

# ROHR INTERNATIONAL

## Weekly Report & Event SUMMARY PERSPECTIVE

Monday, December 17, 2012

*“Chance favors the prepared mind.” –L. Pasteur*

▪ **Macro-Technical Trend Perspective:** Just a bit less acrimony on the US Fiscal Cliff. But does the aftermath of today’s meeting between Speaker Boehner and the President that included Secretary Geithner provide a basis for a real compromise? At least part of the answer, yet also an indication of how contentious things remain was apparent in extensive discussion during this evening’s CNBC Kudlow Report (<http://bit.ly/V52BH9>). In case it is not clear from what is said during this segment, Democrats are seemingly offering \$1 trillion of cuts, yet are still demanding \$1.4 trillion revenues. The latter remains anathema to Republicans, and Boehner’s response was to cede the top income tax rate going up to the 39.6% the President has requested... but only on those earning \$1 million or more. In other words, still not allowing a hike on most top earners. Which may be the appropriate response to the fact Democrats spending ‘cuts’ include \$200 billion in ‘saved interest’ on not spending more, which is not really a cut of entitlements by anyone’s reckoning; except under the typical Washington DC political class ‘fuzzy math’. None of this is intended as a partisan statement, as the clip amply shows the degree of that. Maybe the best sign this is not anywhere near a deal as yet was Senate Majority Leader Harry Reid’s indication his troops should be ready to return to Washington DC December 26<sup>th</sup> to continue work on this. And yet the press seems intent on characterizing each development as tantamount to the Fiscal Cliff being avoided.

While we do not want to remain inordinately skeptical, it seems to us the two sides are much farther apart at present than the headlines will allow. That said, will the equities succumb to any lack of meaningful progress by the end of this week? That is anybody’s guess. Might it be another July 2011 situation that only hits if there is no deal by the end of next week? Maybe. But we will be out on holiday, and anyone with any sense will have risk dialed way down.

▪ **Most Likely Critical Horizons:** Economic data releases are fairly light early this week, yet accelerate between Wednesday and Friday. That is due to a certain degree to early releases of data that the powers-that-be do not want to delay until the holiday week. Just one example is the typical school break fomenting the release this Friday of Final University of Michigan Consumer Sentiment. Is it really the ‘final’ December indication? That’s not realistic in light of however the Fiscal Cliff negotiation might affect it; but that’s what we get. And the light data we have seen so far remains fairly weak from China right across to the US; which reinforces our point on the Fiscal Cliff merely being the tip of the economic drags iceberg the market will need to deal with into next year. That said, the Fiscal Cliff is the dominant influence in a week that will see tomorrow’s Euro-zone Trade Balance and US Empire Manufacturing, followed on Wednesday by German IFO, Italian Industrial Orders and Bank of England Meeting Minutes, along with US Housing Starts. Thursday sees a BOJ Rate Decision and Statement that may be more interesting in light of election results, China Leading Index, Euro-zone Construction Output, and Retail Sales from Italy, the UK and Canada, along with US Existing Home Sales, Philly Fed and Leading Indicators. Friday sees no Asian data, but German, Italian and UK Consumer Confidence, US Income and Spending, Durable Goods and Michigan Confidence.

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▪ [Economic Data Highlights:](#)

**Sunday:** China Actual FDI, Japan National Election.

**Monday:** Japan Nationwide and Tokyo Department Store Sales, UK Rightmove House Prices, Euro-zone Trade Balance, Canada International Securities Transactions & Existing Home Sales, US Empire Manufacturing & TIC Flows.

**Tuesday:** Australia Conference Board Leading Index, China Property Prices, UK CPI & RPI & PPI, US Current Account Balance & NAHB Housing Market Index.

**Wednesday:** Australia Westpac Leading Index, Japan Merchandise Trade Balance & All Industry Activity Index & Leading and Coincident Indices, German IFO, Euro-zone Current Account & Construction Output, Italian Industrial Orders and Sales, Canada Wholesale Sales and Inventories & House Price Index, US Housing Starts & Building Permits.

**Thursday:** Conference Board China Leading Index, German Producer Prices, Italian Retail Sales, Euro-zone Consumer Confidence, UK Retail Sales, Canada Retail Sales, US Personal Consumption & Initial Jobless Claims & Philly Fed & Existing Home Sales & Leading Indicators.

**Friday:** German GfK Consumer Confidence, French Own Company Production Outlook & Production Outlook Indicator & Business Confidence indicator, UK GfK Consumer Confidence & Public Finances & GDP & Current Account & Total Business Investment & Index of Services Italian Consumer Confidence, Canada GDP & CPI, US Personal Income and Spending & Personal Consumption Expenditure Core & PCE Deflator & Chicago Fed Nat Activity Index & Durable Goods Orders & Michigan Confidence & Kansas City Fed Manufacturing Activity.

▪ [Central Banks, Finance Ministry & Political influences:](#)

**Monday:** RBA's Debelle, Bundesbank Monthly Bulletin, ECB's Draghi, ECB's Constancio, Fed's Stein, Fed's Lacker.

**Tuesday:** RBA December Meeting Minutes, Riksbank Press Conference, Publication of major Bank of England supervision report, BoE Summary Quarterly Bulletin, Fed's Fisher.

**Wednesday:** Bank of England Minutes of the DEC 5-6 MPC Meeting.

**Thursday:** Bank of Japan Rate Decision and Statement & Convenience Store Sales, RBA Quarterly Bulletin, BoE's Jenkins.

