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Dear Subscribers,

There was once again a sharp correction in US EQUITIES Wednesday afternoon from above the next key Oscillator zone back to retest the previous all-time high (more below.) Yet ‘when it’s least expected’ refers more so to the likely driver for that US EQUITIES selloff: the sharp drop in US GOVVIES (and yield surge) to a new 7.5 year trading low.

After GOVVIES prices were bid up last week on concerns about disarray in Europe (Italian budget spending levels) that drove up BUND prices, we had noted in our full Rohr-Blog emails that this ‘haven’ bid was not warranted in the US GOVVIES due to the strength of US economic indications. Even so, this week demonstrates how sharp GOVVIES activity is hard to predict.

So even after DECEMBER T-NOTE FUTURE had rallied back near failed 119-02 support from late last week into Tuesday, it dropped sharply from Wednesday morning. Was it Wednesday’s all-time high ISM Services PMI, or the much stronger than expected ADP Employment Change?

Or was it possibly the confidence of Fed Chair Powell in his interview at The Atlantic Festival (https://to.pbs.org/2xXTnWX for the brief article and full video.) He mentioned early in the interview that US wages are in fact finally rising, and noted on tariffs (from 12:30) “...nothing that’s happened

to date seems to be having much of an effect."

As regular readers know, this is fully consistent with our view on why the US EQUITIES have remained so strong, now abetted by the US-Canada trade rapprochement. And we suspect once the current US yield surge stalls, the US EQUITIES will rise again… at least that's the historic tendency.

Along with all of that the US DOLLAR INDEX is pushing above its key resistance again (more below) as the disarray in Europe and the UK along with weakness in China leaves it the preferred currency once again. That is both on interest rate differential and inward investment against other DEVELOPED ECONOMY CURRENCIES as well as EMERGING CURRENCIES, even if the latter are not as weak as in some previous phases.

Extended Market Take

FRONT MONTH S&P 500 FUTURE still had higher resistance into the 2,840-50 area in early August. It was reinstated on the mid-August drop back below it. Yet not for long, even if subsequent initial recoveries stalled into the low end of that range. However, it was exceeded once again on the mid-August surge.

Higher resistance at the 2,878.50 January all-time high was exceeded in late August, and held on subsequent selloffs. Next weekly Oscillator resistance into 2,895-2,900 was also overrun. Slipping below 2,895-2,900 congestion left it near-term resistance the September contract pushed back above in mid-September.

And the 5.00 premium DECEMBER S&P 500 FUTURE looked that much better after September contract expiration. Higher resistance at the late-August front month 2,917.50 high was exceeded, yet was dropped below again on the US-Canada trade concerns last Wednesday. It was reinforced by Oscillator resistance that rises to 2,930-35 this week: hence our concern a bit more upside confirmation was needed even if 2,917.50 is near-term support that is being retested again this morning. Lower support remains 2,900-2,895 with 2,960-65 as next Oscillator resistance this week if 2,930-35

(up to 2,935-40 next week) should be exceeded.

Even though the other DEVELOPED ECONOMY EQUITIES are still led by the US, they had been concerned enough to slip nominally below supports two weeks ago, like DAX 12,100 without ever hitting 11,750 interim support and now back above 12,100. Next congestion and weekly MA resistance is 12,500-600. After a brief squeeze above it, Brexit beleaguered FTSE remains below the 7,500 area, with next supports into 7,250 already tested into mid-September.

Stronger sister NIKKEI was backing off from recent tests of the more major 23,000 back into the confluence of weekly MAs in the 22,500 area in early September, yet is well back above 23,000 since mid-September's stronger economic data. Next resistance up into the 24,050 January high is currently being vigorously tested even if not yet reaching the 25,000 area last seen in late 1991 (as well as it being previous congestion.) Above that is the 26,850 area reaction high (after the bear began from the end of 1989 high) that was also previous congestion as well. That is all even as the SHANGHAI COMPOSITE continued to reflect the weakness of the Chinese economy into recent rallies elsewhere and dropping near its major 2,638 area early 2016 lows in mid-September prior to recovering further since then.

