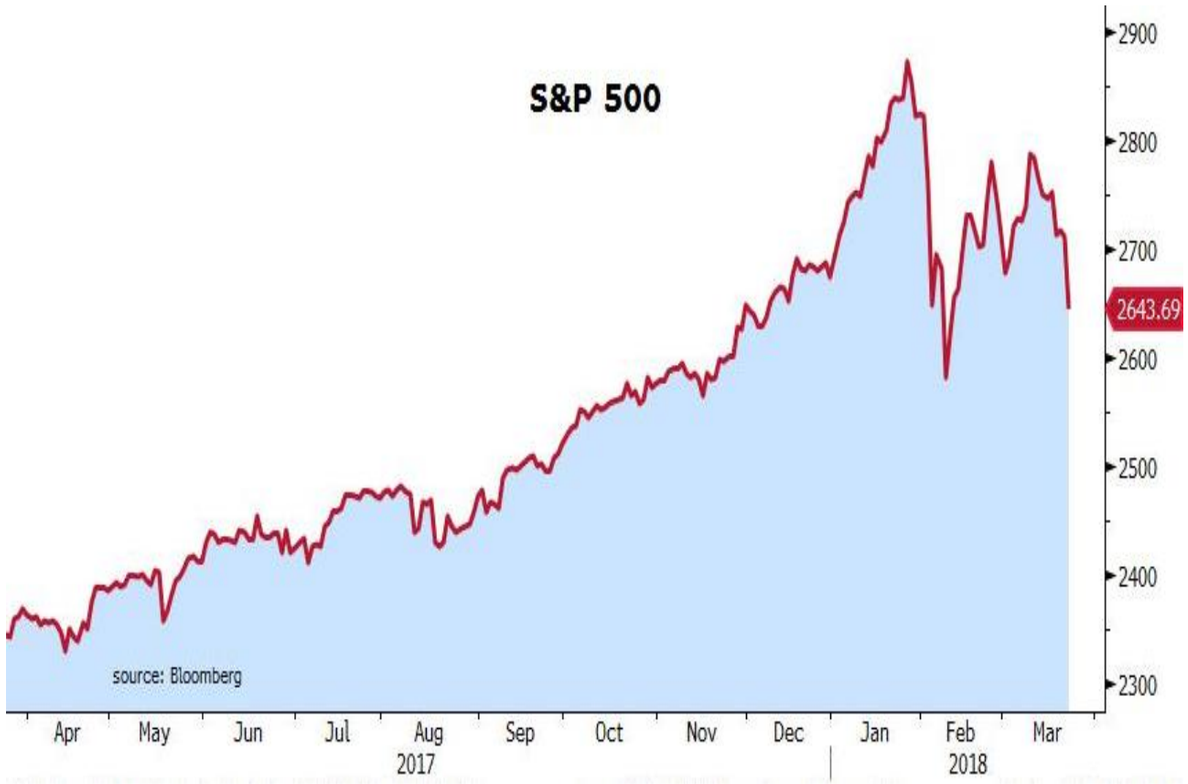
# A Buy-The-Dip Rescue? And Those Zombie Companies

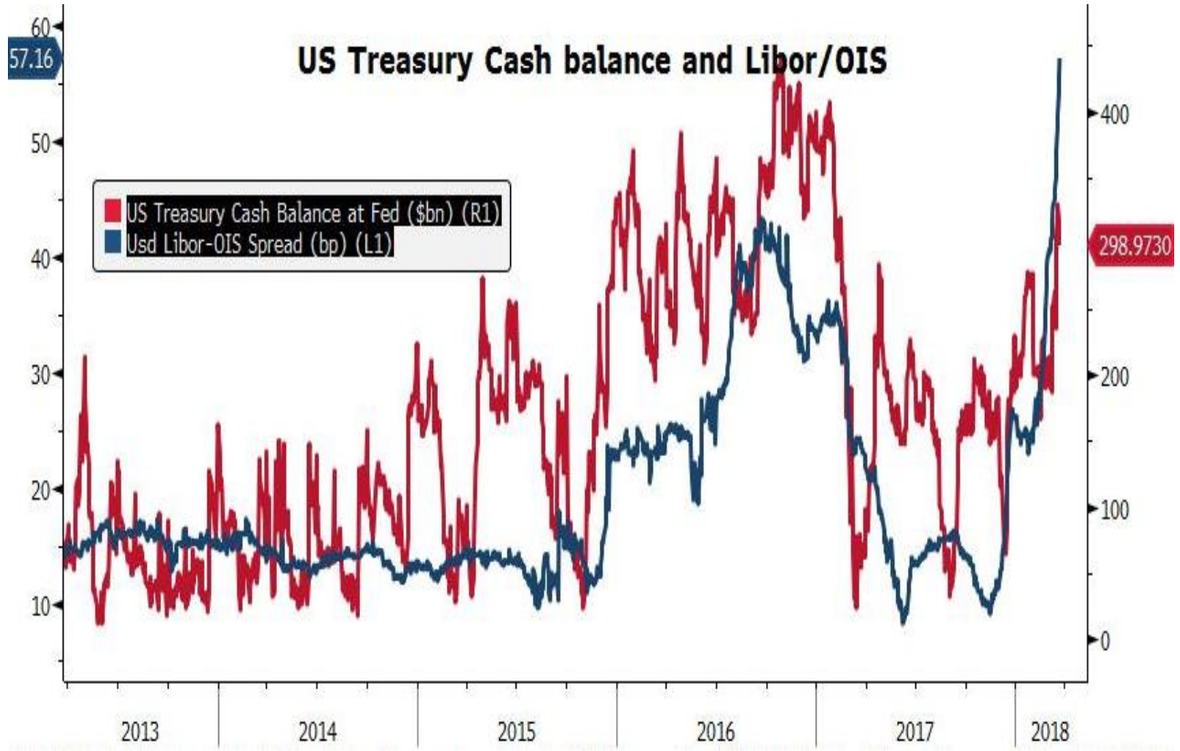
*By Marcus Dewsnap, Senior Analyst/Editor*

So far this year, bouts of risk aversion have seduced the 'buy-the-dip' crowd, aided in part by the hefty dose of central bank liquidity still swimming around the system. *If* President Trump does use the equity market as a gauge on his policy 'success', the continuation of this trend is paramount or as UBS' Paul Donovan puts it in relation to trade tariffs:

*'The equity market reaction (bad) might be the most effective lobbyist.'*




Into this mix, month- and quarter-end flows (which for the majority will be Thursday due to Good Friday market holidays). Quarter-end and the (can kicking) debt-ceiling agreement might allow for the US Treasury to reduce its cash balance at the Fed after the recent rapid build-up. In turn, this could relieve some Dollar funding strain and relieve pressure on LIBOR-OIS spread widening.




The spread widening is a topic which continues to garner much attention. A Zero Hedge piece (HERE) for instance suggests that if Libor maintains its ascent to 3.25%-plus in 12-months, 'zombie companies' are going to face financing difficulties and highly leveraged firms will also experience trouble as the US tax reform plan, limits interest rate deductibles, hits home. There is an argument that the death of zombie companies will be 'good' for economies as under 'normal' circumstances these firms would have gone bust years ago allowing for capital to be allocated to the more efficient areas which would improve productivity – ergo, zombie company existence is a reason for poor productivity and zombie firms are a side effect of easy money. Still, as yet, nothing to suggest HY credit is suffering (see graph below) – the spread is still narrow in an historical context.

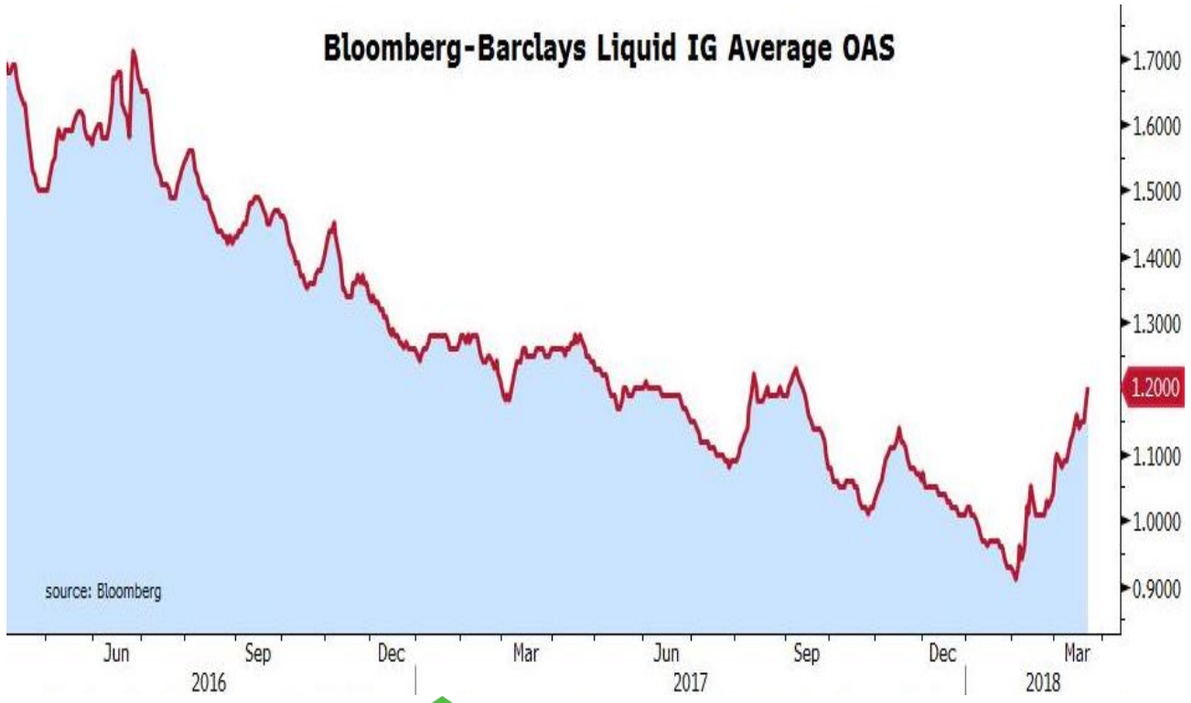
*Continued p5*

# A Buy-The-Dip Rescue? And Those Zombie Companies … cont'd


As debt becomes more expensive, it becomes less cost efficient to use to finance equity buybacks … long considered a prop for the stock markets.

This is all a recipe for volatility and probably more germane to the Fed, tighter financial conditions.

The IG spread has widened significantly though.

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# Portfolio Spread Squeeze Brings Refi of 2016 CLOs Into Focus

*By Anil Mayre, Senior Credit Analyst*

European CLO collateral managers with transactions still in their non-call period are facing increased pressure as the recent wave of loan repricings erodes portfolio spread. The mismatch between tightening asset spreads and liability spreads that are stuck for now at wide levels means cashflows may be unable to support tranche ratings at the current levels.

S&P has been particularly vocal in this regard, placing a number of tranches on CreditWatch Negative. Fitch, however, appears a little less concerned.

Fitch said on Wednesday that loan repricing had cut portfolio spreads by around 1% to 3.8% over the last 18-months, but said that the impact is limited to lower equity distributions and not reduced protection for the rated notes. Low defaults, which have not eaten into overcollateralisation levels, shields the bonds.

Managers that have exited their non-call periods, typically lasting two years, have been able to refinance their liabilities at much tighter levels. For instance, deals launched in 2014 and 2015 exited their non-call periods in 2016 and 2017 and re-priced much tighter.

Transactions launched in 2016 are now coming into focus, particularly as some of those printed at 3mE+150bp or wider. But some are still months away from being able to reprice, and this contributes to a growing threat of negative rating action from S&P.

The agency put CVC Cordatus Loan Fund VII on CreditWatch Negative. Its portfolio spread has contracted to 3.86% from 4.45% at closing, but the Triple A coupon is still stuck at 130bp. The manager has also been hunting higher yielding assets to compensate it seems, as the proportion of Single B rated names in the portfolio increased to 60% in December from 48% at closing. This deal is not callable until August, and S&P is awaiting the manager's intentions before it resolves the CreditWatch Negative stance. Being able to refinance would clearly slash liability costs, as the manager priced a new issue at 72bp in January.

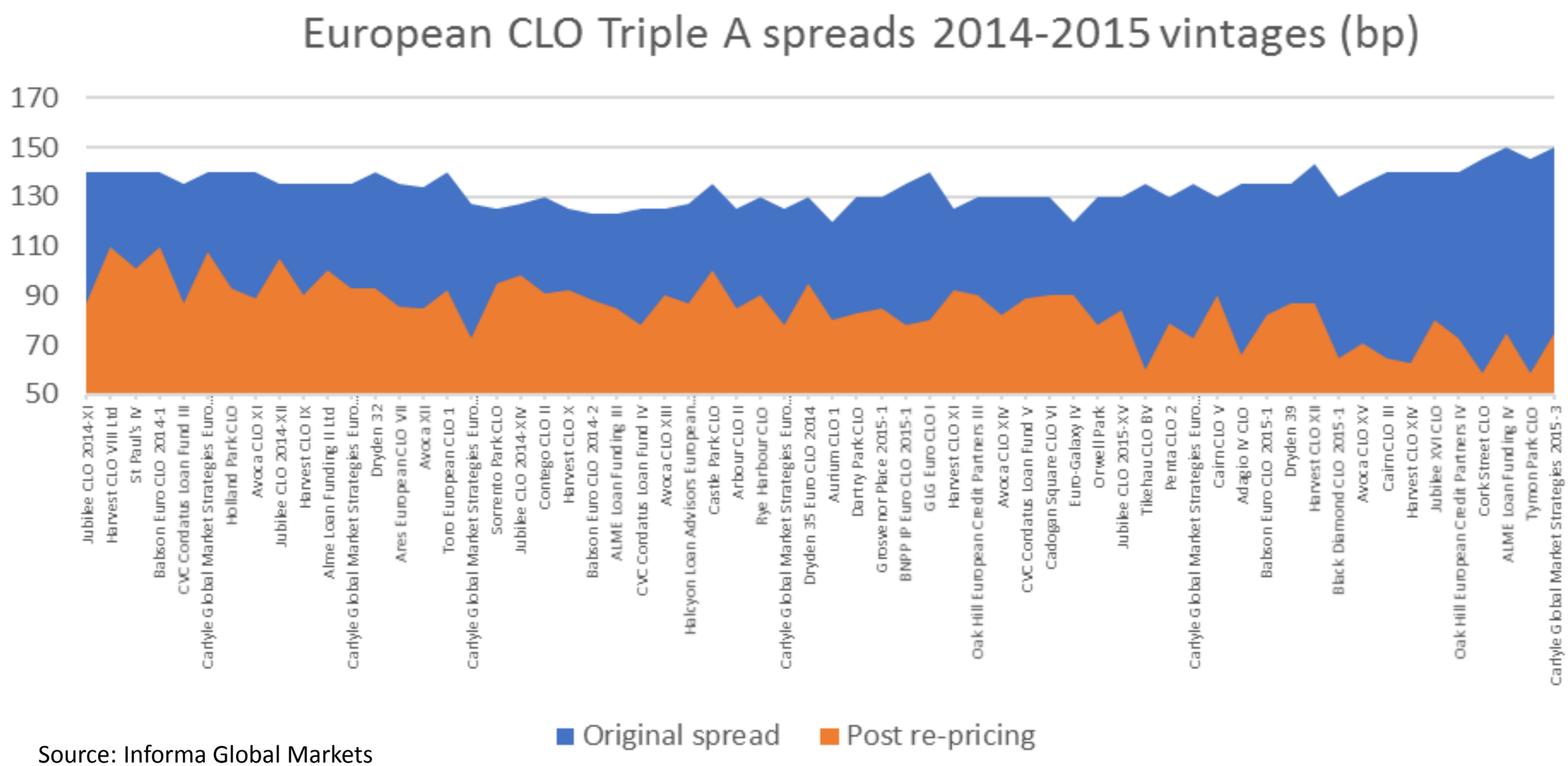
Accunia European CLO I is experiencing similar difficulties, although S&P downgraded Class E as this tranche is the most sensitive to excess spread changes. The portfolio spread has fallen to 3.92% from 4.29% at the previous review. This deal priced in July 2016, with a Class A at 143bp and cannot be called until July.

And most recently S&P put Investcorp's Harvest CLO XV on CreditWatch Negative. The portfolio spread has fallen to 3.73% from 4.22% and it is more exposed to Single B names, rising to 89% from 80%. The non-call period ends in May, and until then it pays 150bp on the Triple A. By comparison, in January the manager reset the older Harvest CLO VIII with a new Triple A spread of 73bp from 110bp, which was a refinancing of the 140bp coupon at pricing in February 2014.

*Continued p7*

# Portfolio Spread Squeeze Brings Refi of 2016 CLOs Into Focus … Cont'd

As can be seen from the graph below, CLO managers have made substantial savings by repricing their liabilities. And those managers approaching the end of the non-call periods for 2016 deals will be eager to take advantage of that to ease the stress on transaction credit metrics.




Source: Informa Global Markets

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# China Analysis: Deleveraging to be Executed More Forcefully After Leadership Change

*By Tim Cheung, Head of China*

China's National People Congress on 19 March appointed Liu He as Vice Premier (believed to be in charge of all economic and financial affairs). This appointment was completely in line with market expectations. Besides this, Yi Gang was appointed as PBoC Governor (note: initially it was speculated that Liu He would be appointed as Vice Premier as well as PBOC governor), Liu Kun as Finance Minister and He Lifeng as NDRC Chairman.

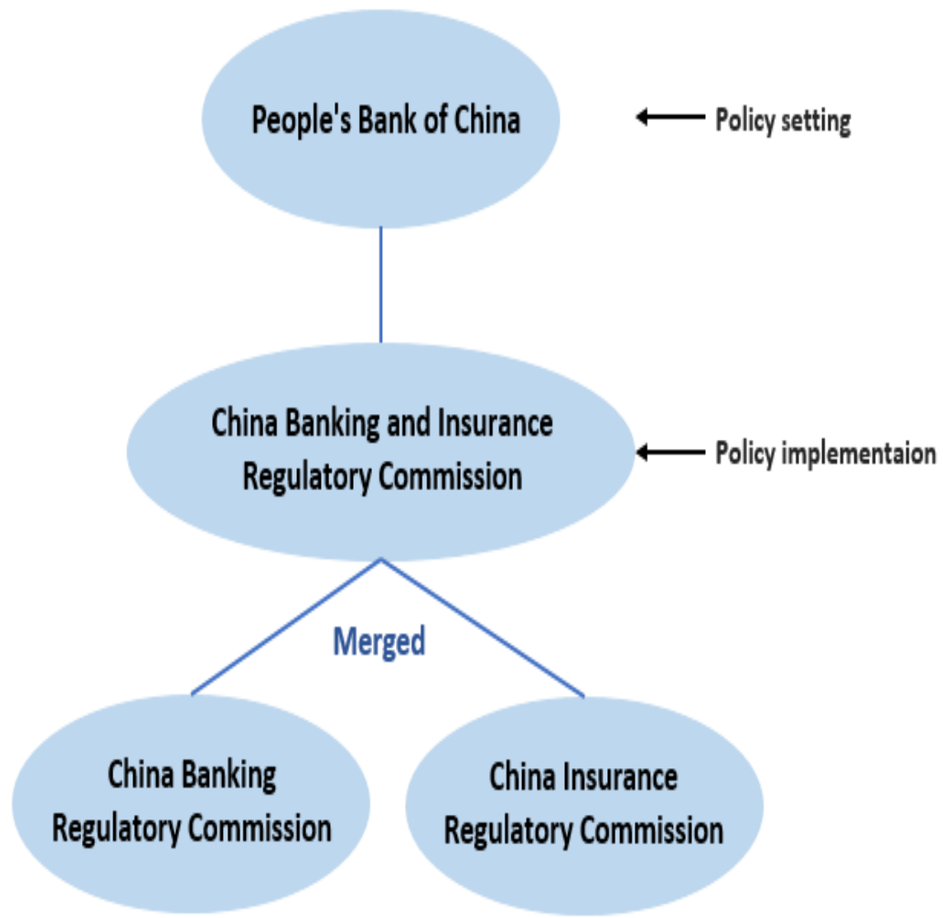
In our view, the appointment of Yi Gang as PBoC Chief just reflects the top leaders' bias towards having a person with solid experience as a regulator to head up the central bank. That, however, does not alter the fact that Liu He, as President Xi's trusted mastermind, will be in charge of all economic and financial affairs and will re-shape China's economic and monetary policy with his own beliefs and ideas over the coming years.

Before the above-said appointments, the central government last week proposed a restructuring within the financial regulatory framework. CBRC will merge with CIRC (chart 1) into the China Banking and Insurance Regulatory Commission (CBIRC). The new authority apparently will be working together with the PBoC to supervise all banking/financial activities. Going forward, the PBoC will likely lead policy making in banking/financial supervision and development, coordinate legislation of banking/financial industry. Policy implementation will be left with the newly-established CBIRC.

In our view, this restructuring is aimed at enabling Liu He to continue the financial deleveraging more effectively. With more efficient coordination among regulatory bodies under Liu's direction, off-balance sheet lending activities will be curtailed more forcefully as part of the deleveraging efforts.

Chart 1

Proposed financial regulation framework restructuring




Source: Xinhua News Agency

# Turkish Q4 GDP to Fan Overheating Fears

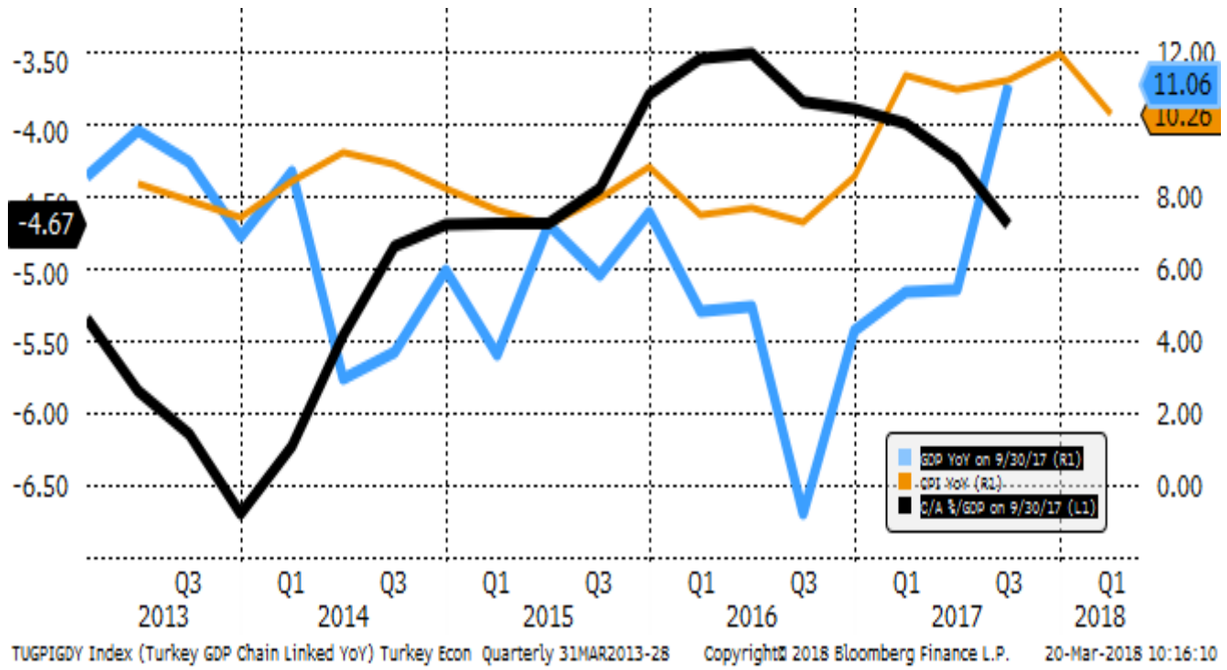
*By Chris Shiells, Emerging Markets, Managing Analyst*

The Turkish Lira has been the worst performing CEEMEA currency versus the USD, EUR and GBP year-to-date and is behind only the Argentinian and Philippine Pesos in the wider EM FX sphere. Most of these losses have come in March, where the Lira is the worst performing EM currency (-3.91% versus USD), and have been driven by fears that the Turkish economy is overheating and creating imbalances, supplemented by a good dose of fresh geopolitical risk.

This week's Turkish Q4 GDP release is expected to bring this into focus, as y/y growth is forecast to come in at 6.25% y/y, meaning annual GDP growth was ca 7.0% in 2017. This was driven by the 11.1% y/y surge in Q3, which is what really pricked the attention of investors.

GDP growth has been spurred by government incentives put in place after the violent coup attempt in July 2016, but investors are worried as it has led to a widening current account deficit and persistent double-digit inflation. Core inflation stood at 11.94% y/y in February, whilst the current account deficit widened to USD7.1bn in January.

These 'overheating' signals prompted the IMF to caution that Turkey is vulnerable to changing global conditions, whilst Moody's downgraded Turkey's credit rating to two notches below investment grade, Ba2 from Ba1, (outlook stable). The ratings agency cited the continued loss of institutional strength and the increased risk of an external shock crystallising.




The problem is that President Erdogan and his government have shown no signs of wanting to slow the economy and prevent a hard landing, due to the looming parliamentary and presidential elections in 2019, and have made it clear that they want 5.5% GDP growth this year. They have also leaned heavily on the CBRT to not hike rates, and for many the CB cannot be relied upon to raise rates enough to rein in the C/A and tame inflation.

This all leaves Turkey vulnerable, as it relies heavily on short-term flows of money that could quickly evaporate if sentiment towards the country shifted. For now, our EPFR data suggests that these flows have been forthcoming since the start of 2016 when the C/A began widening again (graph below shows cumulative country flow data for Turkish Equity Flows).

