THE ROBINSON REVIEW

Bonds and Dollar Reprice,

The surprise? It was so technical.

I was surprised to see where the dollar finally held support today, before POTUS said some complimentary things about King Dollar.

Maybe he's been asleep for the past year?

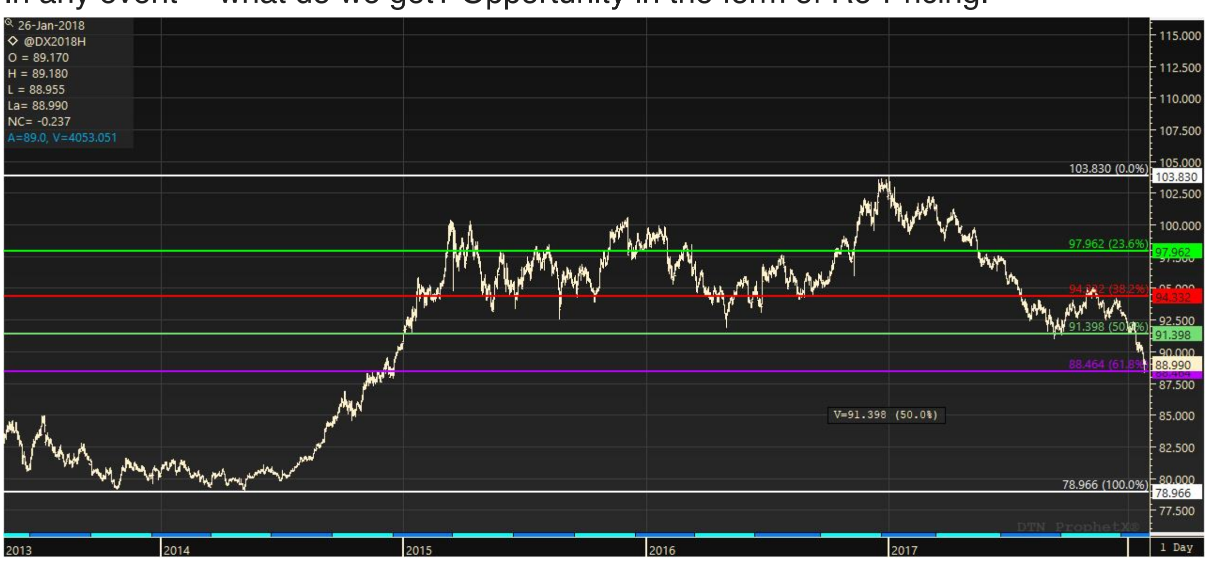
Interesting that the support level today was pretty much EXACTLY the 62% retracement of the overall rally we saw in the dollar which began 5 years ago.

Starting in 2012-- the dollar built a base for 30 months at the 78/80 area-- (see chart) The dollar rallied 25 cents! we peaked out Jan of last year at a 15 year high, and many people, myself included, thought we would continue to rally due to the pro growth, low tax agenda of POTUS Trump.

Ironically, we have been leaking since that peak. From 103.85 to today's low at 88.25 A slide of 15.56 or
15%.

That's a pretty interesting time to step in and say, "BTW, I'm all about a strong dollar" Especially a day after Treasury Secretary Mnuchin seemed to abandon the "strong dollar" mantra of his predecessors.

In any event--- what do we get? Opportunity in the form of Re-Pricing.



I wonder if any business shows tomorrow will run this chart and just say--- a picture says a thousand words. The dollar just got weaker by about 1% a month for the past 12 months. Is it done? Will we bounce? Will it go lower? What will it mean for earnings? What will it mean for exporters? What will it mean to our trade imbalance with China?
Will China finally let it's currency truly float? Vs The current "range" tied to the US dollar?
It's setting up for something really interesting, from my perspective.
All the more interesting? No one is talking about what it might mean to the growth in the US. In fact, that fact alone makes me think if you are keying off the US dollar, you are miles ahead of the "when is the Dow going to correct" crowd.
The correction has been unfolding for the past year.
Secondly? You have to watch the repricing in the bond market.
Check out these longer term futures charts for both the 10 year and the 30 year. Mind the trend-line supports. Remember, when rates rise, the futures drop because the existing paper loses relative value. All those bonds out there people bought since 2009 and zero interest rates---? They are being re-priced right before your eyes.

