

Rates Technical Advantage

So goes January and so goes US 10Y yield?

So goes January so goes 10y yield? Q1 yes, the year maybe

The US 10y yield was higher in January 2024 for a small gain of +3.3bps (3.91% vs 3.88%). Of all Januarys since 1963, the 10y yield was higher 34 times (Exhibit 1). When January was higher, the rest of Feb-March was higher 70% of the time (23 of 33) for an average change of +33bps (Exhibit 2). When January was higher, February through yearend was higher 61% of the time (20 of 33) by +81bps on average (Exhibit 3).

Up Jan in year 4 of Pres. Cycle = 10Y yield up more in Q1

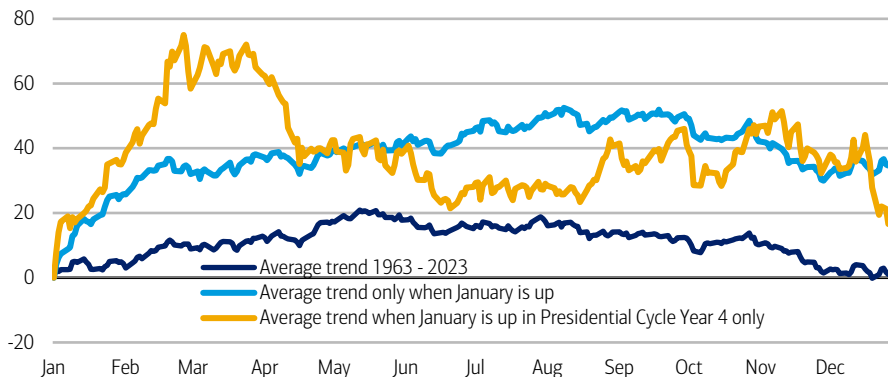
In year 4 of the US Presidential Cycle since 1963, the US 10Y yield rose 7 of 15 times in January (Exhibit 4). January 2024 was the eighth time. Yield was up in Feb-March 71% of the time (5 of 7) for an average Feb-March gain of +52bps (Exhibit 5). Yield was higher in Feb-YE 57% of time (4 of 7) on average by +63bps (Exhibit 6). Year 4s with an up Jan signaling up Feb-Mar were 1964, 1972, 1976, 1980, 1992, 1996 and 2000.

Up Jan in year 4 favors 10y yield double bottom & Q1 rise

In Chart 1 we compare three average trends since 1963. The average trend of 10Y yield is up into May, then a top and decline into yearend (Dark blue line). When yield was up in January, the average trend was up more and for longer into Aug-Sept and then turned lower into yearend (Light blue line). When January was up in year 4 of the Presidential Cycle (like 2024), yield tended to move significantly higher in Q1 and topping in April (Orange line). If US 10Y yield double bottoms with a break above 4.20% soon, then it will target 4.50-4.60% in 1Q24 (Chart 2) correlating with the orange line. Then it may turn sideways and lower into YE24 (Chart 3). The January barometer supports our view of a [countertrend Q1](#) (higher yields in Q1), then seeking a top to signal lower later on.

Chart 1: US 10y yield average trend analysis since 1963 – Three higher Q1 trends

The average trend of 10y yield is up into May and down into YE. When January is up, average trend is up more and longer into Aug-Sep then lower in Q4. When Jan is up in year 4, yield rose sharply in Jan-Apr.



Source: BofA Global Research, Bloomberg

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Recent reports:

January Barometer is mainly known as an equity market indicator suggesting if January is an up month then the rest of the year is likely to be up, too. For more, please see [Chart Blast: Bullish January Barometer supports 5000+ for the S&P 500 in 2024 01 February 2024](#)

[Technical Advantage: USD and US yields got hired 02 February 2024](#)

[Rates Technical Advantage: Countertrend Q1 underway 24 January 2024](#)

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Appendix

January barometer for US 10Y yield

Exhibit 1: Does 10Y yield tend to be up or down in January and by how much since 1963?

US 10Y yield tended to rise in January 55% of the time for an average change of +19bps and median of +13bps (this table includes January 2024).

	Count	Ratio	Average bps change	Median bps change
January up count and up returns	34	55%	19	13
January down count and down returns	28	45%	-23	-18
All Januarys and returns	62		0.21	0.84

Source: BofA Global Research, Bloomberg

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Exhibit 2: Does the 10y yield trend in January indicate Feb-Mar trend since 1963?

When January saw US 10y yield rise, yield was higher ending March 70% of the time or 23 out of 33 times. The average rise in yield in Feb-March was +33bps. The average rise in yield for the quarter was +53bps.

