

## Technical Advantage

## USD and US yields got hired

**View: USD and US yields got hired**

A volatile week saw USD and US yields hold support and turn higher after a blockbuster US payrolls release ([A blowout report 02/2024](#)). In many USD charts, we see head and shoulder patterns that suggest further USD upside in Q1 is possible. US yield charts have all held above the low end of their ranges and impulsively turned up. We think it's reasonable for yields to test the top end of the ranges again. Exclusive of geopolitical and regional banking risks, we can't rule out yield bottom patterns resulting in greater Q1 upside. Average trends also support USD and yields moving higher in Q1. Impulsive market actions like Friday tend to persist and so we attempt to chase it in February.

**US Yields: Sharp turns higher w/potential for more**

We review the daily charts of US yields. US 2Y yield is on watch to confirm a head and shoulders base. An upside breakout through the neckline at 4.50% will signal further upside to 4.75%. US 5Y yield is in a range, turned up from trend line support and has potential to form a triple bottom. If above the top of range at 4.10% then it favors upside to 4.45%. US 10Y yield retested the December lows (3.78% vs 3.81%), received a systematic reversal signal and then reversed higher on Friday. This creates some potential to form a double bottom pattern. First a test of 4.20% should occur while a breakout would favor 4.50%. US 30Y yield is lacking a complimentary pattern but is attempting to break above its 50d and 200d SMA in the 4.22-4.26% area. Risk: The 50d SMAs recently crossed below the 200d SMA in all yield charts indicating a downtrend. So higher yields in Q1 remains countertrend ([Countertrend Q1 underway 1/2024](#)).

**USD: Heads and shoulders everywhere...**

We see head and shoulder trend reversal patterns on the DXY, USD/SEK, AUD/USD, NZD/USD, USD/TWD and USD/SGD in favor of being long some USD. Some patterns are confirmed and some are right on the line needing one more push. We also see technical breakouts higher in USDJPY, USDKRW and lower euro (below 200d SMA).

**Trade ideas**

We enter long USDSEK (Spot ref: 10.49), target 10.65/10.90 and stop below 10.30. We enter long BRL/CLP (Spot ref: 190.75) target 200/215 and stop below 180. We place a limit open order to short 10Y UST at 3.96% if reached by the end of the Monday session. We would target top of range of 4.20% and stop below 3.78%. We close our US 5s30s steepener.

**Trade risks**

A near term risk is the upcoming interview of Federal Reserve Chair Jerome Powell on 60 minutes this Sunday and whether he walks back his "likely to hold in March" comments. Another risk may be US regional bank stress increasing causing markets to price in cuts (again). If these materialize, we think it would weaken the USD and lower yield.

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**Refer to important disclosures on page 22 to 24. Analyst Certification on page 21. 12654864**

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Global

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USTs = US Treasuries

UST = US Treasury

RSI = Relative strength index

MACD = Moving average  
convergence divergence

SMA = Simple moving average

[Technicals Explained: Get to know even more technical strategy 24 January 2022](#)

