Rohr International

Weekly Report & Event Summary Perspective

Monday, October 29, 2012

"Chance favors the prepared mind." **–L. Pasteur**

▪ **Macro-Technical Trend Perspective**: ***Perfect Storm*** **hitting equities as well this week?** First of all, it is important to extend our wishes for safety and successful recovery to all of our clients, colleagues and friends in the Northeast. While there will undoubtedly be some degree of tragedy, hopefully that is limited to major inconvenience and disruption. And this edition of our **Weekly Summary Perspective** is coming out today because there will of course be no Regular Trading Hours (RTH) activity in the US equities, which we usually allow as a focal point prior to publishing on Monday evening. It is obviously more important to reconfirm the trend tendencies and background a bit earlier this week to reassure those wondering about the storm's impact, and allow folks in the Northeast early access in a tenuous situation.

Our discussion of the market impact of Hurricane Sandy is included in the **Concise Market View** below; and it might not actually be all that major. The ironic bit is that this week was going to see a displacement in any event due to Thursday's European All Saints' Day holiday delaying a goodly bit of important data to just before Friday's US Employment report. It is also the case that there will be no Bank of England or European Central Bank meetings this week. That is typical when the first Thursday of the month is on the first day of the month, and those meetings are delayed one full week. And that is very important for global market psychology right now, because it gives the ECB further latitude to address current contentious issues surrounding the European Sovereign Debt Crisis and banking issues.

And while those are important, along with the major quantitative easing program expansion by the Fed, it seems that central bank interventions may be reaching the limit of their support capacity for the equity markets. As we, among many other observers, have questioned (more than somewhat rhetorically) for some time, does all this liquidity-fed crisis mitigation actually amount to anything that will restore global growth? Based on lack of revenue growth at so many significant corporations finally resulting in an inability to 'manufacture' constructive corporate earnings, it is possible that the psychological gains from QE may be fading. It is now down to further cost-cutting to maintain profitability, which carries with it the risk of further general economic shrinkage. So while we remain technically cautious on the current selloff in equities, our intermediate term view continues to be quite negative.

▪ **Most Likely Critical Horizons:** As of this morning we've already seen weaker Japanese Retail Trade and a sharper than expected fall in Spanish Retail Sales as well, which supports the negative intermediate term view noted above. Tomorrow brings quite a bit more Japanese economic data, and Bank of Japan rate decision and statement; the latter is often a hopeful bit of imagination about getting out of their stubborn deflationary spiral. There are extensive Euro-zone sentiment indicators as well as US Case/Shiller Home Prices and Consumer Confidence, followed on Wednesday by German Retail Sales and other important end of month data. Thursday brings only the Australian, UK and US Manufacturing PMI (with Europe releasing Friday), followed by US Construction Spending and Vehicle Sales. Friday is of course very critical for both the Canadian and especially the US Employment reports.

▪ **Economic Data Highlights:**

Monday: China Leading Index, Japan Retail Trade, UK Hometrack Housing Survey & Net Consumer Credit & Net Lending Sec. on Dwellings & Mortgage Approvals & Money Supply, US Personal Income & Spending & PCE Deflator & Dallas Fed Manufacturing Activity, German CPI.

Tuesday: Japan Jobless Rate & Household Spending & Industrial Production & Vehicle Production, Australia HIA New Home Sales, Swiss UBS Consumption Indicator, *Spanish GDP,* German Unemployment data, various Euro-zone business and consumer confidence indices, UK CBI Reported Sales, Canada Industrial Product and Raw Materials Price Indices, US S&P/Case-Shiller House Price indices & Consumer Confidence.

Wednesday: Japan Manufacturing PMI & Construction Orders & Housing Starts, Australia Building Approvals & Private Sector Credit, German Retail Sales & Unemployment Change, French PPI & Personal Consumption, Euro-Zone Unemployment Rate & CPI Estimate & MBA Mortgage Apps & Employment Cost Index & NAPM-Milwaukee & Chicago PMI, Canada GDP.

Thursday: Australia AiG Performance of Manufacturing Index & Export & Import & Commodity Price Indices, China Manufacturing PMI & HSBC Manufacturing PMI, Japan Vehicle Sales, UK Nationwide House Prices & PMI Manufacturing, US Challenger Job Cuts & ADP Employment Change & Non-Farm Productivity & Unit Labor Costs & Weekly Initial Jobless Claims & Markit US PMI Final & ISM Manufacturing Index & Construction Spending & Vehicle Sales.

Friday: Australia Producer Price Index, Euro-zone and UK Manufacturing PMI's, Canada & US Employment, US Factory Orders.