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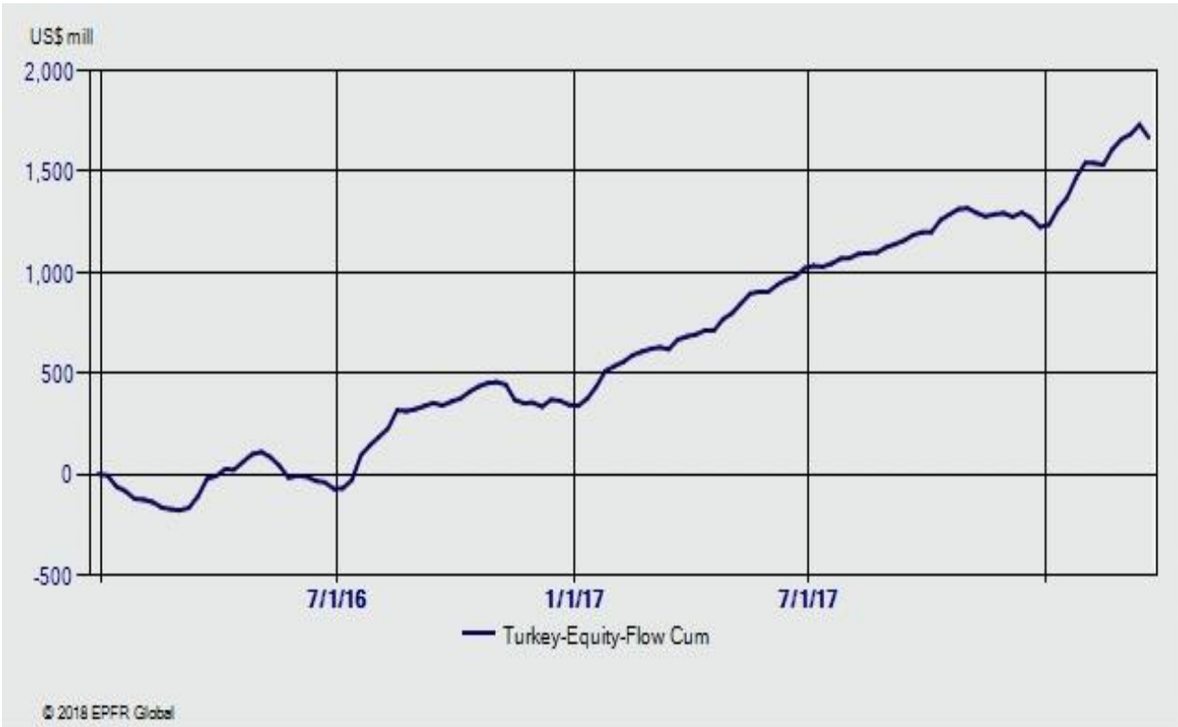
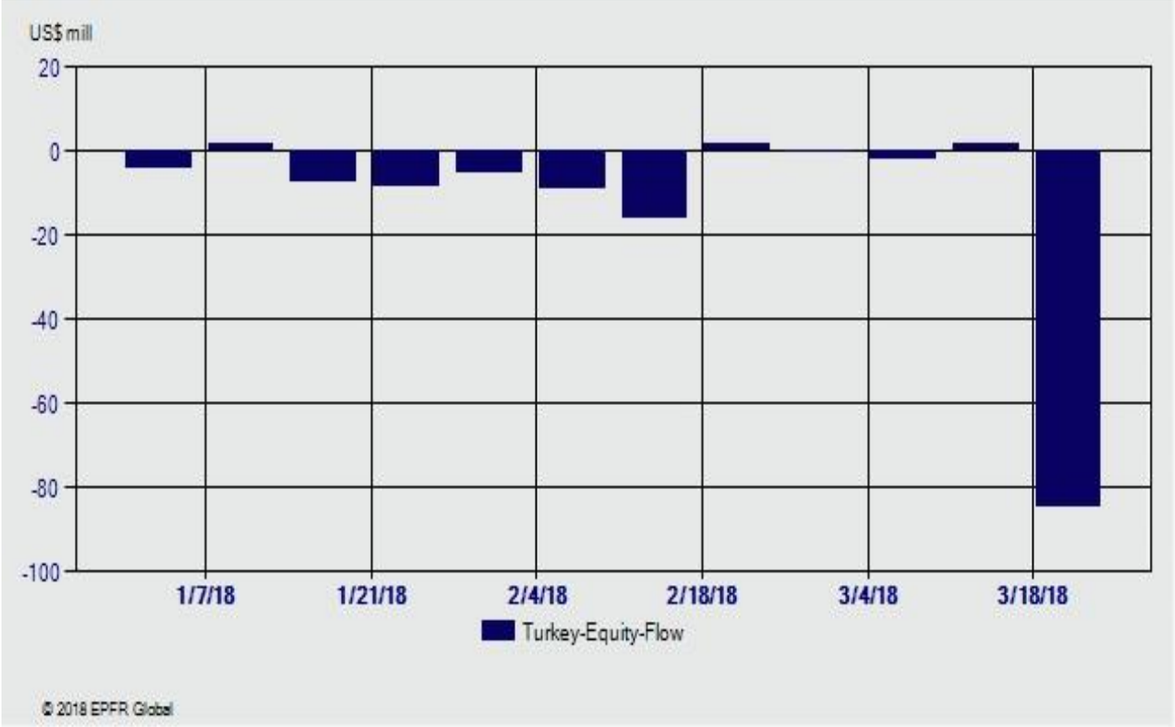
# Turkish Q4 GDP to Fan Overheating Fears… Cont'd




Thanks to a broadly weaker USD and the protection of the Lira's high nominal yields to external headwinds, the appetite for risk among investors has kept the funds flowing. That was until last week, when net flows from Turkish Equity Funds turned sharply negative, (biggest outflows since Q3 2013).

The above shows that the Lira's shield is being eroded by runaway inflation, a widening C/A deficit and Erdogan's military interventions in Syria, affecting Turkey's relationship with the US and Europe. This leaves fund flows at risk of a sharp depreciation if global liquidity conditions deteriorate, as witnessed in recent Lira slump to record lows versus the USD.

With the CBRT seen unwilling to act, this has reignited the threat that Turkey will be sucked into an inflation/Lira depreciation spiral. This all supported our early March **LONG USD/TRY** trade recommendation, which has hit target.

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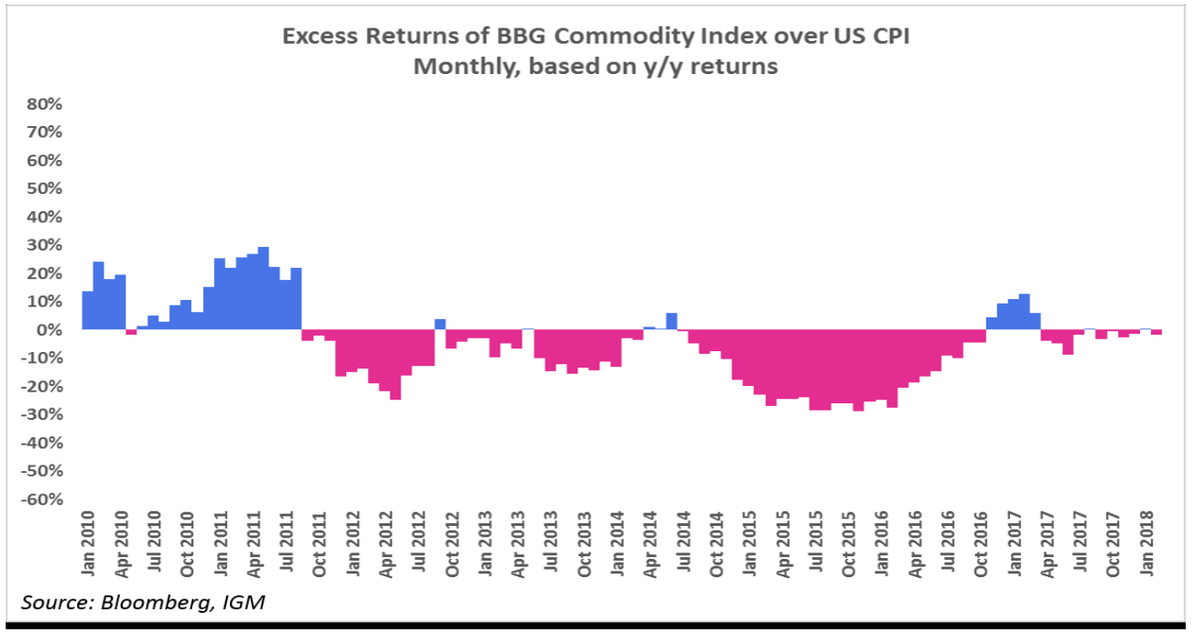
# Can Crude Oil Still Stand as an Inflation Hedge in The Face of US Shale?

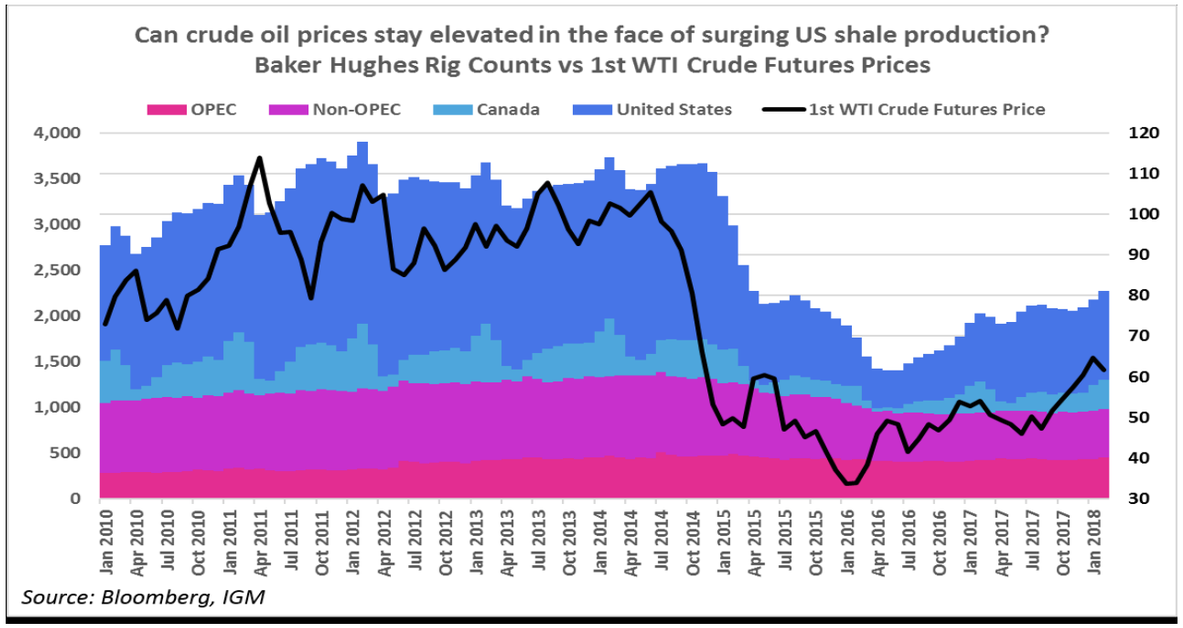
*By Tian Yong Woon, Fundamentals Analyst*