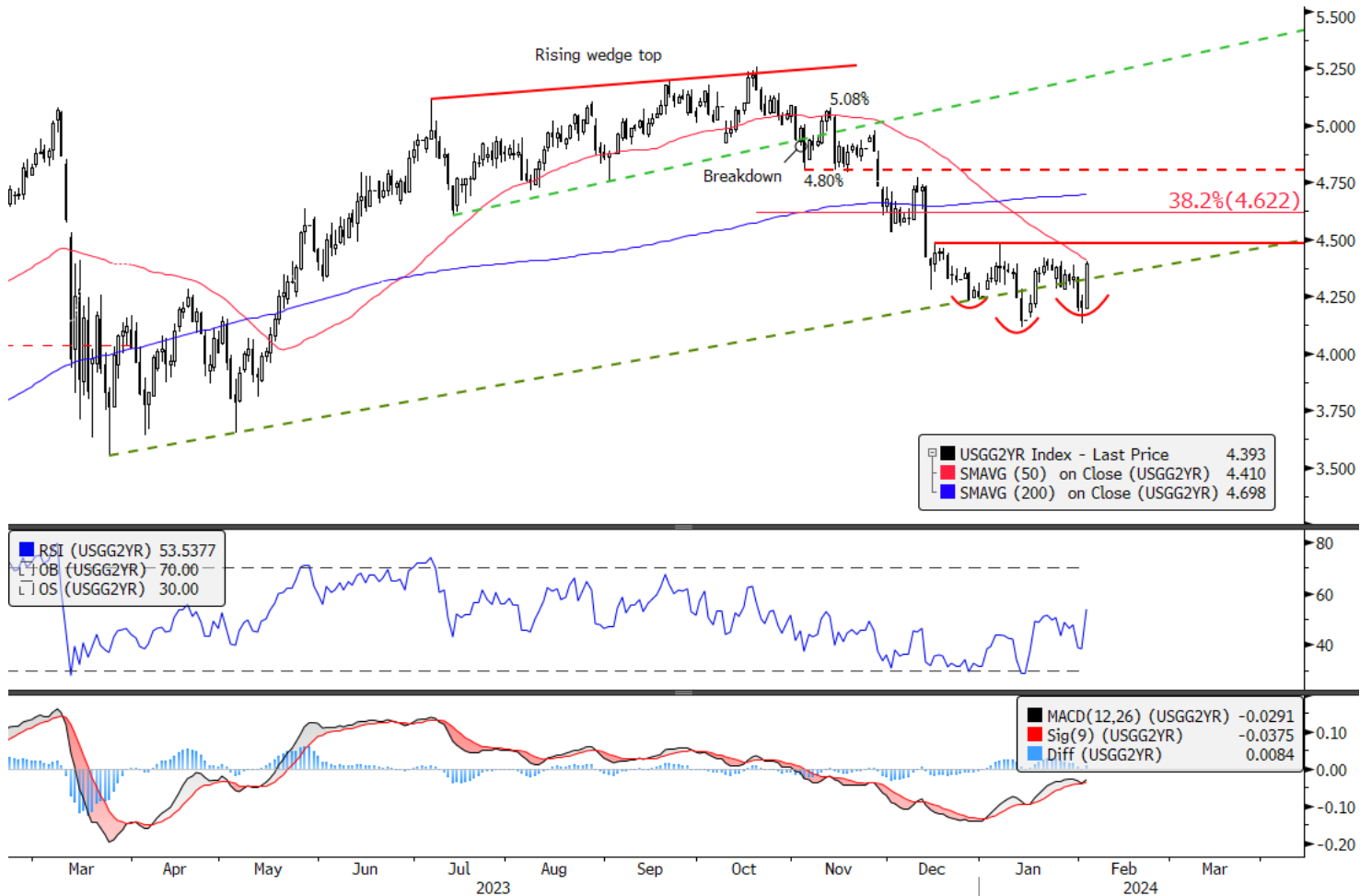
# US Yields

## US 2Y yield

Head and shoulders pattern forming. Above 4.50% will target 4.75%.

### Chart 1: US 2y yield – Daily Chart

US 2y yield has been forming a head and shoulders base. A move back above the neckline at 4.50% confirms a base and upside to 4.70-4.80%.



USGG2YR Index (US Generic Govt 2 Yr) RB: US 2yr Daily Daily 13MAR2020-02FEB2024

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Source: BofA Global Research, Bloomberg

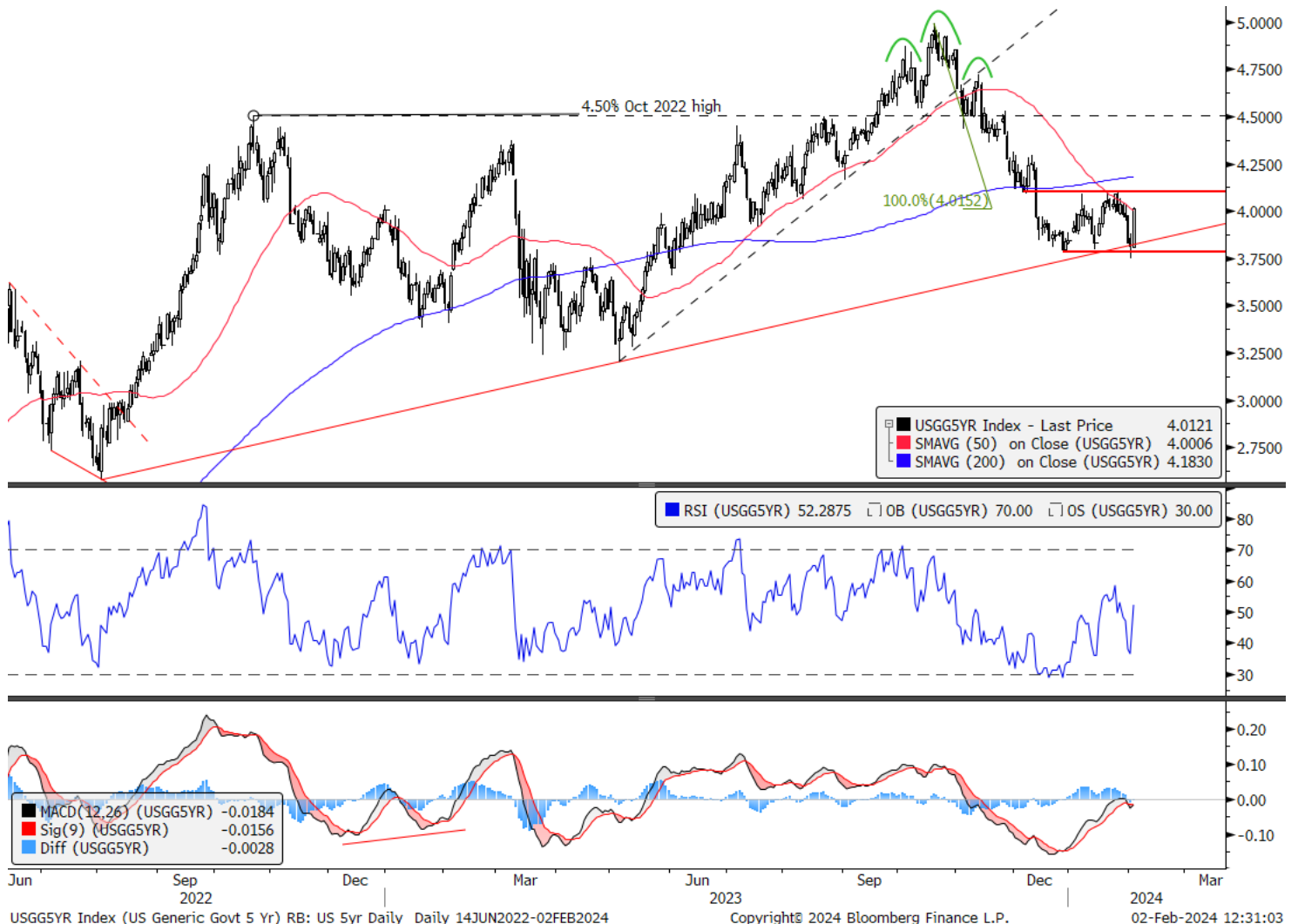
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## US 5Y Yield

