ROHR INTERNATIONAL

Weekly Report & Event SUMMARY PERSPECTIVE

Monday, December 3, 2012

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

▪ **Macro-Technical Trend Perspective: Back to Agony from Ecstasy on the Fiscal Cliff. It is indeed painful to watch the wholly political impasse in Washington DC. There is no good reason the Fiscal Cliff should be a problem if partisan stands could be adjusted.** Yet, it is very hard for either side to compromise to any degree without appearing to their very partisan constituents like they didn't fight hard enough. And so it goes. On balance it is the Democrats who have staked out the aggressive position, somewhat predictably in the wake of the President's victory and reasonable success in Congressional races. However, that does not negate the strength of the Republican majority in the House. And the Democrats position is very hard to accept as a serious negotiating position, as noted in our review of the details in last Friday's the *TrendView* **BRIEF UPDATE (http://bit.ly/V91EJO)**. And lack of any obvious common ground was notable in serial interviews of Secretary Geithner and House Majority Leader Boehner by estimable Chris Wallace on FOX News Sunday **(http://fxn.ws/TEAonj)**. [Videos now available along with transcript; select Boehner at the end of the Geithner video.]

The biggest psychological problem with making any progress is Democrats insistence that if Republicans want cuts, they should specify what those might be. Which is to say defenders of a low tax regime who have given some ground on revenues should now also take on the far more unpopular aspect of restoring fiscal balance. And the Democrats who have been more instrumental in ramping up social services spending want to sit back and snipe at whatever the Republicans might propose. This is a blatantly political attempt to portray the Republicans as the 'meanies' who are attempting to steal everyone's benefits to protect the interests of 'the rich'. And the Republicans are just not buying it; nor is anyone else who is well-informed.

And the compounding factor is that either instinctively or on pure politics the Democrats are taking all manner of the most important programs (i.e. the ones that need to be cut to really address the problem) off the table. Medicare and Social Security are especially important. Ultimately the Democrats are the ones who cannot ever identify cuts without alienating some of their base. That's why they always only offer future, indeterminate spending cuts.

▪ **Most Likely Critical Horizons:** The typical big first week of the month is intensified by the Fiscal Cliff negotiation stresses. Nonetheless, the data remains important in the context of a big debate over whether second half growth is stalling. Weakish Manufacturing PMI's from Australia around to the US reinforce the big picture indications from OECD and other well regarded forecasters. Even the half-hearted cheer for Chinese HSBC Manufacturing PMI popping back above 50.0 was only as estimated. Australian and Canadian central Bank decisions are followed by New Zealand, BoE and the ECB. As always statements are more critical, with the ECB press conference the *coup de grâce*. Outside of those there are fewer central bank influences this week. Other prominent indications include Wednesday's global Services PMI's and the UK Fall Budget Statement, and Thursday's German Factory Orders and the odd US Household Net Worth Change (!?) looming large this side of Friday's US Employment report. In fact, effects of Hurricane Sandy may mean it is now less important.

- **Economic Data Highlights:**

Monday: Australia AiG Performance of Manufacturing Index & TD Securities Inflation & Company Operating Profit & Retail Sales & RBA Commodity Price Index, Japan Capital Spending & Vehicle Sales, China Non-manufacturing PMI & HSBC Manufacturing PMI, Euro-zone Manufacturing PMI's, UK Manufacturing PMI, US Markit PMI Final & ISM Manufacturing & Construction Spending & Vehicle Sales.

Tuesday: Japan Monetary Base & Official Reserve Assets & Labor Cash Earnings, Australia Building Approvals & Current Account Balance & Net Exports of GDP, UK Halifax House Price & BRC Sales & Purchasing Manager Index Construction, Spanish Unemployment Change, Euro-Zone PPI, US ISM New York.

Wednesday: Australia AiG Performance of Service Index & GDP, China Services PMI, Euro-zone Services PMI's & Composite & Retail Sales, UK Services PMI, US ADP Employment Change & Productivity & Unit Labor Costs & Factory Orders & ISM Non-Manufacturing PMI.

Thursday: Australia Employment report, Tokyo Average Office Vacancies, French ILO Unemployment Rate, Euro-Zone GDP and associated data, German Factory Orders, UK New Car Registrations & Trade Balance, US Challenger Job Cuts & Initial Jobless Claims & Household Net Worth Change, Canada Building Permits & Ivey PMI.