▪ **Central Banks, Finance Ministry & Political influences:**

Sunday: UK/Europe return to Standard Time from Daylight Savings Time

Monday: ECB's Praet, ECB Euro area international investment position, BoE analysis of monetary financial institutions' deposits, BoE Trends in Lending, BoE's Haldane.

Tuesday: Bank of Japan Rate Decision and Statement, RBA's Lowe, ECB's Draghi, ECB Euro area economic and financial developments by institutional sector, BoE updates stats on Funding for Lending Scheme, Fed's Dudley, BoC's Carney and Macklem, Fed's Kocherlakota.

Wednesday: ECB Cœuré (twice), BoE's Salmon, ECB publishes Euro area Bank Lending Survey, ECB's Constâncio, Fed's Williams, BoE's Bean, BoC's Carney and Macklem.

Thursday: European Market Holiday – All Saints' Day, Fed's Lockhart, Fed's Rosengren.

Friday: Fed's Tarullo, Fed's Williams.

▪ **Government Debt Auctions or Operations:**

Monday: Italy, Germany.
Tuesday: UK, Italy.
Wednesday: Australia, France, Germany, US announcement.
Thursday: Japan, UK.
Friday: Australia.

Concise Market View

▪ **As noted above, Sandy will undoubtedly be a human tragedy of some proportion, even if that is hopefully limited to personal and commercial disruptions. However, whether it is a market tragedy as well can only be assessed across time, as the major storms, floods, blizzards and the like tend to be two-edged swords for economies and markets. While the damage may be daunting, the rebuilding stimulates the regional and national economy.**

Therefore, even more so than under normal conditions it pays to let the markets indicate what they think of the impact rather than try do come up with any definitive conclusions. After all, it was the case with Hurricane Irene, various major Midwestern floods and even the significant impact from Hurricane Katrina that the equity market actually did rather well. As such, rather than make any assumptions about how damaging even a full week or longer disruption of commerce in the northeastern United States might be to the economy, it will likely need much more useful to assess the activity in the various asset classes over the next couple of days.

That is especially so under the conditions currently prevailing in the **December S&P 500 future** as well as how the psychology has evolved in the other asset classes. As noted from Tuesday of last week onward, that morning's gap lower opening below the previously tested low end of the 1,430-20 range set up what might have been a downside runaway psychology. Yet it has been the case that any significant near-term price swing (in either direction) is hard to extend through the next major technical trend threshold right away.

And in this case there is the question of whether **December S&P 500 future** can break another $40-$70 on top of $70+ it will have already broken since the previous week 's 1,460 high into 1,389-87 Tolerance of 1,400 area support? And that is important because even allowing there is interim support as nearby as the 1,375 area, the next significant support is not until down into the 1,350-1,320 range. Of course, that decision will not only affect other equities, but is likely to have a significant impact on other asset classes as well. And while the **December US T-note future** and **December Bund future** have been acting more resilient, the real risk is to the **December Gilt future** that had already revisited its critical 118.50-.25 support the wake of last week's somewhat better-than-expected UK Advance Q3 GDP.

The rest of this analysis is from the levels and comments in the Current Rohr Technical Projections - Key Levels & Select Comments as of last Tuesday's US Close (available at Rohr-*Blog*.) That all remains relevant in spite of today's equities trading disruption.

December S&P 500 Future: Secondary slippage below 1,351 UP Break last Friday weak sign, with weekly MACD DOWN here as well. But bears now need it below 1,389-87 area.

RES:	1,420; **1,425-30; 1,440.70-1,445;** 1,451; 1,467; **1,474.50**
SUPP:	**1,399-1,402; 1,389-87; 1,375; 1,355-50; 1,338-35;** 1,316; **1,300**

Government Bond Futures: Primary government bond markets were not acting well in the face of previous equities resilience, and finally experienced the sort of heavier selloff associated with better US data and the further crisis mitigation in Europe. And even in the wake of the first sharp equities selloff in a while, govvies' recovery feels lackluster. Might this just be another delayed reaction while equities get the benefit of the doubt, or are govvies entering a heavier secular more bearish phase? That's what's so important about the near term equities decision around December S&P 500 future 1,389-87 support.

