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LE COIN TECHNIQUE

Equity markets and yields could find support in June, and move up into July

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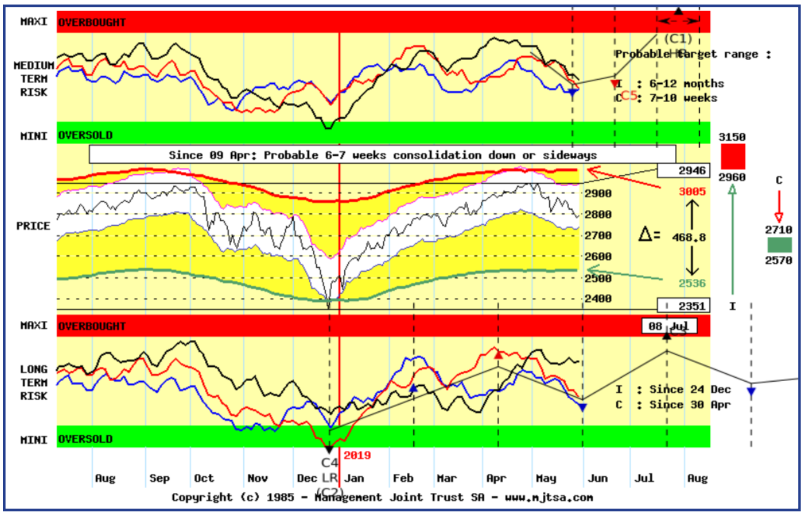
Late last month we argued that risk assets were ripe for a correction, that the breadth of the rally was fading, and that bellwether indicators such as USD/JPY or the Copper to Gold ratio were starting to top out. We then expected some retracement into mid/late May, and it has since materialized. The S&P500 is now 6-7% off its peak, and the US10Y treasury yield has also slid lower, by more than 30 basis points. The newsflow has indeed been horrendous: US-China trade negotiations have broken down, the Brexit process is in tatters, tensions have escalated between the US and Iran, tensions with North Korea have reappeared, while global macroeconomic data is softening. In this context, and with so much negative news having already been discounted, we now wonder if risk assets may soon find some support.

S&P500 Index *(Daily graph or the perspective over the next 2 to 3 months)*



In comparison to the rally since December, the current correction is quite shallow. Indeed, our C Corrective targets to the downside (right-hand side) suggest further risk into the 2'710 – 2'570 range. Although, we cannot exclude such a drop lower, both our oscillator series (lower and upper rectangles) now suggest that the S&P500 is probably reaching support. ***We expect a first bounce into early/mid June, some retracement/downside retesting towards late June, and then a rally into mid/late July.*** *Our I Impulsive targets to the upside (right-hand scale) indicate that by then, the S&P500 could once again make new highs and even reach above 3'100.*

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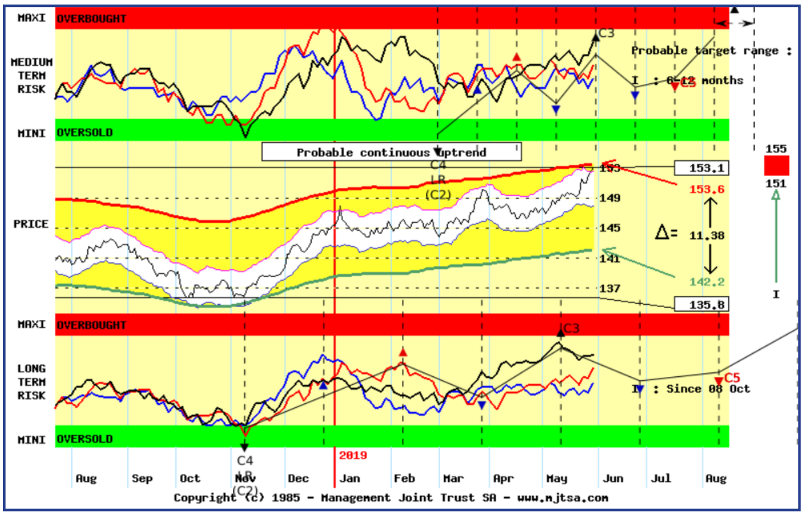
30Y Treasury Bond futures *(Daily graph or the perspective over the next 2 to 3 months)*



Treasury futures have seen a succession of strong rallies since the risk asset correction started last October, first on Flight to Safety concerns during Q4, then on rate cuts anticipations during Q1 and April. and since early May on both combined. Our I Impulsive targets tot the upside have now been reached (right-hand scale), and we believe ***the current leg up is getting close to exhaustion. Both our oscillator series (lower and upper rectangles) are suggesting that an intermediate top at least is due, and that US 30Y Treasury Bond futures could now correct down into July, possibly August*** *(i.e. a rebound US Treasury yields is expected into the Summer). This perspective matches a more risk-ON environment and would confirm the support points we currently expect on equity markets.*

Concluding Remarks: Over the last 4 weeks equity markets have seen some retracement. Yet,despite some very negative news, the move has been rather contained. We now expect it to find support over the coming days, bounce into early/mid-June, possibly retrace once again towards late-June, and then accelerate up into late-July. The S&P500 should see new highs by then. In the meantime, US Treasury yields could be topping out soon and would then bounce into mid/late July/August. Following that, from late Summer, we would raise concern again, as longer term equity markets do seem quite stretched, and Treasury yields may continue to correct down towards year-end and 2020. Indeed, we are now very late in the cycle, and each risk asset rally is a bit more of a stretch.