

# ROHR INTERNATIONAL

## Weekly Report & Event SUMMARY PERSPECTIVE

Wednesday, June 26, 2013

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

▪ **Macro-Technical Trend Perspective:** Yes dear, it seems bad news *is* good news again.

What a day! And for that matter, what a week so far. What we know for certain is that both volatility and directionality are back with a vengeance. Monday was a spectacular example of the ability of folks on one side of the market to ignore shifting conditions. While we might normally reserve this for the market views below, it is worth noting on the market psychology that the equities bears completely ignored the sharp improvement of the **September T-note future** from its test of major 125-00 (deep oscillator) support Monday. Given the importance of yields driving the equities psychology right now, that **IS** the perspective at present.

**Bad news is good news** again right now because it reinforces the degree to which the Fed's recent tapering talk has been conflated by the markets to mean a reversal of QE, and even a potential earlier than expected Fed Funds rate hike. That's what the extended short money forwards seemed to be saying. And yet, even the hawks at the Fed who've not been fans of the additional QE programs have been walking back that inference. As one client noted in our discussion today, "It seems we are seeing the 'tapering of the tapering'." Well said. And if anyone had any doubt about that, Minneapolis Fed President Narayana Kocherlakota was on CNBC this morning spelling it all out. And while not in so many words, his message was that any Fed Funds hike is a very long way off. And that showed up in the markets in a very telling risk-on response to the much worse than expected US GDP revision: after dipping slightly in overnight trade, the **S&P 500 future** Regular Trading Hours opened a whopping \$15 higher on the day... not what the GDP figure indicated, and putting a real bullish bias on the day.

While there are likely some US factors which could lead to weakness after the current rally has run its course, the general Fed 'walk back' of the recent comments is friendly for now. Our end-of-day video on how the **September S&P 500 future** trend factors are facing off between the 1,600 area and the 1,590 area can be viewed at (<http://bit.ly/17kfulw>).

▪ **Most Likely Critical Horizons:** It's been an odd week that saw only a limited data through today into the typical end-of-month onslaught beginning tomorrow. And yet it has also been a very interesting week due to the data being viewed through the prism of Fed-psych. So the Monday German IFO and Dallas Fed Manufacturing Activity didn't help equities while govies were under pressure. Tuesday US Durable Goods Orders and S&P/Case-Shiller info were helpful, and today's weak US GDP (see above) still led to a strong (if relatively quiet) day.

Yet the end-of-month fun really begins tomorrow. China Industrial Profits, Japan All Industry Activity Index, German Unemployment data, French Consumer Confidence, UK GDP, many Euro-zone Confidence surveys and US Personal Income and Spending should be interesting. And Friday brings Japan Manufacturing PMI, National and Tokyo CPI, Household Spending, Industrial Production, Retail Trade, Vehicle Production, Housing Starts and Construction Orders as the hors d'oeuvres, followed by China Leading Index and MNI June Flash Business Sentiment Indicator, German Retail Sales, French Consumer Spending, Canada GDP and US NAPM-Milwaukee, Chicago PMI & Michigan Confidence. Typical end-of month madness.

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▪ [Economic Data Highlights:](#)

**Monday:** German IFO, Italian Consumer Confidence, Chicago Fed Nat Activity Index, Dallas Fed Manufacturing Activity

**Tuesday:** Japan Corporate Service Price Index & Small Business Confidence, French Business Confidence & Production Outlook, Italian Retail Sales, US Durable Goods Orders & S&P/Case-Shiller house price data & Richmond Fed Manufacturing Index & Consumer Confidence & New Home Sales

**Wednesday:** German GfK Consumer Confidence Survey, French GDP, UK BoE Financial Stability Report & CBI Reported Sales, US Weekly MBA Mortgage Applications & GDP with associated data

**Thursday:** China Industrial Profits, Australia Job vacancies, Japan All Industry Activity Index, German Import Price Index & Unemployment Change and Rate, French Consumer Confidence, Spanish Retail Sales, UK GDP and associated data & Current Account & Lloyds Business Barometer, various Euro-zone Confidence surveys, Canadian Average Weekly Earnings, US Personal Income and Spending & Weekly Initial Jobless Claims & Pending Home Sales & Kansas City Fed Manufacturing Activity

