Rohr International

Weekly Report & Event Summary Perspective

Tuesday, April 16, 2013

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

▪ **Macro-Technical Trend Perspective: The next equity market crisis, here and gone?** Unfortunately, while this one might have begun with the weaker than expected Chinese and US economic data Monday morning, it was tragically spun into a real crisis by the horrifying events in Boston. What is it that encourages anyone to think an attack on innocents is an acceptable expression for whatever agenda they might be promoting? Our sympathy to the victims and their families, and hopes the perpetrators are caught and punished very soon.

That said, there is something to be said for the degree to which US equities were 'walking on sunshine' in their blithe ignorance of the weaker data that had been apparent since a couple of weeks ago. Undoubtedly the sense that a QE-driven rally could not survive any real world shock helped drive the late session panic in the US. And that may actually assist them in an extension of today's recovery if the unease from the Boston bombings continues to abate.

Yet we must admit that we were surprised by the fact anyone else was very surprised by the weaker data out of China. Last Tuesday saw a big sigh of relief on the weakness of Chinese CPI and PPI… "Move along, no tightening to see here." Yet it only took until Wednesday's abysmal Chinese Trade figures to understand why there was no inflation. Why anyone was shocked that its GDP and Industrial Production were below estimate is the real mystery.

And that gets back to the US Retail Sales figures from last week as well. While they were greeted with a yawn rather than a yelp, the negative reality versus positive estimates are a sign of incremental degradation of the US economy. While it came into the year on positive momentum from all the pre-2013 tax hike bonuses and capital gains sales, that is beginning to dry up in the face of higher (middle class) Payroll Taxes along with Obamacare influences. That real dilemma is incremental and broadly ingrained, not just the next 'government' crisis.

▪ **Most Likely Critical Horizons:** The economic data was already a negative influence this morning, as the equities spun lower on the weak news out of both China and the US. Yet the Boston bombs really sent the market reeling later on in the trading session, and that leaves us wondering what in normal economic influences will be meaningful throughout the week.

That said, there is quite a bit of it that relates to not just economics, but also extensive central bank, finance and NGO influences. Tuesday not only sees RBA Meeting Minutes and the IMF World Economic Outlook, but also ten central banker speeches across nine hours along with Euro-zone and German ZEW Surveys. This is likely a plus for the beleaguered equities, and there will no doubt be expressions of more unlimited support in the wake of today's panic.

Wednesday sees BoE MPC Minutes, Bank of Canada Rate Decision and press conference, and the Fed Beige Book along with more central bank-speak and Euro-zone Construction Output leading into Thursday's Japan Trade figures and Department Store Sales, UK Retail Sales, US Initial Jobless Claims, Philadelphia Fed and Leading Indicators along with G20 Finance Ministers Meeting continuing into Friday when we also get the IMF/World Bank Spring Meeting as well as China's MNI Flash Business Sentiment Indicator and Chinese and Japanese Leading Indicators. Another really big week, now complicated by external events.

▪ **Economic Data Highlights:**

Monday: Australia Home Loans & Investment Lending, China Real GDP & Retail Sales & Fixed Assets Investment & Industrial Production, Japan Industrial Production and Capacity Utilization & Machine Tool Orders, Euro-zone Trade Balance, UK Rightmove House Prices, US Empire Manufacturing & TIC Flows & NAHB Housing Market Index, Canada Existing Home Sales

Tuesday: Australia New Motor Vehicle Sales, Tokyo Condominium Sales, UK CPI & RPI & PPI & DCLG UK House Prices, Euro-zone CPI & ZEW Survey (Economic Sentiment), German ZEW Survey (Economic Sentiment and Current Situation), US CPI & Housing Starts & Building Permits & Industrial Production and Capacity Utilization, Canada Manufacturing Shipments & International Securities Transactions

Wednesday: Australia Westpac Leading Index, Japan Consumer Confidence, EU 25 New Car Registrations, UK Claimant Count Rate & ILO Unemployment Rate & Employment Change & Weekly Earnings, Euro-zone Construction Output, Canada Teranet/National Bank HPI,

Thursday: Japan Merchandise Trade Balance & Nationwide Department Store Sales & Tokyo Department Store Sales, China Property Prices, Australia NAB Business Confidence, UK Retail Sales, US Initial Jobless Claims & Philadelphia Fed. & Leading Indicators

Friday: China MNI Flash Business Sentiment Indicator & Conference Board China Leading Economic Index, Japan Leading and Coincident Indices, German Producer Prices, Euro-zone Current Account, Canada Consumer Price Index & Wholesale Sales

▪ **Central Banks, Finance Ministry, Political Influences & General Events:**

Monday: BOJ Governor Kuroda, EU and Japan hold economic partnership meeting, ECB's Draghi, BoE's Bailey

