Rohr International

Weekly Report & Event Summary Perspective

Tuesday, March 5, 2013

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

▪ **Macro-Technical Trend Perspective: This is the Week of the Central Bankers. That is due in part to the sheer number of central bank rate (non-)decision meetings and associated statements. However, it is also in deference to the degree to which the quantitative easing policies of most of the developed economy central banks have led to the improvement in equity markets. While there is a sense in some quarters that the lack of short-term yield is forcing investors to chase returns in the equities, on current form that still leaves a very strong up trend which just saw a new all-time DJIA high.**

And that is the sort of strength that just cannot be ignored. Or maybe it can. If the economic growth is going to the as robust as the current equities trend would suggest, why are all of the other asset classes outside of equities not reflecting it? Possibly it is the intermediate-term impact of the incremental implementation of the US government budget sequestration that the other asset classes feel will come back to haunt economies and equity markets. Or it might be some other factors that are as yet unclear. What we know is that the recent resurgence in primary government bond markets, strength of the US dollar, and weakness of Gold, energy, and other commodities do not confirm the upbeat economic view indicated by equities.

One of the more interesting views of how the general perception of the Federal Reserve and other central banks' quantitative easing programs maybe far too sanguine was apparent in a recent CNBC panel discussion (**http://bit.ly/WLdkKg**). The most interesting part of the expert panel chat came right at the end, with telling comments by ex-Fed governor Kevin Warsh and especially Stan Druckenmiller. The latter raised a point that we have been focused upon as well regarding the idea the Fed will just let its bond holdings go to maturity. Why have none of the geniuses in Washington DC worked out this is the equivalent of $3.2 trillion of selling, as the US Treasury will need to come up with the money to pay the Fed when that day arrives?

▪ **Most Likely Critical Horizons:** Monday's relatively light economic reports yielded to the first of five central bank decisions and statements, a bland Reserve Bank of Australia 'no change' and not much to say. It is followed by Bank of Canada on Wednesday and the BoJ, BoE and ECB on Thursday, with the latter's press conference the height of those influences.

In the meantime, Tuesday also saw somewhat better-than-expected global Services PMI's along with Euro-Zone Retail Sales. Wednesday also sees Australia and Euro-Zone GDP, the RBA Chart Pack, US ADP Employment Change, Factory Orders and the Fed Beige Book.

Thursday brings Japan Leading and Coincident Indices, German Factory Orders, French Unemployment, and US Weekly Initial Jobless Claims and Monthly Chain Store Sales along with those three central bank decisions and the Fed Stress Test Results. And of course no early month reporting cycle would be complete without the US Employment report, which is preceded by the Japanese GDP and Trade Balance, Chinese Trade Balance, and Spanish and German Industrial Production. And Saturday sees Chinese CPI & PPI & Fixed Asset Investment & Industrial Production & Retail Sales, with Sunday commencing US, Canadian and Mexican Daylight Savings Time a full three weeks ahead of Europe and the UK.

▪ Economic Data Highlights:

Saturday: China Non-manufacturing PMI.

Monday: Australia TD Securities Inflation & Building Approvals & Company Operating Profit & Inventories, UK BoE/GfK 12 Month Inflation Expectation & Halifax House Price & Lloyds Business Barometer & Hometrack Housing Survey & Construction PMI, Euro-Zone Sentix Investor Confidence & PPI, US Household Change in Net Worth & ISM New York.

Tuesday: Australia AiG Performance of Service Index & Retail Sales, China HSBC Services PMI and other global Services PMI's, Euro-Zone Retail Sales, UK BRC Sales Like-For-Like & Official Reserves, US IBD/TIPP Economic Optimism.

Wednesday: Australia GDP, Euro-Zone GDP & Household Consumption & Gross Fixed Capital & Government Expenditure, UK New Car Registrations & BRC Shop Price Index, US ADP Employment Change & Factory Orders, Canada Ivey PMI .

Thursday: AiG Performance of Construction Index & Trade Balance, Japan Leading and Coincident Indices, German Wholesale Price Index & Factory Orders, French Unemployment & Trade Balance, Italian PPI, US Challenger Job Cuts & Trade Balance & Non-Farm Productivity & Unit Labor Costs & Weekly Initial Jobless Claims & Monthly Chain Store Sales & Consumer Credit.

Friday: Japan GDP & Current Account & Trade Balance & Bank Lending & Eco Watchers Survey (Outlook and Current), China Trade Balance, Bank of France Business Sentiment, Spanish Industrial Production, German Industrial Production, Canada Housing Starts & Labor Productivity & Employment figures, US Employment figures & Wholesale Inventories.

Saturday: China CPI & PPI & Fixed Asset Investment & Industrial Production & Retail Sales.

▪ Central Banks, Finance Ministry & Political influences:

Monday: UK Funding for Lending Scheme data, EU & ECB Officials meet Labour & Employer Leaders, Fed's Yellen, Euro Area Finance Ministers Meet in Brussels, Former Fed Chairman Volcker, Fed's Powell.