**Uptrend held, potential for range or triple bottom pattern to develop**

### Chart 2: US 5y yield – Daily Chart

US 5y yield tested and held trend line support beginning in mid-2022. A 3.75-4.10% range underway. Potential for a triple bottom to evolve with upside to 4.40-4.50% on a break above 4.10%.



Source: BofA Global Research, Bloomberg

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# US 10Y yield

**A 3.80-4.20% range with potential for double bottom**

## Chart 3: US 10y yield – Daily Chart

The US 10y yield fell sharply this week testing the December lows near 3.78%. A systematic signal (red 13) ending the Thursday session that had tested the lows suggested a turn higher may begin. US NFP data triggered that turn and now there is potential for a range (3.80-4.20%) or a double bottom that could target upwards of 4.50%. The risk is trend following indicators turned down last week including the 50d SMA below the 200d SMA.



Source: BofA Global Research, Bloomberg

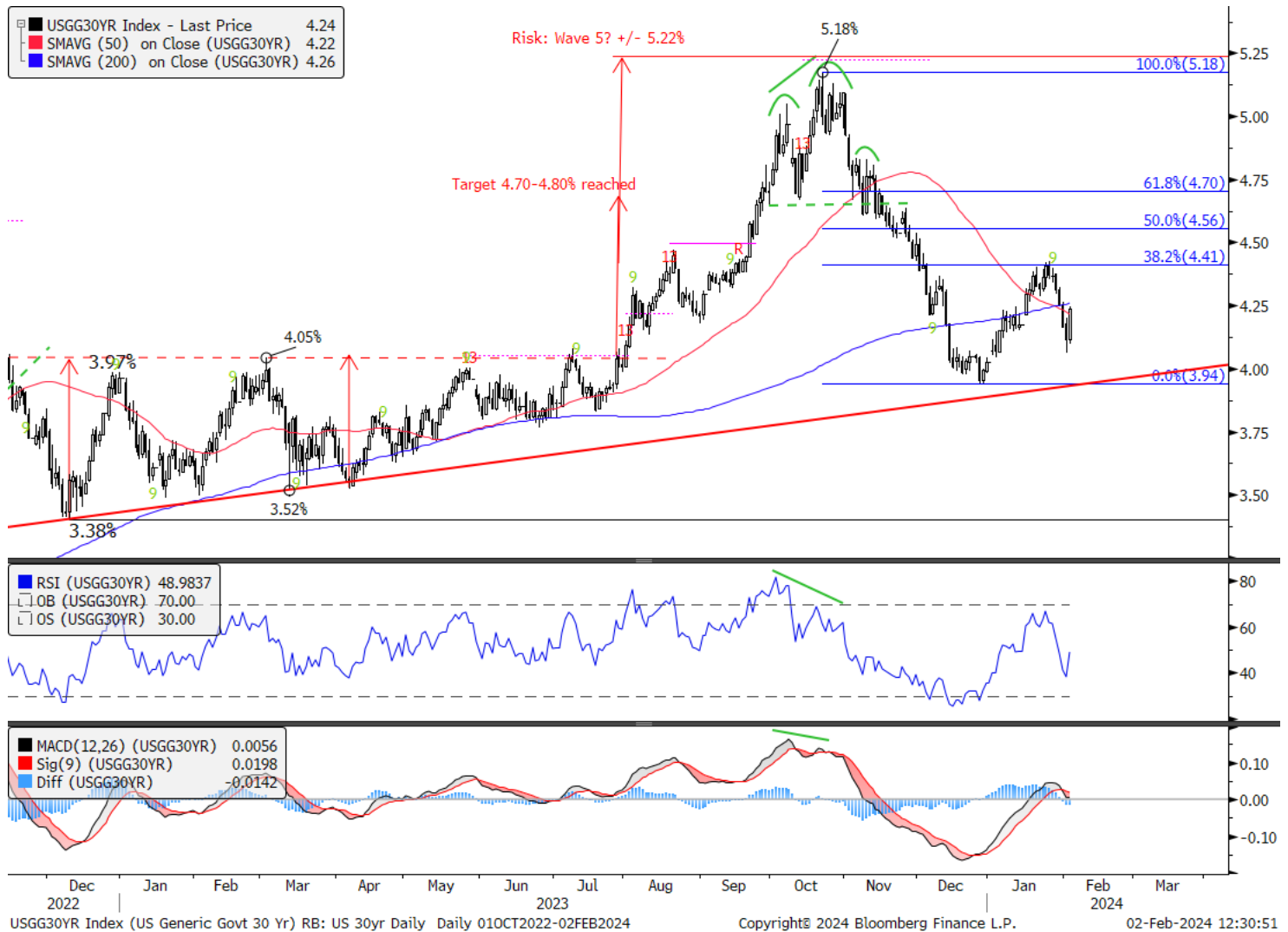
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# US 30Y yield

