

ROHR INTERNATIONAL

Weekly Report & Event SUMMARY PERSPECTIVE

Tuesday, October 1, 2013

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

▪ **Macro-Technical Trend Perspective: Equities love the US shutdown? ECB is next.**

The reason we mention the US shutdown ‘seeming’ to be a short term positive for the equities is the substantial rebound today. Yet that significant rally may be founded on a very poor foundation, part of which is the degree which it will foment extended full Fed QE. And that is why we mention the ECB being next, as it has an earlier than usual top of the month meeting this week. That has been pushed up into Wednesday due to Thursday’s German Unity Day bank holiday. And we might expect that Signore Draghi has additional reasons to sound at least as accommodative as previous with the US now a potential drag instead of a boon.

However, any sustained US shutdown will hardly be something that the Fed and other central banks can counter in any significant manner. There were other rationale’s for the somewhat surprising surge in the US equities today (not accompanied by the other developed country bourses) that were equally untenable. There is the simple assessment that these shutdowns rarely last for more than a couple of days (except 1996.) However, this time Republicans have painted themselves into a corner which will make it much harder to leave the room.

That was covered in yesterday morning’s **TrendView MARKET ALERT** (<http://bit.ly/16XS2r7>), which was expanded upon in a **Rohr-Blog** post (<http://bit.ly/1fln4h9>) on the more pernicious implications for the GOP not mentioned in the earlier analysis. That is important because one of the other perspectives proposed for why equities rallied yesterday was the greater chance for a ‘grand bargain’ that rolls into a US Debt Ceiling agreement if the current confrontation continues for any length of time. **What?** Why would anyone believe that a Republican Party which was willing to shoot some of the hostages over its insistence on at least a delay in the implementation (still preferring full repeal) of the Affordable Care Act (a.k.a. Obamacare) is going to be more flexible across time? They have blown it big time on the political finesse front, and now need to extend the current Continuing Resolution confrontation at least a bit further to demonstrate it was not all just an elaborate bluff. As far as the trend assessment after yesterday’s rally, we refer you to our post-US Close video (<http://bit.ly/1g3c7Em>), which covers the contingencies to look for after the recovery was still into resistances.

▪ **Most Likely Critical Horizons:** It has been a big week already with the first central bank meeting of the month (RBA), some on-balance weaker than expected economic data, and the US government shutdown. And while the latter is definitely a driving force for the equities and even other asset classes, there are still plenty of events and data to consider. While there is little critical data elsewhere Wednesday, it does bring US ADP Employment Change and ISM New York, followed by an earlier than usual ECB meeting and press conference (see above.)

It is also the beginning of three days of central bank-speak, featuring the Fed. After the Global Services PMI’s and Euro-Zone Retail Sales, Thursday is US centric again with Initial Jobless Claims, Retailers Monthly Sales Figures and Factory Orders. It all wraps up on Friday with a Bank of Japan Rate Decision and Statement, China HSBC/Markit Services PMI and Italian Senate Hearing on Berlusconi, but **NO** US Employment report. Thank you Mr. Shutdown.

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▪ [Economic Data Highlights:](#)

Monday: Japan Nomura/JMMA Manufacturing PMI & Industrial Production & Retail Trade & Large Retailers' Sales & Vehicle Production & Housing Starts & Construction Orders, Australia Private Sector Credit, China HSBC/Markit Manufacturing PMI, German Retail Sales, UK Net Consumer Credit & Mortgage Approvals, Euro-Zone CPI Estimate, Canada GDP & Industrial Product Price & Raw Materials Price Index, US NAPM-Milwaukee & Chicago Purchasing Manager & Dallas Fed Manufacturing Activity & Government Funding/Shutdown Deadline

Tuesday: Australia AiG Performance of Manufacturing Index & Retail Sales, Japan Household Spending & