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Sent: Thursday, October 10, 2019 9:33 AM
To: Alan Rohrbach

Subject: ROHR-BLOG: Weak Global 'Macro' Continues, Quick Take, Calendar

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Dear Subscribers,

As noted in Tuesday's 'Perfect 'Nega'-Storm' research note, the weak international economic indications continue along with 'macro' factors. And the same is true into today on both central bank minutes as well as the current data.

While the FOMC had some dissenters in its more dovish view, the Bank of England shared a dramatically sharp shift to a weaker outlook. Yet the ECB had the most telling signs of dissension in its decision to cut rates and possibly reinstate its Asset Purchase Program (APP.)

As today's very good Reuters article (https://reut.rs/2pZNmaV) notes, it is interesting that some of its hawks indicated they might be amenable to further rate cuts if the APP were not reinstated. As if that is going to help!?

What the US experiment in Brobdingnagian balance sheet bloat taught us is that no amount of QE will assist economic growth if other conditions are restricting business. As we have inquired many times, is the EU ready for regulatory reform and tax cuts?

If even Germany, with a manufacturing sector in recession, is not willing to entertain fiscal stimulus, what are the chances for overall reform and other business friendly policies?

On other macro fronts, the EU has just handed an ultimatum to UK PM Johnson on Northern Ireland remaining in the EU customs union. It seems it is playing for time and forcing the next extension of the Brexit deadline. As noted earlier this week, this may be a destressor for markets fearing an October 31 no-deal Brexit.

And the US-China trade talks resumption today have lowered expectations for any

meaningful major issue agreement. As such, current tariffs will remain.

How that affects the global economy was again evident Tuesday morning in the next OECD Composite Leading Indicators (CLIs http://bit.ly/35d8uuF), on which we focus more than some. See Tuesday's research note for much more on that and the mid-September's OECD Interim Economic Outlook (http://bit.ly/2m4p7X1**) focus on various tariffs and trade restrictions being the primary culprit in the slowing global economy..**

As such, it is no surprise that US EQUITIES have stalled again after their rally back to resistance (more below) into this week. While it might seem surprising that GLOBAL GOVVIES are under pressure (also more below) despite the weak outlook, that is at least partially based on the GOVVIES bulls' fear of a US-China deal.

Yet the EMERGING CURRENCIES are as yet not showing the sort of strength that would normally be expected if a US-China agreement looked likely. We shall see.

Market Quick Take

After the early June US-Mexico tariffs scare sent FRONT MONTH S&P 500 FUTURE back near the 2,722 March trading low, US EQUITIES rallied sharply. Lower supports at 2,865, 2,836-30 and 2,825-14 were all reinstated. Higher resistance was 2,900-10 area, with the May 2,938.25-2,947.50 gap lower from the all-time high Close above; which is just where the rallies failed at the highs throughout August.

DECEMBER S&P 500 FUTURE has now replaced the September contract, where the former was above historic Oscillator levels at 2,965-70 and 2,985, leaving the critical 3,015-20 area above on continued rise of weekly MA-41. There was also the weekly topping line it failed to exceed in July (see annotated weekly front month future chart at http://bit.ly/3363dms**), all of which preceded the major August correction; and it failed resistance above 3,000 again into mid-September.**

Any reversal needed FRONT MONTH S&P 500 FUTURE to fail below 2,938.25-2,947.50 area, which it was back up testing along with 2,950-60 on the recovery rally. Next key interim support is 2,910-00, which it had again slipped below last week. Interim lower support is 2,835 with more major congestion into the 2,820-00 area.

Even with the previous US consumer-driven improvement, overall weakness of international data on balance continues. This has been reinforced by central banks' perspective, including especially the ECB and also BoE concerns about Brexit. While the Fed is more balanced, it is also concerned about global weakness despite current US strength.

As repeatedly noted for months, this is also consistent with serial downbeat OECD indications on a weaker global outlook. We saw more of the same in the Octo OECD Composite Leading Indicators (http://bit.ly/35d8uuF) Tuesday morning.