On the GOVVIES It is especially important to note the SEPTEMBER T-NOTE FUTURE expired on September 19th, right into higher than expected UK inflation figures. The DECEMBER T-NOTE FUTURE that was trading at a modest quarter point discount to the September contract that was already below the low 119-00 area support (front month trading low from the beginning of August) left GOVVIES in general looking weak due to the still strong developed economy context and higher inflation.

The now DECEMBER T-NOTE FUTURE already below that key support level is sank (as expected) closer to the mid-May front month 7.5-year 118-10 trading low (from the last time the 10-year cash yield was above 3.00%) prior to recovering. Yet as noted above, the recent bounce was on influence out of Europe that dissipated in the face of stronger US indications. Sinking below that 118-10 trading low on Wednesday led to an immediate test of the next interim historic congestion may at 117-22, yet with the next major

congestion not until the more major 115-00 area 2009-2010 congestion.

And it is of note that the September selloff came at a time when the DECEMBER BUND FUTURE was well back below 160.00-159.50 into its loose 159.00-158.73 Tolerance. While it recovered temporarily above 159.00 area on last week's Italian budget issues, being back below it on the downside US leadership leaves the door open to the 157.50 next lower support it never quite reached on last week's selloff. While that is the heaviest January-May congestion, the low end of that trading is the early March 156.22 trading low.

And while the SEPTEMBER GILT FUTURE did not expire until last Wednesday, it was back below its 122.50-.00 congestion after the failure up into its 124.00-.50 higher resistance as recently as mid-August. The typical nearly 1.00 discount in the DECEMBER GILT FUTURE left it below the 121.00 area interim support with the more major February 120.48 2-year trading low below that already tested last week. And much like the BUND, after a rally back to test the failed 121.00 area interim support the T-NOTE weakness has led it back down into the 120.00 'big penny' more substantial congestion. Much below that is the April 2016 2.5-year low at 118.93.

The DEVELOPED CURRENCY assessment had shifted back to the US DOLLAR INDEX push above its 95.00-.50 congestion, and this time on economic strength rather than the 'haven' bid seen on previous Turkish problems back in August or last week's Italian budget dislocation. As such, it appears more sustainable than on previous rallies that have failed back below that area.

On the previous mid-August rally it could not quite reach the higher resistance in the mid-upper 97.00 area prior to slipping back below 95.00-.50 (reinforced by weekly MAs) without ever quite reaching lower interim support in the 93.50 area. If it should exceed the mid-upper 97.00 area, next resistances are the 99.00 area and 100.00-.50.

And its previous passing strength was consistent with EUR/USD dropping into and somewhat below its more major 1.1500-1.1400 range it is revisiting at present. If it fails, next support in the 1.1200-1.1100 area it did not reach on the selloff into mid-August.

GBP/USD dropped below the major 1.3000-1.2800 range without nearing lower support in the 1.2500 area prior to pushing back above it. Yet as noted above, it is now back under pressure. That is from not quite nearing its 1.34-1.35 area congestion, even if only back testing the higher end of the 1.30-1.28 congestion (still reinforced by weekly MA-9 and MA-13) at present

The AUD/USD drop below .7350 into a test of the top of next support in the .7200-.7100 range has not as yet fully recovered, possibly based on concerns about the Chinese economy. After failed late-August and late-September retests of .7350, it has dropped back below the .7150 congestion. The more major support remains in the .7000 area and again at the .6826 January 2016 9.5-year trading low.

And on another sign of the loss of any 'crisis' bids, fellow 'haven' JAPANESE YEN had remained firm against the greenback on the recent negative impacts (i.e. even as the US dollar strengthened against the others.) Yet now USD/JPY is back above 112.00 resistance and has even traded above the more major 114.00 area which it is back below now.