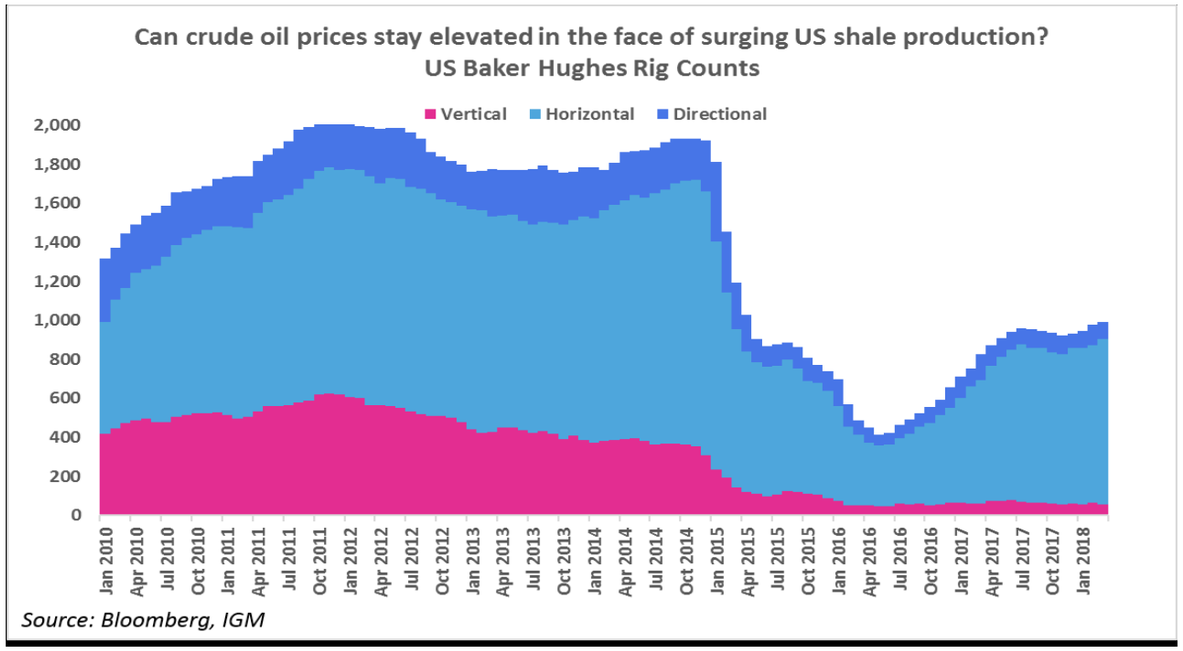
Commodities have often been touted as the go-to asset class for purposes of inflation hedging but trends in recent years have shown otherwise.

Since 2012, commodities in general (proxied by the Bloomberg Commodity Index) have shown to be a rather poor hedge of inflation, an instance of which has been evidenced in the chart below showing the USD BBG Commodity Index's monthly year-on-year (y/y) returns when stacked up against the US' monthly year-on-year CPI readings. More often than not, the BBG Commodity Index has shown to return less than the US CPI.




Past performances aside, the big worry now lies in whether crude oil prices can sustain their 2-year uptrend as a continued inflation hedge in the face of relentlessly increasing US shale oil production. Likely capitalizing on the crude oil price recovery seen since early 2016, US rig counts have been steadily climbing over the same period, with almost all of recently reported US rig increases attributed to horizontal rigs (used for shale oil extraction).




The relentless resurgence of US shale oil production has also partially stoked a reversal of the protracted US crude oil inventory drawdown seen between Mar 2017 and Mid-Jan 2018, with US crude oil stockpiles seen to be swelling again thereafter.

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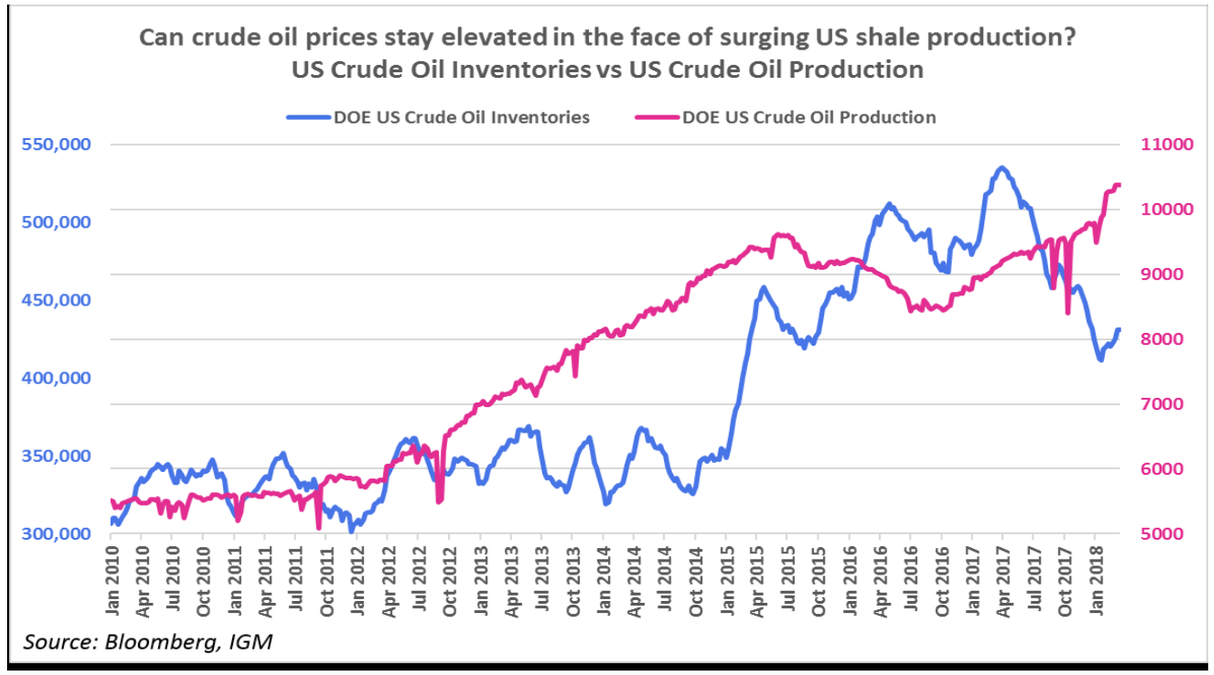
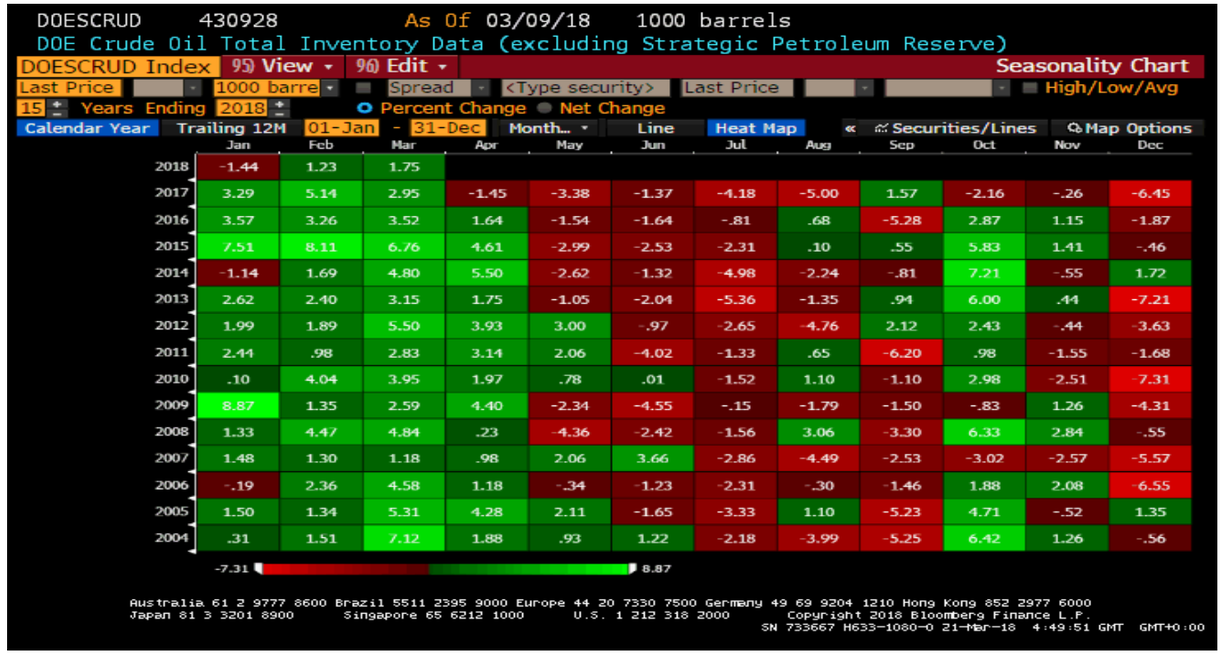
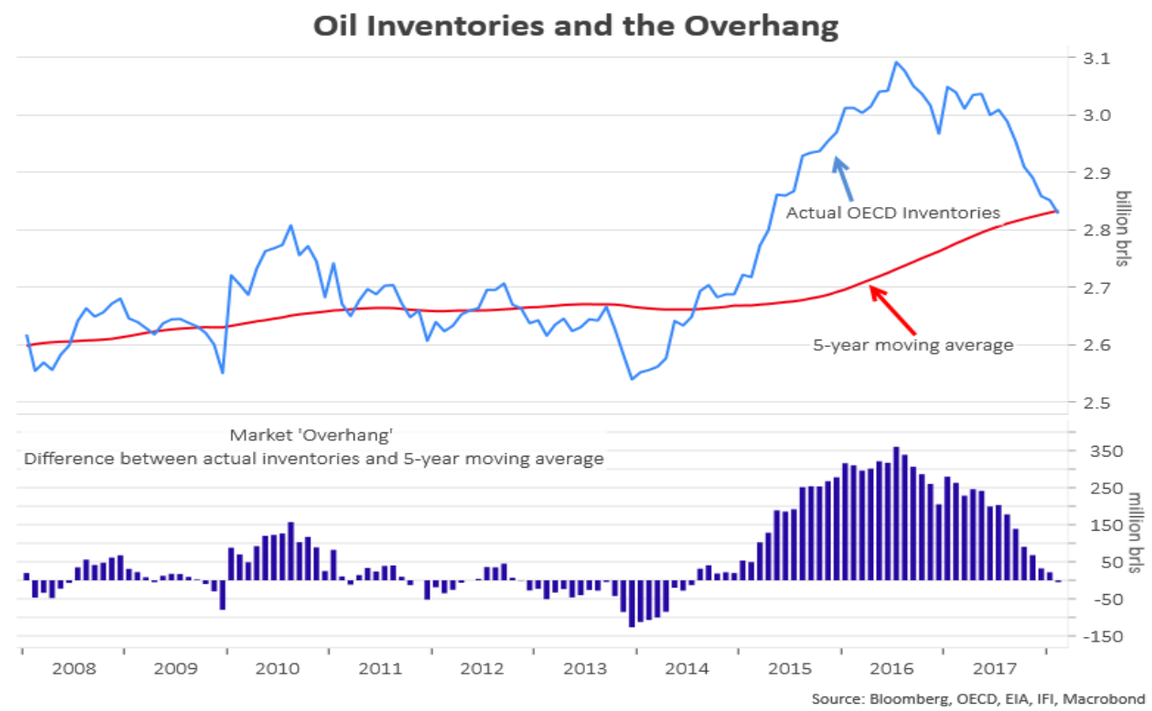
# Can Crude Oil Still Stand as an Inflation Hedge in The Face of US Shale?




