Alan Rohrbach

From: no-reply@vrmailer3.com on behalf of ROHR-BLOG <info@rohr-blog.com>
Sent: Wednesday, August 29, 2018 9:47 AM
To: ar.rohr.intl@comcast.net
Subject: ROHR-BLOG: NOTE: Housing, Trade, Relentless, Much the Same

View this email in your browser

Dear Subscribers,

After the better-than-estimated uptick in US Q2 GDP to 4.2%, Pending Home Sales was the last US data of the day. While we do not normally put too much stock in the Pending Home Sales data, after weaker US New and Existing Home Sales releases we felt it would be interesting, and in fact fell 2.3%. That adds to concerns such an important sector like US housing may be weakening even as the overall economy strengthens.

And of special interest earlier this morning was the Organization for Economic Cooperation and Development's Quarterly G20 International Trade Q-2 statistics (http://bit.ly/2LBLRFa for our marked up version.) While some trade shrinkage was attributable to US DOLLAR strength, the overall weakness (exports down 0.6% and imports down 0.9%) was also likely based on the anticipation of the tariffs which have indeed been implemented since that time.

However, on the other hand the just-announced US-Mexico NAFTA restructuring agreement (with the assumption Canada and Europe will follow) removes a major headwind for US EQUITIES. That forward view likely offsets the rearview mirror impact of the anticipation and implementation of the countervailing tariffs. This is capable of continuing the 'relentless' US EQUITIES bull trend. The reason we can limit this morning's assessment to a note is that so much remains the same on that

psychology. We refer you back to Tuesday's emailed note for more on that, including the Fed's possible shift to a somewhat less hawkish perspective.

Courtesy Repeat of Tuesday's Extended Market Take

SEPTEMBER S&P 500 FUTURE 2,800-10 area resistance was modestly exceeded into mid-July. Subsequent concerns left only very modest slippage back below that area until the more positive sentiment returned into late July. Higher resistances remained in the 2,840-50 area, reinforced by the late July downside reaction from that area, and seemingly reinstated on the mid-August drop back below it.

Yet not for long, even if subsequent initial recoveries stalling into the low end of that range confirmed its prominence. However, it was exceeded once again on the mid-August surge from the still key 2,810-00 support. It was also higher again early last week in spite of USD/TRY strength (see last Monday's emailed note for more on that), and held the high end of the 2,840-50 range on the politically-driven reaction last Wednesday morning (see above.)

Higher resistance at the 2,878.50 January all-time high has been exceeded, with the next classical weekly Oscillator resistance into 2,895-2,900 it is also now squeezing above. While we often discount the technical importance of the 'big penny' level, in this case it is meaningful. Next classical Oscillator resistance is the 2,925-30 area, with 'adjusted' Oscillator thresholds at 2,945 and 2,965-70.

And other DEVELOPED ECONOMY EQUITIES continue to churn higher this week from their recent tests of support at DAX 12,100, FTSE 7,500 area and NIKKEI up from 21,800 particularly strong back up near 23,000. That is even as the SHANGHAI COMPOSITE continues to reflect the weakness of the Chinese economy in not recovery too much after nearing its major 2,638 area early 2016 lows last Tuesday. That is in spite of the trade agreement hopes elsewhere.

And not surprisingly GOVVIES that had recovered above lower congestion ranges to near higher resistances have weakened on the US EQUITIES surge associated with the possible removal of the tariffs and trade stressors (see above.) This concern about the potential for greater growth is the trade

situation is addressed is clear from strong sister SEPTEMBER BUND FUTURE back above 162.00-.50 range only trading closer to 164.00-.50 resistance rather than reaching it. Even if previously stronger than during July, it has slipped again.

The still lagging SEPTEMBER T-NOTE FUTURE is further above the 120-00 area, yet had still not tested the more important low 121-00 area (now including weekly MA-41.) And the SEPTEMBER GILT FUTURE had pushed nicely back above its 122.50-.00 congestion to the low end of its 124.00-.50 congestion resistance prior to softening back toward the lower range.

