

ROHR INTERNATIONAL

Weekly Report & Event SUMMARY PERSPECTIVE

Tuesday, March 19, 2013

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

▪ **Macro-Technical Trend Perspective:** Cyprus Crisis almost rhymes; markets too!!
As the old adage goes, the markets rarely repeat exactly... but they rhyme. And it is the case in this round of the problems percolating to the surface in the Euro-zone that the initial shock has had a several day influence which will evolve into a next phase based on what happens with the benighted plan to ‘tax’ (more so confiscate a portion of) the deposits of smaller accounts below the ostensibly ironclad €100,000 ‘guarantee’ level.

Of course, the problem here is less so what transpires with the exact nature of the Cyprus account holders deposits, and far more so that anybody could have devised a scheme which so undermines the basic tenet of bank confidence. Our bet is this came from inside Cyprus, which has so few other resources it can utilize to come up with its €7.0 billion portion of the current bailout effort. Hard to believe that such a plan was hatched by the ECB, IMF or even northern European countries demanding this bit of danegeld for providing their €10.0 billion. And the effort might ultimately fail due to that demand. Yet the received wisdom is Cyprus leaving the Euro-zone would be a fairly inconsequential affair, which shows up in part in how well EUR/USD is holding its 1.2860 Tolerance of the 1.3000-1.2950 support (more below.)

The far more important aspect under the current, or any revised, plan is what happens when Cypriot banks reopen on Thursday. And not just in Cyprus, but elsewhere as well. How many of the folks in other countries with fragile banks will feel the money is safer in the ‘mattress’ than a ‘guaranteed’ deposit account? That is obviously much more important on the response in Greece, Italy and especially Spain. We shall see. In the meantime the Fed announcement and press conference tomorrow will also be telling. We surmise Mr. Bernanke loves what is going on in Cyprus. Could he have a better example of continued risks to the financial system which might affect the US as well? ‘Uncle Ben’ will be on QE-Infinity like “white on rice”.

▪ **Most Likely Critical Horizons:** Monday and Tuesday saw quite a bit of important data, like Japan Nationwide and Tokyo Department Store Sales, Euro-Zone Trade Balance, China and Japan Leading Indices, Euro-Zone Construction Output, Euro-Zone & German ZEW Surveys, and US Housing Starts & Building Permits with various Central bank and Finance Ministry meetings as well. On the whole the data was mixed, and the more important meetings were obviously over what to do about the Cyprus bailout situation. And that plays right into what we are going to see from Wednesday morning onward in both the data and meetings.

That brings the UK Employment stats, Budget and the BoE Meeting Minutes, and the obvious major FOMC influence in the afternoon. Thursday brings a major slug of Japanese data, the global Advance PMI’s, UK and Canadian Retail Sales, and US Initial Jobless Claims, House Price Index, Philadelphia Fed, Existing Home Sales and Leading Indicators with not much scheduled input from financial luminaries right through Friday. However, Friday is a very interesting data day that sees nothing from the US, yet provides China MNI Flash Business Sentiment Indicator, French Business Confidence Indicators and German IFO. So does whatever the Fed does dominate into late week, or is it going to be a Euro-centric finish?

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▪ [Economic Data Highlights:](#)

Monday: Japan Nationwide and Tokyo Department Store Sales, Australia New Motor Vehicle Sales, China Property Prices, Italian & Euro-Zone Trade Balances, UK Rightmove House Prices, US NAHB Housing Market Index.

Tuesday: Conference Board China Leading Economic Index, Japan Leading and Coincident Index, EU 25 New Car Registrations, Italian Industrial Production, UK CPI & PPI & Retail Price Index, Euro-Zone Construction Output, Euro-Zone & German ZEW Surveys, Canada Manufacturing Shipments & Wholesale Sales, US Housing Starts & Building Permits.

Wednesday: Australia Westpac Leading Index, Japan Supermarket Sales, German Producer Prices, Euro-zone Current Account & Consumer Confidence, BoE Agents' Summary of Business Conditions, UK Employment and Earnings, Canada Home Price Index.

