Rohr International

Weekly Report & Event Summary Perspective

Tuesday, January 8, 2013

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

▪ **Macro-Technical Trend Perspective: December data driving strength… to continue? It is certainly possible, but the signs are not propitious. That said, there is natural bias in favor of the bulls early-to-mid January. The bears will need to temper their negative view until later this month in respect of bullish fundamentals and a strong tech setup.** Acceleration of salary, capital gains and dividends into late 2012 to avoid US tax increases commencing on January 1st was glaringly apparent. While this also will have the effect of tax revenues from various 2013 tax hikes falling short of projections, it left many individuals in the US feeling at least a bit 'flush' at the end of last year. That likely contributed to the better than expected spending (even if holiday purchases fell short) and psychological indications.

However, it is very possible this was merely accelerated spending borrowed from the future; much like the auto industry effect from the Cash for Clunkers program. There is a very good analysis from TrimTabbs' Founder & CEO Charles Biderman in one of his *Daily Edge* videos **(http://bit.ly/WkChW7)**. There is also quite a bit of analysis of how the current economic data sets are not a true reflection of US economic activity. And even beyond all that is one of the most telling US economic indicators for future employment growth: NFIB (National Federation of Independent Business) Small Business Confidence that is very weak again this month after a disastrous November reading. The improvement to 88.00 from 87.50 masks truly troubling aspects of this poll. For a look at the summary and key discussion with NFIB Chief Economist William Dunkelberg, check the CNBC interview **(http://bit.ly/13fNRYz)**, where even normally balanced Steve Liesman notes the November reading was worse than 9/11 and almost as bad as the Lehman Brothers collapse response. Further hiring in 2013? Not right away.

And everyone should expect Washington DC will remain a source of economic headwinds and headline stress. Everyone except an Obama administration that is looking for more tax revenue admits Fiscal Cliff avoidance compromise was a bad deal, and did little to address the long term US fiscal problem. And notwithstanding the President's admonition that he "will not negotiate" on the next US Debt Ceiling hike, that battle is forming due to Republican need to press the spending cuts issue. As such, small business has no interest in expanding due to the Rumsfeld-esque 'certain uncertainties', and higher payroll taxes on the working class.

▪ **Most Likely Critical Horizons:** Economic releases are typically a bit lighter after the US Employment report, yet still telling on a lot of data out of China this week. After a quiet day yesterday today has brought us still weak Australian and Euro-zone data and the US NFIB noted above. Wednesday is a bit lighter once again, yet it still includes Chinese Industrial Production, Retail Sales and CPI along with Australia Retail Sales and German Industrial Production. Thursday sees the most critical influences from Chinese Business Climate Index, Entrepreneur Confidence, New Loans, Trade figures, Foreign Exchange Reserves and Money Supply, with a modest amount of European and US data is overshadowed by the BoE and ECB meetings and ECB press conference followed by some serious central bank-speak. Friday sees limited US data (Trade Balance and Import Price Index) preceded by also limited Asian and European economic data, including UK and Spanish Industrial Production.

▪ **Economic Data Highlights:**
Monday: Japan Monetary Base & Vehicle Sales, German Wholesale Price Index, Euro-zone Sentix Investor Confidence & PPI, UK Lloyds Employment Confidence & New Car Registrations, Canada Ivey Purchasing Managers Index.

Tuesday: Australia AiG Performance of Construction & Trade Balance & Reserves, German Trade figures & Current Account & Factory Orders, Italian Trade Balance & Unemployment Rate, Euro-zone Retail Sales & Unemployment Rate & Various Confidence indications, US NFIB Small Business Optimism & IBD/TIPP Economic Optimism & Consumer Credit.

Wednesday: China Industrial Production & Retail Sales & CPI & Fixed Assets Investment Excluding Rural, Australia Job Vacancies & Retail Sales, UK BRC Shop Price Index & Trade figures, German Industrial Production, US MBA Mortgage Applications, Canada Housing Starts.

Thursday: China Business Climate Index & Entrepreneur Confidence Index & New Yuan Loans & Trade figures & Foreign Exchange Reserves & Money Supply, Australia Building Approvals, French CPI & French Industrial Production, US Initial Jobless Claims & Wholesale Inventories & JOLTs Job Openings, Canada New Housing Price Index & Building Permits.

Friday: Japan Trade Balance & Current Account Balance & Bank Lending & Eco Watchers Survey: Outlook & Current, China CPI & PPI, Spanish Industrial Production, UK Industrial & Manufacturing Production & NIESR GDP Estimate, US Import Price Index & Trade Balance & Monthly Budget Statement.

