

ROHR INTERNATIONAL

Weekly Report & Event SUMMARY PERSPECTIVE

Tuesday, February 19, 2013

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

▪ **Macro-Technical Trend Perspective:** Sequestration? What US Budget Sequestration? President Obama’s State of the Union address and ensuing Democratic Party position that the entitlements goodies should keep on rolling runs right into Republican Party resistance to any new taxes. It would be funny that the Democrats are saying that the compromise around the Fiscal Cliff avoidance is the ‘model’ for future deals: it means any new spending cuts are expected to be accompanied by further tax increases.

While the equities have thrived on the degree to which large businesses with an international focus have succeeded in handling the US political impasse so far, the current dilemma and even the tax program as already in place this year are creating a more negative environment. That was apparent last week in the weaker than expected US Retail Sales figures. While it was a subtle enough miss to leave the equities up trend unscathed, that data set must be watched closely in coming months for more telling signs of the impact of higher Payroll Taxes.

In the meantime, the more overt threat of US Budget Sequestration will become more telling into either the end of this week or by the middle of next week at the latest. While it is possible that either the actual impact will be less onerous than the Cassandra’s predict, that it is more likely to occur this time is almost a foregone conclusion. Even the moderate Republicans are not in a position (even assuming they are of a mind) to offer more concessions on ‘revenue’. After the January compromise they are at risk of being attacked from the right wing of their own party. And for anyone considering there are many permutations of how a compromise might be achieved, even ex-Fed Chairman Greenspan is convinced it is now inevitable, and the only consideration is how much it will impact markets and the economy. While we did not approve of the late phase of his regime, he demonstrates that he is still one of the smartest guys in the room in a CNBC interview (<http://bit.ly/VHwr7v>) on the subject last Friday.

▪ **Most Likely Critical Horizons:** While the US was Closed Monday for the Presidents Day Holiday we saw very light data but the ECB's Draghi spoke twice, mostly assuring everyone once again there were no currency wars. This morning brought both BoJ and RBA meeting minutes that were as dovish as expected in each case, and Japan Leading and Coincident Indices, weak Euro-zone Construction Output but strong ZEW Surveys (both Euro-zone and German) as well as Canada International Securities Transactions and Wholesale Sales along with the US NAHB Housing Market Index; all of which were weak. Wednesday brings more central bank influence in the form of BoE and FOMC Meeting Minutes, but only after Australia Leading Indices, Japan Merchandise Trade Balance with Supermarket and Convenience Store Sales, UK CBI Trends Total Orders and along with Euro-zone Consumer Confidence, and US MBA Mortgage Applications and Housing Starts. Thursday brings Conference Board China Leading Economic Index, Euro-zone Advance PMI’s, US PMI Leading Indicators, Philadelphia Fed and Existing Home Sales along with a goodly bit of Fed-speak. Friday also continues the Chinese influence with China Property Prices and MNI Business Sentiment Indicator, followed by German GDP and IFO along with European Commission Economic Growth Forecasts then Canada Retail Sales, and Japan’s Abe visiting President Obama.

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▪ [Economic Data Highlights:](#)

Monday: Australia New Motor Vehicle Sales, Japan Machine Tool Orders, Euro-Zone Current Account, UK Rightmove House Prices.

Tuesday: Japan Leading and Coincident Indices, EU 25 New Car Registrations, Euro-Zone Construction Output & ZEW Survey, German ZEW Survey, Canada International Securities Transactions & Wholesale Sales, US NAHB Housing Market Index.

Wednesday: Australia Conference Board and Westpac Leading Indices & Wage Cost Index, Japan Merchandise Trade Balance & Supermarket Sales & All Industry Activity Index & Convenience Store Sales, UK CBI Trends Total Orders and Selling Prices & BoE Agents' Summary of Business Conditions & Employment data, German PPI & CPI, Euro-zone Consumer Confidence, US MBA Mortgage Applications & Housing Starts and Building Permits & PPI, Canada Home Price Index.

Thursday: Conference Board China Leading Economic Index, Euro-zone Advance PMI's, UK Public Finance figures, US Weekly Initial Jobless Claims & CPI & Markit US PMI Preliminary & Leading Indicators & Philadelphia Fed & Existing Home Sales.