Tuesday: RBA Meeting Minutes, RBA's Debelle, IMF World Economic Outlook, Fed's Dudley Fed's Evans, ECB's Draghi, Fed's Duke, SNB's Danthine, Fed's Alvarez, Fed's Yellen, Fed's Kocherlakota, BoE's Haldane,

Wednesday: ECB's Praet, BoE MPC Minutes, BoE's Bailey, Fed's Stein, Fed's Bullard, Bank of Canada Rate Decision and press conference, Fed's Rosengren, Fed releases Beige Book

Thursday: BOJ's Miyao, Italian Parliament Meets to Elect New President, G20 Finance Ministers Meeting, SNB's Zurbruegg, Fed's Kocherlakota, Fed's Lacker, BoC's Carney, Fed's Raskin, ECB's Asmussen

Friday: G20 Finance Ministers Meeting, IMF/World Bank Spring Meeting, Japan Prime Minister Abe, Fed's Stein, ECB's Liikanen

▪ **Government Debt Auctions or Operations:**
Monday: None
Tuesday: Japan, Australia, Spain, UK announcement
Wednesday: Australia, Germany, Portugal
Thursday: Japan, UK, Spain, France (twice), US announcement, US
Friday: Australia, ECB Announces 3-Year LTRO Repayment, Italian announcement

Concise Market View

▪ **The impact from the Cyprus crisis, lack of Italian government, and now the Boston Marathon bombing all seem to be things that the equities can just shrug off. Yet it is the lack of economic strength that might finally see the major up trend reverse, or at least enter a more extensive correction than anything seen since, well, this time last year.**

The US influence remains very critical even if last week's OECD Composite Leading Indicators (http://bit.ly/11TAvS5) were more upbeat on Europe, as that would be far less that realistic if the US were to weaken. The fragility of the situation is not glaringly apparent. However, it keeps turning up in the serial disappointments which highlight the general erosion of the US situation.

The economic data had already been weakening for over a week prior to that last disappointing US Employment report. And as noted above, the weakness of the US Retail Sales figures is one of the few things which can translate directly into factors which drive the equities: lower top line turnover that might affect the ability of even the cleverest corporate financial managers to churn out profits. Upbeat corporate results have been a matter of managing downbeat expectations rather than a robust US economy. And the global economic forecast downgrade by the IMF only highlights that fragility, which is also apparent in the action of the Australian dollar.

If China is really on the mend and the US is continuing to grow at a moderate pace, why are commodity prices weakening to such a major degree? While we have been cautionary in our bearish view due to the US momentum coming into the top of the year and general QE-driven yield-chasing investment in anything that offer s return, many factors now point to the weakness becoming more pronounced. Like the resilient bid in the primary government bond markets. Maybe they did not rally much more in the wake of yesterday's equities mini-debacle. Yet that was likely due to the degree to which govvies had already rallied on the weak economic data. Equities finally reflecting the economic reality was only vindicating govvies previous strength... a classic case of the govvies 'hostage to fortune' rally turning out to be the right psychology.

All of that said, the 'relief rally' from the Boston situation lapsing may allow the equities to attract more buying in the near term; at least as long as there are no more incidents. Yet a key element in Monday's selloff was the degree of weakness even prior to the marathon bombing. It was approximately 1:50 PM CDT (2:50 PM EDT; 6:50 PM GMT) when the first bomb went off, and that caused the **June S&P 500 future** to fail from an attempted basing rally from 1,556 that had carried back up to 1,563. Possibly that seems a bit of short term micro-focus on the trend.

Here's the odd part: a gap up from last Tuesday's 1,563 daily Close that fed last Wednesday's strong rally to a new high should have been just about as far down as the weak Chinese and US data carried the break yesterday morning. The weakness carrying well below it (even before the bombing created the relentless late day selloff) might just be a minor aberration. Yet it might also be a sign the underpinnings of the equities rally are quite a bit more fragile than many think.

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 evolved quite a bit. We will be updating those after Wednesday's US Close to incorporate any shift due to the BoE MPC Meeting minutes release, Bank of Canada rate decision and press conference, and Fed Beige Book release. That will also set up the psychology for the influence of the important G20 meetings beginning Thursday and Friday's opening of the World Bank/IMF Spring Meeting.

June S&P 500 Future: Drop from 1,568 high looked bad, but Friday 1,547 DOWN Break being Negated was sign of strength. Extended oscillator resistance into 1,590-95 area.

RES: **1,586.50 (all-time high); 1,590-95; 1,610; 1,625; 1,640**

SUPP: **1,573.50; 1,568-65;** 1,550-52; **1,547-45; 1,532; 1,526-22**

Government Bond Futures: Recent push higher on European troubles was impressive, and weakening of even US economic data supports the resilient holding near top of rally. However, anticipatory rally on weak data meant govvies have limited further upside, as we expected. Yet even so, upside leader June Bund and others have held in very well so far due to continued weak data, even if continues to drive the equities QE focused rally. Next lower supports likely to hold as long as June S&P future tops into 1,590-95 area.

