

# Rohr International

## Weekly Report & Event SUMMARY PERSPECTIVE

Tuesday, January 22, 2013

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

▪ **Macro-Technical Trend Perspective:** Equities bid extends to confirm continued rally. As we have noted since the top of the year, there is natural bias in favor of the bulls until the later part of January. The bears will need to temper their negative view until later this month in respect of bullish sentiment and the strong technical trend setup. And that technical tendency confirmed continued extension with last week's strong March S&P 500 future Close above September 1,474.50 high; also a new 5-year high. The bears can argue with the bulls on all manner of economic perception and practice to do with higher taxes, more aggressive regulation, and now protectionism obvious in competitive exchange rate adjustments by some of the developed economies. In other words, back to our old focus on *Taxulationism*<sup>1</sup>. Yet, the final analysis all of the complex background does not change the fact that the price trend decision remains 'binary'. And as we reviewed earlier today in our ... '**Sherlock Holmes' Equities Psych Rohr-Blog** (<http://bit.ly/gMYZ1p>) post, the **March S&P 500 future** has decided that the inability of the bears to push the market back below last Thursday's 1,470.70-1,465.60 gap was a sign it was going to proceed higher now. And that seems to sum up the sense of the trend perspective right now, as continued central bank quantitative easing and no rationalization of US government spending is supporting a fairly upbeat psychology. Even though the latter might come into question sometime soon, it will not be until sometime next month. All of which will support equities near-term advance. Whether and when that will weigh on the primary government bond markets is yet to be seen, as they remain more resilient than expected in the face of equities strength. In light of strong performances by Gold and energy as well, govvies firmness is impressive (more below.)

▪ **Most Likely Critical Horizons:** While there was the obvious influence of the somewhat less than aggressive BoJ and Japanese government anti-deflation program (curiously deferred into the top of 2014) this morning in the wake of a quiet Monday, there was much else on which to focus. Essentially there was stronger data in Europe (German ZEW) and some real disappointment on US Existing Home Sales and Richmond Fed Index. Wednesday brings the Australian Westpac Leading Index and Chinese Leading Index, UK Employment data and the US House Price Index. However, those are likely less important than the start of the Davos World Economic Forum, Bank of England MPC Meeting Minutes, Bank of Canada Rate Decision and Statement and the IMF World Economic Outlook Update. Davos will remain an *ad hoc* influence throughout the week as Thursday also brings Japanese Trade figures, China HSBC Flash Manufacturing PMI, Spanish Unemployment, Euro-zone Advance PMI's, Italian Retail Sales, UK BBA Loans and CBI Reported Sales, US Initial Jobless Claims, Markit US PMI Preliminary, Leading Indicators & Kansas City Fed Manufacturing Activity. Both Thursday and Friday are quieter on the central bank influence as well, yet Friday's data includes Japan National and Tokyo CPI and Small Business Confidence, China MNI Business Sentiment, German IFO, UK GDP, Canada CPI and US New Home Sales. A pretty big finish this week.

<sup>1</sup>Taxulationism © 2010 Alan Rohrbach & Jack Bouroudjian. All international rights reserved unless waived.  
Def.: Combined impact of taxation, regulation and protectionism to an oppressive degree as official policy.

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## **▪ Economic Data Highlights:**

**Monday:** Australia Producer Price Index, Japan Machine Tool Orders, German Producer Prices, Canada Wholesale Sales, UK Rightmove House Prices.

**Tuesday:** Japan All Industry Activity Index & Leading and Coincident Indices, UK Public Finances & CBI Business Optimism and Total Orders, Euro-Zone and German ZEW Surveys, Spanish House Price Index & Trade Balance, Canada Retail Sales, US Richmond Fed Index & Chicago Fed National Activity Index & Existing Home Sales.

**Wednesday:** Australia Westpac Leading Index & CPI, China Conference Board Leading Economic Index, UK Employment and Earnings figures and BoE Agents' Summary of Business Conditions, Euro-Zone Consumer Confidence, US House Price Index.

