
Yet another dead cat bounce?

The Fed minutes released on Thursday, 25 May, triggered a strong rebound on the US stock exchanges. The market now suspects that the central bank's stiff stance on rate hikes has softened.

HYG was leading the rally in the US stock exchanges. This is a good sign since it is an ETF for junk bonds.

However, the 10-year US Treasury yield has not broken down through the support level of around 2.75 per cent, which is somewhat disconcerting. If the 10-year yield does not break below the support, the chances of last week's rally being a "dead cat bounce" still linger.

We ask ourselves whether there is enough energy left for the S&P 500 index to test Fibonacci 50 around 4 245.

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