

ROHR INTERNATIONAL

Weekly Report & Event SUMMARY PERSPECTIVE

Tuesday, July 2, 2013

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

▪ **Macro-Technical Trend Perspective:** It seems bad news is a problem again for now.

What an interesting ‘prismatic’ market this is, as the old ‘*bad news is good news*’ psychology which returned last week on the major Fed ‘walk back’ of the early tapering (and potential rate hike) inference assisted both govies and equities. That was apparent in last Wednesday’s sharply higher US RTH opening after a very disappointing Q1 GDP revision (more on that in last Friday’s *TrendView* MARKET ALERT <http://bit.ly/18pO4O2>.) And yet, even the better economic data in the US of late has not assisted the global equities. Especially note weaker German economic data has restrained the **DAX** from pushing back above the key low-mid 8,000 resistance. That is not a critical failure with major support down into the mid-7,600 area. Yet is indicative of just how much the trend rests with the **S&P 500** decision in the 1,600 area.

And the rest of the world is also at risk based on the greater than expected slowing in China, and weakness in Australia that RBA is not seeing fit to counter with further accommodation at this time. After holding its rate steady at 2.75%, it issued a statement (<http://bit.ly/15fEfpf>) which highlighted all of weaknesses and vulnerabilities. Interesting. And that’s on top of the international stress from political crises in Egypt and Portugal, with the former being more acute at present due to the natural implication for crude oil prices. Yet the situation in Portugal is also important for the stresses in Europe that have never been as well-addressed as the equities bulls would like to believe. There is still quite a bit of self-fulfilling weakness in Europe based on combination of austerity focus and weakening of its Asian export market.

Might it all still come right? Of course, but that will be based more so than ever on confidence and continued spending by US consumers. So in spite of the ‘ambush’ potential intrinsic in the ECB rate decision and press conference while the US is out on holiday this Thursday, we suspect that current Euro-zone factors will leave Signore Draghi a bit more dovish than usual. Then it will be with Friday’s US Employment report. As far as the short-intermediate term trend decisions, our end-of-day video on the **September S&P 500 future** factors on the failures into 1,609-1,623 leaving it back in the 1,600 area can be viewed at (<http://bit.ly/12lxqYH>).

▪ **Most Likely Critical Horizons:** It’s been an interesting week, due to get more interesting on the truncated trading schedule and other influences (see above.) Monday’s upbeat Japanese data was offset by continued weakness in China and mixed Euro-zone PMI’s. While US data was also mixed into today’s ISM New York, the basic tone is still upbeat. That’s reflected in the desire of US equities to keep the bid prior to getting pressure each day. And that will be aggressively tested beginning with tomorrow’s global Services PMI’s, Euro-Zone Retail Sales, and ADP Employment right into the early US trading Close (NYSE as well) as a prelude to the full Closure for Thursday’s Independence day holiday. Of course Thursday also see the ECB rate Decision and Press Conference along with only a limited amount of economic data with the US Closed. And it all wraps up on Friday with the Japanese Leading & Coincident Indices, Australia Foreign Reserves, German Factory Orders, and the US and Canadian Employment reports, and don’t forget (!!) the Fed Deadline for Bank Stress Test Results. It’ll be interesting.

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▪ [Economic Data Highlights:](#)

Monday: Australia AiG Performance of Manufacturing Index & TD Securities Inflation & RPDData-Rismark House PX Actual & HIA New Home Sales & RBA Commodity Price Index, Japan Tankan Survey & Vehicle Sales, global Manufacturing PMI's, UK Net Lending Secured on Dwellings & Net Consumer Credit, Euro-Zone CPI Estimate & Unemployment Rate, US Markit PMI Final & Construction Spending & ISM Manufacturing

Tuesday: Japan Labor Cash Earnings, UK PMI Construction, Euro-Zone PPI, US ISM New York & IBD/TIPP Economic Optimism & Factory Orders & Vehicle Sales

Wednesday: Australia AiG Performance of Service Index & HIA New Home Sales & Retail Sales & Trade Balance, global Services PMI's, UK BRC Shop Price Index & Official Reserves, Euro-Zone Retail Sales, US Challenger Job Cuts & ADP Employment Change & Trade Balance & Weekly Initial Jobless Claims & ISM Non-Manufacturing Composite, Canada International Merchandise Trade

Thursday: Australia Building Approvals, UK Lloyds Employment Confidence

Friday: Japan Leading and Coincident Indices, Australia Foreign Reserves, German Factory Orders, US Employment report, Canada Employment report & Ivey PMI