Thursday: Japan Adjusted Merchandise Trade Balance & All Industry Activity Index & Convenience Store Sales, Australia RBA Foreign Exchange Transaction, China HSBC Flash Manufacturing PMI, Euro-zone Advance PMI's, UK Retail Sales & Public Finances & CBI Trends Total Orders and Selling Prices, Canada Retail Sales, US Initial Jobless Claims & Markit US PMI Preliminary & House Price Index & Philadelphia Fed & Existing Home Sales & Leading Indicators,

Friday: Australia Conference Board Leading Index, China MNI Flash Business Sentiment Indicator, French Business Confidence Indicator & Own-Company Production Outlook & Production Outlook Indicator, German IFO, US Fed Revisions of Industrial Production.

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

Monday: Bank of Portugal's Costa and Prime Minister at Conference, ECB's Asmussen & ESM's Regling & Bundesbank's Lautenschlaeger, ECB's Nowotny & CBT's Basci, Germany's Schaeuble & ECB's Weidmann, ECB's Asmussen, Germany's Merkel hosts France's Hollande & EU's Barroso,

Tuesday: RBA's Debelle, RBA's Lowe, BoJ's Governor Shirakawa Steps Down, RBA Meeting Minutes, ECB's Draghi, BoE Meeting of the Financial Policy Committee, Italian President Meets With Party Heads, ECB's Weidmann and Knot and IMF's Lagarde

Wednesday: UK Chancellor Osborne Presents Budget & BoE Meeting Minutes, EU Proposes Economic Reforms, Financial Support Scheme, ECB's Asmussen, Federal Open Market Committee Rate Decision and Statement, Fed Summary of Economic Projections, Fed's Bernanke FOMC press conference

Thursday: RBA Monthly Bulletin, SNB's Zurbruegg.

Friday: None.

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

Monday: None.

Tuesday: Spain, European Stability Mechanism.

Wednesday: Australia, Germany, Portugal, Italian announcement.

Thursday: Spain, UK, France, US announcement, Italian announcement, US TIPS.

Friday: Australia, ECB announces 3-Year LTRO Repayment, Italian announcement.

Concise Market View

▪ **The impact from the Cyprus Crisis seems limited so far. And yet, as noted above that is not yet finished until the response of the European populace and banks is known on the hopeful reopening of Cypriot banks on Thursday. While there is much consideration that Cyprus leaving the Euro-zone would not be a major consideration (it does make Greece look positively Brobdingnagian), we would not be so sure that the influence will be as minor as equities bulls would lead us to believe. Anyone leaving sets a bad precedent, and the issue of what will both Cypriot and other European depositors will do Thursday remains a real (if likely temporary) risk factor for the equities in the short term view.**

US influence from the US FOMC rate (non-)decision and statement, and even more so the subsequent press conference are as critical as anything going on in Cyprus. Yet the Cyprus influence along with other factors also plays right into what Fed Chairman Bernanke is going say on Wednesday. And that will be preceded by the UK Employment stats, the Chancellor's Budget announcement and BoE meeting minutes that might be a negative for the equities. However, the Cyprus situation is also constructive to the degree US QE-Infinity is a positive (if somewhat distortionary) influence on the equities. Mr. Bernanke will be able to offset the criticism of QE being too much with the US economy improving (especially employment and housing of late) with the Cyprus situation as an excellent example of continued global financial system risks that might still affect the US as well. As noted above 'Uncle Ben' (a high-end US rice products brand) will be on QE-Infinity like the proverbial "white on rice" (i.e. all over it.)

That said, the **June S&P 500 future** is challenged once again into the low 1550s it had overrun previous, and the response to the Fed and Cyprus situation may be telling in that regard after today's bounce back from key lower 1,532 support. That was also right near previously overrun 1,526-30 range resistance (actual Regular Trading Hours 1,528.70 previous lead contract high), which is now the key support. Unless the bears can get the market back below that area soon, the next major resistances are in the 1,558.50 or 1,570-73.50 areas are still the key targets. However, the question for the short term finesse now is whether it breaks back toward the lower levels first, or ignores Cyprus to sustain activity back above 1,550-52 on some sort of positive interpretation of what the Fed has to say tomorrow? It is going to be very interesting.

The primary government bond were also entitled to a sharp rebound in the wake of the financial upset and equities selloff triggered by the Cyprus Crisis. That said, June contracts are still only back up into some important lead contract resistances. And it's all occurred in conjunction with a major rally in the US dollar, even if that is mostly on the back of secular euro weakness, and not general weakness of other currencies against the greenback.