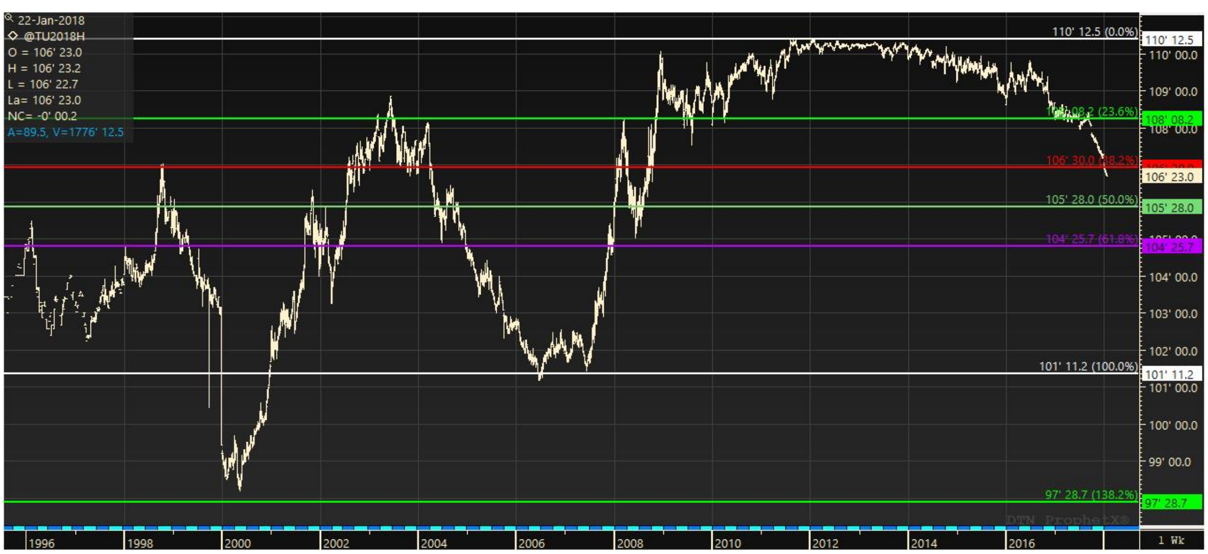
10 year bond re-pricing below
2.6% yield-- a 3 year high in yield-- translates to new lows in the futures.
The futures market--- in case you were not aware- is the hedging vehicle for anyone who is worried that rising rates will lower the value of their existing bond portfolio.

the 30 year bond below is at 2.88 percent. The long end moves slower, generally on the re-pricing. Its only at a one year high, but its not that far from breaching 3% which goes back to late 2014.

I am not sure which t-line will be the line that stops the futures from selling off, Either one of these two long term supports could come into play sooner rather than later.

For the most dramatic chart? Look at the 2 year, now yielding what we were in Dec of 2007? 2.09%
The shorter the duration, the more dramatic the correction in pricing.
Observe
What's more interesting to me? We just retraced 38% of the bond rally. Why couldn't we drop another two full points on the 2 year?

For everyone lamenting lack of volatility, perhaps you have just been looking at the wrong markets.
The yield curve is where we're getting movement.
Act Accordingly



Here's the 2 year from a yield perspective, as opposed to the future's perspective above.

Grains- Another shattered bull dream today.
Once again it seems like we'll have to wait to see how we settle after Feb Options expiration tomorrow. Monday's trade might hold some fireworks, assuming the funds actually really do have to cover their shorts.
Let's face it, grain traders and bull specs have been waiting for that event for quite some time to no avail.
Perhaps Friday's settlement (today) since I'm writing this Thursday night-- will deliver.
Today, CH was drawn to the 100-day moving average at 3.58, but did not have the fuel in the tank to challenge it.
Is tomorrow the test day?
Calls are still very cheap. As are puts. We need a return to normal volatility. Stay tuned.

Soybeans? The had a 9-day 58 1/2 cent rally from the USDA 5-month lows to today's high at 10.02

Did we come too far too fast? The siren call of the 62% retracement of the previous melt-down had its magnet on today. 9.96 was a big number, and we saw a lot of buy=stops hit there.

Needless to say, Friday's close is going to have a major imp;act into how the funds enter next week.

They came in short 100K this week.

Could be a recipe for another volatile week of trade. And, quite honestly, that's just what the Dr. ordered for the grains.

As for wheat?

Wheat will follow corn.

I know that sounds simplistic, but quite honestly, that's what my opinion is at this point. There is no independent factor, save "winter" which could really impact our wheat crop in the ground currently.perhaps another 5% drop in the US dollar would spur exports, but if dropping 15% in a year didn't light the fire--- will another blip lower really trigger the buyers? I am skeptical. But I hope I am needlessly pessimistic.

My turning point? Settle, with force, above the 100-day moving average, and I'll be on that band wagon in a spit second. I've been looking for a wheat rally for 3 months.   Perhaps I just need to be more patient.

Tomorrows close will be key in determining if the funds have to pull the plug and put on their buying shoes.

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