

Rohr INTERNATIONAL

Weekly Report & Event SUMMARY PERSPECTIVE

Tuesday, February 5, 2013

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

▪ **Macro-Technical Trend Perspective:** Equities resilient in spite of Europe back in play. Regular readers will know that it is not actually any sort of surprise that the assertions by European powers-that-be on "the crisis is over" are now proving less than credible. While the Spanish slush fund scandal and Italian election uncertainty may prove to be tempests in teacups, Greece's inability to secure the private sector portion of its bank bailout funding is telling. The Continent is still in a bit of trouble, and the early year optimism is now waning. That is also true of the US on budget sequester concerns.

While we are hearing from more than a few quarters the rightful plea that 'failure is not an option' on the US budget compromise to avoid the draconian sequester, that doesn't mean Congress will actually craft a solution. The problem is rather than clarifying a path forward, the US election sent more rigid conservatives and liberals to Congress. It is quite interesting to us that markets have proven so sanguine on the likelihood of a compromise in spite of the fact these folks have failed at every turn for the past two years. However, the more critical near-term influence will be various late week activities, beginning with Thursday's ECB rate decision and especially the ensuing press conference. It is no small matter that Thursday is also an IMF-ECB Symposium that coincides with the start of a two-day European Union summit in Brussels, and Friday is the conclusion of Troika representatives' review of Ireland's progress in its fiscal reforms. So while corporate earnings may remain somewhat positive, it is very important to note how prominent an allegedly becalmed Europe has become once again in the spectrum of market influences; especially what Signore Draghi has to say on Thursday.

▪ **Most Likely Critical Horizons:** While it relatively light, it was also a fairly weak economic data day yesterday on Euro-Zone Sentix Investor Confidence and US Factory Orders. However, the global Services PMI's this morning were quite strong (with a few exceptions in Europe) along with an upbeat Reserve Bank of Australia Rate Statement on their no change to the rates and a somewhat better than expected Trade Balance, even if Euro-Zone Retail Sales were quite a bit weaker than expected. Tomorrow is a bit of a lighter day again on just Australia Retail Sales and German Factory Orders. Yet that is followed by 'big time' Thursday beginning with the Australia AiG Performance of Construction Index, Employment report and NAB Business Confidence, Japan Leading and Coincident Indices, and the start of an EU Leaders Summit while new BoE Governor Carney is questioned by UK lawmakers. But that is just the appetizer course, followed by the BoE and ECB Rate Decisions and Statements, and a very important ECB press conference. While January's meeting was a breeze in a benign environment, the political storm clouds loose in Europe again along with Greek bank bailout private funding shortfalls are going to leave this press conference far more fraught. Then it is on to the Fed's Stein, an IMF-ECB Symposium, German and UK Industrial Production, US Productivity and Costs and Initial Jobless Claims, and Canadian Building Permits. It is a bit more subdued on Friday, even if we still see Japan Trade Balance and Eco Watchers Survey, China and German Trade figures, EU Leaders concluding their Summit along with the end of Troika review of Ireland as well as Italian Industrial Production, and the US Trade Balance.

This review of the schedule for official economic report releases and other communication, as well as fundamental or technical trend analysis comments, general news, central bank or finance ministers or political meetings, and specific events is strictly for educational purposes. The information is provided without consideration of portfolio requirements, suitability for financial risk or psychological state of any recipient. Any use of this information to implement actual trades or investments is the sole responsibility of the individual or entity authorizing that decision. This waives your right to claim of explicit or incidental liability for financial loss or forgone profit against Rohr International, Inc. or any of its informational contributors under all circumstances. Information contained herein may have already been disseminated to others who may have acted upon it, including principals or employees of the advisor. By review of previous and following pages you agree in whole with all of these various stipulations.

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• Economic Data Highlights:

Sunday: China Non-Manufacturing PMI.

Monday: Australia TD Securities Inflation & Building Approvals, UK Halifax House Price & Lloyds Business Barometer & PMI Construction, Euro-Zone Sentix Investor Confidence & PPI, US Factory Orders.