Post payrolls upside risk 4.41% / 4.56%

## Chart 4: US 30y yield – Daily chart

The US 30Y yield turned higher after US payrolls data. Risk is a retest of the last high (4.41%) and/or new high such as 4.56%. While the 2y, 5y and 10y have technical patterns forming, the chart of US 30y yield isn't displaying a common bottom pattern to have as strong a view.



Source: BofA Global Research, Bloomberg

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## US yield average trend in Q1 is higher

**Chart 5: US 2y yield average trend since 1976**

US 2y yield tends to rise from February through April



Source: BofA Global Research, Bloomberg

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**Chart 6: US 5y yield average trend since 1963**

US 5y yield tends to rise from February through May



Source: BofA Global Research, Bloomberg

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**Chart 7: US 10y yield average trend since 1963**

US 10y yield tends to rise from February through early May



Source: BofA Global Research, Bloomberg

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**Chart 8: US 30y yield average trend since 1977**

US 30y yield tends to rise in Feb-Mar and again in early May.



Source: BofA Global Research, Bloomberg

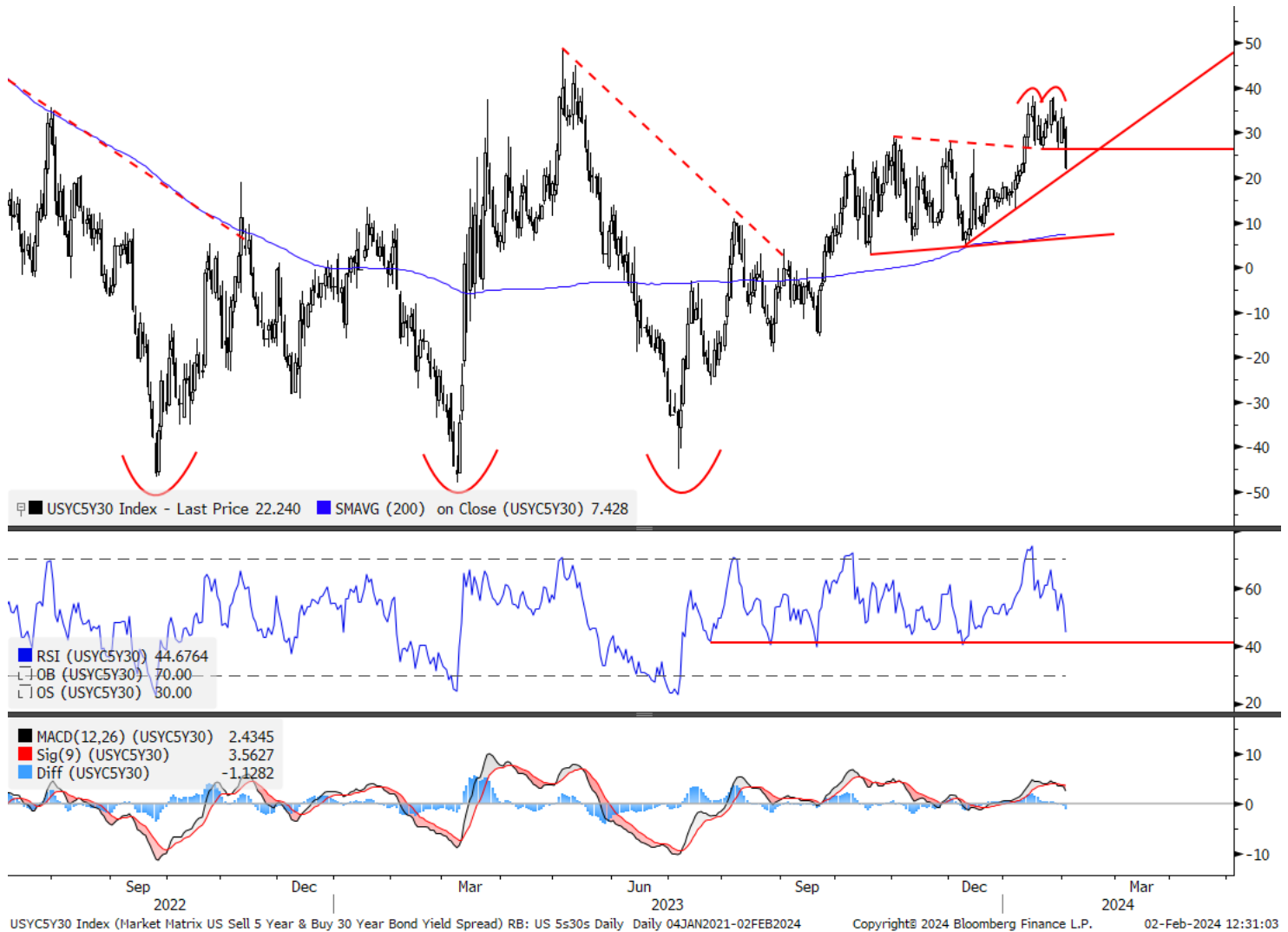
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## US 5s30s