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

Monday: Canadian Markets Closed for Canada Day, ECB's Nowotny and IMF's Detragiache, BoE Record of June 18 FPC Meeting,

Tuesday: Reserve Bank of Australia Rate Decision and Statement, BoE's Tucker, Bailey, Kohn, Taylor at Hearing, Fed's Dudley, Fed's Powell, RBA's Stevens

Wednesday: Riksbank's Ingves, All US trading (including NYSE) Closes early in observation of Independence Day holiday

Thursday: BOJ's Kuroda, RBA's Lowe, Bank of England Rate Decision and Statement, European Central Bank Rate Decision and Statement, ECB'S Draghi post-Rate Decision press conference, US Markets are Closed for Independence Day holiday

Friday: EU's Rehn and ECB's Liikanen, ECB's Coeure (twice), Fed Deadline for Bank Stress Test Results

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

Monday: None

Tuesday: Japan, UK, UK announcement

Wednesday: Australia, Germany, US announcement

Thursday: Japan, *Spain, France*

Friday: Australia, ECB Announces 3-Year LTRO Repayment

[Concise Market View](#)

▪ **The discussion of the September S&P 500 future being the key for the trend of the other equities is fitting in light of both the economic data weakness and relative equity index performance over the past month-and-a-half (since the Bernanke JEC appearance top.) While there has been a decent bounce in both equities and govies since last week's early low of the sharp selloffs, especially in the equities it is hardly convincing unless there is some further progress in the near term to break some key resistances.**

Weaker economic data overseas (esp. China and Germany once again) weighs on US equities each morning in front of the US RTH opening. And even though **September S&P 500 future** rebounds afterward, the political crises in Egypt and Portugal are still an additional weight on top of the soft economic data. With so many cross-currents it will be necessary (as it always is in any event) to wait for confirmation from price movement. At this point that means any pre-ECB (Thursday) and US Employment (Friday) 'leaning' will need to include failure back below last Friday's **September S&P 500 future** 1594.80 low to reinforce negative short term momentum

That is because on balance **September S&P 500 future** does not look very good on the week long recovery that only partially filled the 1,623-1,609 post FOMC/Bernanke gap lower Thursday two weeks ago after testing that gap since last Thursday. For as much as it has held so far, it seems there is a bit of a burden of proof on the bulls to get that gap filled and push above it.

Needless to say, govies have been able to keep the bid to some degree because they likely presume any **September S&P 500 future** failure to push above that resistance will leave the equities generally under pressure once again. On the other hand, foreign exchange still appears a country specific Hodgepodge, with individual currencies responding *ad hoc* to either good news or bad news. That said, the prevailing theme we have been isolating for weeks still maintains insofar as Asia remains the clear weak sister. The down trend in the Australian dollar is closely associated with similarly weak renewed down trend in the Japanese yen.

The Australian dollar weakening below **AUD/USD** .9850-00 in mid-May was a major weekly Symmetrical Triangle DOWN Break. It signaled at least a test of the lower major lows that formed the lower gradual up trendline along the bottom of the major two-year Triangle. Both of those have already been violated in the .9581-37 area of the May 2012 low, and the .9388 October 2011 very major sharp selloff low (which was also that major top of congestion from back in 2009-2010.) Now that it is back in that entire lower range, it is also already below .9175, with .8927 as the next interim support. Yet the next major supports are not until the .8867 area and even more so into the .8750 area.

That weakness works hand-in-glove with the degree to which **USD/JPY** was still only back into extended support in spite of the sustained reaction from 103.75 the top of the rally a month ago. After violating more major psychological and technical levels like 100.00 and 99.00, the lower interim support at the Fib and congestion in the 93.40 area held well. The rally back to the 98.30-.80 area over the past several weeks was very interesting insofar as that was the aggressive weekly up channel DOWN Break on the initial sharp selloff back below 100.00 three weeks ago. Now that it has posted a weekly Close back above it, a move back near or through the highs (possibly the 105.00-.50 area missed at the last rally high) is likely in order.

All the technical trend psychology is significantly consistent with last Tuesday's most recent update of **Current Rohr Technical Projections - Key Levels & Select Comments**, repeated below for your convenience. Those are also available via the link near the top of the right-hand column in **Rohr-Blog** (<http://bit.ly/gMYZ1p>). They will be updated after the US Close today to prepare for the important late week influences noted above.

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 & 1,588 (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

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.

USD/JPY (continued):**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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