Friday: Australia AiG Performance of Construction Index & Trade Balance & Foreign Reserves, Japan Leading and Coincident Indices, German Labor Costs & Industrial Production, French Central Government Balance & Trade Balance, Swiss SNB foreign currency reserves, UK Industrial and Manufacturing Production & BoE/GfK Inflation Next 12 Months & NIESR GDP Estimate, US Non-farm Payrolls and associated data & Michigan Confidence & Consumer Credit, Canadian Employment report & Labor Productivity.

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

Monday: BoJ's Nishimura, BOJ's Shirakawa & ECB's Noyer, Bank of England Quarterly FLS Data, ECB's Cœuré, Euro Area Finance Ministers Meeting, Fed's Rosengren, Fed's Bullard.

Tuesday: Reserve Bank of Australia Rate Decision/Statement, EU Finance Ministers Meeting, ECB's Nowotny, ESM's Regling, Bank of Canada Rate Decision and Statement, Fed's Tarullo.

Wednesday: BoJ's Nishimura, RBA's Lowe, UK Chancellor Osborne Autumn Budget Statement in Commons, ECB's Asmussen.

Thursday: Reserve Bank of New Zealand Rate Decision and Statement, RBA's Debelle, Spanish Markets Closed for Constitution Day Holiday, EU's Regling, Bank of England Rate Decision and Statement, ECB Main Refinancing Rate and Deposit Facility Rate Decision and Statement, ECB's Draghi post-Rate Decision Press Conference, ECB's Asmussen, EU's Barnier, Bank of Canada Releases Financial System Review.

Friday: Austrian Central Bank presents Economic Outlook, ECB President Draghi & Hungary Central Bank Chief Simor speak, ECB's Weidmann.

- **Government Debt Auctions or Operations:**

Monday: Germany.
Tuesday: Japan, UK announcement.
Wednesday: Australia, Spain, Germany.
Thursday: Japan, France.
Friday: Australia, Italian announcement.

Concise Market View

▪ **It was very obvious that the US Fiscal Cliff threat was the primary equities driver on the post-election break. And rightfully so on some levels, because the pressure on the still somewhat fragile US economy from any major spending cuts and tax increases would likely be as major in the near term as the Cassandra's would tell us. Yet the bonhomie that came out of the November 16th US political meeting sent the December S&P 500 future back up to and above the 1,400 area. What is most interesting is how well it has held in spite of the subsequent highly partisan breakdown in 2013 budget negotiations.**

While there was an animated discussion on the weekend talk shows (FOX News Sunday serial interviews of Geithner and Boehner after the advert **http://fxn.ws/TEAonj**), there still does not appear to be any significant compromise on the table. A Republican response to the extremely aggressive initial Democrat proposal was dismissed out of hand today; ostensibly in less time than it would have taken to read it. The bottom line is that after the President left the door open to increased revenue with no tax rate increase, he and his minions now seem bent on getting an overt tax rate increase on 'the rich'. Along with proposing significant spending increases that were not part of any previous discussion, they know the tax rate increase is an anathema to the Republicans due to the commitments to some of their more aggressive constituents.

All of which will also need to be digested by the equities in the context of generally weakening economic data. Yes, there have been some bright spots out of the US and even China. but Europe remains damaged and the UK is still quite weak as well. So how do we square the QE-Fiscal Cliff-mixed data circle… technically of course. And the projections and comments below are freshly updated as of today's US Close. These will be followed tomorrow by a fresh full set of **Current Rohr Technical Projections - Key Levels & Select Comments**, updated as of today's US Close as well. In the meantime, here's what the highlighted markets look like.

December S&P 500 Future: Stalling near 1,425-30 DOWN Break, congestion and weekly MA 41 not impressive. MACD's same as DJIA, with key lower support remains 1,389-87.

	RES:	1,415-18; **1,425-30;** 1,445; **1,450; 1,460; 1,465-67; 1,474.50**
	SUPP:	**1,399-1,402; 1,389-87; 1,375-72; 1,355-50;** 1,338-35; **1,323-20**

Government Bond Futures: Govvies were not acting well during the equities recovery from the US post-election Fiscal Cliff selloff. Yet, they also only dropped to supports, and recovered nicely spite of the equities rally last week. Although under some pressure at present, they are holding important previous support: December T-note did not even hit 133-00, December Gilt held 119.30-.00 again, with the December Bund holding 142.62-.30. That is important: typical early expiration is Thursday, and March Bund is up at 144.30.