However, it must be said that some of these observed early-2018 increases in US crude oil stockpiles are seasonal in nature, so more affirmative cues can be seen further out from May onwards, when the effects of said seasonal increases in US crude oil stockpiles tend to abate.




Further, crude oil prices may still stand to see some partial buoys from OPEC & Non-OPEC's commitment to reducing global crude oil inventories towards their 5-year average, a commitment which is presently being met as shown in the chart below. It should be said though that OPEC & Non-OPEC's meeting of such a pledge will still leave the world with significantly higher overall crude oil inventories than seen from pre-2015 levels, so the supply glut issue will not be entirely resolved from the said pledge.




Regardless, while OPEC + Russia's recent output cuts have previously given crude oil bulls some reasons to cheer, the crude oil supply story is once again looking delicate as the re-emergence of US shale production threatens to undermine efforts to rein in still-chubby global crude oil inventories.

*This is an excerpt from Tian Yong's larger piece, click here for the full article.*

# BoE Keen to Continue on Path of Normalisation

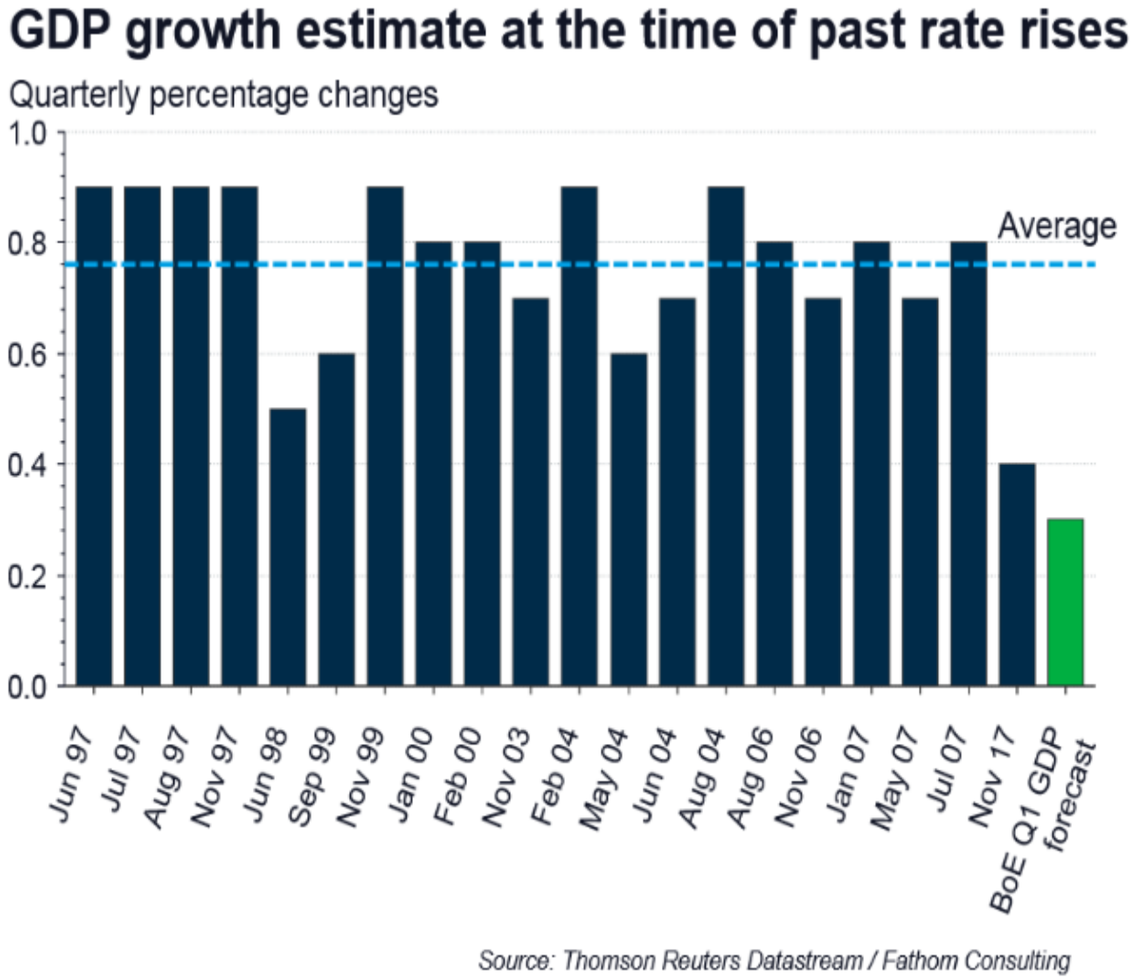
*By Mark Mitchell, Senior FX Analyst*

The recent update from the BoE should leave no-one in doubt that the Bank is very keen to continue on the path of slow, but steady, rate increases. With two members, McCafferty and Saunders, wanting to raise rates as soon as last Thursday and the minutes stressing that 'ongoing tightening' is needed to push CPI back to target, it seems that the central bank is not particularly worried how growth dynamics are currently playing out.

Fathom Consulting have produced an interesting chart (see right) showing how the UK economy was performing at the time of past rate rises. It highlights the fact that the last hike in November was delivered when growth was at its lowest level for the past 20 hikes. If the BoE moves in May, the slowdown in growth is likely to mean that May move will overtake the November tightening in terms of lowest growth.

So it seems that the MPC is hell bent on the normalisation path regardless of how growth fares in the short term. This stance raises a variety of questions. Are the MPC raising rates now, just so they have some monetary ammunition at a later date in a time of need?

