ROHR INTERNATIONAL

Weekly Report & Event SUMMARY PERSPECTIVE

Tuesday, September 17, 2013

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

▪ **Macro-Technical Trend Perspective: Fed Dread: Taper destabilizes equities? Or not.** The Bernanke Fed has done its job on preparing the markets. While we have often griped about the degree to which central bankers have gone from inscrutable to insufferable, the presaging of the Fed QE tapering seems to have calmed the equities. Of course, the Fed has also benefitted from some still reasonably mediocre US Employment data. That's a blessing in the form of an excuse to proceed with less tapering from the outset (likely tomorrow) than might have otherwise seemed credible. And as it has noted, and we agreed from the start, going from $85.0 billion (plus all that reinvested yield) to $75.0 billion is not a tragedy.

Au contraire, it remains a substantial support for the equities, now aided by the impasse on Syrian chemical weapons. A real fiasco. Nobody who is knowledgeable in geo(power)politics can believe for a moment the US president was so inept as to turn some tactical blunders into strategic failure for the US. The Obama administration now allows Assad to remain in power indefinitely as the only partner that can specify and surrender his WMD. Yet, relying on the good graces of *Vlad the Peacemaker* as an intermediary is a strategic tragedy. As a parody, tennis bad boy John McEnroe's gripe works well: "***You can NOT be Syria-ous!!***" After four decades of relative American hegemony in the Middle East, an antagonistic rival which happens to have an interest in high oil prices has been let back into a leadership role.

And all the sentiment the global economy is at least OK remains a major burden on primary government bond markets. Our video analysis and outlook **(http://bit.ly/1eNDMLo)** from after today's US Close is instructive follow up on the cautions we expressed since the September Bund expiration two weeks ago. And that works with Monday's response to Mr. Summers' potential Fed head withdrawal announcement. While the idea he was more hawkish than others was specious at best, markets still reacted like this meant more bond purchases. As in the event QE has never been as good for govvies as equities, all the bond bears could say on the test of the higher resistances even as equities look higher is, "Thank you Larry."

▪ **Most Likely Critical Horizons:** A very big week for the reasons explored above. And yet, there is also some important economic data as well, including the stronger than expected Euro-zone and German ZEW and Euro-zone Trade Balance today after a quiet Monday. Wednesday brings Australia Leading Indices, China Property Prices, Euro-Zone Construction Output and US Mortgage Applications and Housing Starts even prior to the major FOMC announcements and press conference. That is followed by Thursday's also still significant Japan Trade Balance and Leading and Coincident Indices, UK Retail Sales, US Initial Jobless Claims, Philadelphia Fed Indices, Existing Home Sales and Leading Indicators. So there will be plenty to focus on even after the FOMC. And Friday brings Japan Department Store and Convenience Store Sales, Italian Industrial New Orders and Sales, and Euro-Zone Consumer Confidence, yet with nothing from the US…except a major slug of Fed-speak. That includes George, Tarullo, Bullard, and also Kocherlakota, and all in the space of about one hour and 15 minutes into lunchtime. With no data that will reinforce the degree to which it is purely psychological finish to the week, exacerbating any psychology flowing from the FOMC

▪ **Economic Data Highlights:**

Monday: Euro-Zone CPI & Labor Costs, Canada Existing Home Sales, US Industrial Production and Capacity Utilization

Tuesday: Australia New Motor Vehicle Sales, China Conference Board Leading Index, Euro-Zone Current Account, UK PPI & CPI & RPI, German ZEW Survey Current Situation and Economic Sentiment, Euro-Zone ZEW Survey Economic Sentiment & Trade Balance, Canada Manufacturing Shipments, US CPI & TIC Flows & NAHB Housing Market Index

Wednesday: Australia Conference Board Leading Index & Westpac Leading Index, China August Property Prices, Euro-Zone Construction Output, US MBA Mortgage Applications & Housing Starts and Building Permits