### Small double top results in flattening

#### Chart 9: US 5s30s – Daily chart

Our base case year ahead view looks for the 2s10s and 5s30s curve to steepen overall. However the short term chart below formed a double top implying flattening in February can occur. Trend line support is at 21. Below this and 12 and/or 7 may be seen in Q1



Source: BofA Global Research, Bloomberg

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# USD

## DX

### Head and shoulders base and outside day signal upside to 105.50/106

#### Chart 10: US dollar index (DXY) - Daily Chart

The DXY rallied sharply after the Fed breaking out to a new 35 trading day high, breaking above the neckline of a head and shoulders base and engulfing the prior session entirely to form a bullish outside day. We see potential in this chart for a rally to 105.50/106 in Q1.



DX Currency (DOLLAR INDEX SPOT) DX Daily Daily 02DEC2020-02FEB2024

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Source: BofA Global Research, Bloomberg

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## Euro

### Tactical downside to 1.0712, possibly 1.0611

#### Chart 11: EURUSD Daily Chart

Post US NFP data saw euro trade down to the lows on its most convincing down day of late and below the 200d SMA. We think the risk is a further decline in Q1 to 1.0712 and 1.0611.



EURUSD Currency (EUR-USD X-RATE) BC: EURUSD Daily Daily 07AUG2023-02FEB2024

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Source: BofA Global Research, Bloomberg

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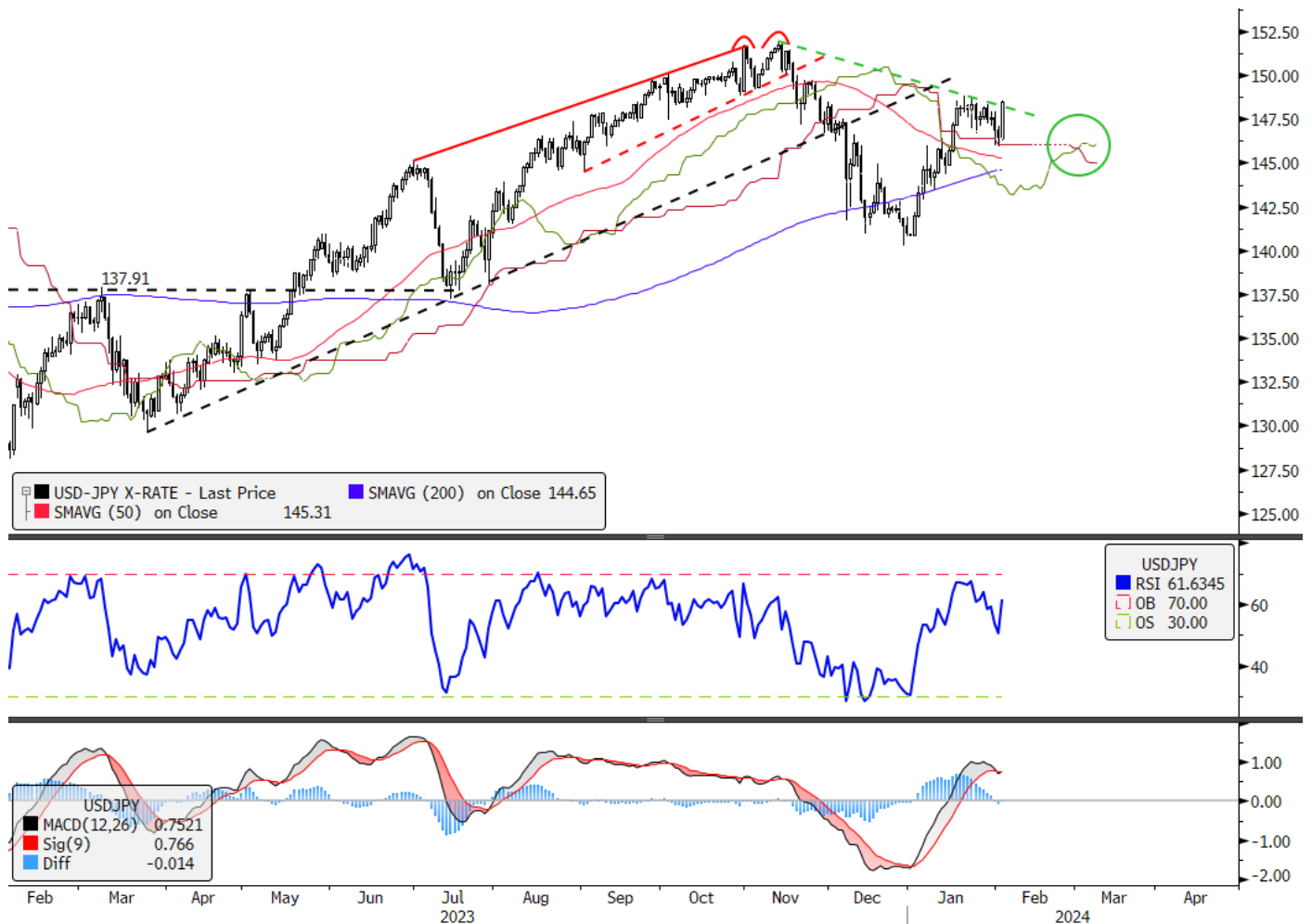