JUN 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; 129-00**

JUN UK Gilt: **RES:** **119.30-.52; 120.53; 121.05; 121.50;** 121.86-.94; **122.30-.45**

SUPP: **118.50-.25;** 118.00; 117.57; **117.20-.00;** 116.30-.00; 115.67-.34

JUN Bund: **RES:** **145.50-.88; 146.26; 146.89 (all-time high); (OSC) 148.15;**

SUPP: **145.00-.20; 144.00-.34; 143.50-.75;** 143.00

December 2013 Short Money Forward Futures:

Eurodollar: **RES:** **99.66 (MAR highs); (all OSC) 99.70 & 99.75 & 99.81**

SUPP: **99.63; 99.60-.59 (AUG 2011 High);** 99.55; **99.50-.52; 99.45**

Foreign Exchange: US Dollar

USD INDEX: Now restrained on euro's short term recovery, even of yen weakness is underpinning all other currencies. Yet strength elsewhere seems a bit more of a 'risk-on' rally, which leaves the trend hostage to equities decision into higher resistance. It is reinforced by weekly MA-9 up into bottom of .8225-60 with daily MACD still DOWN.

RES: .8300; **.8335-55; .8450;** .8516; .8625-36; **.8695;** .8750; **.8825-70**

SUPP: **.8225-60; .8150-80; .8080-50;** .8015-00; **.7925-15**

EUR/USD: While major 1.3450-1.3550 resistance temporarily violated, spill back below it was a fresh DOWN Break with both MACDs DOWN. While daily back UP since push back above 1.2860, weekly MA-13 reinforces 1.3170-1.3200 resistance. As this seems a modest 'risk-on' squeeze, quite a bit of next swing decision may rest with the equities trend.

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

SUPP: **1.2950-1.3000; 1.2860;** 1.2712-1.2660; **1.2570-00;** 1.2280-40

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. Yet now back above 1.5000-1.4950 and 1.5268-33 multi-year lows could lead to retest of 1.5500-1.5450 area.

RES: 1.5360; **1.5500-1.5450;** 1.5650-00; **1.5750; 1.5880-1.5900**

SUPP: **1.5268-33; 1.5000-1.4950;** 1.4800-1.4775; 1.4615-1.4550

Foreign Exchange: US Dollar (continued)

USD/JPY: February 2012 rally above key 78.35 and 79.50 were UP Breaks, and holding them on extended summer correction led to a much more major UPturn. Above 84.00-.50 and 85.54-.94 led to violation of critical 87.50-.00 area top of channel UP Acceleration. Violation of the 93.80-95.00 Objective reinstated by last week's extension above it in the wake of BoJ aggressive QE acceleration. 100 now hit with 105 next major Objective.

RES: **100.00; 101.45;** 103.80; **105.50;** 107.50; **109.00; 110.67**

SUPP: 99.00; **97.75; 96.71;** 96.00; **95.00; 93.80;** 92.50-93.00; **91.00**

AUD/USD: Commodity currency less than impressive on failure below 1.0450-1.0500 after stallout into resistance in 1.0600 area. But daily MACD back UP on rally above 1.0350 was also UP Break, followed by UP Break above 1.0450-1.0500, with 1.0625 critical threshold.

RES: **1.0606-25; 1.0750; 1.0850; 1.1000-83;** 1.12**; 1.13**

SUPP: **1.0500-1.0450;** 1.0350; **1.0250-20;** 1.0150-00; **1.0000-.9950**

Foreign Exchange: Cross Rates: Euro currency weakness was back as dominant secular trend in the wake of Cyprus problems and inability to form Italian government. The return to strength after January ECB meeting 'lack of crisis' confidence was no surprise, yet masked the broader issues which still plague Euro-zone banks. And yet, post-election policy-driven Japanese yen weakness still in force with greenback strong. That technical trend still major focal point after new BoJ Governor Kuroda's first meeting last Thursday.

EUR/JPY: **RES:** 132.00; **134.00;** 137.00; **138.50-139.14; 141.25;** 147.50; **150.00**

SUPP: **130.00; 127.94;** 125.00-50; 124.00; **122.74-123.35**

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 as expected that is now key support.

RES: **.8500;** .8580; **.8675-.8700; .8800-30;** .8880; **.9000;** .9085; **.9150**

SUPP: **.8370-.8400; .8250-70; .8180-41;** .8115; .8020-00; **.7950-80**

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 (JUL 2012 lo)**

We hope you find this helpful.
-Rohr
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