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To: Alan Rohrbach
Subject: ROHR-BLOG: ‘Bad News Is Good News’? Quick Take

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Dear Subscribers,

After previous massive ‘Grinch Trump’ US EQUITIES selloffs there was the major rally into Thursday’s Close. Possibly the markets were overdone on the downside due to the compounding factor of the arrest in Canada of a major Chinese technology executive pending extradition to the US on Iran sanctions violation charges.

That only added to the factor noted in Wednesday’s emailed research note was on the degree to which @realDonaldTrump’s 09:03 Tuesday morning tweet “...I am a Tariff Man” was undoubtedly a factor in the extent of Tuesday’s selloff, even if it took a while for this to sink into the market perception. Yet this morning he is sounding much more upbeat about the US-China trade negotiation prospects.

Possibly that is part of the US EQUITIES rally extension into this morning along with a slightly worse than expected US Employment report. That would work toward mitigating any overly hawkish psychology at the Fed: a classic example of the return to a ‘bad news is good news’ US EQUITIES mentality.

Yet even at that it is hard to imagine a classical upbeat ‘Santa Claus’ psychology late this year after repeated trips back to lower on the year (more below.) It’s still looking more like a lump of coal in the stocking on

the erratic Trump influence. For much more on that please see the past couple of days emailed research notes.

Market Quick Take

In late October the DECEMBER S&P 500 FUTURE Broke DOWN below 2,708 from its broad weekly up channel since the February-April sharp reaction lows. As noted previous, the rally into early November after a new late-October trading low was an UP Closing Price Reversal (CPR) from the previous week's 2,670 Close.

That extended the channel Tolerance to the 2,675-70 range with the UP CPR 'extended' Tolerance to 2,627 (heavy red line) at the low of the preceding week then being the ultimate test of the bull trend. Yet it held Friday November 23rd, depriving bears of what might have been a far more meaningful downward spiral.

While the bears inability to extend that selloff led to a sharp recovery into Monday morning on the US-China stressor removal (http://bit.ly/2BOdF7u weekly chart at 09:00 EST Monday morning), the Trump 'Tariff Man' tweets (and others) put it back below key levels like 2,708 and even 2,675-70 (including the 2017 Close.)

As such, DECEMBER S&P 500 FUTURE was back down temporarily below that critical CPR Tolerance at 2,627 (heavy red line.) If violated, it would imply the late-October 2,603 trading low would likely fail, with 2,552-29 early-2018 lows as next support. Even though it recovered late Thursday, it is only back up to the original violated 2,708 channel support at present.

It remains hard to imagine many EQUITIES portfolio managers who feel compelled to be more heavily invested late this year, and that is likely to underpin the GOVVIES.

Consistently weak data that might influence the Fed has also encouraged GOVVIES to predictably push up again as the US EQUITIES come back under pressure. That now has the volatility which seemed to be missing on the previous US EQUITIES implosion.

Combined with remaining Brexit concerns and in spite of some lowered EU-

Italy budget face off tension, strong sister DECEMBER BUND FUTURE remained back above the 160.00.-30 area as well as the upper-160.00 area highs on its way to the 162.00-.50 area next resistance. On its Thursday expiration the MARCH BUND FUTURE trading at a recently unusual 0.85 premium to the December contract was already above 162.00-.50 area, with the more major 164.00-.50 next.

And weak sister DECEMBER T-NOTE FUTURE well back above its 118-10 mid-May trading low has also sustained its rally above higher trend resistance in the 119-00/-08 area last seen on its late-October rally prior. Back above it after Powell's speech pointed to the heftier 120-00 area congestion (also weekly MA-41) it is now also above. That leaves the 120-24 area highs it is currently testing and precious trading highs into the 121-12 area as next resistance.

The same is true for DECEMBER GILT FUTURE above 122.00-.50, with next heavy congestion into the 124.00-.50 range it is currently testing with 125.50-126.50 next major resistance.

Similarly in FOREIGN EXCHANGE, a 'haven' bid returning to the US DOLLAR INDEX left all others under some pressure once again. And now the US DOLLAR INDEX is failing once again from near its mid-upper 97.00 resistance. That was true after Powell's more dovish speech and again now on the extended economic concerns. Yet it held previous (early November) back toward its important 95.00-.50 area previously tested in mid-October, and we suspect the same may occur now.

Even though it has recovered near it, EUR/USD back below 1.1400 remains the case after the previous weaker-than-expected European Commission Growth Forecast, with next support into 1.1250-00 that has been neared on the recent dip. It is the same for GBP/USD that dropped from the upper end of the 1.28-1.30 area to somewhat back below it on previous negative Brexit psychology, and failed again recently into the low end of that range. Next major support is 1.25-1.24 area not seen on its August selloff.

And despite the US changeability, the previous hint of US-China rapprochement abating had encouraged AUD/USD to hold squeeze back above its historic .7200-50 area prior to dropping back into it on recent dips. Even though the Powell speech had it back above that area, with next

resistances into the .7400 and .7500 areas, it is back into it now.

And while the EMERGING CURRENCIES are still more country-specific trends than previous, they were also enjoying a bounce from support on US-China potential that remained a key influence into the end of last week, yet it now abating on the Grinch Trump tweets.

The looming government change-beleaguered MEXICAN PESO that had seen USD/MXN drop back temporarily below its 20.00-20.20 congestion, had been back up on multiple tests of the 20.50 area prior to sliding again at present.

And that is just part of the EMERGING CURRENCY return from weakness as USD/ZAR had pushed up from below 14.00 to testing and failing from 14.50 again on its way back below 14.00. Next lower support is the 13.60-.50 area not reached earlier last month yet being initially probed into the beginning of this week. However, that was also back above 14.00 on Thursday prior to sliding back below it at present without nearing the old 14.40-.50 next major resistance.

USD/RUB that had reacted back down from above 67.00 was back there again in the wake of imploding Crude Oil prices with next resistance as nearby as the 68.00 area. Even though the Fed shift had engendered slippage back below 67.00 there as well the encouragement both it and the US-China situation has provided the recently suffering Crude Oil market. On today's OPEC-driven recovery of the latter USD/RUB is weakening again from back up near 67.00.

In the meantime, the still improved TURKISH LIRA has USD/TRY was slipping once again from 5.50, even if not reaching next support into the 5.00 area (now including weekly MA-41.)

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