Friday: China Property Prices & MNI Business Sentiment Indicator, German GDP and related indicators & IFO, Euro-Zone CPI, Canada CPI & Retail Sales.

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

Monday: Competitiveness Council Debates on Strategy for Jobs and Growth, ECB's Nowotny, EU's Van Rompuy, ECB's Draghi (twice), Presidents Day Market Holiday.

Tuesday: BOJ Minutes for JAN 21-22 Meeting, RBA Monetary Policy Meeting Minutes, EU Irish Presidency Basel III negotiation meeting, Hollande visits Athens, EU's Barnier, EU's Rehn SNB's Jordan, ECB's Asmussen.

Wednesday: BoJ's Morimoto, Bank of England February 6-7 Monetary Policy Committee Meeting Minutes, Bundesbank's Dombret, Minutes from Jan 29-30 FOMC Meeting.

Thursday: BoE's Miles, Fed's Bullard, Fed's Williams, Fed's Fisher.

Friday: RBA's Stevens, European Commission Releases Economic Growth Forecasts (Table) followed by Press Conference, ECB's Asmussen, Japan's Abe visits President Obama, Fed's Powell & Rosengren, Fed's Tarullo.

Sunday-Monday: Italian National Elections.

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

Monday: None.

Tuesday: Australia, Japan, Spain.

Wednesday: Australia, Germany, Portugal, Italian announcement.

Thursday: Japan, Spain, France, UK, US announcement, US.

Friday: Australia, ECB LTRO Repayment announcement.

Concise Market View

▪ **US Fiscal Cliff avoidance and some sort of assumption the US budget sequestration can be avoided has led to an extension of the equities rally. And it is no surprise that the US is leading the way up, as in spite of the perception that the rest of the world is healing or improving US economic growth leadership is still pivotal for improvement elsewhere.**

Today's **March S&P 500 future** extension of its push above 1,510 resistance to the more major 1,526-30 range leaves a critical decision later this week, just as US sequestration compromise deadline approaches at the end of next week. Just to be clear, that 1,526-30 resistance is a weekly Closing price threshold. It is possible the market could trade above it during the week and still not violate it as long as the weekly Close is no better than back in the range. As a practical matter, there is a weekly chart topping line in the 1,535 area that should restrain any rally if it is going to respect the resistance. While it might trade above that and still fail by the end of the week, above 1,535 there's a much heavier burden of proof on the bears. Lower short term support is now around the recent 1,520 congestion even if the more prominent level remains in the 1,510 violated resistance area with a Tolerance down to the bottom of the gap from which the market jumped up on the opening a week ago Thursday. It's going to be interesting.

Yet, the rally extension seems a less important indication for primary government bond markets than might have been surmised as recently as last week. It seems the govies are involved in another of their bouts of 'hostage to fortune' bids. Rather than being up at the highs as they have rallied at times, this is more so about holding in at support... sort of a 'hostage to fortune' holding action than rally as such. 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 after sagging previous for a test of the top of 141.30-.00. The same goes for weak sister **March Gilt future** holding up near 115.50 after the violation of its 116.30-.00 area led to a quick test of more prominent 114.50, and **March T-note future** still refusing to remain below its major 131-16/-12 congestion after Closing below it several weeks ago.

Foreign exchange remains an individual country affair, with the Japanese yen still weak sister after leading the way down, but the euro no longer strong sister after its recent selloff. That is due to this month's ECB press conference confirmation of fragility of the Euro-zone economy that had only a slight effect on the DAX, yet was enough to knock **EUR/USD** back below its key 1.3550-1.3450 area; also a DOWN Break below channel support at the low end of the range. And the breathtaking weakness of the Japanese yen still saw **USD/JPY** extension above 91.00, lead to a stallout into more significant resistance at the 93.80-95.00 interim Objective.

All the technical indications below remain the same as last Thursday's **Current Rohr Technical Projections - Key Levels & Select Comments**, as there has not been much change in the trend evolution since then. The only minor adjustments are for those markets which have moved through a specific technical level. The select comments remain the same, and the projections should also be effective through the heavier reporting and official financial releases of the next couple of days. These will be revised as necessary once the markets respond to the news.

March S&P 500 Future: Push above 1,510 s.t. bullish, yet more so a grinding affair up toward 1,526 with daily MACD still DOWN. Yet gap means 1,505 buffer below 1,510 now.