It also raises an interesting question politically. We are sure the ruling Conservatives and their perilous grip on power will not be keen on a run of interest rate rises when growth is so weak.




What does this mean for the Pound in the short term? To us the main data to watch will obviously be the inflation numbers. A faster move back to 2% will leave the MPC with less reason to continue on their path of normalisation. If Sterling falls on UK growth data that disappoints, then that should be used as a buying opportunity, as to the MPC it is not the growth numbers that matter.

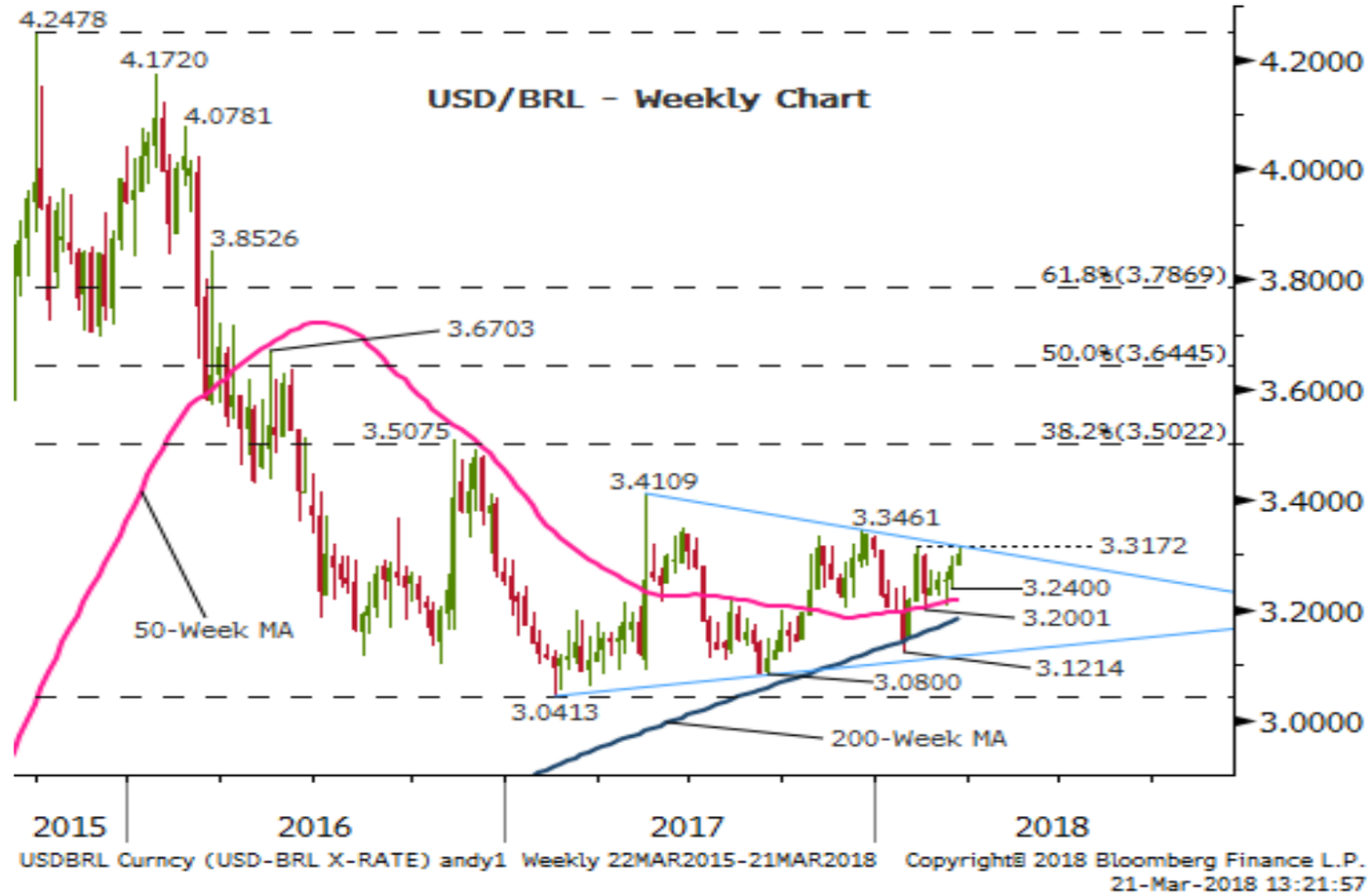
# Room For Further Usd/Brl Upside on The Re-Emergence of Brazilian Political Uncertainty

*By Natalie Rivett, Senior Emerging Market Analyst and Andy Dowdell, Technical Analyst*

The last week has been broadly negative for EM assets amid lingering trade war concerns and following some strong US data, and this has helped drive USD/BRL back within touching distance of the top of its wide 3.2000-3.3200 range that has held since early February.

We would argue that there is room for further upside in this currency pair, partly based on the expectation of a still shaky backdrop for risk sentiment, in the short term at least, but also on the re-emergence of Brazilian political uncertainty as the October presidential election takes on a greater focus.

The technical structure supports this view:




- The market is on the verge of clearing the Feb 3.3172 high/upper boundary of a year long contracting triangle.
- The rising 200-Week MA continues to underpin price action, and the 50-Week MA is now also turning higher again.
- Given the scale of the base in both price and time, we see scope for a substantial recovery over the coming weeks/months.
- The initial target is the May 2017 spike high at 3.4109.
- Further out, scope is seen for a test of the Nov 2016 high at 3.5075 (near 38.2% of the 2015-2017 fall at 3.5022), and possibly, significantly higher.
- Below 3.2400 (13 Mar low) would stall short-term momentum.
- Bears need to breach 3.2001 (15 Feb low)/200-Week MA (approx 3.1800) to threaten the wider basing scenario.

*Continued p15*

# Room For Further Usd/Brl Upside on The Re-Emergence of Brazilian Political Uncertainty … Cont'd

**Brazilian Presidential Election Risk**

In our opinion, Brazilian markets do not yet appear to be paying enough attention to the looming political risk aligned to the Presidential election. Even though the odds are low for an anti-reformist successor to President Temer, there is still a key threat to fiscal and structural reforms as a new government could potentially be less committed to pursuing ambitious reform agendas.

- Fate of popular former president Lula is key, but still unknown.

- Lula's lawyers are working to get his conviction quashed so he can be on the ballot in September and while the move is unlikely, it is not impossible.

- In a minor victory for Lula, the Supreme Court has prevented him from going to jail until April 4th, when the court is scheduled to rule on the habeus corpus filed by his defence team.

- Significant for the markets is the debate in the Supreme Court on whether one should start to serve their sentence after their conviction is confirmed by the appeals court, rather than after all appeals are exhausted.

- This may directly impact Lula's situation and his potential to transfer votes to an ally (under the current understanding Lula's arrest may be requested after the sentence is formally published).

- Polls have shown Lula as consistently leading the race, the latest from CNT/MDA assigns him almost 19% of voting intentions, followed by conservative Lower House lawmaker Bolsonaro (12.3%), who is argued by Eurasia to be one of the 'quasi-reformers', i.e. someone that claims to support reforms but may lack the conviction and ability to get them passed.

- Centrist PSDB party candidate Alckmin has made it clear he would back measures to shore up Brazil's fiscal deficit, and has backed an overhaul to the pension system. Yet, his support is hovering in the single digits in the polls, with his performance possibly undermined by the low approval rating of Temer, whose administration Alckmin is identified with.

- Adding a further element of uncertainty, in the short term, Temer's MDB party has yet to formally announce a candidate (reports have also suggested the president himself has yet to rule out running again), while Finance Minister Meirelles is said to be still mulling which party to join.

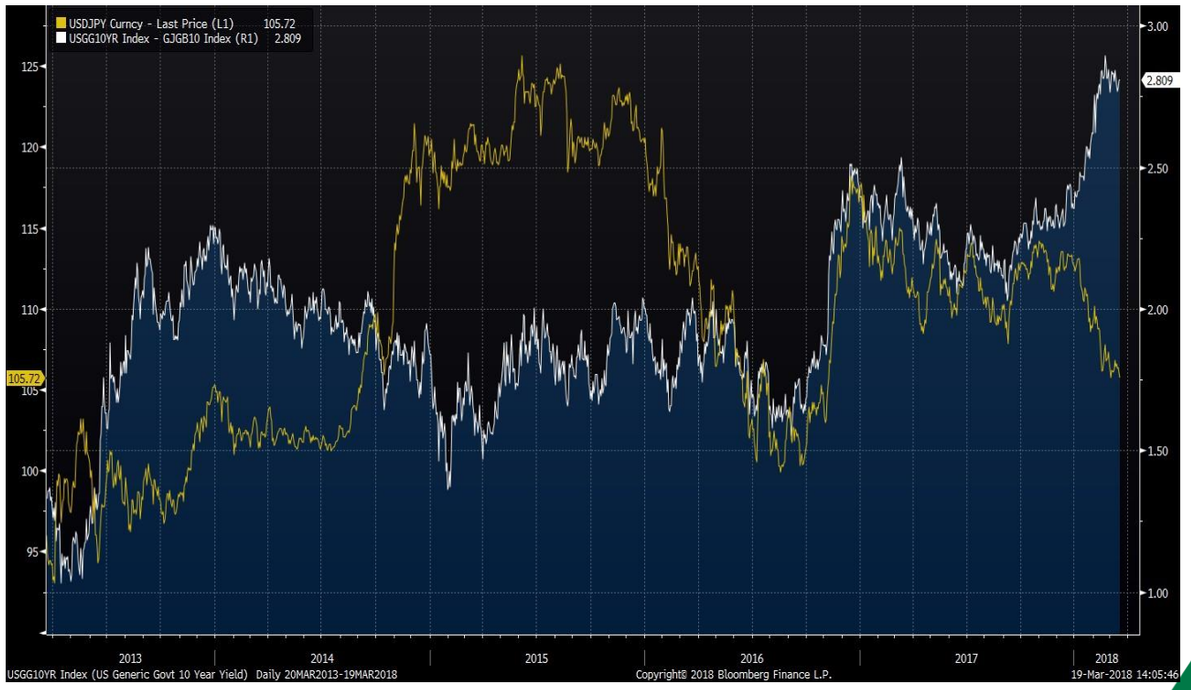
# Weak ACGB Auctions & Yen Strength Maybe Early Signals For a Retreat in UST Yields