As we have not updated the **Current Rohr Technical Projections - Key Levels & Select Comments** as since early last week, the relevant technical discussion below is the updates for those contracts. We will be updating the full key technical indicator level and comments after the FOMC announcement and press conference tomorrow. While there has been quite a bit of price movement since early last week, the levels remain much the same, and should continue to be used as the key trend decision thresholds. The shifts into June contracts has been interesting in conjunction with the equities weakness in that it fomented the type of second month primary government bond future strength that many folks would have told us was not possible as little as a week ago. Yet, that still leaves them critical into their current trading levels.

June S&P 500 Future: Drop from 1,558.50 target looks bad, but underlying support still intact unless 1,526-30 (gaps and MAs) support is violated. Daily MACD DOWN now.

RES: 1,550-52; 1,558.50; 1,570-1,573.50; 1,586.50 (all-time high)

SUPP: 1,538-40; 1,526-30; 1,510-05; 1,485-90; 1,474.50; 1,465-67

Government Bond Futures: Recent equities push higher ignoring US budget sequester is impressive, but Cyprus Crisis break has done more than just created govovies flows: it has brought the confidence in the Euro-zone back into question. It is therefore not much of a surprise that the June Bund should be a primary beneficiary, and it is now above its 144.00-.34 (previous contract high) resistance. Yet, much still rests with the equities, and with the Gilt and T-note also only up into key resistances this is all still problematic now.

JUN T-note: RES: 131-16/-12; 132-08/-05; 133-04/132-24

SUPP: 130-20 (12/08 hi); 129-24/-16; 129-00; 128-14/-10; 127-16/-06

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

SUPP: 117.57; 117.20-.00; 116.30-.00; 115.67-.34; 114.50; 114.00;

JUN Bund: RES: 145.00-.20; 145.50-.88; 146.26; 146.89

SUPP: 144.00-.34; 143.50-.75; 143.00; 142.30-.62; 141.70; 141.30-.00

December 2013 Short Money Forward Futures:

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: Now up on equities break after up previous on equities rally could foment visions of 'Teflon' greenback. Yet this is mostly on the weakness of the euro, so caution is advised pending whether EUR/USD breaks 1.2860 or rebounds back above 1.3000.

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

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

EUR/USD: While major 1.3450-1.3550 resistance temporarily violated, spill back below it was a fresh DOWN Break with both MACDs DOWN; as they remain at present. The serial failures below mid-1.3200 and 1.3170-1.3200 supports led to violation of 1.2950-1.3000 major channel support. Yet, Tolerance down to 1.2860 held today, which remains critical.

RES: 1.2950-1.3000; 1.3080; 1.3170-1.3200; 1.3250-80

SUPP: 1.2808-60; 1.2712-1.2690; 1.2580; 1.2280-40; 1.2042

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, and even 1.5000-1.4950 prior to recent recovery.

RES: 1.5000-1.4950; 1.5268-33 (2.5 year lows); 1.5360; 1.5500-1.5450

SUPP: 1.4800-1.4775; 1.4615-1.4550; 1.4450; 143.30; 1.4228 ('10 low)

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 91.00 leading to violation of the 93.80-95.00 interim Objective that is now support. 100.00 & 101.50 next major Objectives.

RES: 96.00; **97.75**; 99.00; **100.00**; **101.45**; 103.80; **105.50**

SUPP: **93.80-95.00**; 92.50-93.00; **91.00**; **90.00**; 89.40; **87.50-.00**

AUD/USD: Commodity currency less than impressive on failure below 1.0450-1.0500 after stallout into resistance in 1.0600 area. But with daily MACD back UP bears could be at risk of a rally above 1.0350 retesting DEC-JAN highs into 1.0450-1.0500 and low 1.0600s.

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**; **.9800**; .9860; **.9580**

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 current Cyprus Crisis in wake of Italian election as well. And yet, post-election policy-driven yen weakness still obviously in force as well with greenback still strong, and may be more sustained factor.

EUR/JPY: **RES:** 124.00; 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

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 (now support); low .8800 area key resistance.

RES: 8580; **.8675-.8700**; **..8800-30**; .8880; **.9000**; .9085; **.9150**

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

EUR/AUD: **RES:** **1.2480-1.2510**; **1.2650**; 1.2810-35; **1.3000-1.2925**; 1.3100;

SUPP: 1.2360; **1.2250**; **1.2170-33**; **1.2000**; 1.1830; **1.1606**

We hope you find this helpful.

-Rohr

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