And that outlook continues to be reinforced by the US-China situation despite the occasional outbreak of bonhomie. The resumption of talks this week are going to be telling whether any real progress can be made, and the Chinese are already rejecting any of the more major adjustments on intellectual property, forced technology sharing or opening markets.

There is also continuing Brexit concern discussed at length during the BoE Inflation Report press conference that is now reinforced by the BoE FPC minutes release. Yet those might be less threatening despite the failure of UK PM Johnson's recent discussions with EU leaders.

This is due to EU skepticism leading to their hope for a fresh UK election (see our marked-up version of the excellent recent Financial Times article (http://bit.ly/2OygzEl**) which would lead to their approval of another Brexit deadline extension.**

And all of the recent weak OECD Composite Leading Indicators that were reinforced by May's OECD Economic Outlook are now further extended by the even more downbeat mid-September Interim Economic Outlook update (http://bit.ly/2m4p7X1**.)**

This has also been reinforced the other relatively recent indications, like the IMF global growth downgrade that they have signaled will be extended next week. There are also the weak global Manufacturing PMI's that are spilling over into Services, and further weakness in Asian, European and now even some US economic data.

Extended JUNE BUND FUTURE resistance in the 168.00 area from mid-2016 was exceeded on the surge just prior to the early month June contract expiration, and even carried above the 168.86 June 2016 all-time FRONT MONTH BUND FUTURE high.

Yet as we noted extensively prior to that event, that was not the most bullish indication for the trend: The SEPTEMBER BUND FUTURE major 2.50 premium fostered even more bullish activity into that June contract expiration.

It is also Closed the first full week of June above the next extended weekly Oscillator threshold in the 171.00-.50 area, leaving a burden of proof on the bears. The next higher historic congestion was not until upper 172.00 area since mid-June with the 174.00 area above that. And even after it dropped back below the key 172.00 congestion into mid-July, it quickly recovered back above it the following week.

The recovery extending above the higher upper 172.00 congestion also sustained upside Acceleration out of an already steep channel. That pointed to a retest of the 174.05 early July all-time high. It then exceeded the next Oscillator resistance in the 174.25-.75 range.

Sustained activity above the 176.00 area Oscillator resistance pointed to the sort of extreme extension last seen in mid-2011 (weekly MA-41 11.75) into the 179.80 area into late August. Yet the subsequent sharp downside reaction to the potential less damaging

Brexit situation saw SEPTEMBER BUND FUTURE drop back to the 178.00 area. While the commensurate DECEMBER BUND FUTURE drop to the 175.00 area looked bad, that was just the beginning of a failure back below 175.00 area weekly MA-13, and the 174.00-173.50 area is key recent congestion and Oscillator support.

Also note the major weekly chart (http://bit.ly/2MiPYZ7 **updated through last Friday) drop was actually a dislocation on the major December contract discount; and it also left it closer to the aggressive up channel support. That saw a 173.25 DOWN Break into mid-September, also violating July congestion from during the rally. That was then very important as future resistance, with next key support into the 171.50-.00 congestion and previous June UP Acceleration out of the channel from the October 2018 157.33 low.**

As such, it was very interesting to see DECEMBER BUND FUTURE hold lower support and Negate that recent 173.25 DOWN Break. That at least partially restored the previous bullish momentum and overall support back into 173.50-.00 area.

It is also of note that the SEPTEMBER BUND FUTURE expiration level was 173.25, making it even more critical as a key to whether the DECEMBER BUND FUTURE will now be able to extend the typical post-expiration rally back up toward the higher previous front-month trading levels. That obviously remains important, as both the recent and current weakness is back into the 173.50-.00 area now reinstated as key support. Higher resistances are 175.00-.50 and not again until the 177.00-.50 range.