Thursday: Japan Merchandise Trade Balance & Leading and Coincident Indices, UK Retail Sales & CBI Trends Total Orders and Selling Prices, Canada Wholesale Sales, US Initial Jobless Claims & Current Account Balance & Philadelphia Fed Indices & Existing Home Sales & Leading Indicators

Friday: Japan Nationwide and Tokyo Department Store Sales & Convenience Store Sales, Italian Industrial New Orders and Sales, UK Public Finance figures, Canada CPI, Euro-Zone Consumer Confidence

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

Monday: Markets Closed for Respect for the Aged Day Holiday, ECB's Mersch, ECB's Draghi, EU/IMF Start Review of Portugal's Aid Plan

Tuesday: RBA Meeting Minutes, ECB's Nowotny and Bafin's Koenig, ECB's Liikanen, ECB's Praet, BoE's Cross, Federal Reserve FOMC Two-day Meeting Begins, BoE's Tucker

Wednesday: RBA's Edey, ECB's Coeure, Swedish Riksbank meeting minutes, BoE Meeting MinutesBoC's Poloz, FOMC Rate Decision and Statement and Economic Projections, Fed Treasury and MBS Purchase Programs announcement, Fed's Bernanke press conference

Thursday: BoJ's Kuroda, BOJ's Kiuchi, Bundesbank's Dombret

Friday: BoJ's Kuroda, ECB's Liikanen, Sweden's Ingves and Skingsley, BoE's Weale, Fed's George, Fed's Tarullo, Fed's Bullard, Fed's Kocherlakota

▪ **Government Debt Auctions or Operations:**

Monday: UK Gilt Syndication opens
Tuesday: Spain
Wednesday: Japan, Australia, Germany, Portugal
Thursday: Spain, France (twice), UK, US, US announcement
Friday: Australia, ECB announces 3-yr LTRO repayment, Italian announcement

Concise Market View

▪ **The discussion of the December S&P 500 future being the key for the trend of the other equities is fitting once again after a time when it was obvious weak sister. The strength returning to US economic data in spite of key weaknesses in the last Employment report is a 'Goldilocks' environment. While other data improving beyond expectations is a concern, the US jobs picture remaining muddled at best gives the Fed latitude to be a bit circumspect in any near term QE tapering. And we'll know more about that tomorrow.**

While the upside leader is now the **DAX**, **September S&P 500 future** gapping higher to put in a minor new high on Monday's euphoric response to Summers' withdrawal announcement speaks volumes about the degree to which it is inclined to head higher. Having no trouble pushing above the old upside Objective, weekly MA-9 and old May topping activity in the 1,666-1,673 area last Tuesday (on an impressive gap higher), it remained strong on last week's Close.

And unless the **December S&P 500 future** should find a reason to crush the support back below 1,682-79 (its own gap higher Tolerance from Monday morning), it is likely also headed to a new lead contract high after it becomes front month on Friday; and that's in spite of its $6(+/-) discount to September contract. As noted in today's extensive video **(http://bit.ly/1eNDMLo)**, the weekly oscillator leaves December contract predisposed to test the next interim threshold (weekly MA-41 plus 115) in the area of the old lead contract 1,705 high. Yet, that is indeed an interim level, and the now rather aggressive weekly rise in that MA-41 also points to the next major threshold (MA-41 plus 135-140) indicating a potential to see 1,725-30 if that old 1,705 high is exceeded by any degree. It is a very interesting picture into the FOMC announcement and press conference tomorrow. And especially as it relates to that factor we have noted previous and above: if more QE maintenance is that good for the equities, with the govvies react with typical weakness once it is obvious the equities can and will move substantially higher?

We shall see. Yet on historic form, any major extension of the equities rally will not be good for govvies. The major example that comes to mind is summer 2010 anticipation when govvies rallied right along with equities (what we refer to as a "hostage to fortune rally" for govvies.) However, that led to a major govvies top once QE implementation actually began in November (right after the US midterm election.) It was one of those major corrections that "QE is good for govvies" fans can never anticipate. Lead contract **T-note future** went from the 128-00 area to the 118-00 area from November to February before any substantial bounce. And the resumption of the overall bond bull did not really begin a major up trend again until mid-April 2010.