Tuesday: Reserve Bank of Australia Rate Decision and Statement, BoE's Bailey, EU Finance Ministers meet in Brussels, Fed's Lacker.

Wednesday: RBA Chart Pack, Spain's Rajoy & other ministers, BOE's King & Bailey, Fed's Plosser, Bank of Canada Rate Decision and Statement, Federal Reserve releases Beige Book.

Thursday: Bank of Japan Rate Decision and Statement, Fed's Fisher, SNB's Jordan, Bank of England Rate Decision and Statement, European Central Bank Rate Decision and Statement, ECB Press Conference, Fed's Powell, ECB's Asmussen, Fed Releases Results of Stress Tests.

Friday: ECB's Praet (twice).

Sunday: US-Canada-Mexico Daylight Savings Time (Not until March 31st in the UK & Europe)

▪ Government Debt Auctions or Operations:

Monday: None.
Tuesday: Japan, European Stability Mechanism, UK, UK Announcement.
Wednesday: Australia, Germany.
Thursday: Spain, France, US Announcement.
Friday: Australia, Japan, ECB Announces 3-Year LTRO Repayment.

Concise Market View

▪ The lack of impact from the US budget sequestration is likely due to its incremental implementation across many weeks instead of just 1 day. The next US funding deadline of a more accelerated nature will be the debt ceiling on March 27th. Yet there is already some movement to prevent a problem on that, as opposed to the total lack of negotiation to avoid sequestration. It all seems the sort of constructive influence in light of strong corporate earnings that has assisted the equities in extending the rally. Yet the lack of confirmation from other asset classes is still striking, and we wonder what that is about?

It is still possible that the broader headwinds facing the US and global economy and equities are going to have an impact a bit further down the road. As the technical comments below make clear, the primary government bond markets and foreign exchange are not really reflecting the sort of trend activity consistent with a fresh 'risk on' market phase. We shall see.

Today's **March S&P 500 future** gap higher above previous failures in the major 1,526-30 range resistance (actual Regular Trading Hours previous high 1,528.70) was a strong sign it wants to push up to at least next major resistance in the 1,558.50 or 1,570-73.50 areas. That said, there is some interim resistance in the 1,538-40 area. And it is important to see if it pushes up above that area to become a pure 'runaway'. If so, then those next resistances are likely to be seen sooner than not. However, if it cannot sustain Close above 1,538-40 area, then it is likely to it least retest the gap it left this morning, and potentially establish some sort of a broader top.

And as we noted in this morning's ***TrendView*** **MARKET ALERT (http://bit.ly/ZmlG79),** while **March NASDAQ 100 future** has pushed to a minor new rally high, it is only challenging the 2,790 area lead contract highs from March of last year. Whether it can surmount them will be an indication as to whether it is just forming a broader top, or on its way to ultimately pushing above the 2,872 lead contract high from last September. So the decision into **March S&P 500 future** 1,538-40 area looks critical for other equity indices as well, which includes the decision by the **DAX** up into the mid-upper 7,800 area resistance that has restrained it since late January.

the resurgence in primary government bond markets may reverse if equities manage to accelerate to the upside. **March Gilt future's** push above 116.30-.00 overrunning the 117.50 area (near term support now) as well has stalled into the more prominent resistance in the 118.25-.50 area. **March Bund future** back well above prominent 143.50-.75 resistance and 145.20-.00 (now support along with 144.50 interim support) has stalled into resistance at the top of the gap lower from last year's 145.52 Close. This is of special interest for this contract because of the typical early expiration this Thursday, which will leave the heavily discounted (by 180 points) **June Bund future** as the lead contract for the weekly Close. On the differential that means it will be very important for the March contract to hold mid-low 144.00 area support so that the June contract will not drop below the mid-142.00 area support it held so well last month. Another good example of the importance of the equities decision is of course the less volatile **March T-note future** that was never much below major 131-16/-12 congestion. It is now back above 132-08/-05 resistance (i.e. now support), yet has failed its test of the 133-00 area.

And the fate of weaker currencies in the wake of the **US Dollar Index** push above .8080 that is also now above its .8150-80 resistance still lies in the balance. Those include **GBP/USD** already below 1.5268-33 (2.5 year lows) blood holding 1.5000-1.4950 for now; **AUD/USD** critical back around 1.0250-20 on renewed Chinese assertions of desire to stimulate their economy; and **EUR/USD** below 1.3170-1.3200 languishing so far on its near-term recovery from 1.3000 area, and quite a few other similar situations. It all seems to rest with US equities' trend psychology.

