

# ROHR INTERNATIONAL

## Weekly Report & Event SUMMARY PERSPECTIVE

Tuesday, March 26, 2013

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

▪ **Macro-Technical Trend Perspective:** Welcome to the next phase of the Cyprus Crisis. On past form the old US baseball manager Casey Stengel had the right view for these Euro-zone financial crises: "It ain't over 'til it's over." This one has ongoing pernicious factors which seem to impede the potential for further progress. It has been our view (among many other analysts as well) that the Europeans have proven adept at nothing quite so much as 'snatching defeat from the jaws of victory'. And while we had already questioned the rationale behind the EU draft bailout rules, the situation in Cyprus seems to trash one of the key tenets that rescued the Euro-zone last summer.

Of course, the problem is less so what transpires with specific levels of confiscation (and it is just that) of the accounts of large depositors in Cyprus' banks. The degree to which some of them are engaged in unsavory activity might justify it on moral, if not a full legal, perspective. However, many other accounts with those levels of deposits are also Cypriot businesses and legitimate citizens. And the precedent it sets is one that discourages confidence in banks in any European centers with fiscal problems or banks with questionable balance sheets. And it is of course also the case that those tendencies often work hand in hand with each other.

And that leads to the greater problem: the entire context of the Euro-zone support scheme for the distressed banks and fiscally challenged countries. It was implicit guarantee of the banks directly by the Euro-zone rescue funds which assisted so mightily with the rescue of the euro, and resuscitation of the equities up trend last summer. That was part and parcel of Draghi's, "We will do what is necessary." Yet the EC bailout rules draft issued early this year left the toxic nexus of the sovereigns being responsible for recapitalizing their banks, and only then receiving Euro-zone rescue funds. Yet even that was short of leaving large depositors at risk. The EU powers-that-be have let a very malevolent genie out of the lamp with this move.

▪ **Most Likely Critical Horizons:** Markets have seen mostly mixed, light data until today's US releases where housing was firm but everything else was a bit disturbing. Especially numbers that were supposed to be positive yet came in negative set a weak backdrop, like Richmond Fed and Consumer Confidence. That will make Wednesday's focus on Europe that much more telling in light of little US data again until Thursday-Friday (that's right, there will be significant releases on Good Friday.) Tomorrow's economic releases include German GfK Consumer Confidence, French GDP, Italian Industrial Orders and Sales and Retail Sales, and various Euro-Zone Confidence Indicators along with UK GDP, and only Pending Home Sales in the US. Thursday brings Japan Retail Sales, China Leading Index, German Retail Sales, Italian Economic and Business Confidence, and US GDP, Chicago Purchasing Manager Index and Kansas City Fed Manufacturing Activity. And on Friday it is not so surprising we see Japan Manufacturing PMI, Jobless Rate, National and Tokyo CPI, Household Spending, Industrial Production, Housing Starts and Construction Orders along with China Business Sentiment Indicator. More interesting on Good Friday is French PPI and Consumer Spending, Italian PPI & CPI, and US Personal Income and Spending and PCE Deflator, and University of Michigan Confidence. Annoyingly typical lack of respect for Good Friday is still in force.

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▪ Economic Data Highlights:

**Monday:** UK Nationwide House Prices & Hometrack Housing Survey & BBA Loans for House Purchase, Italian Consumer Confidence, US Chicago Fed National Activity Index & Dallas Fed Manufacturing Activity

**Tuesday:** Japan Corporate Service Price Index, French Consumer Confidence Indicator & Total Jobseekers, UK CBI Reported Sales, US Durable Goods Orders & S&P/Case-Shiller Home Price data & Richmond Fed Manufacturing Index & Consumer Confidence & New Home Sales

**Wednesday:** German Import Price Index & GfK Consumer Confidence, French GDP, Italian Industrial Orders and Sales & Retail Sales, Various Euro-Zone Confidence Indicators, UK GDP & Total Business Investment & Current Account, Canada CPI, US Pending Home Sales

**Thursday:** Australia TD Securities Inflation & Job vacancies & Private Sector Credit, Japan Retail Trade & Large Retailers' Sales, China Leading Index & Industrial Profits, German Retail Sales & Unemployment Change and Rate, Italian Economic Confidence & Business Confidence, UK Index of Services, Canada GDP & Industrial Product Price and Raw Materials Price Indices, US GDP & Personal Consumption & Initial Jobless Claims & NAPM-Milwaukee & Chicago Purchasing Manager & Kansas City Fed Manufacturing Activity