**Thursday:** Japanese Trade, China HSBC Flash Manufacturing PMI, Spanish Unemployment Rate, German Import Price Index, Euro-zone Advance PMI's & Current Account, Italian Retail Sales, UK BBA Loans for House Purchase & CBI Reported Sales, US Initial Jobless Claims & Markit US PMI Preliminary & Leading Indicators & Kansas City Fed Manf. Activity.

**Friday:** Japan National and Tokyo CPI & Small Business Confidence, China MNI Business Sentiment Indicator, German IFO, UK GDP, Canada CPI, US New Home Sales.

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

**Monday:** German Bundesbank Monthly Report, EMU Finance Ministers Meet in Brussels, Bundesbank's Weidmann, US Markets Closed for Martin Luther King Day Holiday.

**Tuesday:** Bank of Japan Rate Decision and Statement, EU Finance Ministers Meet in Brussels, ECB's Draghi, BoE's King.

**Wednesday:** Bank of Japan Monthly Economic Report, Start of the Davos World Economic Forum, Bank of England Meeting Minutes, Bank of Canada Rate Decision and Statement, Bank of Canada Monetary Policy Report, IMF Releases World Economic Outlook Update, BoC's Carney holds Monetary Policy Report press conference.

**Thursday:** BoE's Haldane, BoE's Salmon.

**Friday:** BoJ's Shirakawa.

## **▪ Government Debt Auctions or Operations:**

**Monday:** UK.

**Tuesday:** European Stability Mechanism, Spain, UK.

**Wednesday:** Italian announcement.

**Thursday:** Japan, US announcement, Italian announcement, US auction.

**Friday:** Italian announcement.

## **Concise Market View**

**▪ As we noted the past two weeks, avoidance of the dire US Fiscal Cliff plunge with no meaningful spending cuts has been a real fillip for equities. Yet the predictable burden on the primary government bond markets has been less pernicious than might have been expected with the S&P 500 moving up to a new five year high. Might it be as we've noted at times previous that the govvies are the equities smarter older dibbling (i.e. see the problems brewing for later this quarter), or is this just a facet of the extensive global central bank ZIRP (Zero Interest Rate Policy) creating demand for yield in any form?**

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Only time will tell. Yet what we know is most likely to happen in the near term with **March S&P 500 future** above last September's 1,474.50 lead contract rally high is the extension of equities' rally to the low 1,500 area. Both the longer term oscillators and historic congestion tell us that the 1,510 interim resistance and heftier 1,526 historic congestion are reasonable next stops. The only contingency that would Negate those potentials is a spill back below last Thursday's 1,470.70-1,465.60 gap higher. If the bears cannot get it to break back below there soon, then look for those higher resistances to be hit in the reasonably near future. It is a simple matter of process of elimination at this point, as we noted in earlier today in our ...'**Sherlock Holmes' Equities Psych Rohr-Blog** (<http://bit.ly/gMYZ1p>) post... as complex as the background factors may be (and never more so than at present), market direction remains a binary decision.

All of the technical indications below have been evolved from the most recent **Current Rohr Technical Projections - Key Levels & Select Comments** to reflect activity through today's US market Closes. That includes the select comments, and we will be updating those projections after tomorrow's Close to prepare for all of the telling Thursday influences (see above.)

**March S&P 500 Future:** Up through the top of 1,350-1,475 range looks very good. And that is especially as that was also weekly Oscillator resistances. MACD's both UP.

**RES:** 1,485-90; 1,510; **1,526**; 1,545; **1,558.50**; **1,570-1,573.50**

**SUPP:** **1,474.50**; **1,465-67**; **1,460-58**; 1,450; **1,444-40**; **1,425-20**

**Government Bond Futures:** Recent equities push higher on Fiscal Cliff avoidance and continued central bank QE expansion weighed on govvies. Even strong sister March German Bund future below 143.75 fail was also a fresh DOWN Break, with a Tolerance to low 144.00 area. March T-note future recovering from vigorous test of major 131-16/12 is the strong outlier. Weak March Gilt future below mid-117.00 support also failed heavier historic congestion in the 117.00 area. All have stalled at resistances on recent rallies.