The DEVELOPED CURRENCY assessment had shifted to the US DOLLAR INDEX push above its 95.00-.50 congestion on a 'haven' bid. Yet it could not quite test higher resistance in the mid-upper 97.00 area prior to slipping back to the low end of 95.00-.50 (reinforced by weekly MAs.) Its current slippage below it might possibly once again be due to sentiment on the international trade situation firming, which would remove the 'haven' bid even if the US economy remains strong sister. Lower interim support is the 93.50 area with 92.50-.00 (including weekly MA-41.)

And its passing strength was consistent with EUR/USD dropping into and somewhat below its more major 1.1500-1.1400 range without really nearing next support in the 1.1200-1.1100 area prior to pushing back up with next resistance at 1.1750, GBP/USD dropping below the major 1.3000-1.2800 range without nearing lower support in the 1.2500 area prior to pushing back up into it, and AUD/USD drop below .7350 into a test of the top of next support in the .7200-.7100 range. Yet it is weak sister on the back of Chinese weakness, and has stalled for now back up at .7350. And fellow 'haven' JAPANESE YEN has remained firm against the greenback with USD/JPY still below 112.00 even as it rebounds from a vigorous test of 110.00 interim support.

Yet as important is the contagion out of the TURKISH LIRA into other, more stable EMERGING CURRENCIES is waning. As worries over an international trade-driven global slowdown have reversed in spite of the still weaker Chinese economic data, other EMERGING CURRENCIES have firmed against the greenback. USD/ZAR had ratcheted back above 13.40-.50 to fully above both June's 14.00 high and the 14.50-.60 area not seen

since November 2017. Yet recent spikes above that area and its 14.75 August 2016 high Tolerance were temporary, weakening off back below 14.50-.60 area last week into near 14.00 this week.

USD/BRL that had for some reason been the EMERGING CURRENCIES relative tower of strength in only squeezing back up from the mid-3.00 area into the upper-3.00 area finally pushed to a new high above its June-July 3.95 area trading highs. Yet as noted previous, there was 4.06-4.07 congestion with the extended resistance into the 4.16 January 2016 high it has respected so far.

USD/MXN has also ratcheted up from 18.40-.50 to above 19.00 once again, yet with next resistances in the 19.30-.40 range (including weekly MA-13) restraining that rally well short of the 19.90-20.00 area next major resistance. Now back below 19.00 (also weekly MA-9 and MA-41) opens the door to another test of the mid-18.00 area, or even lower levels if indeed the current progress on the evolved NAFTA agreement should continue to fruition.

The other really weak sister in addition to the TURKISH LIRA based in part on US sanctions is the RUSSIAN RUBLE. Of course that is also exacerbated by the extended weakness of CRUDE OIL. USD/RUB finally also pushed well back above its 4-month sustained 64.00-62.00 trading range (with temporary aberrations) last week Wednesday. Well above the 65.00 area April high two weeks ago has seen it push above resistance in the 66.50-67.00 area as well. Next resistance is not until the 68.50-69.00 area tested at the height of the TURKISH LIRA debacle two weeks ago and again last Thursday.

Last but by no means least is continued weakness of the TURKISH LIRA in spite of it becoming decidedly more subdued of late. Yet even the USD/TRY push back above (i.e. LIRA weakening) the two weeks ago Wednesday's 6.00 hyper-aggressive channel DOWN Break is not necessarily a sign the LIRA is entering the next round of the debacle… at least not yet.

The more significant higher resistance set up three weeks ago was the 6.40-6.50 area slightly above that week's Close. The subsequent week's lower weekly Close set a DOWN Closing Price Reversal (CPR) from that area, which has a formal Tolerance all the way up at the 6.6448 trading high

three weeks ago (prior to the following Monday's extreme 7.10 area ultimate trading high as part of DOWN CPR pattern.) As noted previous, even if USD/TRY is topping out (i.e. LIRA bottoming), it would be typical for it to squeeze back above the very steep channel 6.00 DOWN Break for a retest of that higher CPR resistance which seems to be developing now.

Even if it seems a bit less relevant in the midst of the more important global tariffs and trade concerns, this week's Weekly Report & Event Calendar (accessible for Sterling and higher level subscribers) is available via the www.rohr-blog.com sidebar. This week sees all of the typical major late month economic data along with some NGO reports (like Wednesday's OECD G20 International Trade Statistics) into the US Labor Day long weekend into next Monday's holiday.

The Rohr-Blog Research Team

info@rohr-blog.com

Chicago, IL 60606 - USA