The real changes are of course in the EMERGING CURRENCIES as they firmed a from previous extended weakness. To begin with the most extreme, the TURKISH LIRA had seen USD/TRY push not just back above the mid-August 6.00 hyper-aggressive daily up channel DOWN Break; it was also in the process of Negating the also mid-August 6.40-6.50 DOWN Closing Price Reversal (CPR.) This was quite a feat, as the formal Tolerance of that DOWN signal was all the way up at the early August 6.6448 trading high (prior to the following Monday's extreme 7.10 area ultimate trading high as part of DOWN CPR pattern.)

Back below 6.65 and the 6.50-6.40 range since mid-September has still only seen it test the Negated 6.00 hyper-aggressive up channel DOWN Break (also from that same mid-August week) as well-anticipated near-term support. And we have noted of late that this has a Tolerance at 5.90 (reinforced by weekly MA-13 moving up to that level next week.) Yet even as the LIRA weakens again, it seems less volatile on the USD/TRY orderly push back up from the 6.00 area.

USD/ZAR had also 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. Previous recent spikes above that area and its 14.75 August 2016 high Tolerance were temporary, weakening off back below 14.50-.60 area until late August. Pushing above 14.75 again opened the door to a test of the mid-August trading high at 15.33 and even the more prominent historic congestion in the 15.50; both were vigorously tested on the early-September rally extension prior to slipping back. The drop back below 14.75-.65 important recent and historic congestion leaves it a key resistance once again after the late-September test of the 14.00 area held (reinforced by weekly MA-13.)

Interestingly enough, USD/BRL that for some reason had the BRAZILIAN REAL as 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 out of mid-August (now support on any selloff.) Yet as noted previous, there was 4.06-4.07 congestion with the extended resistance into the 4.16 January 2016 high it has more respected so far.

Anew DOWN signal was set up in late August on a lower weekly Close. That weekly DOWN Closing Price Reversal from the previous Friday's 4.1030 Close (Tolerance to that week's 4.1268 high) was never fully Negated on the rallies into mid-September. Now back below USD/BRL 4.00 leaves the REAL stronger than not, with lower supports into 3.95 that has been violated and the 3.80 area that has not yet been tested.

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 back in August) restraining that rally well short of the 19.90-20.20 area next major resistance. Below 19.00 (also weekly MA-9 and MA-41) again into mid-September opened the door to a test of mid-18.00 area prior to this week's push back above 19.00. The mid-August trading high at 19.37 was temporarily exceeded in early-September, and the recent selloff below the low 19.00 area left it more important once again as weekly MA-13 has slipped to join weekly MA-9 in the upper 18.00 area.

The other previous weak sister in addition to the TURKISH LIRA based in part on US sanctions was the RUSSIAN RUBLE. Of course that was also exacerbated by the extended weakness of CRUDE OIL prior to the

Hurricane Florence threat to the southeastern US and subsequent higher oil prices. As such, USD/RUB previously pushed well back above its 4-month sustained 64.00-62.00 trading range (with temporary aberrations) early last month.

Well above the 65.00 area April high since that time had seen it push above resistance in the 66.50-67.00 area as well. Next resistance in the 68.50-69.00 area was also exceeded at the beginning of September on a push somewhat near the 71.00-.50 area prior to weakening again. Recent CRUDE OIL strength has seen it weaken below 68.50-69.00 area again and even the 66.50-67.00 area for a retest of 65.00 earlier this week prior to recovering.

While still seeming a bit less relevant in the midst of obviously more major global trade cross currents, this week's Weekly Report & Event Calendar (accessible for Sterling and higher level subscribers) is available via the www.rohr-blog.com sidebar. And as noted above, there has been a strengthening of US economic data that is part of the surge to higher bond yields. Of course after all of the other important impacts this week there are still Friday's US and Canadian Employment reports to come.

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