

Alan Rohrbach

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

Is that really it? Was the entire shocking US EQUITIES selloff since the top of this month simply another overdue reaction which was thereby more volatile (ala the previous similar February crunch)?

Maybe so. Yet in spite of the recovery since we advised on Monday that this pudding had a bit more time to cook prior to seeing any bullish or bearish proof, there is still just a bit more to be seen prior to the bulls being able to declare victory. On trading tendencies that still has a lot to do with the decision around the key resistance set up last week in the FRONT MONTH S&P 500 FUTURE (more below) as we proceed through the balance of this week. While marginally higher than that at present, is the market ready to sustain the current rally above it?

And some major influences remain fraught even if on balance corporate earnings season is likely to return to being a supportive factor. Angela Merkel's party defeat in Hesse elections leading to her gradual withdrawal from German politics compounds the already fraught EU-Italy budget confrontation and Brexit challenges. There is also recent Trump administration reaffirmation of the plan to impose greater future tariffs on China; the likely cause of Monday's US EQUITIES shift from early strength to weakness into a new short-term trading low.

Of course, that is all added to the uncertainty surrounding the very hard fought US midterm elections next Tuesday, even if we remain skeptical any Trump impeachment is a bona fide critical factor for the US economy. Even before that is Thursday's Bank of England Inflation report and press conference as an influence alongside likely continued FOMC accommodation withdrawal into early 2019. Yet the US EQUITIES have been known to "climb the wall of worry" previous as long as corporate earnings remain solid, and that classical dynamic will be tested over the next week.

This is the critical consideration

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's and previous emailed research 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 Monday morning's chart <http://bit.ly/2CLEyda> from before that session's 2,603 new trading low) out of the broad up channel since the February-April mid-2,500 area sharp reaction lows. As noted previous, 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 allow subsequent recovery; like the present rally.

What is at stake now is the overall trend momentum. Was last week's finish only 'slippage' below the channel leading to a full recovery back up into it? Or is any inability to remain above the low 2,700 area a far more bearish sign? Based on this morning's recovery we may soon be able to see the proof in this pudding.

And as very little has changed elsewhere since Monday research note, we refer you back to that for more on the various OTHER ASSET CLASSES. The GOVVIES are predictably giving back some of their recent 'haven' bid on the US EQUITIES weakness, yet with the BUND still the most resilient

on concerns in EUROPE.

Similarly in FOREIGN EXCHANGE the EURO and POUND are suffering more than the other DEVELOPED ECONOMY CURRENCIES as the US DOLLAR INDEX maintains its push toward mid-upper 97.00 resistance we have noted since it first pushed back above 95,00-.50 early this month. And the EMERGING CURRENCIES are still more country-specific trends than previous, especially the looming government change beleaguered MEXICAN PESO.

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.

The Rohr-Blog Research Team

info@rohr-blog.com

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Rohr International, Inc.
300 West Adams Street
Chicago, IL 60606 - USA