**Friday:** Japan Nomura/JMMA Manufacturing Purchasing Manager Index & Jobless Rate & National and Tokyo CPI & Household Spending & Industrial Production & Vehicle Production & Housing Starts & Construction Orders, China MNI Business Sentiment Indicator, French PPI & Consumer Spending, Italian PPI and CPI, US Personal Income and Spending & Personal Consumption Expenditure Deflator & University of Michigan Confidence

▪ Central Banks, Finance Ministry, Political influences & General Events:

**Monday:** ECB's Mersch, Fed's Dudley, Fed' Bernanke, BoE's King

**Tuesday:** RBA's Stevens, BoC's Côté

**Wednesday:** BoE Financial Policy Committee statement, Fed's Kocherlakota

**Thursday:** None

**Friday:** Market Holiday in many financial centers in observance of Good Friday.

▪ Government Debt Auctions or Operations:

**Monday:** Italy, Germany, Quarterly DMO/GEMMs meeting.

**Tuesday:** Australia, Italy, UK, US .

**Wednesday:** Australia, Italy, US .

**Thursday:** Japan, UK DMO publishes 2013 Q2 Issuance Calendar, US.

**Friday:** None.

Concise Market View

▪ The impact from the Cyprus Crisis seems limited so far, especially with the June S&P 500 future squeezing back up to the top of its recent rally into the Close today. And yet, as noted above that is not yet finished in light of the official indications on the Euro-zone bank rescue protocols that have weakened so markedly since the firm support for the banks expressed last summer. That was a major portion of the improved economic and equities outlook, and we still need to see the response of the European populace once the reopening of the Cypriot banks is greeted with lengthy withdrawal lines when they open on Thursday. Short term trends all still appear on a knife edge rather than secure.

The US influence from FOMC rate (non-)decision and statement last week, and even more so the subsequent press conference still seem a driving force for equities in spite of what is going on in Cyprus. Yet the Cyprus influence along with other factors also plays right into what is now an eroding global economic picture. Just consider how weak the US data was today, and the influence tomorrow will be almost exclusively with the weaker centers of Europe: especially Italian Industrial Orders and Retail Sales. So in spite of the US markets Closing right up near their highs today on the assumption Buzz Lightyear Bernanke's QE-Infinity program is going to carry the day, there very short term indications highlight the degree to which the **June S&P 500 future** needs to continue higher straight away Wednesday morning, or it will be on a nominal DOWN Break after once again retesting the lead contract 1,558.50 resistance both yesterday and today. If it pushes up, possibly the extended oscillator and the historic congestion in the 1,570-1,573.50 area (and even a bit beyond) will be hit right away. Yet if it falters, then another test of 1,532-25 trend support and gaps might be possible on negative European influences.

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. And June contracts are back above 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 which has not managed to convincingly knock out **EUR/USD** 1.2860 Tolerance of the 1.3000-1.2950 support as yet. If it does, then the next major support is not until the 1.2550-00 historic congestion and last September's channel UP Break. Interesting how that lower level ties in with consideration of whether the European powers-that-be (and IMF, et al.) are still committed to the program that did manage to rescue the euro and the equities last summer. Cyprus is still going to be interesting.

As we have not updated the **Current Rohr Technical Projections - Key Levels & Select Comments** as since last Wednesday, the relevant technical discussion below remains the same as back then... because the trend considerations remain much the same as the middle of last week even if the price swings may have advanced quite a bit. We will be updating those after Wednesday's US Close to set up the psychology for the long Easter holiday weekend. That will be especially important in light of the extended impact of the situation in Europe, and especially any impact from reopening of Cypriot banks on Thursday; hopefully they do so.

**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: 1,542-38; 1,532; 1,526; 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 govies 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;

**Government Bond Futures (continued):**

**JUN Bund:** RES: 144.00-.34; 145.00-.20; 145.50-.88; 146.26; 146.89  
SUPP: 143.50-.75; 143.00; 142.30-.62; 141.70; 141.30-.00

**December 2013 Short Money Forward Futures:**

**Eurodollar:** RES: 99.63; 99.66 (SEP highs); 99.705 (DEC high); 99.81 (OSC)  
SUPP: 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: 1.5268-33 (2.5 year lows); 1.5360; 1.5500-1.5450  
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 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: 125.00-50; **127.94; 130; 132; 134; 136.00; 138.50-139.14**  
SUPP: 124.00; **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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