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Sent: Monday, October 29, 2018 10:37 AM
To: Alan Rohrbach
Subject: ROHR-BLOG: Pudding Proof, Data, Merkel, Quick Take, Calendar

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Dear Subscribers,

After two of the past three weeks being extremely weak from the previous all-time US EQUITIES highs into early October, neither bears nor bulls have clear control of the market (as represented by the broader FRONT MONTH S&P 500 FUTURE.) While last week's Close was below the Tolerance of a very significant channel, this was by such a marginal factor after trading into lower ground as to not look like a definitive failure (more below.) On the other hand, the weekly Close was far enough below the channel support (i.e. a DOWN Break) as to leave a challenge to any recovery.

As such, proof of any bearish continuation or bullish reversal of the recent activity remains in a pudding that is still cooking. On the bullish side is the recent US data like last Friday's somewhat more constructive than expected first look at US Q3 GDP. Also last Friday was the capture of the political parcel bomber that removed another bit of the uncertainty which seemed to drive last week's US EQUITIES weakness. And this morning's US Personal Income and Spending figures were also firm, with upward revisions to last month's data.

That is removing some of the bearishness generated by weaker global data last week. This is pending further releases during this typically heavy reporting 'old month into new' week, including the BANK OF ENGLAND

INFLATION REPORT and press conference Thursday morning.

Yet the other surprise influence that seems to be assisting US EQUITIES (and global counterparts) this morning is the drubbing taken by Angela Merkel's party in Hesse state elections. She has said she will begin to withdraw from politics. This is taken as a sign (rightful or not) more fiscally 'easy' forces might emerge in GERMANY and EUROPE, as is already the case with the ITALIAN GOVERNMENT currently challenging EU budget restrictions.

Of course, this has implications for not just the other GLOBAL EQUITIES, but OTHER ASSET CLASSES as well. The counterpoint to the GLOBAL EQUITIES recovery on the GERMAN political developments noted above is the GOVVIES are taking pressure from the thought that a less disciplined fiscal picture might emerge in EUROPE.

The EURO is especially under pressure, even more so than other DEVELOPED ECONOMY CURRENCIES, against a US DOLLAR INDEX that is keeping its recent bid. And the EMERGING CURRENCIES are experiencing somewhat of a rebound from recent weakness, possibly on a sense that a more accommodative EUROPEAN fiscal stance will help the global economy avoid any further weakness, which will also be good for them.

Market Quick Take

This extends our complete reset of the Evolutionary Trend View in light of the recent sharp downside US EQUITIES reaction from old higher levels and price activity (please see last Wednesday and previous emailed notes for that.) FRONT MONTH S&P 500 FUTURE is obviously back below old violated higher resistance into the 2,840-50 area (including a weekly channel 2,835 DOWN Break) and more recently failed 2,800-2,790 support. In the event the 'quadruple whammy' noted three weeks ago Thursday hit near-term psychology for failures below those areas.

Last week's further DECEMBER S&P 500 FUTURE downside activity also exhibited a 2,708 DOWN Break (see chart http://bit.ly/2CLEyda) out of the broad up channel since the February-April mid-2,500 area sharp reaction lows. As noted above, last week's Close was below the late-May 2,675

pullback low Tolerance of the channel, yet by such a marginal factor as to leave the door open to subsequent recovery.

What is at stake now on the overall Evolutionary Trend View is whether last week's finish was only 'slippage' below the channel leading to a full recovery back up into it. On the other hand, any inability to breach or remain above the low 2,700 area would speak of more downside activity to come. So at this juncture into an already fraught week, it is likely best to let the pudding simmer.

While very little had changed elsewhere outside of the sharp moves in the EQUITIES until last week, along with the threat to the near term strength of the US EQUITIES trend that is changing a bit now. US GOVVIES have had a 'haven' bid since the EQUITIES weakness in early October. They have now bounced back above failed support. The DECEMBER T-NOTE FUTURE above its failed 7.5-year 118-10 trading low support from back in April has reached extended resistance into the 119-00/-08 area (congestion and weekly MAs), yet is fading again now on the incipient US EQUITIES recovery. This illustrates the importance of how the US EQUITIES psychology evolves from here for both the OTHER EQUITIES as well as GOVVIES.

Yet in the context of more focused Brexit concerns and continued Italian budget confrontation, 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 is a more trend-decisive threshold (including weekly MA-41.) While also recently above that area's Tolerance to the 160.30 congestion, it is back down into it now. Higher resistance remains the old 162.00-.50 area.

And the DECEMBER GILT FUTURE finally recovered from its early month test of the 120.00 area to back above 122.00-.50 last week, and is back down near it at present. Higher resistance there remains the more prominent repeatedly tested 124.00-.50 area last seen in mid-August.

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 into mid-October. It is now back well above it, with next major resistance not until the mid-97.00 area it continues to churn its way toward.

That seems a bit of a 'haven' bid on the weakness elsewhere, with EUR/USD below 1.15-1.14 looking like a test of the 1.1250-00 area might be in order, especially after recent German political developments. And reinforcing the weakness of the EURO, GBP/USD has recovered from slightly below the broad 1.30-1.28 congestion range back into the low end of it. Any further failure might signal a readiness to test the 1.26-1.25 congestion it never reached on the selloff in August.

And while the EMERGING CURRENCIES held up well on the initial US EQUITIES selloff, the recent weaker psychology finally had an impact. Even though it may prove to not be the case, any further DECEMBER S&P 500 FUTURE failure below the 2,700-2,675 area could be taken as a sign the overall global economic performance will not remain firm enough in the intermediate term to support these external capital hungry economies.

The SOUTH AFRICAN RAND had benefitted from the overall global confidence factor that had seen USD/ZAR back below the key 14.50-.40 area. Yet of late it is once again above it with higher resistance is into the interim 14.75 and more major 15.00 areas.

USD/MXN has been stronger than the others of late, ranging above the 19.00 area (including all weekly MAs) once again. Now above 19.50 as well as the September 19.68 trading high, the full resistance is not until the 20.00-.25 range.

The one EMERGING CURRENCY that continues to benefit from recent changes after a previous diabolical slide is the TURKISH LIRA. That is due to it benefitting from an improved US relationship in the wake of the release of US Pastor Andrew Brunson after two years in detention. The mid-October USD/TRY drop below its key 6.00-5.90 range support led to a timely test of 5.50 next support. And it remains relatively near that lower level at present.

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 (like Brexit, the Italian Budget and German politics), there is still all of the late-month and early-month economic data this week culminating as usual in Friday's US Employment report.

And even all of that is the lead-in to next Tuesday's US midterm elections. The 'received wisdom' is the Democrats will likely regain control of the House of Representatives. The other 'likely' therefore is there will be no further tax, regulatory, entitlements or other fiscal reforms likely for the next two years… for better or worse. And there might just possibly (only a possibility) be a move to impeach President Trump, whether that has any chance to turn into a conviction in the Senate. So that is yet another key factor into next week at such a critical time for the Evolutionary Trend View in the EQUITIES and OTHER ASSET CLASSES.

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