	Count	Ratio	January Average bps change	Feb-March Average bps change	Q1 Average bps change
Is January up and then Feb-March up?	23	70%	20	33	53
Is January up and then Feb-March down?	10	30%	19	-36	-17
Is January down and then Feb-March up?	17	61%	-21	33	13
Is January down and then Feb-March down?	11	39%	-27	-34	-61

Source: BofA Global Research, Bloomberg

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Exhibit 3: Does the 10y yield trend in January indicate rest of year performance since 1963?

When January saw US 10y yield rise, yield was higher ending the year 61% of the time of 20 of 33 times. The average change from February to yearend was +81bp.

	Count	Ratio	January Average bps change	February to YE Average bps change	Full Year Average bps change
Is January up and February through yearend up?	20	61%	22	81	103
Is January up and February through yearend down?	13	39%	17	-94	-78
Is January down and February through yearend up?	12	43%	-23	85	63
Is January down and February through yearend down?	16	57%	-23	-89	-112

Source: BofA Global Research, Bloomberg

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January barometer in year 4 of Presidential Cycle

Exhibit 4: Does January tend to be an up or down month in year 4 of the presidential cycle since 1963 and by how much?

US 10y yield tended to rise 47% of the time in January during year 4 of the Presidential Cycle. US 10y yield rose 3.3bps in January 2024, or less than average, and brought the ratio to 50%. (This table does not include 2024.)

	Count	Ratio	Average bps change	Median bps change
January up count and up returns	7	47%	20	20
January down count and down returns	8	53%	-23	-25
All Januarys and returns	15		0	-8

Source: BofA Global Research, Bloomberg

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Exhibit 5: Does the 10y yield trend in January indicate Feb-Mar trend in Year 4 of the Presidential Cycle since 1963?

When yield was up in January, Feb-March was up 71% of the time or 5 out of 7 times for an average rise of +52bps. (The risk being a low number of occurrences.)

	Count	Ratio	January Average bps change	Feb-March Average bps change	Q1 Average bps change
Is January up and then Feb-March up?	5	71%	32	52	84
Is January up and then Feb-March down?	2	29%	13	-40	-27
Is January down and then Feb-March up?	4	50%	-25	44	19
Is January down and then Feb-March down?	4	50%	-33	-37	-69

Source: BofA Global Research, Bloomberg

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Exhibit 6: Does the 10y yield trend in January indicate rest of year trend in Year 4 of the Presidential Cycle since 1963??

Less so than the rest of Q1. When January was up yield was up from February through yearend 57% of the time or 4 of 7 times. (The risk being a low number of occurrences.)

	Count	Ratio	January Average bps change	February to YE Average bps change	Full Year Average bps change
Is January up and February through yearend up?	4	57%	25	63	88
Is January up and February through yearend down?	3	43%	28	-104	-76
Is January down and February through yearend up?	4	50%	-31	53	22
Is January down and February through yearend down?	4	50%	-27	-54	-81

Source: BofA Global Research, Bloomberg

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US 10Y yield attempting double bottom

The likelihood of US 10y yield confirming a double bottom increased after Friday's US labor market data ([Technical Advantage: USD and US yields got hired 02 February 2024](#)). Then the market's reaction to Federal Reserve Chair Jerome Powell's 60 minutes interview and relative calm in the Red Sea and regional bank situations resulted in US 10y yield rising during the Monday session.

US 10y yield double bottom? Above 4.20% means upside to 4.50-4.60%

Should US 10y yield close above 4.20% any day this week or next, a double bottom will be confirmed. Its measured move upside target would be the old neckline of the head and shoulders top from Q4 of 4.50-4.60%. To be more exact, the height of the bottom added to the breakout point ($(4.20\% - 3.78\%) = 0.42\%$) + 4.20% = 4.62%. Such a move we think could force longs from December-January to stop out. It may also accelerate CTA trend following traders/models to increase shorts. A countertrend Q1 has been our base case and we think this pattern supports our view, provided it is confirmed soon.

([Rates Technical Advantage: Countertrend Q1 underway 24 January 2024](#))

Chart 2: US 10Y yield – Daily cart

A double bottom will be confirmed if US 10y yield rises above 4.20%. A breakout would confirm upside targets derived from this pattern of 4.50-4.60%



USGG10YR Index (US Generic Govt 10 Yr) RB: US 10yr Daily Daily 29NOV2022-06FEB2024

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Source: BofA Global Research, Bloomberg

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US 10Y yield still in countertrend wave (B) up

Chart 3: US 10Y yield – weekly chart

Base case view is that US 10y yield rises to 4.25-4.50% in Q1, maybe H1, [which is a countertrend Q1](#) and then potential for wave (C) lower begins.