**Friday:** Japan Nomura/JMMA Manufacturing Purchasing Manager Index, National and Tokyo CPI figures & Jobless Rate & Household Spending & Large Retailers' Sales & Industrial Production & Retail Trade & Vehicle Production & Housing Starts & Construction Orders, China Leading Index & MNI June Flash Business Sentiment Indicator, German Retail Sales & CPI, UK Nationwide House Prices & Index of Services, French Consumer Spending, Canada GDP & Industrial Product Price & Raw Materials Price Index, US NAPM-Milwaukee & Chicago Purchasing Manager Index & Michigan Confidence

▪ [Central Banks, Finance Ministries, Political Influences & General Events:](#)

**Monday:** Technical Troika Mission Visits Portugal, Fed's Fisher, ECB's Coeuré

**Tuesday:** Euromoney Global Borrowers & Investors Forum, IIF Spring Membership Meeting, Fed's Clark, ECB's Coeure, BoE's Sharma, BoE's Miles, BoE's King & Dale & Broadbent & Weale at hearing, SNB's Zurbrugg, ECB's Draghi, Fed's Vermilyea

**Wednesday:** Fed's Kocherlakota, ECB's Asmussen, ECB's Mersch, BoC's Lane

**Thursday:** EU Leaders Summit in Brussels, SNB Quarterly Bulletin, Fed's Dudley, Fed's Powell, Fed's Lockhart

**Friday:** EU Leaders Summit in Brussels, Bank of Portugal's Costa, Fed's Stein, Fed's Lacker, Fed's Pianalto, Fed's Williams

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

**Monday:** Germany, Italian announcement

**Tuesday:** Spain, Italy, UK announcement, US

**Wednesday:** Italy, US

**Thursday:** Japan, Italy, US

**Friday:** ECB Announces 3-Year LTRO Repayment

**Concise Market View**

▪ The discussion of the key indications for the September S&P 500 future noted above may be the backdrop for generally healing global equities trend that have experienced a nice bounce from lower significant supports after the Fed-inspired carnage since the middle of last week. And it is also of no small importance this is occurring in the wake of that Fed 'walk back' of the inference in many quarters that it is engaged in 'tightening'.

*Au contraire*, for the end of the primary government bond market bull and the closely associated anticipation of short term rate escalation have seemed to run their collective course after holding key lower supports. If the bonds are not ready for further downside, it is certainly a misplaced assumption that equities are ready to experience any sort 'meltdown' extension of the first sharp selloff in a while. And it is classically the case that the first sizable updraft in yields from very low levels is almost never the end of the equities bull.

Even in one of the other very prominent instances of a sharp initial upswing in yields, equities shook it off to remain bullish until yields were trending higher for quite a while. That was 1987. Don't get too nervous we are predicting a similar equities debacle this year to what we all went through back then. Very different underlying fundamentals, where P/E ratios were massively stretched back at that time. And the reason for that was the degree to which the retail brokers had their clients mindlessly selling put options on the premise that equities always go up!!

Sound familiar? Amazing that the markets have repeated that psychological failure so many times since then, but that's the nature of manias. Off course, after the last retail investor sold the last put option, the portfolio managers stopped buying what were obviously overvalued stocks. And the rest, as they say, is history. However, the degree to which the Fed seems back in the QE business for now is encouraging equities where the P/E ratios are quite a bit less stretched.

All the technical trend psychology is significantly consistent with yesterday's most recent update of **Current Rohr Technical Projections - Key Levels & Select Comments**. repeated below. Those are also available via the right-hand column link in **Rohr-Blog** (<http://bit.ly/qMYZ1p>).

**SEP S&P 500 Future: 1,594-1,606 Runaway Gap overrun to the downside now resistance, but a lot will rest with whether yields soften, as noted in the video <http://bit.ly/12prooG>.**

RES: 1,606-1,594 & 1,688 (R-gaps); 1,610; 1,624-28; 1,640-45

SUPP: 1,576-73; 1,563; 1,553-50; 1,531-26; 1,510-05; 1,485-90

**Government Bond Futures: Push higher on weak economic data was impressive, and previous weakening of even US economic data supported resilient holding near top of the rally until May US Employment report. Subsequent Fed vacillation now exacerbated by the tapering consideration, even if many at Fed are pointing out that's a still distant contingency for now. Yet, lead contract T-note failure below 130-00 area as September also failed 129-00 last Wednesday was toxic. Major 125-00 area support is now the key.**

SEP T-note: RES: 126-00/125-21; 127-06; 128-01/127-20; 128-16; 129-08/-02

SUPP: 125-00/124-24; 124-00; 123-04/-16; 122-30; 122-02; 121-08/-16

SEP UK Gilt: RES: 111.75-.30; 112.50; 113.61-.28; 114.00; 114.50; 115.67-.34

SUPP: 110.56; 110.20-109.84; 108.75; 108; 106.75-.50; 105.00-104.60

**Government Bond Futures (continued):**

SEP Bund: RES: 141.30-.00; 141.70; 142.30-.62; 143.00; 143.50-.75; 144.00-.34  
SUPP: 140.00-139.60; 138.41 (SEP lo); 137.20-136.93 (NEG DN Break)