DEC T-note:	**RES:**	**134-04/133-26;** 134-15; **134-30/135-06; 135-29; 136-24/137-00**
	SUPP:	133-10/-08; **133-04/132-24; 132-10/-02 (Jan '12 hi); 131-21/-16**
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:**	**143.50-.75; 144.17;** 145.17; **145.70-.88;** 146.28-.44; **146.89**
	SUPP:	**142.30-.62;** 141.70; **141.30-.00; 140.00-139.60; 139.34**

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 another selloff below .8000 area no surprise. QE-driven equities rally makes that a fair result. Yet never convincingly below .7915 broad Tolerance, and now that area takes on more importance due to the advance of a major channel support over the past month-and-a-half.

RES: .8015-00; .8070-50; .8150-80; .8225-60; .8300; **.8335-55; .8450**

SUPP: .7925-15; .7860-10; .7680-50; .7500; .7472-50

EUR/USD: The upside follow-through was impressive in wake of all the various forms of ECB and Fed QE, evidenced in the early September push back above 1.2500-1.2450 area. Even the vigorous test of 1.2750 area was not enough to turn weekly MACD back DOWN. Yet even back above 1.3000 burden of proof on bulls to sustain activity above 1.3080.

RES: 1.3080; **1.3250-80; 1.3450-1.3550;** 1.39; **1.40-1.41; 1.4250**

SUPP: 1.2950-1.3000; 1.2860; **1.2750;** 1.2600-38; **1.2500-1.2450**

GBP/USD: Much as with EUR/USD above 1.2500-1.2450, the August push above 1.5750 key weekly MA's, Fibonacci and congestion last month led to a full extension to major 1.6300 area April high. Yet failure below interim 1.6150 area led to failure below far more critical 1.6000-1.5950. Needs a bit of a further push up to turn Weekly MACD UP as well.

RES: 1.6150; **1.6250-80;** 1.6302 (APR hi); 1.6400; **1.6500; 1.6620**

SUPP: 1.6000-1.5950; 1.5880-1.5900; 1.5750; 1.5650-00

USD/JPY: After February rally above key resistances at 78.35 and 79.50 were UP Breaks, not a surprise that fueled the extended rally through serial resistances. Yet 84.00-.50 was key resistance, and failure below 82.00 area fed further failure. Holding lower supports and not be able to drop back below 79.00 in November has led to a much more major confirmation of an overall UPturn. While stalled for now at the low end of 82.85-83.30, as long as setbacks hold the mid-81.00 area is probably still bullish in the near-term.

RES: 82.25-.00; **82.85-83.30;** 84.00-.50; **85.54-.94; 87.50-.00 (DN Brk)**

SUPP: 81.50-.78; 80.70; 80.25; **79.56;** 78.90; **78.30-.45; 77.00-76.75**

AUD/USD: Commodity currency recovered better on equities rally than recent phases, but still no push through key 1.04-1.05 area on this rally. That leaves it fairly vulnerable on weekly MACD only marginally back UP, with overall equities decision a major driver.

RES: 1.0500-1.0450; 1.0615-25; 1.0750; 1.0850; 1.1000-67

SUPP: 1.0350; **1.0250-20;** 1.0150-00; **1.0000-.9950; 9810-00; .9705**

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. That is all relatively modest now in the context of Japanese yen weakness. Whether that is an election rhetoric-driven swing or recognition of extended Japanese demographic and industrial problems is yet to be seen. Yet the yen technical trend is still very weak.

EUR/JPY:	**RES:**	**107.50-108.00;** 110.00; **111.62-.85;** 114.18; **115.70-.116.00**
	SUPP:	106.50; **105.50; 104.30 (DN Brk); 103.00-102.40; 101.30-.65**

EUR/GBP: British pound losing strong sister status since mid-November overall in spite of repeated euro recovery failures to .8150 resistance; also October key resistance retest failure as well. The .7950-.8000 area remains critical as UP Break as well as congestion.

	RES:	**.**8115; **.8180-41; .8250-70; .8370-.8400; .8500;** .8580
	SUPP:	.8020-00; **.7950-80;** .7850-00; **.7750-.7694 (JUL '12/OCT '08 los)**
EUR/AUD:	**RES:**	**1.2650;** 1.2880-1.2900; **1.3000-1.2925; 1.3200-30;** 1.3350
	SUPP:	**1.2480-1.2510;** 1.2360; **1.2250; 1.2170-33; 1.2000**

We hope you find this helpful.

-Rohr
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