Government Bond Futures (continued)

DEC T-note:	**RES:**	**133-04/132-24; 134-04/133-26;** 134-15; **134-30/135-06; 135-29**
	SUPP:	**132-10/-02 (Jan 2012 hi); 131-21/-16;** 131-02; 130-12; **130-00**
DEC UK Gilt:	**RES:**	**120.00-.25; 121.00-120.80; 121.50;** 121.86-.94; **122.30-.45**
	SUPP:	**119.30-.52; 118.50-.25;** 117.68 (JAN hi); **117.00;** 115.75-.50
DEC Bund:	**RES:**	**140.00-139.60; 141.30-.00;** 141.70; **142.30-.62; 143.50-.75;**
	SUPP:	**139.34;** 138.60-.41; **137.50-.00;** 136.30; **135.30-.00;** 134.30-.00

June 2013 Short Money Forward Future

Eurodollar:	**RES:**	**99.675 (SEP highs); 99.73 (topping line); 99.81 (OSC)**
	SUPP:	**99.645; 99.60-.59 (AUG 2011 High);** 99.55; **99.50-.52; 99.45**

Foreign Exchange: US Dollar

USD INDEX: The recovery of the euro and psychology in Europe made selloff below .8000 area no surprise. As noted previous, QE-driven equities rally made that a fair result. Below the .7915 broad Tolerance, .8000 area and .8070-50 now resistance, yet with daily MACD now UP. That reinforces the critical nature of the equities decision right now.

RES:	**.8015-00; .8070-50; .8150-80; .8225-60;** .8300; **.8335-55; .8450**
SUPP:	.7915; **.7860-10; .7680-50; .7500; .7472-50**

EUR/USD: The upside follow-through was impressive in wake of ECB President Draghi's commitment to bond market interventions and major Fed QE3. Once it was back above 1.2500-1.2450 area, the follow through above the 1.2950-1.3000 range looked very good until late September. That is key s.t. technical area again, with a buffer to low 1.2800 area.

RES:	**1.2950-1.3000;** 1.3080; **1.3250-80; 1.3450-1.3550; 1.3830**
SUPP:	1.2860; **1.2750;** 1.2600-38; **1.2500-1.2450**

GBP/USD: Much as with EUR/USD above 1.2500-1.2450, the push back above 1.5750 key weekly MA's, Fibonacci and congestion last month led to a full extension to the major 1.6300 area April high. Daily MACD is now DOWN, and failure below interim 1.6150 area has led to a test of far more critical 1.6000-1.5950 daily channel & weekly MA-13 support.

RES:	**1.6000-1.5950;** 1.6150; **1.6250-80;** 1.6302 (APR hi); 1.6400
SUPP:	**1.5880-1.5900; 1.5750;** 1.5650-00; **1.5500-1.5450; 1.5268-33**

AUD/USD: Commodity currency recovered better on equities rally than recent phases, but September 1.04-1.05 area failure was a weak sign with equities up. It is critical Asian drag on bullish QE psychology. 1.0250-20 now also key long term channel support.

RES:	1.0350; **1.0500-1.0450; 1.0615-25; 1.0750; 1.0850; 1.1000-67**
SUPP:	**1.0250-20;** 1.0150-00; **1.0000-.9950; 9810-00; .9705;** .9537

Foreign Exchange: Cross Rates: Euro currency weakness had limitations based on the support expectations furthered by ECB President Draghi and the Fed's major QE effort. And with EUR/USD rally above 1.2450-1.2500 carrying above 1.2950-1.3000, euro trend against the other currencies improved further as well. It has regained a bit of strong sister status against the British pound and especially weak sister Aussie dollar. Yet, as it is in EUR/USD 1.2950-1.3000 area again, trend likely depends on the equities as well.

EUR/JPY:	**RES:**	**104.30 (DN Brk); 105.50;** 106.50; **107.50-108.00; 109.12**
	SUPP:	**103.00-102.40; 101.30-.65; 100.00-99.25;** 98.50; 97.75

EUR/GBP: British pound maintaining strong sister status overall in spite of the previous June euro recovery to .8150 resistance. Weekly MACD UP on euro bid after ECB and Fed moves, and slippage held test of .7950-.8000 area May selloff low. That remains critical, along with push above mid-September .8115 high, as .8150 remains ultimate resistance.

	RES:	**.8180-41; .8250-70; .8370-.8400; .8500;** .8580; **.8630-67**
	SUPP:	**.**8115; .8020-00; **.7950-80;** .7850-00; **.7750-.7694 (OCT '08 low)**
EUR/AUD:	**RES:**	1.2880-1.2900; **1.3000-1.2925; 1.3200-30;** 1.3350
	SUPP:	**1.2650; 1.2480-1.2510;** 1.2360; **1.2250; 1.2170-33; 1.2000**

We hope you find this helpful.

-Rohr
(www.rohrintl.com)
Rohr-*Blog*: Extended Observations, Calendar & Events Perspective, Tech & Comments
(http://rohrintlblog.wordpress.com/)