For the JUNE T-NOTE FUTURE the more prominent 124-00/-06 historic congestion remained the key area it pushed above more definitively into mid-May on trade worries. Next resistance above 124-00/-06 was the 125-00 area broadest down trend resistance directly derived from the overall trend trajectory from that 2016 high.

That was violated on the late May fresh major 125-00 down channel UP Break, which was an important bullish indication. It also pushed above the important 126-00 area congestion as well as the next resistance is not until the 127-16/128-00 area congestion and September 2017 rally high (128-03.)

The SEPTEMBER T-NOTE FUTURE was testing that area prior to the July US Employment report-driven downside reaction. Yet it held very well without violating the low end of the 128-00/127-16 congestion. However, its relative weakness within the bull trend was highlighted by its inability to overrun that congestion while the BUND and GILT pushed up more aggressively.

Also note the 127-31 early-July weekly DOWN Closing Price Reversal (CPR) as further reinforcement for its near-term resistance back then with a 128-08 Tolerance.

Yet Trump's early-August Chinese tariffs announcement also drove more extensive T-NOTE strength above that resistance. Also obvious are the extended congestion resistances were into 129-16 it is above and held during the early August reaction. The

higher historic congestion in the 131-00 area was exceeded on the recent resurgence prior to recent slippage back below.

However, much as with the previous expiration of the SEPTEMBER BUND FUTURE, the more recent SEPTEMBER T-NOTE FUTURE expiration was a critical test. The DECEMBER T-NOTE FUTURE was trading at a bit more than a half point premium, and was back up into the significant 130-00/129-16 congestion.

Its ability to push back above that area seems well-calibrated with the significant decision in the BUND. Also note that the less aggressive T-NOTE up channel trend support on the weekly chart (http://bit.ly/2LTJ9y3 **updated through last Friday) also left broader support into prominent low 128-00 area historic and recent congestion that was not even tested prior to the recent rally resumption.**

As such, its decision to overrun the 131-00 area was the next key indication, moving up to the higher resistances at 132-00 with the 133-00 area above that. And this previous weaker sister is now firmer than the BUND in only dipping a bit below the 131-00 area, versus more critical minor DECEMBER BUND FUTURE slippage below the 173.50-.00 range.

The same bullish condition was true for the FRONT MONTH GILT FUTURE in the wake of more Brexit stress and the general global weakness, finally pushing above 124.00-.50. Yet that was the least of it, as the atypical significant premium (full 3.00) in the JUNE GILT FUTURE prior to the late-month March contract expiration was a major bullish sign.

This was obviously a Brexit premium anticipating continued economic weakness, and it had weakened a bit (as expected) on the major Brexit extension. JUNE GILT FUTURE was a bit back below 127.00-.50 after testing higher resistances in the 129.00 and 130.00 areas.

Back above 127.00-.50 since early-May opened the door to a test of those higher 129.00 and 130.00 area resistances it also exceeded into early June.

Higher resistances were the nominal 131.00-.50 range the JUNE GILT FUTURE was back up into prior to its expiration. Yet the typical full point discount in the SEPTEMBER GILT FUTURE left it well back below that range. While the overall strength of GOVVIES remained, the question was whether the SEPTEMBER GILT FUTURE that held the immediate lower support into 130.00 area on all pullbacks since early June was going to push back up into 131.00-.50; as indeed it did on a typical expiration rollover psychology in late June.

While reacting back down near the 130.00 area in early July, it quickly pushed back above 131.00-.50. Next major higher resistances remain into the mid-2016 132.50 congestion and 132.97 all-time high have been exceeded.

That left us reverting to historic weekly Oscillator thresholds (much as with the previous BUND new all-time highs.) The scary part for the bears it that overrunning the old 132.97 all-time high also overran the weekly MA-41 plus 5.50-6.00 historic threshold that was most recently respected on the March rally.

Yet the less damaging path the UK government Brexit situation had taken left it well back below 135.00; also influenced by the weakness of upside leader BUND. Yet the challenge here was the DECEMBER GILT FUTURE typical full point discount. That called for a rally toward the late month expiration (on the 26th) that would see it run back into and above the 132.50-133.00 area which had indeed occurred on the back of SEPTEMBER GILT strength.

This is why much still psychologically rests with upside leader BUND, and whether December contract can indeed maintain its NEGATION of the recent DOWN Break that is more critical on its current selloff.

Much like more resilient activity in previous weak sister T-NOTE, the FRONT MONTH GILT FUTURE now back above 132.50-133.00 leaves that as the key support this side of the 131.00-.50 area (recently tested and held by the December contract) and 130.00-129.50 violated resistances. Next resistance in the 135.00 area has been respected, yet without any slippage even to the interim 133.50 area at present.

In FOREIGN EXCHANGE relatively firmer US economic data had assisted the US DOLLAR INDEX previous in finally fully overrunning the mid-upper 97.00 resistance. That required the push above the April-May 98.37 area trading highs which occurred in early August prior to lapsing back into near-term weakness.

Next resistances are the interim 99.00 area, yet with the more prominent area not until 100.00 'big penny' historic congestion. In any event, recently strengthening again after a selloff saw it above lower support in the interim 96.50-.00 range on the continued weaker global data outside of the US. That set the stage for the continued strength despite the FOMC's modest easing. After holding those lower supports, weaker Chinese and European data had it back up into the 98.00 area with 98.37 remaining the key resistance area.

Yet in early September it also exceeded the early-August 98.60 daily DOWN Closing Price Reversal from its failure to remain above 98.37 on that swing. That opened the door to a test of 100.00 historic congestion, with the 101.50 to low-102.00 area above that.

It is also telling to now see it had NEGATED the recent 98.80 (Tolerance 99.02) weekly DOWN Closing Price Reversal (CPR) from that pre-existing historic congestion. That suggests a test of the 100.00 area is likely as long as it can hold either the 99.00-98.80 area on the selloff, or the lower 98.35-.00 area. Next resistances are not until 101.30 and the 102.00 area.

While EUR/USD was well back above 1.1400 into early February (and even very temporarily above the 1.1500 area), it had dropped back below the 1.1400 area on the increasingly nervous Brexit implications and generally weak European data. That left it into the top of the 1.1250-00 area 20-month trading lows in mid-February. While it recovered closer to 1.1400 again into mid-March, stalling there had left it under pressure again into the low end of 1.1250-00 area.

GREENBACK weakness had assisted it in swinging well back above 1.1200, and it is no surprise it had extended that rally back up into the 1.1400 area on the previous dovish FOMC influence.

However, recent weak European data fomenting rightful concerns over ECB accommodation has left it back below 1.1200 once again, and churning around the 1.1100 area trading lows prior to bouncing from near the 1.1000-1.0950 area with 1.0800 below.

While the recovery into early August had it churning in 1.1200 area, it is back below the 1.1100 area and had now failed the attempt to hold the 1.1000-1.0950 area even as it rallies back to the high end of it at present. This is as critical as the current US DOLLAR INDEX attempt to roughly hold the 99.00-98.80 area.

Any extended EUR/USD failure will likely bring a test of the 1.0800 area, with 1.0600-1.0500 below. Those correlate well with a US DOLLAR INDEX rally extension up into the higher 100.00 and beyond if EUR/USD 1.0800 fails.

Brexit concerns have obviously been a major influence on GBP/USD all year. After rallying back up into 1.3250-1.3300 in late the overall selloff resumed. Brexit concerns left it retesting the 1.3000 area since late March with only minor bounces. As we had suggested at the time, the major Brexit extension (October 31st) granted by the EU was not necessarily an economic positive even though it avoided an April 12th 'hard' no-deal Brexit crisis. It only exacerbates UK economic uncertainty. That was reinforced by Governor Carney's previous Inflation Report press conference comments revisited on August 1st.