Tuesday: Australia AiG Performance of Service Index & House Price Index & Trade Balance, UK BRC Sales Like-For-Like & PMI Services, China HSBC Services PMI, Euro-Zone Individual CountryPMI Services and Composite & Retail Sales, US ISM Non-Manufacturing Index & IBD/TIPP Economic Optimism.

Wednesday: Australia Retail Sales, UK New Car Registrations & BRC Shop Price Index, German Factory Orders, Canada Ivey Purchasing Managers Index.

Thursday: Australia AiG Performance of Construction Index, Japan Machine Orders & I'ntl Securities Purchase Statistics & Leading and Coincident Indices, Australia Employment Change & Unemployment Rate & NAB Business Confidence, German Wholesale Price Index & Industrial Production, French Trade Balance, UK Industrial and Manufacturing Production & Trade figures & NIESR GDP Estimate, US Productivity & Unit Labor Costs & Initial Jobless Claims & Consumer Credit, Canada Building Permits & New Housing Price Index .

Friday: Japan Trade Balance & Current Account Balance & Lending figures & Eco Watchers Survey: Current and Outlook, China Trade figures & CPI & PPI, German Trade figures & Current Account, Bank of France Business Sentiment, Italian Industrial Production, Canada Housing Starts & Employment figures, US Trade Balance & Wholesale Inventories.

• Central Banks, Finance Ministry & Political influences:

Monday: Ireland's Kenny Meets EU's Barroso and Van Rompuy.

Tuesday: Reserve Bank of Australia Rate Decision and Statement, Commission on the Status of Women Regional Preparatory Meeting, Hollande and Barrisi speak to EU Parliament, SNB's Zurbruegg, Fed's Duke, BoE's Haldane.

Wednesday: Reserve Bank of Australia Chart Pack, BOJ's Sato, EU Parliament Debates Plans for Upcoming EU Summit.

Thursday: EU Leaders Hold Two-Day Summit, BoE Governor-Designate Carney questioned by Lawmakers, BoE Rate Decision and Statement & Asset Purchase Target, European Central Bank Rate Decision and Statement & ECB Deposit Facility Rate & post-rate decision press conference, Fed's Stein, IMF-ECB Symposium with Coeure, Honohan, and others.

Friday: EU Leaders Conclude Summit, End of Troika Review of Ireland, BoE's Haldane.

• Government Debt Auctions or Operations:

Monday: None.

Tuesday: Japan, Greece, European Stability Mechanism, UK.

Wednesday: Australia, Germany, US announcement.

Thursday: Spain, France.

Friday: Australia, ECB announcement.

Concise Market View

▪ The US Fiscal Cliff avoidance and upbeat “the crisis is over” official European leader line finally ran their short term bullish course into March S&P 500 future 1,510 interim resistance at the end of last week. That doesn’t mean the uptrend might not reinvigorate itself at any time. And Monday’s selloff was admittedly limited in scope compared to the extensive early year rally. It also held at the top of the 1,490-85 lower interim support. The fact is that it is also a way station, and the more meaningful support still resides in the 1,475-1,465 combined major September 2012 high and heavier historic congestion.

Even allowing the problems in Europe may balloon into a more serious headwind, the technical failure necessary to indicate potential for a full trend reversal is down in that area. So unless the **March S&P 500 future** slips back below that lower support sometime soon, it is still likely to overrun 1,510 at some point. In that case the next major resistance is not until 1,526. For now it is best to treat it as a trading reaction, and closely watch any retests of the 1,490-85 support.

That will likely be an important indication for primary government bond markets as well in the current classical equities-govvies counterpoint context. Sometimes we refer to govvies rallies that occur during strong equities phases as ‘hostage to fortune’ rallies. That is a reference to govvies anticipation of equities weakness. Of course if equities don’t break (or especially if they rally), at some point the govvies experience a sharp selloff. What we seem to have now is more of a govvies ‘hostage to fortune’ holding action. That would be especially the case for the **March Bund future** that has held on not much worse than the low end of the 142.62-142.30 previously violated support. Yet the same goes for the **March Gilt future** which is still holding around the 116.00 area, and **March T-note future** still refusing to sag off much worse than 131-16/-12.