**December 2013 Short Money Forward Futures:**

Eurodollar: RES: 99.63; 99.66 (MAR highs); 99.70 (high); (all OSC) 99.75 & 99.80  
SUPP: 99.60-.59 (AUG 2011 High); 99.55; 99.50-.52; 99.38-.40

**Foreign Exchange: US Dollar**

USD INDEX: While encouraged by euro short term weakness and also Aussie dollar and continued yen softness, euro strength had reversed recent greenback up trend. It was interesting to see daily MACD DOWN reinforcing weakness back below .8335-55 area that led to debacle below .8133 May low. Yet rallied without quite reaching .8000 support, and the further equities weakness on good news brought 'haven' bid back in the near term.

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: Daily MACD back UP since push above 1.2860, and above weekly MA-13 in the 1.3000 area reinforced strength. Yet weekly MACD UP on rally above 1.3250 was reversed on recent drop. However, good support remains in the 1.3000-1.2950 area and at 1.2860.

RES: 1.3360-30; 1.3450-1.3550; 1.39; 1.40-1.41; 1.4250-1.4300

SUPP: 1.3170-1.3200; 1.3080; 1.2950-1.3000; 1.2860

GBP/USD: Serial failures below key 1.5233 and 1.5000 area looked ugly, yet firm holding activity against the 1.5000 area was positive sign. Now back below 1.5500-1.5450 after failed test of 1.5700 area leaves door open to retest of 1.5245-25 on greenback strength.

RES: 1.5500-1.5450; 1.5700 DN Break; 1.5880-1.5900; 1.6000-1.5950

SUPP: 1.5345; 1.5245-25; 1.5000; 1.4950-1.4885

USD/JPY: Even with BoJ aggressive QE acceleration there was likely only so far the yen can go in the wake of the JGB debacle finally weighing on the mighty NIKKEI. Below next major level at 101.45 it ready for extended correction below 100 and 99 areas. Now back above 95.00 after holding no worse than 93.50-.00 key Fibs leaves 98.80-.30 resistance.

RES: 98.80-.30; 100.00; 101.45-25; 103.80; 105.00-.50

SUPP: 96.71; 96.00; 95.00; 93.50-.00; 90.90-.30; 89.40; 88.40; 87.00

AUD/USD: Commodity currency less than impressive on failure below 1.0450-1.0500 after stallout into 1.0600 area. Daily MACD back DOWN on DOWN Break below .9850-00, which fed .9581-37 major low failure and China weakness sending it below major .9388 low.

RES: .9388 (OCT '11 low); .9581-37 (MAY '12 low); .9850-10

SUPP: .9175; .8927; .8867; .8770; .8578-54; .8316; .8220; .8050

**Foreign Exchange: Cross Rates: Euro currency weakness reversed now, yet no dominant secular trend in wake of continued weak economic data weighing on Australian dollar; and that raised questions about the real condition of the Chinese economy. It is a bit of a surprise there was no strength there even while equities trend seemed to signal better general global economic conditions. As noted previous, 'Irrational Lack of Exuberance'. Policy-driven Japanese yen weakness still in force in spite of recent reaction, and that also highlights the weakness of Asia, where the Aussie is even leading the yen down.**

**EUR/JPY: RES: 130.00; 132.50-80; 134.00; 137.00; 138.50-139.14**  
**SUPP: 127.94; 125.00-50; 124.00; 122.74-123.35; 121.00; 120.00**

**EUR/GBP: Pound regained strong sister status since mid-March general basing after the long slide. Repeated euro failures at .8800 resistance led to slippage below .8600 as well; with weekly MACD DOWN, the .8400 support still critical this side of upper .8100 area.**

**RES: .8580-.8600; .8675-.8700; .8800-30; .8880; .9000; .9085; .9150**  
**SUPP: .8475; .8370-.8400; .8250-70; .8180-41; .8115; .8020-00**

**EUR/AUD: RES: 1.4265; 1.4342; 1.4580; 1.4725; 1.4927; 1.5016; 1.5100**  
**SUPP: 1.4000-30 (Neg DN CPR); 1.3878-1.3900; 1.3700-1.3648**

We hope you find this helpful.

-Rohr

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