Alan Rohrbach

From: no-reply@vrmailer3.com on behalf of ROHR-BLOG <info@rohr-blog.com>
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To: Alan Rohrbach

Subject: ROHR-BLOG: Binary Brexit? Quick Take, Calendar

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Dear Subscribers,

In addition to ongoing US government shutdown, the long-delayed UK Parliament Brexit bill vote will occur today. It is scheduled to begin at 19:00 GMT (14:00 EST), and end around 20:30 GMT. The received wisdom is that all of Prime Minister Theresa May's hard work will come to naught. Research by credible analysts at the Financial Times and elsewhere points to 200+/- AYEs and 420+/- NOs.

While that gap is an estimate, and could narrow quite a bit, it still points to a significant loss. And with this implying a greater chance the UK crash out of the EU with a "No-Deal Brexit" thud at the end of March, the question is why the UK (and EU) markets are not suffering? Possibly further negotiation with the EU? The UK FTSE stock index is only a bit below 7,000 (equal to US EQUITIES early 2018 lows), the POUND is up into the low end of the key GBP/USD 1.30-1.28 range, and Gilt (10-yr UK GOVVIE) is only up a bit further along with other GOVVIES on weak data.

Weak data has been an overall driver, especially with the ongoing US government shutdown that is exacerbating overall global growth weakening. Please see this month's OECD Composite Leading Indicators (CLI) (http://bit.ly/2FxK0BV for our marked-up version) noted on Monday. This has been a cautionary forward view since the middle of last year. Also see Monday's emailed research note for our views on the extended

implications of the US government shutdown that are now spreading.

Sometimes markets know an impact is looming, yet will not fully reflect it until it actually occurs. Is that the case for the Brexit influence? We shall see.

Courtesy Repeat of Monday's Quick Take

Ever since the FRONT MONTH S&P 500 FUTURE dropped below the early 2018 lows into mid-December, we skipped a lot of our previous higher level activity discussion. Suffice to say that ever since the early December (post-G20 Trump 'Tariff Man' tweets) sharp slide back below 2,708 it was in a 'failure swing' noted since then. 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 can still be seen on the monthly chart (http://bit.ly/2VBvb6D) from the end of last year. Those areas form the bounds of a broad range, which the market has pushed above since last week Tuesday.

While it must be noted that only a failure back below the 2,529 February 2018 low will restore near-term bearish momentum, there is substantial interim congestion (October-November basing attempt and previous) in the 2,600 area. That extends to approximately 2,635, and includes weekly MA-9 and MA-13. As such, it appears that the relevant trading range has ratcheted up, yet without any overall positive trend reversal unless that resistance is overcome.

Consistently weak data along with previous sharp EQUITIES weakness had also encouraged GOVVIES to predictably push up again. That recently also exhibited the volatility which seemed to be missing on the previous US EQUITIES selloffs, even if the recent US EQUITIES surge and strong data has weighed on GOVVIES again to a limited degree.

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 into more major resistance in the 164.00-.50 area during the holidays, recent weak economic data and EQUITIES stalling into resistance have pushed it back above that range after holding only marginally back below it.

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 also exceeded on its way to a temporary push above next resistance in the 123-00 area prior to recently dropping only somewhat back below 122-00. It is now pushing back above that threshold as well.

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 the late-month December contract expiration. And last week's push back up into the 124.00-.50 range has now reversed to some degree, even if not back into the 122.00-.50 range as yet.

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 is finally testing at present, with additional major recent and historic congestion support into the 94.00 area.

Along with that EUR/USD that had surged back above 1.1400 to near the 1.1500 resistance in thin New Year's Day trading was back marginally below 1.1400 once again. Next support into 1.1250-00 was neared on the recent dip, yet with it well back above 1.1400 at present and even

temporarily the 1.1500 area on recent US DOLLAR weakness. Yet more prominent resistance remains into 1.1600 area.

And 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 could not even breach 1.28 on its previous recent rally, and only pushed above it on Friday due to a bit more positive Brexit outlook. Yet with that key Parliamentary vote scheduled for Tuesday, this remains very fraught.

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 was recently down into more major .7000 area congestion, with the .6825 nearly 9-year trading low below that. This was not a surprise on the current Chinese economic weakness and fraught US-China relations, even if the current potential rapprochement has it recovering well back above .7000 toward .7200-50.

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 remains a key influence, and the self-inflicted wounds of the US DOLLAR.

The 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 as well as more major 19.60-.50 congestion. Next lower supports are in a range of congestion from 19.20 (high end) to interim 18.70 and ultimately 18.50-.40 (low end.)

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 prior to dropping back below 14.00 into the beginning of January. Those areas remain current resistance and support.

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 early December Fed shift had engendered slippage back below 67.00 there as well the encouragement both it and the OPEC situation had provided, the subsequent suffering of the Crude Oil market had USD/RUB back above 68.00, even if it failed once again at the 70.00 area resistance (just like early September.) It has recently been back below both 68.00 and 67.00 (including weekly MA-9 & MA-13) with support back into 65.00 (including weekly MA-41.) So basically back into the more sustained 3-month trading range areas.

In the meantime, the still improved TURKISH LIRA had USD/TRY slipping once again from 5.50, even if it experienced an intraday spike above it on January 3rd. And on the previous weakness it refused to drop to next support into the 5.00 area, with weekly MA-41 now up into the recent 5.20 area congestion as well. Outside of that recent temporary spike higher, the last two months have still been mostly a trading range affair between 5.45 and 5.22 until the recent US-Turkey Syria disagreement put it back up for a more sustained test of 5.50 once again. If it should sustain activity above it, next minor resistance is the recent 5.6230 spike high, yet with not much above that until the 5.90-6.00 range.

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 in the form of the much weaker than expected Chinese trade data this morning. And it is going to be another very volatile week based on what we already know is coming outside of the normal economic data releases and central bank influences. We still suggest an extensive review

for these 'macro' factors, especially that UK Brexit vote on Tuesday.

The Rohr-Blog Research Team

info@rohr-blog.com

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Rohr International, Inc.

300 West Adams Street

Chicago, IL 60606 - USA