**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:** **117.20-00**; 117.57 (OCT low); 118.00; **118.50-.25**; **119.30-.52**  
**SUPP:** 116.30-00; 115.50; **114.50**; **113.61-.28**; 112.50

**MAR Bund:** **RES:** **143.50-.75**; 144.17; **144.50**; **145.00-.20**; **145.70-.88**; 146.28-.44  
**SUPP:** **142.30-.62**; 141.70; **141.30-00**; **140.00-139.60**

## June 2013 Short Money Forward Future

**Eurodollar:** **RES:** **99.66** (SEP highs); **99.705** (DEC high); **99.81** (OSC)  
**SUPP:** **99.63**; **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 .7930-.7860 support. .8000 area now less important due to multiple swings above and back below. .8080 much more important l.t. MA and congestion.

**RES:** .8015-00; **.8080-50**; **.8150-80**; **.8225-60**; .8300; **.8335-55**; **.8450**  
**SUPP:** **.7925-15**; **.7860-10**; **.7680-50**; **.7500**; **.7472-50**

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**Foreign Exchange: US Dollar (continued)**

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, 1.3200 DOWN Break (Negated) and 1.3250-80 range even greater resistance awaits in the 1.3450-1.3550 range. And the question of whether a strong euro is desirable remains. Weekly MACD UP, but daily MACD topping out now.

RES: 1.3450-1.3550; 1.39; 1.40-1.41; 1.4250; 1.4500-80

SUPP: 1.3250-80; 1.3170-1.3200; 1.3080; 1.2950-1.3000; 1.2860

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. Recent failures back below 1.6150 and more prominent 1.6000-1.5950 are fairly ugly. Holding around 1.5828 November low for now, yet real next supports 1.5750 and 1.5500.

RES: 1.5880-1.5900; 1.6000-1.5950; 1.6150; 1.6250-80; 1.6302

SUPP: 1.5750; 1.5650-00; 1.5500-1.5450; 1.5360; 1.5260

USD/JPY: After February rally above key resistances at 78.35 and 79.50 were UP Breaks, near term failure at 84.00-.50 key resistance fed retest of those lower levels. Holding them led to a much more major confirmation of the overall UPturn. Back above 84.00-.50 and 85.54-.94 led to violation of more critical 87.50-.00 area, as that was also top of channel; now UP Acceleration area that remains support, with next resistance not until 91.00.

RES: 89.40; 91.00; 92.50-93.00; 93.80; 95.00; 96.00; 97.75; 99.00

SUPP: 87.50-.00 (NEG DN Brk); 86.75-.50 (2012 Close); 85.54-.94

AUD/USD: Commodity currency better on equities rally than recent phases, but less than impressive just above top of 1.0450-1.0500 area so far on rally with residual resistance in the 1.0600 area. Weekly MACD slightly UP, but daily MACD slipping to back in balance.

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. So its return to strength after last ECB meeting crisis abatement confidence no surprise . All of which seems 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. But yen technical trend still very weak in any event (see above.)

EUR/JPY: RES: 118.50; 119.65-120.00; 1.2274-1.2335; 1.2500-50; 1.2794

SUPP: 117.00-.50; 115.50-116.00; 114.18; 111.62-.85; 110.00

EUR/GBP: Pound lost strong sister status since mid-November in spite of repeated euro failures to .8150 resistance. Last ECB press conference confidence extension above the .8250-70 resistance has fed rally above .8370-.8400 DOWN Break that is now key support.

RES: .8500; .8580; .8670-30; .8800-30; .8880; .8935

SUPP: .8370-.8400; .8250-70; .8180-41; .8115-00; .8020-00; .7950-80

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

**EUR/AUD:** RES: 1.2810-35; **1.3000-1.2925**; 1.3100; **1.3300-1.3260**

**SUPP:** **1.2650**; **1.2480-1.2510**; 1.2360; **1.2250**; **1.2170-33**; **1.2000**

We hope you find this helpful.

-Rohr

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