The rest of the current market assessment is as reviewed in the video, including the switch in the futures contracts over to the December. While the projections below remain the same as the September contracts (except the **Bund** and **NIKKEI**) in last Thursday's most recent update of **Current Rohr Technical Projections - Key Levels & Select Comments**, those will be rolled to December contracts as well in the next update after Thursday's US Close (to catch extended influence from the FOMC announcements and press conference.) In the meantime simply subtract a full point from the **September T-note future** and **September Gilt future** levels to reflect the appropriate level for the December contracts. Those were indeed the sort of level those December contracts failed near on Monday morning's Summers' announcement surge prior to dropping off later in the day into today. "Thank you Larry."

The video timeline is to open as usual with **S&P 500 future** and **other equities** (from 07:25), with the **govvies** analysis beginning at 12:50, and **foreign exchange** commencing at 18:45 with a shift to **Asia** and some cross rates at 20:40. Unfortunately we somehow missed the **GBP/USD** analysis in the European FX, but that is very clear right now: support is violated hefty congestion in the 1.5750-00 area, and interim oscillator and congestion resistance is the 1.600 area. Yet it has been the case that anytime GBP/USD manages to run above the 1.5750-00 area for any length of time, it tends to want to test the more major resistance in the 1.6300 area. That was last seen at the top of the year, with a temporary spike up the 1.6380 area prior to falling back.

All the rest of the technical trend psychology is significantly consistent with last Thursday's most recent update of **Current Rohr Technical Projections - Key Levels & Select Comments**, repeated below for your convenience with no adjustments to original projections and comments. This is also available as usual for review via the link near the top of the right-hand column of the **Rohr-*Blog* (http://bit.ly/gMYZ1p)**, and we suggest anyone interested in keeping an eye on those September contract technical projections retain this analysis for future reference.

SEP S&P 500 Future: Expected bounce from 1,630-25 leads to gap above 1,669-73, a strong sign. Next interim oscillator level 1,690. Video analysis at http://bit.ly/1e8XrnN.

	RES:	**1,680-82;** 1,694-97; **1,705; 1,715-20 & 1,740 & 1,765-70 (OSC)**
	SUPP:	**1,669-73; 1,652-56;** 1,644; **1,630-25;** 1,614; **1,606-1,594/**1,588

Government Bond Futures: It still seems to have changed with May US Employment report and subsequent Fed tapering vacillation. Also weighing on govvies along is the stronger European data being real problem in wake of last week's ECB press conference. Analysis video from last Thursday http://bit.ly/1aT7I6k covering that still relevant, and has the govvies view from 05:50 and the key Bund analysis from 08:40. Basically a more broad-based Euro-zone recovery and strong US data has killed off any chance for a govvies resurgence for now. Watch that 138.00-137.60 failed support in the Bund.

SEP T-note:	**RES:**	**124-16; 125-00; 126-00/125-21; 126-16/-24; 127-06/-10**
	SUPP:	**123-04/-16;** 122-30; **122-02;** 121-08/-16; **120-16/-00**
SEP UK Gilt:	**RES:**	**109.20-108.75; 110.20-109.84;** 110.56; **111.75-.30;** 112.50
	SUPP:	108; **106.50-.20; 105.00-104.60;** 104.00; **103.00; 101.00-100.63**
DEC Bund:	**RES:**	**138.00-137.60; 138.41 (SEP low); 140.00-139.60**
	SUPP:	137.00-136.70; **135.20;** 134.12; **133.40; 133.00-132.94**

December 2013 Short Money Forward Futures:

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

Foreign Exchange: US Dollar

USD INDEX: It was interesting to see daily MACD DOWN reversed on the June swing back above .8200. And yet, as the attempt to push above the more major mid-.8400 area resistance stalled, it fully reversed on the renewed consideration the US was 'easy' in wake of the FOMC/Bernanke. Mid-.8200 area support violation once again leaves it even more critical on current bounce, as weekly MA-9 and MA-13 both right in that area.

