

ROHR INTERNATIONAL

Weekly Report & Event SUMMARY PERSPECTIVE

Monday, April 22, 2013

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

▪ **Macro-Technical Trend Perspective:** The Boston bombing relief rally is on the march. Along with the continuing focus on global QE being further endorsed by G20 not sanctioning Japan as a currency manipulator, the fears of multiple further terrorist bombings lapsing at the end of last week leaves the equities buoyant. And yet, as reviewed in our video analysis of the **June S&P 500 future** drop all the way back to the 1,532 Cyprus Crisis low (link still in the technical indications below), last week's trigger for equities to finally respect the much weaker economic data may leave less upside on the rally. Whereas previous we were thinking (in fact hoping) that the **June S&P 500 future** might make it all the way back up near the 1,592.50 high of the rally (or even put in a modest new high near 1,600), that is now impugned.

And the markets will all get a chance to assess quite a bit more relevant economic data this week along with the end of week influence from the next BoJ rate decision and (something borrowed from Signore Draghi) press conference. That provides even more latitude to spin the current psychology around their anti-deflation agenda. While that is an important end of week influence that may keep the bears at bay, the economic data will also be telling enough to indicate whether even QE-driven equities are entitled to a rally back to near the highs.

That is more telling now because of the nature of the weakening data. The weakness of US Retail Sales actually coming in negative plays right into the Payroll and other tax headwinds stalling the already weak US recovery hypothesis. That does not even begin to incorporate the incremental further weakness from the impact of the Obamacare program. And then there is Europe's seemingly intractable weakness that will likely be highlighted again in tomorrow's Advance PMI's, and which points to problems for the exporters as far away as China. All of it also plays right into the current weakness of commodities and especially metals. And forget the precious metal. Gold has been heavily securitized, and is more of sentiment indication than anything resembling the real world anymore. More important is the fact it has recovered nicely from last week's Monday Massacre while copper has continued to fall. The latter broke some long term support at 3.37 two weeks ago, and is now down to 3.10. That's the more so real measure of construction and electronics demand: weakness speaks of a downward shift in demand in spite of all the QE. Just what we had suspected might occur intermediate term.

▪ **Most Likely Critical Horizons:** The economic data today was mixed at best, with the least good coming from the US CFNAI and Existing Home Sales. And while the equities rallied, the primary government bond markets held up well on that weak data. Which makes Tuesday a very important economic data horizon for all the global Advance PMI's. That's in addition to UK CBI Trends, Canada Retail Sales, and US Richmond Fed Index and New Home Sales. Wednesday brings the RBNZ rate decision, Japan CSPI, German IFO, UK CBI Reported Sales and US Durable Goods into Thursday's Spanish Unemployment Rate, UK GDP, and US Kansas City Fed Index. Friday gets really interesting again with the Bank of Japan rate decision and Mr. Kuroda's press conference, National and Tokyo CPI, China MNI Business Sentiment Indicator, French Consumer Confidence, and US GDP and Michigan Confidence.

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▪ Economic Data Highlights:

Monday: Japan Supermarket and Convenience Store Sales, Euro-zone Government Debt-GDP Ratio & Consumer Confidence, Chicago Fed Nat Activity Index & Existing Home Sales

Tuesday: Australia Conference Board Leading Index, China HSBC Flash Manufacturing PMI, Japan Small Business Confidence, French Survey Overall Demand and Various Business Confidence Indicators, Euro-zone Advance Manufacturing and Services PMI's, Italian Retail Sales, UK Public Finances & CBI Trends Total Orders and Selling Prices and Business Optimism, Canada Retail Sales, US Markit US PMI Preliminary & House Price Index & Richmond Fed Manufacturing Index & New Home Sales

Wednesday: Japan Corporate Service Price, Australia CPI, German IFO, UK BBA Loans for House Purchase & CBI Reported Sales, US Durable Goods Orders

Thursday: German Import Price Index, Spanish Unemployment Rate, UK Index of Services & GDP, US Initial Jobless Claims & Kansas City Fed Manf. Activity

Friday: Japan Nomura/JMMA Manufacturing Purchasing Manager Index & National and Tokyo CPI, MNI April Business Sentiment Indicator, German Import Price Index, French Consumer Confidence, US GDP & Personal Consumption & Michigan Confidence