RES: 1,526-30; 1,545; 1,558.50; 1,570-1,573.50

SUPP: 1,510-05; 1,485-90; 1,474.50; 1,465-67; 1,460-58; 1,450

Government Bond Futures: Recent equities push higher on Fiscal Cliff avoidance and continued central bank QE expansion weighed on govies. Even strong sister March German Bund future below 143.75 fail was also a fresh DOWN Break, yet on fail below 142.62-.30 held well at top of 141.30-.00. March T-note future below major 131-16/-12 no longer strong sister, yet right back into it. March Gilt future below interim 116.30-.00 on BoE Inflation Report bounces at 114.50 next major support, with mid 113.00 also major.

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: 115.50; 116.30-.00; 117.20-.00; 117.57 (OCT low); 118.00

SUPP: 114.50; 113.61-.28; 112.50; 111.30; 110.56; 110.00-109.84

MAR Bund: RES: 143.00; 143.50-.75; 144.17; 144.50; 145.00-.20

SUPP: 142.30-.62; 141.70; 141.30-.00; 140.00-139.60; 138.40; 137.50

December 2013 Short Money Forward Futures:

Eurodollar: RES: 99.64-.65 (gap); 99.66 (DEC high); 99.72 (OCT lead ctr. high)

SUPP: 99.60-.59; 99.55-54; 99.51 (gap); 99.50-.48; 99.465 (gap); 99.44

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 made that a fair result. Yet it held another test of .7930-.7860 support. .8000 area now less important due to multiple swings above and below, with .8080 much more important i.t. MA, Fibonacci and congestion.

RES: .8080-50; .8150-80; .8225-60; .8300; .8335-55; .8450

SUPP: .8015-00; .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. Above 1.3000, 1.3200 DOWN Break (Negated) and 1.3250-80 range those are supports. Greater 1.3450-1.3550 resistance temporarily violated, but spill back below it last week fresh DOWN Break with Daily MACD DOWN means temporary weakness likely the case.

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 fail below 1.5750 left next support 1.5500-1.5450 this side of major 1.5268-33 multi-year lows.

RES: 1.5500-1.5450; 1.5650-00; 1.5750; 1.5880-1.5900;

SUPP: 1.5360; 1.5268-33 (2.5 year lows); 1.5000-1.4950

Foreign Exchange: US Dollar (continued):

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 that was also top of channel UP Acceleration, and above 91.00 has led to test of 93.80-95.00 Objective with 100.00 next.

RES: 93.80-95.00; 96.00; 97.75; 99.00; 100.00; 101.45; 103.80; 105.50

SUPP: 92.50-93.00; 92.50-93.00; 91.00; 89.40; 87.50-.00 (NEG DN Brk)

AUD/USD: Commodity currency less than impressive on failure below 1.0450-1.0500 after stallout into resistance in 1.0600 area. Both MACDs now DOWN, and failure back below 1.0350 interim support leaves 1.0250 critical support this side of the major .9800 area.

RES: 1.0350; 1.0500-1.0450; 1.0615-25; 1.0750; 1.0850; 1.1000-83

SUPP: 1.0250-20; 1.0150-00; 1.0000-.9950; .9800; .9860; .9580; .9388

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 return to strength after January ECB meeting 'lack of crisis' confidence no surprise. That was reversed by recent signals of Euro-zone weakness, and is still modest in the context of yen weakness. The post-election policy-driven yen swing has been reinforced by the early resignation of the BoJ Governor, but that might be s.t. trend crescendo.

EUR/JPY: **RES:** 125.00-50; 127.94; 130; 132; 134; 136.00; 138.50-139.14

SUPP: 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 at .8150 resistance. January ECB meeting confidence-led push above .8250-70 resistance fed rally above .8370-.8400 DOWN Break; still support on any near term selloff.

RES: .8675-.8700; .8800-30; .8880; .8935

SUPP: .8580; .8500; .8370-.8400; .8250-70; .8180-41; .8115-00

EUR/AUD: **RES:** 1.3000-1.2925; 1.3100; 1.3300-1.3260; 1.3520; 1.3640

SUPP: 1.2810-35; 1.2650; 1.2480-1.2510; 1.2360

We hope you find this helpful.

-Rohr

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