This has been reflected since mid-May in GBP/USD slipping not just back below 1.3000, but also below the low end of the 1.3000-1.2800 key support range. This was followed by failure below the 1.2773 February selloff lows, and subsequent rallies all failed into the 1.2800 area.

Lower key historic supports were into the 1.2500-1.2430 range late 2018 (2-year) trading lows it had slipped below in the wake of stronger US economic data prior to temporary stabilization. More sustained activity below that has also now led to violation of interim 2016-2017 congestion at 1.2360, with nothing recent until 1.2150-00 area this weak sister has managed to hold outside of temporary weakness in mid-August and earl September.

Yet the fact it had not managed a more substantial short-term bounce (like the EURO) was a troubling sign. While recently recovering from slightly below 1.2150-00, the recent drop below it left the 1.1987 January 2017 3-year trading low as the only support this side of the 1.1710 major October 2016 34-year trading low (post-Brexit referendum selloff low.) That's right, not below 1.1710 since March 1985.

Yet the rapidly evolving UK government situation and a bit of the hopeful global developments have brought a relief rally back above 1.2150-00 (stronger than the EURO) and the minor 1.2360 area. Yet even the recent UK Supreme Court ruling had not been able to boost it above the more prominent historic and recent 125.00 area congestion for now, and it is now back churning below that interim 1.2360 level once again.

And despite US changeability, the previous hints 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 early-December test of the .7300-50 area to back below .7200-50. It subsequently dropped below more major .7000 area congestion.

This was not a surprise on previous Chinese economic weakness and still somewhat problematic US-China relations despite the ostensible G20 'breakthrough'. While late-January secular US DOLLAR weakness had it recovering modestly above .7200-50, it subsequently dropped back below it toward the .7000 area in mid-May.

Minor squeezes temporarily pushed it back above the .7000 area prior to slipping more definitively below it in late July.

Next lower major support is the .6825 area early-2016 10-year trading lows it also slipped below around the same time. The next temporary squeeze above it into early September has also now failed. That is important after it slipped nearer to next interim support at .6690-77, with .6500 and .6250 below this side of the .6000 area October 2008 16-year trading low.

While EMERGING CURRENCIES are still more country-specific trends, previous US DOLLAR weakness into early this year was assisting them. That was partially on central bank accommodation creating more extensive economic hope.

And it is of note that even with the previous weakness of DEVELOPED CURRENCIES against The MEXICAN PESO that had seen multiple USD/MXN November-December tests of the 20.50 area prior to sliding back below 20.00 again. At various times it has also been below interim support at 19.70 as well as more major 19.60-.50 congestion between January and August. Next lower congestion areas are in a range from 19.20 (high end which it was also below in January) to interim 18.70 it did not quite reach

even at the low end in March and April.

Yet Trump's Mexico tariffs threat had put the PESO back under extreme pressure, with USD/MXN surging right through 19.20 into the major 19.60-.50 congestion once again. Any sustained activity above that pointed to another test of the 20.00-20.20 area it neared on the rally into early-June. Yet of course the at least temporary withdrawal of the US tariffs threat had seen a substantial PESO rally on USD/MXN dropping back into the 19.20-.00 area.

While stuck in the 19.20-.00 range from early June until early August, the subsequent Trump tariffs threatening global economic activity saw the PESO sink below the USD/MXN 19.60-.50 range once again. Sustained activity above the interim 19.60-.68 pointed to the 20.00-20.20 range it was retesting into early September prior to the current PESO relief rally drop back below 20.00 all the way to a retest of 19.60-.50 congestion where it remains actively churning.

And that was just part of the EMERGING CURRENCY return from weakness prior to the subsequent pressure. USD/ZAR had pushed up from below 14.00 to testing and failing from 14.50 again on its way back below 14.00 last November. Next lower support in the 13.60-.50 area was probed into the beginning of December prior to pushing back above 14.00 with only temporary slippage below from February into July.