All other technical indications below remain the same as last Tuesday's **Current Rohr Technical Projections - Key Levels & Select Comments**. While there has been quite a trend shift since then, the levels remain the same. And the trend comments from prior to yesterday's equities surge dislocation are an interesting point of comparison. These will be updated after tomorrow's US Close in the wake of any Fed Beige Book influence, and in preparation for the even bigger influences at the end of week. Of course, those include Thursday's three central bank rate decisions and statements, including BoJ, BoE and ECB; with the most important factor likely the ECB press conference. That is followed by quite a bit of additional data on Friday which reaches the weekly crescendo with the US Employment report.

The select comments and levels covered below have been updated to reflect activity through today's US Close. As noted above, the balance will be updated in a fresh set of **Current Rohr Technical Projections - Key Levels & Select Comments** after tomorrow's US close.

March S&P 500 Future: Push above 1,526-30 is s.t. bullish. Yet now critical that it Close above interim 1,538-40 resistance, or retest of today's 1532-1526 gap higher is possible.

RES: 1,538-40; **1,558.50; 1,570-1,573.50; 1,586.50 (all-time high)**

SUPP: **1,526-30;** 1,510-05; 1,485-90; **1,474.50; 1,465-67; 1,460-58**

Government Bond Futures: Recent equities push higher ignoring US budget sequester is impressive, yet has not done much to reverse recently resurgent primary government bond activity. Yet there is a classical quarterly expiration cycle problem for govvies: the significant second month discounts. Most important for the March Bund future expiring on Thursday, the June contract is 190 points lower. March contract must hold low-144.00 area support to ensure the June contract is not back below the important 142-62-.30 area.

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

SUPP: **132-08/-05; 131-16/-12; 130-20 (12/08 hi); 129-24/-16**

MAR UK Gilt: RES: 118.00; **118.50-.25; 119.30-.52; 120.53**

SUPP: 117.57; **117.20-.00;** 116.30-.00; 115.50-.75; **114.50; 113.61-.28**

MAR Bund: RES: **145.00-.20; 145.50-.88;** 146.28-.44; **146.89**

SUPP: **144.50;** 144.17; **143.50-.75;** 143.00; **142.30-.62;** 141.70

December 2013 Short Money Forward Futures:

Eurodollar: RES: **99.64-.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, and above .8080 l.t. MA, Fibonacci and congestion weekly MACD turned UP pushing it above .8150-80 into mid-.8200 area resistance.

RES: **.8225-60;** .8300; **.8335-55; .8450;** .8516; .8625-36

SUPP: **.8150-80; .8080-50;** .8015-00; **.7925-15; .7860-10; .7680-50**

Foreign Exchange: US Dollar (continued):

EUR/USD: While major 1.3450-1.3550 resistance temporarily violated, spill back below it three weeks ago was a fresh DOWN Break with Daily MACD DOWN. That pointed to the weakness which has led to serial failures below mid-1.3200 and 1.3170-1.3200 supports. 1.2950-1.3000 now key support, especially with weekly MACD now clearly back DOWN.)

RES: 1.3080; **1.3170-1.3200; 1.3250-80; 1.3450-1.3550;** 1.39; **1.4000**

SUPP: **1.2950-1.3000; 1.2808-60; 1.2712-1.2690; 1.2580**

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. Yet serial failures below 1.6000-1.5950, 1.5750 and 1.5500-1.5450 have led to failure of the major 1.5268-33 multi-year lows. Only 1.5000-1.4950 if left this side of 1.4450 and 1.4228.

RES: **1.5268-33 (2.5 year lows);** 1.5360; **1.5500-1.5450;** 1.5650-00

SUPP: **1.5000-1.4950;** 1.4800-1.4775; 1.4615-1.4550; **1.4450;** 143.30

USD/JPY: After February rally above key resistances at 78.35 and 79.50 were UP Breaks, and holding them on extended correction led to a much more major confirmation of the overall UPturn. 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 interim Objective. 91.00-90.00 remains support with 100.00 next Objective.

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

SUPP: 92.50-93.00; **91.00; 90.00;** 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 leaves recently violated 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 especially Italian election question over commitment to continued fiscal and labor reforms. Post-election policy-driven yen weakness will likely still be in force as well with greenback strong.

EUR/JPY: **RES:** **122.74-123.35;** 124.00; 125.00-50; **127.94; 130;** 132; **134;**

SUPP: **119.65-120.00;** 118.50; **117.00-.50;** 116.47; **115.00; 113.50**

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 fed rally above .8370-.8400 DOWN Break, and low .8800 area now key resistance.

RES: **.8675-.8700; .8800-30;** .8880; **.9000;** .9085; **.9150; .9250-.9300**

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

Foreign Exchange: Cross Rates (continued):

EUR/AUD:	**RES:**	1.2810-35; **1.3000-1.2925;** 1.3100; **1.3300-1.3260;** 1.3520
	SUPP:	**1.2650; 1.2480-1.2510;** 1.2360; **1.2250; 1.2170-33; 1.2000**

We hope you find this helpful.
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