## USDJPY

### Bullish trend line breakout confirms Ichimoku cloud uptrend cross

#### Chart 12: USDJPY Daily Chart

USDJPY rallied above trend line resistance (green dashed) to confirm the bullish Ichimoku cloud cross. The MACD is currently bearish, but turning up after Friday's rally and looks likely to flip bullish next week.



USDJPY Curncy (USD-JPY X-RATE) BC: USDJPY Daily Daily 02FEB2023-02FEB2024

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## USDSEK

### Head and shoulders bottom, a break of 10.50 increases upside conviction

The technical setup agrees with our FX strategy team view of upside risks to the USD ([Global FX Weekly: Despacito 02 February 2024](#)) and downside risks to SEK ([European Watch: Riksbank review: goodbye November 01 February 2024](#)) in Q1. We enter long USDSEK (Spot ref: 10.49), target 10.65/10.90 and stop below 10.30.

#### Chart 13: USDSEK – daily chart

A head and shoulders base favors upside near 11.00. Still needs to break neckline at 10.50/10.52 to raise conviction. Below 10.30 invalidates pattern.



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# AUDUSD

## A head and shoulders top is bearish

### Chart 14: AUDUSD – daily chart

A head and shoulders top favors a decline to .6350/.6300 while below .6625.



AUDUSD Curncy (AUD-USD X-RATE) BC: AUDUSD Daily Daily 05AUG2023-02FEB2024

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Source: BofA Global Research, Bloomberg

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# NZDUSD

## Head and shoulders top is bearish

### Chart 15: NZDUSD – daily chart

A head and shoulders top favors a decline to .5850 provided spot remains below the right shoulder high of .6175.



NZDUSD Currency (NZD-USD X-RATE) BC: NZDUSD Daily Daily 18APR2022-02FEB2024

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Source: BofA Global Research, Bloomberg

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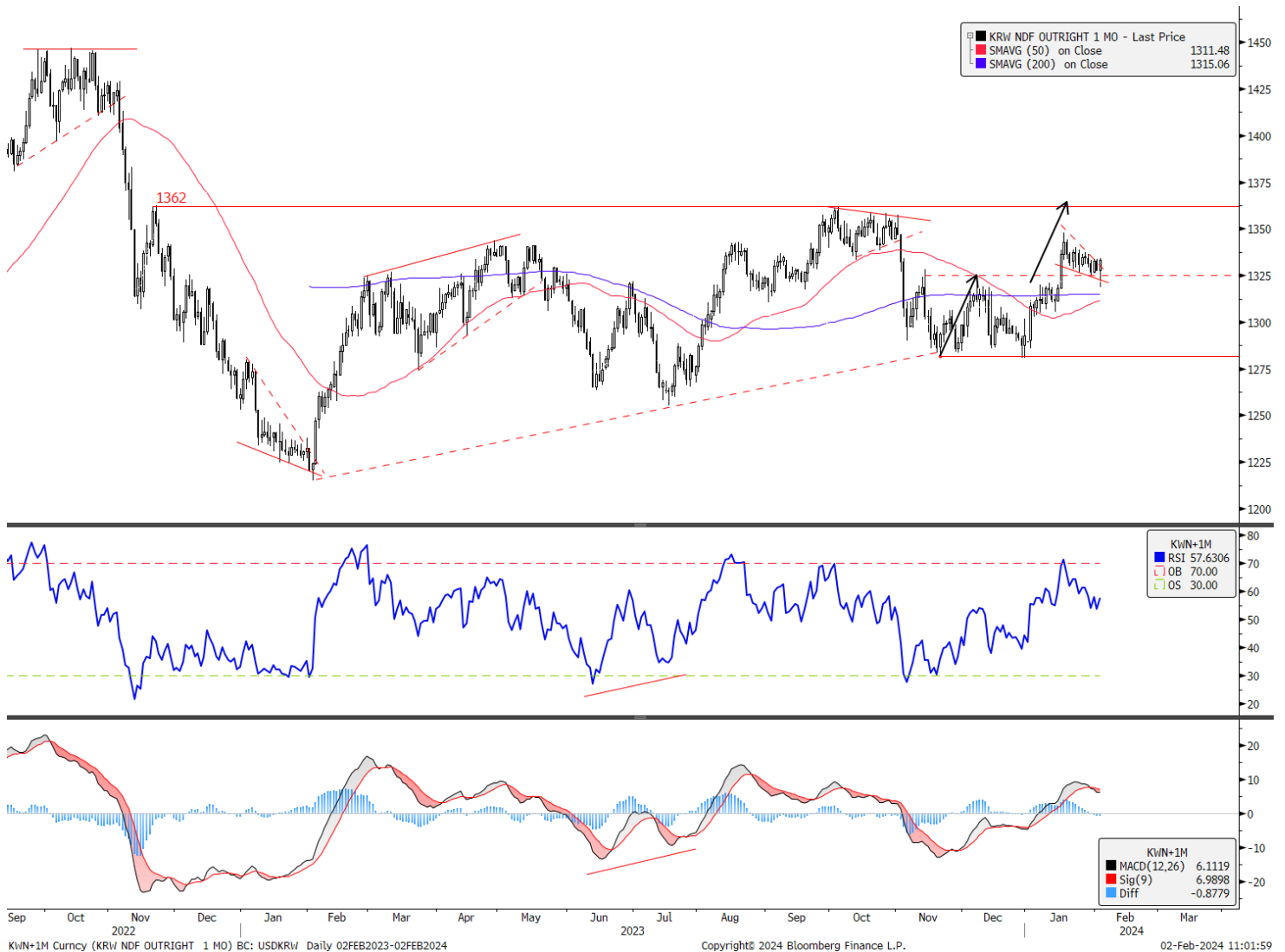
# USDKRW +1m NDF