*By Tay Qi Xiu, IGM Fundamentals Analyst*

Australia sold A$800mln 2.25% May 2028 bonds on Monday, 19 Mar, and while the sale was still arguably decent (low coverage ratio but on larger than usual allotment volume), it was also clear that the robust (foreign) demand that has supported sales thus far this year may be waning as US Treasuries themselves pull further back from "line-in-the-sand" bearish trigger levels. As has been mentioned, increased issuance from deficits, inflation fears, balance sheet reductions, tax reforms and threats of tariffs have pushed UST yields towards multi-year highs and diminished the bonds' appeal to foreign investors to the benefit of other sovereign bonds such as the ACGBs, which have seen solid auctions despite negative spreads to USTs for the first time in several decades.

However, USTs have been pulling further back from "line-in-the-sand" levels (3.25% for 30s, 3.00% for 10s) of late amidst heightened risk aversion from trade tensions and US political turmoil as well as recent misses in GDP and inflation and high net short speculative positions in the long end of the curve. The balance of risk is now seen skewed towards the yield downside as bond bulls slowly gain an edge over the bears. That said, the inability for USTs to stage a substantial rally as of yet also means that there is still some hope left for the bears.

The recent ACGB auction with an average yield at 2.7039% and B/C at 3.35x, the latter a step down from the previous 3.66x and well below the 5-auction average of 4.053x, does however offer the first sign that the attractiveness of ACGBs as a refuge from USTs (in particular for Japanese investors) may be starting to wane, with USTs correspondingly starting to regain value.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# Weak ACGB Auctions & Yen Strength Maybe Early Signals For a Retreat in UST Yields

Given the current Libor/OIS blow up, that has stemmed from several factors, including an increase in T-bill issuance, repatriation of corporate profits, rising outflow in dollar deposits due to rising s/t rates; the cost of hedging USTs for Japanese investors has risen considerably, with Bloomberg's 3-month hedging cost now at 2.53 and the 3-month Libor basis swap now reclaiming highs not seen since end-2014 at -20. This has certainly dampened demand for US Treasuries as well, although if USD/JPY continues retreating, it is highly likely Japanese investors may reconsider re-entering USTs unhedged. Thus, the breakdown in correlation between the UST/JGB10y spread and the USD/JPY could snap back into place with the 10-year yield slipping on continuous JPY strength and poor ACGB auctions the early signals for waning outflows from US govvies.

On the charts, the 50-month MA has been a somewhat reliable resistance for the 10-year yield dating back to 2009, although there were several false breaks in the past and a break above the 50-month MA would have to also see the ACGB's “line-in-the-sand" level at 3% also broken for confirmation of a bear market. There is however an emerging bearish pennant between 3% and trendline support from 2016's lows, meaning a lower yield consolidation could soon be due. In this case, however, the ACGB/UST 10-year spread may fail to revert back into the positive.

# AUD/USD – Bulls Lie In Wait Near 2+ Year Trendline Support

*Technical Analysis by Andrew Dowdell*

- Since Feb, the market has only been able to post marginal new lows on each successive down-leg.
- The wider structure remains bullish, and buyers are expected to emerge in the .7652/11 area.
- This area coincides with a 2+ Year rising trendline drawn from the 20 Jan 2016 & 23 Dec 2016 lows.
- A return higher is favoured in due course, targeting .7917/88 initially ahead of a re-test of the Jan .8136 peak.
- Bears would need to breach the Dec .7502 low to threaten the broader recovery.


| Resistance Levels | | |
|---|---|---|
| **R5** | **.8136** | 26 January 2018 high |
| **R4** | **.8067** | 1 February 2018 high |
| **R3** | **.7988** | 16 February 2018 high |
| **R2** | **.7917** | 14 March 2018 high |
| **R1** | **.7804** | 16 March 2018 high, near the 200-Day MA (approx. .7810) |
| **Support Levels** | | |
| **S1** | **.7652** | 76.4% of .7502-.8136 rally |
| **S2** | **.7611** | 1x .8136-.7759 projected off .7988 |
| **S3** | **7606** | Trendline drawn from the 20 Jan 2016 & 23 Dec 2016 lows (rising by 1-2 pips per day) |
| **S4** | **.7502** | 8 December 2017 low |
| **S5** | **.7329** | 9 May 2017 low |

**STRATEGY SUMMARY**

Bulls are expected to reassert ahead of the Dec 2017 low at .7502. Further out, a re-test of the Jan .8136 peak is envisaged.

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# EURIBOR Z8/Z9 Spread – Primed for Narrowing Towards 29.0/23.5

*Technical Analysis by Ed Blake*

- Extended the 19-month widening trend to 47.0, before narrowing to test 8½ month rising channel support.
- Deteriorating daily/weekly studies suggest a channel break, with initial risk to the 29.0/31.5 zone.
- Sustained narrowing would then expose the 23.5 higher low (near a 19mth rising trendline at 24.5).
- Only a failure to break down out of the channel and/or a clearance of 38.0 would offer relief and re-open 43.5.


**STRATEGY SUMMARY**

Sell in anticipation of an 8½ month channel break targeting 29.0/31.0, possibly 23.5. Stop and reverse on a break over 38.0.

| Resistance Levels | | |
|---|---|---|
| **R5** | 50.5 | 8½ month rising channel top |
| **R4** | 47.0 | 2018 peak – 29 January |
| **R3** | 43.5 | 20 February/8 March 2018 highs |
| **R2** | 41.5 | 9 March 2018 high |
| **R1** | 38.0 | 19/21 March 2018 highs |
| **Support Levels** | | |
| **S1** | 31.5 | 2018 low – 8/9 January, near 38.2% retrace of 5.5/47.0 widening |
| **S2** | 29.0 | 6/7 July, 25 October and 30 November 2017 former highs |
| **S3** | 26.0 | 50% retrace of 5.5/47.0 widening |
| **S4** | 23.5 | 25 September and 16-18 October 2017 lows, near a 19-month rising trendline at 24.5 |
| **S5** | 18.0 | 6 September 2017 higher low, near the channel break target at 18.5 |

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# Bloomberg Commodity Index - Awaits Fresh Recovery To 89.360/91.172

*Technical Analysis by Ed Blake*

- Extended the 26-month recovery to 91.172 (25 Jan peak), before easing to consolidate within a 2mth triangle.
- While support between 85.298/86.433 limits any further dips, the broader recovery is favoured to resume.
- Slowly improving daily studies combine with constructive weekly studies to re-inforce this view.
- Above 89.360 (26 Feb high) re-opens the 91.172 peak then key resis at 91.943 (9 Oct 15 high/2½yr base trigger).
- Below 85.298 would avert current upside scope and signal broader consolidation over 83.372 (12 Dec 17 low).


| Resistance Levels | | |
|---|---|---|
| **R5** | 93.488 | 29 July 2015 lower high, near 0.764x 72.331/90.309 off 79.346 at 93.080 |
| **R4** | 91.943 | 9 October 2015 high – 2½ year base trigger, near 1x 79.346/88.240 off 83.372 at 92.266 |
| **R3** | 91.172 | 2018 high – 25 January, near a 6¾ year falling trendline at 91.259 |
| **R2** | 89.360 | 26 February 2018 high |
| **R1** | 88.247 | 13 March 2018 high, near two-month triangle resistance |
| **Support Levels** | | |
| **S1** | 86.433 | 19 March 2018 low, near two-month triangle support |
| **S2** | 85.298 | 2018 low – 9 February, nr 76.4% of 83.372-91.172 rally and 50% of 79.346/91.172 advance |
| **S3** | 83.372 | 12 December 2017 higher low, near 61.8% of 79.346/91.172 advance |
| **S4** | 82.280 | 17 August 2017 higher low, near 76.4% of 79.346/91.172 advance |
| **S5** | 79.346 | 2017 low – 22 June |

**STRATEGY SUMMARY**

Buy into any near term corrective dips towards 86.433 as we await a recovery resumption targeting 89.360/91.172. Stop and reverse on a break under 85.298.

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