

## STOCHASTIC PERFORMANCE

### *The Precision of StoMaster's 10 year Treasury Note call*

Because of its overarching significance, it is worth repeating the commentary over twenty-six months ago calling the top of the 10 year Treasury Note's extraordinary rally, to wit:

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THE LONG TERM OBJECTIVE HAS BEEN MET!! On Friday, 06/01/12, panic over the EU's accreting instabilities (think Spain) spiked the 10 year Treasury Note to a low yield of 1.44. finally settling at 1.46%, right on the money. Recall *StoMaster's* prophesy last August 2011, to wit:

"Today, 08/18/11, the 10 year note closed at 130<sup>25</sup>, therefore leaving another 5<sup>02</sup> points to go in order to meet the objective. Such a move would drop the 10 year yield approximately 60bps from today's close of 2<sup>06</sup>% to a stunningly low 1.46%. Japan, here we come!!"

And continuing in *StoMaster's* 06/13/12 commentary"

"This extraordinary decline in the 10 year Note's yield from late last March (from 2.40% to 1.44%) has been enabled by the Daily Sto's unprecedented 70 day continuous upcycle (avg.=15-20 days) without an intervening downward correction. However, all good things must come to an end. A meaningful correction in the Daily Sto commenced one day after the met long term objective and is ongoing as of today, 06/13/12, empowered by the construction and workout of its bearish divergence at "AB". (See <http://www.stomaster.com/stolet2.htm> for a primer on divergences). So, where do we go from here? Until the techs flesh out new prognosticative data, the answer is up for grabs. Odds are that we will be trading in a range from 1.46% on the low side to 1.72% on the high side (remember 1.72% was an important support/resistance level) for the next few months...a summer respite, if you will. Of course, world events will figure prominently in the magnitude and direction of yields during this time (i.e. Will China thwart a recession? Will Spain's economy crash and burn? Will Greece's exit from the EU trigger destabilizing restiveness in Portugal and Ireland. Will the stalwarts Netherlands, Austria and Belgium hang on? Will Germany stand steadfast as the last bulwark against the disintegration of the union? And what about the U.S.? Will QEIII work its hoped for wonders? Fiscal chaos waiting in the wings? In time, the techs will spae clues in answer to these pressing questions. (Click on the following link <http://www.stomaster.com/stopdfdc.pdf> to view the Daily, Weekly and Monthly Sto graphical presentation - 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> from the top)."

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Sidebar:

The Sidebar commentary in week's past has discussed the power of the overhead/underlying gaps to draw the Note's price higher (yield lower)/lower (yield higher) to fill those gaps. As of September 18, 2014, two near underlying bearish gaps at a 2.79% and 2.86% yield fill, respectively, have puissance, with the other remaining ten bearish gaps too distant to be relevant at this time. Three bullish gaps at the 2.50%, 2.35% and 1.52% fills are evident with only the two former of significant drawing power at this time. The short term Sto's (*60 & 100 Minute*) continue to entertain "refresher" corrections and are currently marginally oversold and on the verges of upcrosses. The Daily Sto downcrossed on 09/02/14 and is now in the 17<sup>th</sup> day of a downward correction and is deeply oversold (avg.=15-20 days). Though its retracement has been severe, it is still of the "refresher" ilk. The Weekly Sto spent only six weeks in a "refresher" corrective downcycle (avg.=8-12 weeks) before upcrossing on 07/17/14. Now, after another mere seven weeks, it recrossed to the downside on 09/08/14. This fibrillation about the crossline is not uncommon to the Weekly Sto and *StoMaster* fully expects it to continue to show great resistance to harshly corrective downcycles. However, as of 09/17/14, fibrillation ceased and the Weekly committed fully to its downcycle, now in its 2<sup>nd</sup> week.

Finally, with respect to the long term, the Monthly Sto memorialized its April 11, 2014 upcross, having closed in the upcrossed position on April 30, 2014. That event marked the start of a secular bull market, having played out 16 months of a secular bear market cycle (*avg.=12-15 months*). This event is singularly noteworthy in that it has transpired at one of the lowest K/D readings in the past 37 years and marks the commencement of a secular bull market in the 10 year Treasury Note (*higher prices/lower yields*) for the ensuing 12-15 months, well into 2015. For the motivated reader who would like to delve deeper into the rationale for this call, I would highly recommend reading my latest piece entitled ***“Never Fade the Monthly Sto.”*** ([www.stomaster.com/Fade.pdf](http://www.stomaster.com/Fade.pdf)).