RES:	**.8210-25; .8260; .**8300; **.8335-55; .8450;** .8516; .8625-36
SUPP:	**.8150-40;** .8080-50; **.8015-00; .7925-15; .7840-10**

EUR/USD: Daily MACD back DOWN after 1.3150 failure, yet attempted 1.2800 DOWN Break below odd weekly H&S Top Neckline in July saw very sharp rally. Drop back below 1.3350-00 initial sign of weakness, yet only to 1.3250-00 weekly MA-9 and MA-13 only left it into Tolerance at 1.3150 weekly MA-41. Both MACDs critical on near term swing.

RES:	**1.3360-30;** 1.3416; **1.3450-1.3550; 1.3711;** 1.3900
SUPP:	**1.3200-50; 1.3150;** 1.3080; **1.2950-1.3000; 1.2860;** 1.2765

GBP/USD: Serial failures below key 1.5233 and 1.5000 area looked ugly, yet recovering from next dip below 1.5000 area put both MACDs UP. Finally pushing above prominent 1.5700-50 area enable a test of 1.6000 interim resistance and possibly even 1.6300.

RES: 1.5880-1.5900; **1.6000-1.5950;** 1.6150

SUPP: **1.5700-50 (DN Break); 1.5500-1.5450;** 1.5380-50; **1.5245-25**

Foreign Exchange: US Dollar (continued)

USD/JPY: Even with BoJ aggressive QE acceleration, the confirmation Kuroda favors tax increases was likely to bolster the yen. While below 100 and 99 back in June left a 98.30 weekly channel DOWN Break, which was Negated. Yet it was not able to extend the slide below it at any point, and 100 area is the key focal point once again with daily MACD UP.

RES: **100.00; 101.45-25;** 103.30-.80; **105.00-.50; 110.00**

SUPP: **98.80; 97.00-96.71;** 96.00; **95.00; 93.50-.00; 90.90-.30;** 89.40

AUD/USD: Bad on weekly MACD DOWN on DOWN Break below .9850-00, with .9581-37 and .9388 major low failures. Failed .9175 Break UP out of down channel same as shallow H&S Bottom; extended basing resistance into .9300 area. .9000 and .8867 still supports.

RES: **.9275-.9307; .9388 (OCT '11 low); .9581-37; .9850-10**

SUPP: **.9175-56;** .9000; .8927; **.8867; .8770-50; .8578-54;** .8316; .8225

Foreign Exchange: Cross Rates: Euro currency weakness back for now, yet secular trend remains weak Australian dollar and yen in spite of some improvement on recent data; there are still questions about Greater Asian/Emerging Market economies, and prospect of Fed tapering remains an issue there. Cross rates are also impacted the European data turning a bit stronger along with the US of late, which has implications for the euro and sterling crosses. However, policy-driven Japanese yen weakness still in force, and recent BoJ pronouncements reinforce the weak trend psychology for the Asian currencies.

EUR/JPY: **RES:** **132.50-80; 134.00;** 137.00; **138.50-139.14**

SUPP: 130.80; **130.00; 127.94;** 125.00-50; 124.00; **122.74-123.35**

EUR/GBP: Pound regained strong sister status since summer general basing after the long slide. Repeated .8800 area euro failures led to drop below .8600 as well, and that was critical again on failed late-August bounce. The .8400 support critical again now.

RES: **.8475; .8580-.8600; .8675-.8700; .8800-30;** .8880; **.9000;** .9085

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

EUR/AUD: **RES:** **1.4450-00;** 1.4580; 1.4725; **1.4927; 1.5016;** 1.5100; **1.5200**

SUPP: 1.4265; **1.4165; 1.4000-30; 1.3860-10; 1.3500;** 1.3325

We hope you find this helpful.
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