## Bullish continuation pattern favors retest of the 1360s

### Chart 16: USDKRW +1m NDF – Daily chart

The range breakout in January favored a retest of the 1360s.

The US NFP rally looks to have formed a bullish wedge continuation pattern that also favors a rally to the 1360s.



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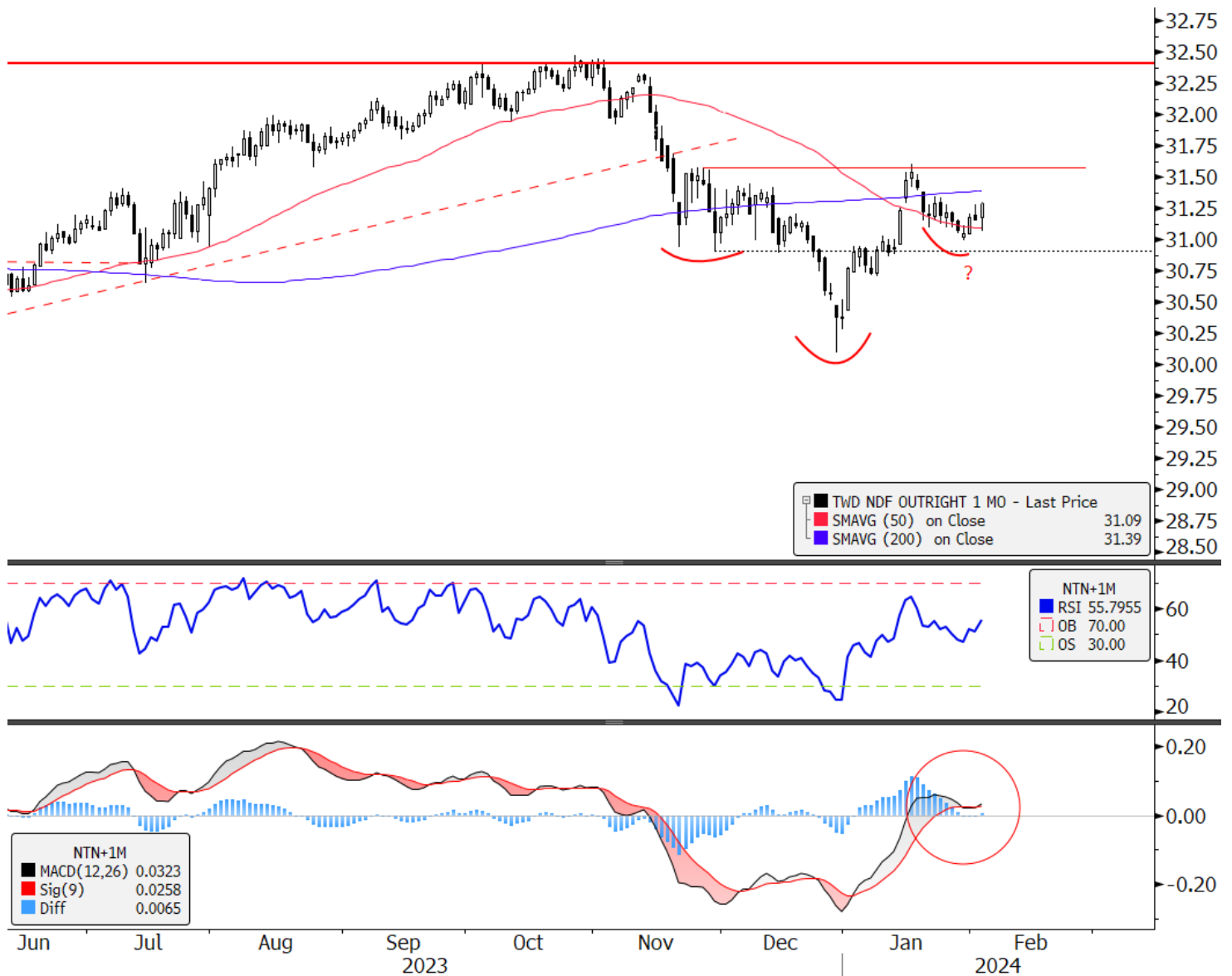