▪ **Central Banks, Finance Ministry & Political influences:**
Monday: ECB's Draghi.

Tuesday: ECB's Asmussen.

Wednesday: Reserve Bank of Australia 'Chart Pack' of the global economy.

Thursday: Bank of England Rate Decision and Statement & Asset Purchase Target, ECB Rate Decision and Statement, ECB's Draghi post-rate decision press conference, Fed's George, Fed's Bullard, ECB's Draghi, ECB's Asmussen, BOC's Macklem, Fed's Kocherlakota.

Friday: Fed's Plosser.

▪ **Government Debt Auctions or Operations:**
Monday: Germany, Italian announcement.
Tuesday: Japan, UK, European Stability Mechanism, Italian announcement, US.
Wednesday: Germany, US.
Thursday: Japan, Spain, Italy, US.
Friday: Italy.

Concise Market View

▪ **As we noted last week, avoidance of the US Fiscal Cliff plunge with no meaningful spending cuts was a real fillip for equities, and the predictable burden on the primary government bond markets. This was a return to a full 'risk on' mentality in the near term.** Whether that maintains across time will be interesting to see as we head into the refocus on spending cuts that the Republicans will surely demand as a *quid pro quo* for raising the US Debt Ceiling in either late February or early March. Notwithstanding the President's statement cited above, the Republicans are *NOT* going to surrender one of their last bits of leverage over the budget process. And as noted above, there is a very good question over whether the strength in the current economic data will maintain into the heavier headwinds in store throughout 2013.

Yet for now the continuation of US government spending and avoidance of an overt tax increase on the vast majority of Americans is being very well-received by equities. The **March S&P 500 future** finishing Monday not much worse than the explosive rally 1,457.10 Close from last week Wednesday is a sign that even any near term setbacks are still being met with good buying. It is up to the bears to show it can weaken even as far as a near term failure back below the higher reaches of the 1,445-40 gaps. While that might only bring a correction to the heavier congestion at the low end of the gaps in the pre-election 1,425-30 area, it will at least defuse the more aggressive upside potentials. Those include a more vigorous test, or even potential violation of the 1,465 and 1,474.50 (major lead contract September high) resistances. Those remain very critical as well, with any violation not seeing further significant resistance until low-1,500 area.

Maybe the very aggressive further upside Objectives are in fact a disincentive for the equities to push through those highs for now. Especially in light of the modest expectations for corporate earnings improvement this year (and not everyone agrees with those), the low 1,500s would seem more so a fair objective for the entire year rather than an early year target. We shall see.

This upbeat psychology has weighed on **primary govvies** in a significant way. **March Gilt future** sank below its important 117.00 support. That turns that area into resistance, and puts it back into an entire lower range with next major supports not until mid-114.00 and mid-113.00. **March Bund future** also failed on the back of the slightly more hawkish than expected FOMC minutes. Below key 143.75-.50 support pointed to at least the mid-142.00 support (which it immediately hit) or lower. **March T-note future** has only just barely sagged below its critical 131-16/-12 support. This is holding up much better in the wake of that less accommodative quantitative easing aspect of the FOMC minutes.

It is also of note that the **US Dollar Index** fared so well prior to the FOMC minutes, and has now carried on above .8000 that should be support on subsequent tests. Along with that it was very odd that the euro and British pound should have done so poorly overall in what was perceived to be a fresh 'risk on' environment. A sign the weight of European recessionary tendencies is not going to favor capital flows in Europe? Even back above 1.3000 and 1.3150-70 major Fibonacci retracement **EUR/USD** stalled and failed into next real resistance in 1.3250-80 range. All the more telling with weekly MACD UP, but daily MACD just turning back DOWN even though near term support is in the 1.3000 area. **GBP/USD** very temporary extension above 1.6300 serial highs also only failed back below it by last Wednesday's Close. That said there is still good support at 1.6000-1.5950, and Sterling does seem to be firming against the euro.

But the really aggressive trend in foreign exchange remains with the sharp weakening of the Japanese yen. After the **USD/JPY** February rally above key resistances at 78.35 and 79.50 were UP Breaks, 84.00-.50 was key resistance. The March failure back below 82.00 area led to a prolonged test of those UP Breaks once again. Yet holding there has led to a much more major confirmation of the overall UPturn. Now back above 82.85-83.30, 84.00-.50 and 85.54-.94 left it even pushing above far more critical 87.50-.00 resistance last week. As far gone as that trend may feel, it was also a fresh UP Acceleration out of the up channel from the early November 79.00 area low. With no additional significant resistance until the 91.00 area, it can just keep going if it holds 87.50-.00 on any near term setback. Our intermediate term Objectives remain 94.00-95.00 and the 105.00 area.