Source: BofA Global Research, Bloomberg

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Chart Alpha

Exhibit 7: Open technical trades and cross strategy alpha trades including technicals

Open trades

Report	Trade	Entry / revise date	Entry Level	Option expiry	Spot target 1	Spot target 2	Spot target 3	Spot stop	Rationale / time horizon	Risks
Technical Advantage	Buy USDSEK	2/2/2024	10.49	-	10.65	10.9	-	10.3	Head and shoulders bottom confirmed	A dovish pivot from the Fed that weakens the USD, again.
Technical Advantage	Buy BRL/CLP	2/2/2024	190.75	-	200	215	-	180	Head and shoulders bottom pattern is bullish	Chilean elections being prices and after CLP strengthens.
FX Alpha	buy 3m EUR/JPY put spread	1/26/2024	0.6663% EUR (strikes 158.00, 155.00, spot ref 160.31, vol refs 8.709, 8.965)	25-Apr	158	155	-	-	Wave C of correction lower about to begin	Markets pricing a more dovish BoJ stance or a more hawkish ECB stance.

Source: BofA Global Research, Bloomberg

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Exhibit 8: Approximately two years of closed technical and/or collaborative cross strategy trades

Closed trades

Report	Trade description	Entry date	Entry level	Spot target 1	Spot target 2	Spot target 3	Stop	Revise / close date	Level closed
Global Macro Year Ahead	US 5s30s steepener	1/23/2024	15	35	55	80	15	2/2/2024	24
Global Macro Year Ahead	US 5s30s steepener, raise stop to 15	11/19/2023	15	35 (reached)	55	80	0	1/23/2024	32
2024 FICC Technical Advantage	Buy USDKRW +1m NDF	12/1/2023	1293	1315	1327	1340	1270	1/3/2024	1308
2024 FICC Technical Advantage	Short MXN/CLP	12/1/2023	49.85	48.25	47.5	46.1	52.2	12/22/2023	52.2
Global Macro Year Ahead	Short GBPAUD via 3m 1.90-1.86 GBP/AUD put spread	11/19/2023	s/r 1.9192	19-Feb-24	1.86	1.84	-	1/3/2024	1.2315% GBP (s/r 1.8762, vol ref 7.354 / 6.921)
Global Macro Year Ahead	Sell EUR/NOK via 6m risk reversal	11/19/2023	s/r 11.8623 vol refs: 8.929 and 9.108).	19-May-23	11.35	11.22	11.1	1/3/2024	Received 0.7307% EUR
EM Alpha	Short USDZAR	11/15/2023	18.15	17.6	17.25	-	18.55	11/21/2023	18.55
EM Alpha	Buy EURZAR	10/2/2023	20.15	20.75	-	-	19.60	11/1/2023	19.60
FX Alpha	Buy CADMXN	10/23/2023	13.3338	14.00	-	-	13.00	10/31/2023	13.00
FX Alpha	Buy EURSEK 3m zero-cost collar spot ref 11.5456	10/13/2023	3m 11.8380 call for 0.5676% EUR, vol 7.394%; sell 3m 11.3143, vol 6.701%, zero-cost	11.84	-	-	-	10/30/2023	1.12%
FX Alpha	Buy GBPAUD 6m put seagull	9/8/2023	0.3827% GBP (long 6m put spread, 1.94 / 1.90)	1.94	1.90	-	2.05	9/22/2023	1.2341% GBP
FX Technical Advantage	Short USDCAD	8/29/2023	1.3570	1.3497	1.346	1.335	1.3725	9/13/2023	1.3550
Commodities Technical Advantage	Buy CTZ3	9/5/2023	89.0600	94.60	96.5	100	86.3	9/7/2023	86.30
FX Alpha	Sell 2m 25-delta OTM EUR/GBP put	6/24/2023	0.31% EUR (strike ref: 0.8472, spot ref: 0.8592, vol ref: 5.584)	24-Aug-23	-	-	-	8/3/2023	Spot ref 0.86470, vol ref: 4.214)
FX Alpha	Buy USDSEK via 3m collar (spot ref is 10.2724)	7/19/2023	Buy 3m 10.73 call for 0.7795% USD (vol ref: 12.296%) and sell 3m 9.8960 put for the same price (vol ref: 10.202%).	10.5	10.7	-	9.896	8/1/2023	1.3316% USD with spot ref 10.6109
Technical Advantage	Buy USDMXN	6/27/2023	17.10	17.50	18.00	-	16.90	7/12/2023	16.90
FX Technical Advantage	Short GBPUSD	4/25/2023	1.2420	1.2367	1.223	1.216	1.255	4/28/2023	1.255
FX Alpha	Buy 3m USDSEK call spread	1/20/2023	1.4689% USD strikes 10.2466 & 10.70, spot ref 10.2971, vol refs 12.752/13.307)	10.25	10.5	10.7	-	3/7/2023	.82% USD (spot ref 10.7008, vol refs 12.18/11.943)
Rates Technical Advantage	5s30s steepener	2/12/2023	-12	0	10	20	-25	2/24/2023	-25
Rates Technical Advantage	Short US 10Y	1/22/2023	3.48%	3.70%	3.82%	3.90%	3.30%	2/17/2023	3.82%
2023 FICC Technical Views	Short USDCAD via 6m 1.33/1.30 put spread	12/2/2022	65 USD pips (Spot ref: 1.3489, vol: 7.668%/8.035%)	1.33	1.319	1.30	-	2/1/2023	74.53 USD pips (spot ref: 1.33, vol: 6.893% / 7.237%)
EM Alpha	Long USDZAR	1/19/2023	17.23	-	17.46	17.75	17.86	2/1/2023	17.40

