

Alan Rohrbach

From: no-reply@vrmailer3.com on behalf of ROHR-BLOG <info@rohr-blog.com>
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Dear Subscribers,

We are coming to you a bit earlier than usual on what is a very light reporting day. The Chicago Fed National Activity Index at a weaker than expected 0.17 was the only US data today.

While US EQUITIES ‘slackticipation’ of Friday’s weaker key Chinese economic numbers had already led to Thursday’s selloff back below a key near-term range (more below), Friday saw an inability to recover back above it. And while this morning’s modest early rebound looked friendly, it was only nominally back above the lower key weekly Moving Average area (also more below.)

While we remain overall friendly to US EQUITIES, the fact that they did not maintain last week’s midweek rebound leaves room to still test lower support. The good news is that the ultimate support remains well below the two weeks ago Thursday trading low; and that’s also the bad news for a market that has further headwinds coming up this week.

To the degree they cannot sustain activity back above next higher congestion (more below) better than last week, it remains vulnerable. To the degree to which external factors are not central bank higher rate influences, they will also continue to buffer any weakness in the GOVVIES while the

central bank differentials are likely to continue benefiting the US DOLLAR.

And there are still ‘macro’ factors beyond the normal reporting cycle that still affect these markets, like the current Saudi imbroglio, EU-Italy budget confrontation and of course generally higher US interest rates reinforced by last Wednesday’s FOMC meeting minutes release. And even within the lighter data flow this week there are major central bank influences.

Those include the likelihood of a Bank of Canada base rate hike (to 1.75%) on Wednesday followed by Thursday’s ECB decision and press conference; it will also surely be reconfirming the end of its QE program at year’s end. There are also other central bank releases throughout the week.

Market Quick Take

FRONT MONTH S&P 500 FUTURE still had higher resistance into the 2,840-50 area in early August after the rebound from still important 2,800 area support. It was exceeded along with the 2,878.50 January all-time high in late August. Next weekly resistance into 2,895-2,900 was also overrun and remained important after rallies into early October failed into higher weekly Oscillators around 2,930-35.

Those ultimately led to failure back below 2,895-2,900 congestion that was a weak sign pointing to a retest of at least 2,840-50 area and possibly the still important 2,800 hefty congestion area. In the event a ‘quadruple whammy’ noted two weeks ago Thursday hit near-term psychology for failures below those areas. However, as noted at the time that still left room for subsequent recovery of the bull trend, as apparent on the weekly chart (<http://bit.ly/2pV5GyL>) we shared last Tuesday morning.

The DECEMBER S&P 500 FUTURE failure below 2,800-2,790 left an intermediate-term channel DOWN Break from 2,835, an area it will need to exceed to fully restore a bull trend. That looked bad, yet still allowed for a test of more prominent 2,700 area (major channel and congestion) within a broad bull that was not even reached on the 2,712 selloff low two weeks ago. The current weakness back below 2,800-2,790 area opens the door to further slippage after last week’s Close below weekly MA-41 (still 2,770.) As

such, 2,835 intermediate-term channel DOWN Break (reinforced by previously failed 2,840-50 congestion) remains key higher resistance with the critical major support not until the 2,700 area.

While they have a bit of a 'haven' bid since the EQUITIES weakness two weeks ago, the US GOVVIES have only bounced back to failed supports. The DECEMBER T-NOTE FUTURE is still only trading back up to the area of its failed 7.5-year 118-10 trading low support from back in April, which is still not doing anything to change the overall trend.

Yet in the context of more focused Brexit concerns and continued Italian budget confrontation continuing into last week, strong sister DECEMBER BUND FUTURE finally managed to push back above its 159.00-158.72 previously violated Tolerance of its more major 160.00-159.50 failed major congestion area. As noted previous, that higher area remains the overall more trend-decisive threshold (including weekly MA-41) it was back up to challenging last week.

Similarly in FOREIGN EXCHANGE, we had noted the GREENBACK had not lost much of its bid against DEVELOPED ECONOMY CURRENCIES. That was evidenced by the US DOLLAR INDEX only reacting back down to slightly below its 95.50-.00 key congestion it is now back well above, with next major resistance not until the mid-97.00 area it did not quite reach on its mid-August rally.

And if there was a real economic crisis unfolding, the EMERGING CURRENCIES would likely be much weaker than their recent more resilient activity. In fact, even after the DECEMBER S&P 500 FUTURE neared and rebounded from the more major 2,700 area support two weeks ago Thursday, the EMERGINGS have overall strengthened over the past two weeks prior to some of them (especially the MEXICAN PESO) weakening off a bit again of late.

We interpret this as a sign the overall global economic performance will remain firm enough in the intermediate term to support even these external capital hungry economies, which (as noted previous) seem to have delinked

from their classical tie to Chinese economic prospects.

This is especially so for the **TURKISH LIRA** that is benefitting from an improved US relationship in the wake of the release of US Pastor Andrew Brunson after two years in detention. As such, the **USD/TRY** drop below the key 6.00-5.90 range on its Close two weeks ago leading to a test of 5.50 next support last week was no surprise.

The **SOUTH AFRICAN RAND** has also benefitted from the overall global confidence factor, as **USD/ZAR** that had traded temporarily back above 15.00 again as recently two weeks ago has now slipped back down below the key 14.50-.40 area once again. The question now is whether it can violate the lower key 14.00 congestion in a way that it could not back in August and September, which would point to a retest of at least 13.50.

While once again seeming a bit less relevant as we have been noting for a while in the midst of more major global trade and political 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. In addition to everything else impacting the markets in the near-term, there are the factors noted above on Brexit, the Italian Budget, and central bank meetings and other releases noted in the calendar which might strongly affect the markets.

The Rohr-Blog Research Team

info@rohr-blog.com

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Rohr International, Inc.

300 West Adams Street

Chicago, IL 60606 - USA

