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To: Alan Rohrbach
Subject: ROHR-BLOG: Stale Indications and a Good Question, Quick Take, Calendar

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Dear Subscribers,

The OECD had warned the forward view was weakening. See our December 17th 'Lump of Coal' emailed research note for their various indications. This is added to previous weakening of global Manufacturing PMI's, which has continued into the top of this year. And we are coming to you quite a bit earlier than usual on our first day back from holiday because there is so much else going on as well.

There is also the Trump southern border wall funding-driven US government shutdown. There is not much end in sight as long as he sticks with his demands. This is particularly damaging, because it can directly affect the US retail sales outlook if it drags on; and that affects the single remaining strong economy with China also now showing that negative Manufacturing PMI.

It is looking like Fed Chair Powell might be misguided in his still hawkish outlook, at least in the current psychology. The ECB's Draghi appears more enlightened in committing to a continued accommodative view. Yet even they have ended their APP (Asset Purchase Program.) However, as opposed to the Fed, the ECB is reinvesting rather than shrinking its balance sheet for the foreseeable future.

This all raises a good question over whether previously strong US

EQUITIES have had their full correction prior to a return to a bullish trend? With all of the other factors looking weak, it may still rest with US-China trade impasse progress.

Yet for now the extended strength of the GOVVIES reinforces the weakness of the economic indications. And the recent US DOLLAR weakness against other developed currencies is contrary to its typical crisis phase 'haven' bid. Yet as we have noted in some previous situations, that can be the opposite if the US is the source of market stress.

Market Quick Take

Ever since the FRONT MONTH S&P 500 FUTURE dropped below the early year lows into mid-December, we skipped a lot of our previous higher level activity discussion. Suffice to say that since the early December (post-G20 Trump 'Tariff Man' tweets) sharp slide back below 2,708 it was in the 'failure swing' noted since that time. That quickly led to the violation of the 2,675-70 area (including the 2017 Close.)

The drop below early-2018 2,529-52 lows was critical due to next significant lower support not being until the major 2,400-low 2,300 area, with a Tolerance to the early 2017 2,318 congestion area low. This could be seen on the monthly chart (http://bit.ly/2BA9b3c) from early morning on Thursday, December 20th. That was our last chart indication prior departing on holiday, and was particularly broad to address just how weak the US EQUITIES might become on those new yearly lows.

In the event, MARCH S&P 500 FUTURE (new front month into Christmas) did indeed drop below the 2,400 broadest UP channel from the major cyclical (post-Credit Bust and Housing Bust) 666 low from March 2009. A lump of coal indeed. Yet after only a brief test of its Tolerance into that 2017 congestion 2,318 area low, it rebounded sharply (as seen on the current monthly chart http://bit.ly/2CJeQ8C.)

As long as it holds that area, it can still likely return to a more bullish trend, as this is also a key percentage retracement area (see our December 20th emailed research note) Yet if it should fail, next support is not until the 2,200-2,135 area (including the November 2016 front month S&P 500 future

pre-election daily Close.)

Consistently weak data that possibly should have influenced the Fed had also encouraged GOVVIES to predictably push up again as the US EQUITIES came back under pressure. That has recently also exhibited the volatility which seemed to be missing on the previous US EQUITIES selloffs.

Combining the remaining Brexit concerns and weaker global data had seen strong sister DECEMBER BUND FUTURE 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 DEC 6 expiration the MARCH BUND FUTURE was trading at a recently unusual 0.85 premium to December contract, and was already above 162.00-.50 area. While it stalled temporarily in more major resistance in the 164.00-.50 area during the holidays, this morning's continued weak economic data has pushed it through that range. Next classical congestion is 166.00-.50.

And weak sister DECEMBER T-NOTE FUTURE well back above its 118-10 mid-May trading low also sustained its rally above higher trend resistance in the 119-00/-08 area. That pointed to the heftier 120-00 area congestion (also weekly MA-41) it is also pushed above in early December. That left the 120-24 area highs and previous trading highs into 121-12 area as next resistances it has also now exceeded. Next resistance above 122-00 is not until 123-00 area.

The same was true for DECEMBER GILT FUTURE above 122.00-.50, with next heavy congestion into the 124.00-.50 range it stalled into. That said, the MARCH GILT FUTURE was trading at roughly a 0.60 discount into last Thursday's December contract expiration. Yet even there the current strength has it back up into the 124.00-.50 range.

Similarly in FOREIGN EXCHANGE, a 'haven' bid that had returned to the US DOLLAR INDEX on the previous US EQUITIES drop has not been in evidence of late. As noted above, its typical crisis phase 'haven' bid can be the opposite if the US is the source of market stress.

Even as the US DOLLAR INDEX reacts once again from near its mid-upper 97.00 resistance, it was holding no worse than the mid-96.00 area

seen on previous recent dips. Yet the more major support remains into 95.50-.00 area it had neared prior to rebounding.

Along with that EUR/USD that had surged back above 1.1400 to near the 1.1600 resistance in thin New Year's Day trading is back marginally below 1.1400 once again. Next support into 1.1250-00 was been neared on the recent dip. Yet the Brexit concerns that had dropped GBP/USD well below 1.28-1.30 toward next major support in the 1.25-1.24 area remain in place. As such, GBP/USD did not even breach 1.28 on its recent rally.

And despite the US changeability, the previous hint of US-China rapprochement encouraged AUD/USD to squeeze back above its historic .7200-50 area (also weekly MA-9 & MA-13.) However, that same negative early-December Trump 'Tariffs Man' tweet that hit US EQUITIES on the lower chances for US-China trade rapprochement also dropped AUD/USD back from a hopeful test of the .7300-50 area to back below .7200-50. It is now down into more major .7000 area congestion, with the .6825 nearly 9-year trading low below that. This not a surprise on the current Chinese economic weakness and fraught US-China relations.

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 rapprochement that remained a key influence, yet with it now abating on recent US moves.

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 back below 20.00 again. It is also now below lower interim support at 19.70, with more major support remaining 19.60-.50.

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 in November. Next lower support in the 13.60-.50 area was probed into the beginning of December prior to pushing temporarily back up into 14.40-.50 area and even 14.60 into the holidays. Those areas remain current 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 previous Fed shift had engendered slippage back below 67.00 there as well the encouragement both it and the OPEC situation has provided the recently suffering Crude Oil market with a boost. However, more recent weakness of Crude Oil has it back above 68.00 and nearing the next resistance in the 70.00 area last seen in early September.

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.) While strengthening a bit again at present, the last month has still been mostly stagnant between 5.45 and 5.22.

While more so than ever obviously less relevant (as we have been noting for some time) on the standard report releases 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.

Yet the market response shows how the economic data can still be influential, as the previous stressors have delivered another set of still weaker global Manufacturing PMI's. This initial holiday-shortened week will also see less central bank influence, yet with the other 'macro' factors (impossible to list in the calendar) probably more prominent than the data releases. Just to mention one, whether and how soon the US budget impasse and government closure ends will likely be a key market factor now that it has carried on this long.

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