Exhibit 8: Approximately two years of closed technical and/or collaborative cross strategy trades

Closed trades

Report	Trade description	Entry date	Entry level	Spot target 1	Spot target 2	Spot target 3	Stop	Revise / close date	Level closed
Global Rates, FX, EM 2023 Year Ahead	Short 10Y UST	11/20/2022	3.75%	3.60%	4.00%	4.25%	3.40%	1/18/2023	3.40%
FX Technical Advantage	Buy USD/CLP	11/20/2022	925	898	980	1000	865	12/12/2022	865
FX Technical Advantage	Buy DXY dip	9/12/2022	108.33	110.35	112.1	115	105	11/4/2022	110.87
Chart Alpha	Buy USD/ZAR	11/15/2022	17.30	18.00	18.50	-	<16.90	12/1/2022	17.90
Technical Advantage	Sell gold's bounce	10/3/2022	1702.00	1615.00	1560.00	1440.00	1740	11/10/2022	1760
Rates Technical Advantage	Short 10Y > 3.1%	8/31/2022	3.16%	3.38%	3.50%	3.96%	< 2.95%	10/11/2022	3.94%
Technical Advantage	Buy USDKRW	6/12/2022	1279.04	1321	1374	1400	1210	10/6/2022	1406
Commodities Technical Advantage	Buy USDCLP breakout	6/24/2022	917	920	945	985	872.75	07/15/2022	985.00
Commodities Technical Advantage	Sell HG1 breakdown	6/22/2022	394.4	350	335	314	421.9	7/15/2022	323.40
Commodities Technical Advantage	Buy crude oil	6/2/2022	116.87	130.3	140	-	111.2	6/17/2022	109.56
Chart Alpha	Buy Euro	5/4/2022	1.0610	1.0800	1.0850	-	-	5/12/2022	1.0470
Chart Alpha	Sell USDCHE	5/4/2022	0.9740	0.9602	0.9525	-	-	5/5/2022	0.9825
Rates Alpha	Buy 10Y UST	4/14/2022	2.83%	3.05%	2.56%	2.40%	2.25%	1/0/1900	3.10%
FX Alpha	Buy AUD/NZD by owning a 6m call spread	1/27/2022	0.7764% (Spot: 1.069, 1.0753 (atmf) and 1.0944	1.0743	1.0817	1.0944	-	4/22/2022	1.2168% AUD
Global Rates, FX, EM Year Ahead	Buy USD/MXN	11/23/2021	20.70	20.50	21.93	22.67	-	3/9/2022	21.25
2022 FICC Technical Advantage	Sell AUD/USD by owning a 3m .69/.65 put spread	12/3/2021	74 USD pips, spot ref: .7020, vol: 10.74%/12.32%	0.718	0.69	0.65	-	3/3/2022	0.00
FX Alpha	Buy USD/JPY	11/23/2021	112.60 (Raised stop loss, spot ref 115)	114.5	117	-	112.6	2/24/2022	115.40
Global Rates, FX, EM Year Ahead	Buy USD/CHF 3m .94/.97 call spread, expiry Feb 21 2022	11/23/2021	Spot ref: .9258, vol ref: 6.839%/6.949% for 0.5359% USD	0.9259	0.94	0.97	-	2/23/2022	0.00
Chart Alpha	Buy EUR/ZAR (Raise stop)	2/4/2022	17.20 (Raise stop to 17.25, spot ref: 17.73)	17.82	18.25	18.5	17.25 (raised from 16.70)	2/10/2022	17.25

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