## USDTWTD +1m NDF

Right shoulder of a bottom forming = Carry trade returning

Chart 17: USDTWTD +1m NDF – Daily chart

The right shoulder of a head and shoulders base is forming and implies upside in price adding to the attractive and popular carry trade. A rally above 31.60 confirms base and this remains possible while above 31.00.



NTN+1M Curncy (TwD NDF OUTRIGHT 1 MO) BC: USDTWTD Daily Daily 30JUL2022-02FEB2024

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Source: BofA Global Research, Bloomberg

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# USDSGD

Right shoulder of bottom forming, need break of 1.3470 to confirm

Chart 18: USDSGD - Daily chart

The right shoulder of a head and shoulders base is forming. Above 1.3470 confirms base and implies upside to 1.3640 and 1.3725 provided it remains above 1.3345.



USDSGD Currency (USD-SGD X-RATE) BC: USDSGD Daily Daily 27JUL2023-02FEB2024

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Source: BofA Global Research, Bloomberg

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## Average USD trends that favor USD in Q1

**Chart 19: DXY average trend since euro was inception in 1999**

DXY tends to rally in Q1 and decline into May.



Source: BofA Global Research, Bloomberg

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**Chart 21: EURUSD average trend since 1999**

Euro has tended to decline on average in Q1.



Source: BofA Global Research, Bloomberg

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**Chart 20: USDJPY average trend since euro was inception in 1999**

USDJPY tends to trend up in Feb-March.



Source: BofA Global Research, Bloomberg

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**Chart 22: USDSEK average trend since euro was inception in 1999**

USDSEK on average tended to rise in Q1.



Source: BofA Global Research, Bloomberg

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## BRLCLP

### Multi-year base suggests upside to 200/215/227 ... big picture maybe 252?

We revisit our long-term view of rather substantial upside in BRLCLP. This week, BRLCLP traded to a new 52-week high and may be positioning itself to break the neckline of a large bottom pattern. We enter long BRL/CLP (Spot ref: 190.75) target 200/215 and stop below 180.

#### Chart 23: BRLCLP – weekly chart

New 52-week highs and head and shoulders bottom suggest secular trend turn to up with upside to 200, 215, 227 ... big picture maybe even 252?



Source: BofA Global Research, Bloomberg

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# Alpha Trades

In this report we make and track the following trade updates / recommendations:

1. We enter long USDSEK (Spot ref: 10.49), target 10.65/10.90 and stop below 10.30.
2. We enter long BRL/CLP (Spot ref: 190.75) target 200/215 and stop below 180.
3. We enter a limit open to short 10Y UST at 3.96% if this level is reached by the end of the Monday trading session. We would then target the top of its range of 4.20% and stop below 3.78%.
4. We close our US 5s30s steepener (Spot ref 24).

All trades will continue to be tracked in all Technical Advantage and Chart Alpha publications. Given our BofA FX strategy team agrees with going long USDSEK, we will also track this trade in the [Global FX Weekly](#).

**Table 1: Open trades**

Open technical trades and cross strategy alpha trades including technicals

Report	Trade	Entry / revise date	Entry Level	Option expiry	Spot target 1	Spot target 2	Spot target 3	Spot stop	Rationale / time horizon	Risks
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.

Note: Bid/offer spreads accounted for in initiation and closing levels. Does not reflect tax withholdings or any investment advisory fees. Past performance is no guarantee of future results. A complete performance record is available on request. Inception date - 10/16/2015. Initiation and closing prices are priced/used for trade rules and publication. For additional discussion on baseline views, valuation and risks to open trades, please see reports. DC = Daily close.

Source: BofA Global Research, Bloomberg

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**Table 2: Closed trades**

Approximately two years of closed technical and/or collaborative cross strategy trades in the alpha, technical advantage and year ahead reports

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	01/23/2024	15	35	55	80	15	02/02/2024	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)



**Table 2: Closed trades**

Approximately two years of closed technical and/or collaborative cross strategy trades in the alpha, technical advantage and year ahead reports

Report	Trade description	Entry date	Entry level	Spot target 1	Spot target 2	Spot target 3	Stop	Revise / close date	Level closed
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
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 USDCHF	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
Chart Alpha	Buy EUR/ZAR	1/25/2022	17.20	17.82	18.25	18.5	16.7	2/4/2022	17.73

Source: BofA Global Research, Bloomberg

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