All of the technical indications below are the same the **Current Rohr Technical Projections - Key Levels & Select Comments** based on last Wednesday's US Close. They remain relevant for current markets, and will be updated prior to Thursday's ECB meeting and press conference.

March S&P 500 Future: Right back up to higher end of 1,350-1,460 range looks very good. Yet high end of range also weekly Oscillator resistances with weekly MACD still DOWN.

RES: **1,460; 1,465-67; 1,474.50; 1,485-90;** 1,510; **1,526;** 1,545

SUPP: **1,450;** 1,445; **1,425-30;** 1,414-17; **1,399-1,405; 1,389-87**

Government Bond Futures: Recent equities push higher on Fiscal Cliff negotiations looking better weighed on govvies. Even premium priced German Bund future dropping back below its 145.20-.00 congestion and weekly UP Break not a good sign; a mid-143.00 support test is likely once again. March T-note future below 132-00 possibly headed for a retest of more major 131-16/-12. Weak sister March Gilt future below 118.50-.25 is already retesting mid-117.00 support, even if more critical historic support down into 117.00 area.

MAR T-note: RES: **132-08/-05 (Jan '12 hi); 133-04/132-24;** 133-10/-08; **134-04**

SUPP: 131-24; **131-16/-12; 130-20 (12/08 hi); 129-24/-16; 129-00/128-14**

MAR UK Gilt: RES: 117.57 (OCT low); 118.00; **118.50-.25; 119.30-.52; 120.00-.25**

SUPP: **117.20-.00;** 116.30-.00; 115.50; **114.50; 113.61-.28;** 112.50

MAR Bund: RES: 144.17; **144.50; 145.00-.20; 145.70-.88;** 146.28-.44; **146.89**

SUPP: **143.50-.75; 142.30-.62;** 141.70; **141.30-.00; 140.00-139.60**

June 2013 Short Money Forward Future

Eurodollar: RES: **99.705 (DEC high); 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 advance of major channel support and 'risk on' implications of Fiscal Cliff deal.

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 1.3150-70 major Fibonacci retracement it has stalled into next real resistance in 1.3250-80 range. Weekly MACD UP, but daily MACD just DOWN.

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

SUPP: **1.3170;** 1.3080; **1.2950-1.3000;** 1.2860; **1.2750;** 1.2600-38

Foreign Exchange: US Dollar (continued)

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 still needs to sustain above 1.6300 to confirm bull trend. Support still 1.6000-1.5950.

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

SUPP: **1.6250-80;** 1.6150; **1.6000-1.5950; 1.5880-1.5900; 1.5750**

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 selloff has led to a much more major confirmation of the overall UPturn. Now back above 82.85-83.30, 84.00-.50 and 85.54-.94 leaves it into far more critical 87.50-.00 area.

RES: **87.50-.00 (DN Brk);** 89.40; **91.00; 92.50-93.00;** 93.80; **95.00**

SUPP: **85.54-.94;** 84.00-.50; **82.85-83.30;** 82.25-.00; **81.50-.78;** 80.70

AUD/USD: Commodity currency better on equities rally than recent phases, but less than impressive only just above top of 1.0450-1.0500 area so far on rally. Perversely leaves weekly MACD finally UP, yet with daily MACD at still just DOWN after recent slippage.

RES: **1.0615-25; 1.0750; 1.0850; 1.1000-83 (07/11 high); 1.1250**

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 a post-election policy-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:** **115.70-.116.00; 117.00-.50;** 118.50; **119.65-120.00**

SUPP: 114.18; **111.62-.85;** 110.00; **107.50-108.30;** 106.50; **105.50**

EUR/GBP: Pound lost strong sister status since mid-November in spite of repeated euro failures to .8150 resistance; and recent false UP Break above it as well. The .7950-.8000 area remains critical UP Break and congestion; important with daily MACD DOWN now.

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

SUPP: **.8115-00;** .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
(www.rohrintl.com)
Rohr-*Blog*: Extended Observations, Calendar & Events Perspective, Tech & Comments
(http://rohrintlblog.wordpress.com/)