Foreign exchange remains an individual country affair, with the Japanese yen still leading the way down and the euro still leading the way up. It was especially interesting that Monday’s equity weakness that centered on renewed European concerns still only knocked **EUR/USD** back to the low end of its key 1.3550-1.3450 area. That will also be aggressive up trend support later this week (i.e. into Thursday’s ECB press conference.) And the breathtaking weakness of the Japanese yen has predictably seen the **USD/JPY** extension above 91.00, which opens the door to a test of the more significant resistance at the 94.00-95.00 interim Objective.

All of the technical indications below have been evolved from last Wednesday’s **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 Thursday’s Close to incorporate the market response to the ECB press conference.

March S&P 500 Future: Up through the top of 1,350-1,475 range decisive. And that was also weekly Oscillator resistances, with next into 1,510 and 1,525. MACD’s both UP.

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

SUPP: 1,485-90; 1,474.50; 1,465-67; 1,460-58; 1,450; 1,444-40

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 fail 143.75 was also a fresh DOWN Break, with a Tolerance to low 144.00 area. March T-note future finally below major 131-16/-12 is no longer strong outlier as previous. Weak March Gilt future below mid-117.00 support also failed heavier historic congestion in the 117.00 area. All had stalled at resistances on recent rallies.

Government Bond Futures (continued):

MAR T-note: RES: 131-16-12; 132-08-05 (Jan '12 hi); 133-04/132-24; 133-10/-08
SUPP: 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: 142.30-.62; 143.50-.75; 144.17; 144.50; 145.00-.20; 145.70-.88
SUPP: 141.70; 141.30-00; 140.00-139.60; 138.40; 137.50; 136.50

December 2013 Short Money Forward Future

Eurodollar: RES: 99.60-.59; 99.63; 99.66 (SEP highs); 99.705 (DEC high)
SUPP: 99.55-54; 99.51 (gap); 99.50-.48; 99.465 (gap); 99.44 (gap)

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; .7810; .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, 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 strong euro desirable remains. Weekly MACD UP; daily MACD held recent break to remain UP.

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 prominent 1.6000-1.5950 are fairly ugly. Also real next support failure below 1.5750 leaves it s.t. critical, with nothing until 1.5500 below.

RES: 1.5750; 1.5880-1.5900; 1.6000-1.5950; 1.6150; 1.6250-80
SUPP: 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 also UP Acceleration. As the 91.00 next Oscillator resistance overrun last Thursday, look for 93.80-95.00 interim Objective.

RES: 92.50-93.00; 93.80-95.00; 96.00; 97.75; 99.00
SUPP: 91.00; 89.40; 87.50-00 (NEG DN Brk); 86.75-.50 (2012 Close)

Foreign Exchange: US Dollar (continued):

AUD/USD: Commodity currency better on equities rally than recent phases, but less than impressive on recent failure back below 1.0450-1.0500 after stallout into resistance in the 1.0600 area. Weekly MACD DOWN with next key supports 1.3050, yet especially 1.02050.

RES: 1.0500-1.0450; 1.0615-25; 1.0750; 1.0850; 1.1000-83
SUPP: 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 'lack of crisis' confidence is 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: 127.94; 130; 132; 134; 136.00; 138.50-139.14; 140.00; 141.00
SUPP: 125.00-50; 122.74-123.35; 119.65-120.00; 118.50; 117.00-50

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 fed rally above .8370-.8400 DOWN Break and now .8500 area as well.

RES: .8670-30; .8800-30; .8880; .8935; .9000; .9085; .9156; .9250
SUPP: .8580; .8500; .8370-.8400; .8250-70; .8180-41; .8115-00

EUR/AUD: RES: 1.3100; 1.3300-1.3260; 1.3500; 1.3800; 1.4000-1.4090
SUPP: 1.3000-1.2925; 1.2810-35; 1.2650; 1.2480-1.2510; 1.2360

We hope you find this helpful.

-Rohr

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