Yet it stalled into next resistance in the historic 15.00 area during the US DOLLAR surge into August prior to secular US DOLLAR weakness along with dovish central banks dropping it all the way back below 14.50-.40 into September. Recent GREENBACK strength has seen USD/ZAR push back up toward the 15.50 area prior to the current drop back near 15.00, with an interim area around 15.20.

USD/RUB was a clear outlier on the previous and current EMERGING CURRENCIES return to weakness. That was due to the extensive Crude Oil recovery from the depths of December that is back now in the wake of the Saudi oil refinery attack relieving some pressure on the RUBLE.

USD/RUB had reacted back down from above 67.00 yet was back above both it and 68.00 on the suffering of the Crude Oil market back in December, even if USD/RUB failed once again at the 70.00 area resistance in early January (just like early September.)

Yet it had been back below both 68.00 and 67.00 (including weekly MA-9 & MA-13) since January on the resurgence of Crude Oil from the depths below 50.00 to well back above it. Further support once again back into 65.00 (including weekly MA-41 up to 65.75 area) had been breached as well into mid-March. However, the additional hefty mid-2018 congestion into the 64.00 area was only violated temporarily into mid-March and again in mid-April.

Previous Crude Oil weakness had assisted USD/RUB recover back above 64.00 and

65.00 temporarily prior to slipping back below that range since mid-June. Lower supports at the recent mid-63.00 area lows had been violated prior to the current recovery without getting down to major supports in the 62.00 and especially the 61.00 areas.

And the recent firming of CRUDE OIL prices has it somewhat back below 65.00, which is still critical based on weekly MAs as well.

In the meantime, previous weakness in the TURKISH LIRA had USD/TRY above the 5.50-5.60 area in April. Sustaining activity above the 5.50 and 5.6230 resistances in late April had seen it rally above the 5.90-6.00 range congestion from summer 2018.

This was once again very important, as extended resistance was not until the 6.35-6.40 range last seen during the beginning of the TURKISH LIRA upturn (USD/TRY extended selloff) in September 2018. As such, the late-May USD/TRY drop back below 6.00-5.90 area was a major LIRA improvement.

Next lower supports (LIRA resistance) are 5.65-.60 (January high and weekly MA-41) tested into early June and barely violated into early July prior to Closing near the low end of the range, and the heftier congestion in the 5.50-5.45 area.

And it seems that even President Erdogan's early July dismissal of central bank Governor Cetinkaya a year prior to the end of his term had not weighed too heavily on the LIRA. After USD/TRY ranged as high as 5.7871 in the wake of the dismissal prior to stabilizing, it dropped back below 5.65-.60 area despite the recent much larger than expected 4.25% rate cut with 5.50-5.45 also tested last into early August.

Yet it held that key area, and was recently back above the 5.65-.60 range again, even if presently back around the early July 5.7871 high from after the central bank governor dismissal. Next higher key resistances remain at 5.90-5.93 and the 6.00 area it is nearing again after it had sagged back into the 5.65-.60 range that it held on its most recent selloff.

While still obviously less relevant (as we have been noting for some time and is most glaringly apparent again at present) 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.

In addition to the major end-of-month and early month blended reporting last week, the significant macro factors are of more importance that usual. Those obviously include the US-China trade and tariffs talks resuming this week, the UK-EU Brexit situation that might be evolving in a more constructive short-term manner, the fresh US tariff threats outside of China and now the accelerated opposition effort to impeach US President Trump.

And so, after last week's data deluge into Thursday's global Services and Composite PMIs and Friday's US Employment report, the macro influences continue. Tuesday brought the next OECD Composite Leading Indicators update into the Wednesday-Thursday central bank meeting minutes influence (see the opening assessment on all of that) with a lighter day on Friday outside of any US-China developments.

All of that is into the US partial market closure (Fixed Income and Foreign Exchange) for Monday's Columbus Day observation. Keep those seat belts fastened.

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