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

Monday: EU General Affairs Ministers Meet in Luxembourg, BoE Asset Purchase Facility Quarterly Report, Fed's Dudley and EU's Rehn, BoE's Bailey, ECB's Coeure, BoE's Tucker, EU's Van Rompuy, ECB's Noyer, BoE's Tucker

Tuesday: BoE's McCafferty, BoC's Carney and Macklem

Wednesday: Reserve Bank of New Zealand Rate Decision and Statement, RBA's Lowe, ECB's Mersch, ECB's Constancio, Merkel Hosts Van Rompuy, BoC's Carney and Macklem

Thursday: EU's Rehn, ECB's Asmussen, BoE's Haldane, ECB's Constancio

Friday: Bank of Japan Rate Decision and Statement, Bank of Japan Monetary Policy Statement, BoJ's Kuroda Post-Meeting Press Conference, ECB's Asmussen, SNB's Jordan and Studer

▪ Government Debt Auctions or Operations:

Monday: Italian announcement

Tuesday: Spain, US, Italian announcement

Wednesday: UK, Italy, Germany, US

Thursday: Japan, US

Friday: Australia, ECB announces 3-Year LTRO repayment, Italy

Concise Market View

▪ The equities rally still seems capable of either reacting (QE-inspired) to bad news as good news, or is in thrall to rapid resolution of the Boston Marathon bombing manhunt. The impact from the Cyprus crisis, lack of Italian government, and now 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 see the major uptrend reverse, or at least enter a more extensive correction than anything seen since (as noted last week) this time last year.

The US influence remains very critical even if last week's equities selloff also saw the DAX and FTSE hold some key lower supports. Yet neither one is really doing all that well in the wake of the US recovery Friday and today. Maybe tomorrow morning in the wake of the late session US recovery today. However, even if they do so, the economic data had already been weakening for over a week prior to disappointing US Employment and Retail Sales reports. 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.

Also as we inquired previous and revisited above, if China is really on the mend and the US is continuing to grow at a moderate pace, why are all commodity prices (even industrial metals) 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 psych in anything that offers a return, many factors now point to weakness becoming more pronounced.

Like the resilient bid in the primary government bond markets we also have highlighted of late. Maybe they did not rally much more in the wake of the current 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 just to revisit a key point about the very specific nature of a key element in last Monday's selloff, there is 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.

As we have not updated the **Current Rohr Technical Projections - Key Levels & Select Comments** as since last Thursday, 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 Wednesday's important economic data and other fundamental influences. That will also set up the psychology for the influence of the German government economic projections Thursday and BoJ meeting on Friday.

June S&P 500 Future: Drop back below 1,568 was critical with sag all the way to 1,332 also brings many other trend factors into play. Review it all in video: <http://bit.ly/117eTz6>.

RES: 1,547-45; 1,550-52; 1,568-65; 1,573; 1,586.50-92.50 (old high)
SUPP: 1,532; 1,526-20; 1,510-05; 1,485-90; 1,474.50; 1,465-67

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 had 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, and whether they get through major resistance will likely be determined by whether equities melt down into weekly Close, or rebound to resistance.

Government Bond Futures (continued):

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: 120.53; 121.05; 121.50; 121.86-.94; 122.30-.45
SUPP: 119.30-.52; 118.50-.25; 118.00; 117.57; 117.20-.00; 116.30-.00

JUN Bund: RES: 146.26; 146.89 (all-time high); (OSC) 148.15;
SUPP: 145.50-.88; 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) 99.73 & 99.78 & 99.84
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 noted critical supports. It is reinforced by weekly MA-13 up into .8180 area next week 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

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 recent 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

Foreign Exchange: US Dollar (continued)

AUD/USD: Commodity currency less than impressive on failure below 1.0450-1.0500 after stallout into 1.0600 area resistance. Daily MACD back DOWN failure of 1.0350 UP Break looks weak in wake of weak Chinese and US data. 1.0450-1.0500 resistance once again.

RES: 1.0350; 1.0500-1.0450; 1.0606-25; 1.0750; 1.0850; 1.1000-83

SUPP: 1.0250-20; 1.0150-00; 1.0000-.9950; 9850-10; .9705; .9537

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 masks 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:** 130.00; 132.00; 134.00; 137.00; 138.50-139.14; 141.25; 147.50

SUPP: 127.94; 125.00-50; 124.00; 122.74-123.35; 119.65-120.00

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

SUPP: .8500; .8370-.8400; .8250-70; .8180-41; .8115; .8020-00

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.

-Rohr

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