**Friday:** Japan Cabinet Office Monthly Economic Report.

▪ [Government Debt Auctions or Operations:](#)

**Monday:** US.

**Tuesday:** Spain, Greece, US.

**Wednesday:** US.

**Thursday:** Italian announcement, US.

**Friday:** Italian announcement.

[Concise Market View](#)

▪ **It was very obvious that the US Fiscal Cliff threat was easing from the market activity over the past couple of weeks. First the soon-to-expire December S&P 500 future and then the March contract could not drop back below the 1,400 area even on 'bad' news.** Daily DOWN Closing Price Reversals (CPR) in each of the past two weeks not driving more weakness was a sign the negotiations could buoy the equities. Whether this means a deal will be reached by the end of the year or is ultimately bullish next year is moot until next week.

That both sides are still speaking seems enough to encourage the equities for now. The near term technical key will now be whether **March S&P 500 future** does a better job of pushing above lead contract and March contract 1,425-30 resistance that the December contract after the disappointing Fed communication last week. If so, look for a test of the 1,450 area or higher. If not, another test of the 1,410-00 area is likely. In any event, whether any Fiscal Cliff deal that looks at all meaningful is reached by the end of this week (i.e. allowing time for it to be put into law between Christmas and New Year) will likely be the key to how the markets finish the week.

And we say 'markets' because the direct and inverse intermarket influences seem to be back in force after a time when those relationships were distended and distorted. In particular, after they were able to ignore it for a while into the early part of the month, the **govvies** do not seem to like the current sustained bid in equities one bit. Even strong sister **March Bund future** is giving up its key near term 145.20-.00 support, which points toward lower supports in the upper-mid 143.00 area. The US Dollar Index has similarly slipped back below the .8000 area, even if the .7915-.7860 area is also its far more critical support.

And all other indications noted below are affected to some degree by the equities performance, with the possible exception of the domestic politics-driven trend of the Japanese yen. As these are the fresh projections from the latest set of **Current Rohr Technical Projections - Key Levels & Select Comments** updated this afternoon, we will let them speak for themselves.

**March S&P 500 Future:** Shift to March contract as front month right back up to 1,425-30 looks very good, yet also critical for weekly MACD still DOWN. 1,450 next real resistance.

RES: 1,414-17; **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:** Recent equities push higher on Fiscal Cliff negotiations looking better have weighed on March contracts; even the better looking premium priced German Bund. Dropping back below its 145.20-.00 congestion and weekly UP Break not a good sign; a mid-143.00 support test is likely. March T-note below 133-00 seems headed for a retest of more major 132-00/131-16. Weak sister Gilt is late expiration of December contract means March can retest mid-117.00 support with lead contract holding 118.25.

MAR T-note: RES: **133-04/132-24**; 133-10/-08; **134-04/133-26**; 134-15

SUPP: **132-04/-02** (Jan '12 hi); **131-21/-16**; **130-20** (DEC 2008 hi)

MAR UK Gilt: RES: **118.50-.25**; **119.30-.52**; **120.00-.25**; **121.00-120.80**; **121.50**

SUPP: 117.57 (OCT low); **117.00**; 116.30-.00; 115.75-.50; 114.50-.30

MAR Bund: RES: **145.00-.20**; **145.70-.88**; 146.28-.44; **146.89**

SUPP: 144.17; **143.50-.75**; **142.30-.62**; 141.70; **141.30-.00**

### June 2013 Short Money Forward Future

Eurodollar: RES: **99.73** (topping line); **99.81** (OSC)

SUPP: **99.675** (SEP highs); **99.645**; **99.60-.59** (AUG 2011 High); 99.55

**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/upper .7800 support. That area now 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 initially in early September push above 1.2500-1.2450 area. Yet even back above 1.3000 and interim 1.3080, it has stalled for now at no better than 1.3150-70 major Fibonacci retracement it stalled at in September. Both MACDs UP.

**RES:** 1.3170; 1.3250-80; 1.3450-1.3550; 1.39; 1.40-1.41; 1.4250

**SUPP:** 1.3080; 1.2950-1.3000; 1.2860; 1.2750; 1.2600-38

**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 led to a full extension to major 1.6300 area April high. Current recovery back above critical 1.6000-1.5950 and interim 1.6150 good, yet area still needs to push above 1.6300 to confirm overall bull trend extension.

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

**SUPP:** 1.6150; 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 on that selloff has led to a much more major confirmation of an overall Upturn. While stalled temporarily back into 82.85-83.30, mid-82.00 area now support after push above. And the 84.00-.50 remains important post-election resistance this side of more major 85.54-.94.

**RES:** 84.00-.50; 85.54-.94; 87.50-.00 (DN Brk); 89.40; 91.00

**SUPP:** 82.85-83.30; 82.25-.00; 81.50-.78; 80.70; 80.25; 79.56; 78.90

**AUD/USD:** Commodity currency better on equities rally than recent phases, but less than impressive so far back above key 1.0450-1.0500 area on this rally. That perversely leaves weekly MACD finally UP, yet with daily MACD at risk of turning DOWN on any slippage.

**RES:** 1.0615-25; 1.0750; 1.0850; 1.1000-67

**SUPP:** 1.0500-1.0450; 1.0350; 1.0250-20; 1.0150-00; 1.0000-.9950

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

**EUR/JPY:** **RES:** 111.62-.85; 114.18; 115.70-116.00

**SUPP:** 110.00; 107.50-108.30; 106.50; 105.50; 104.30 (DN Brk)

**Foreign Exchange: Cross Rates: (continued)**

**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: .8180-41; .8250-70; .8370-.8400; .8500; .8580**

**SUPP: .8115; .8020-00; .7950-80; .7850-00; .7750-.7694**

**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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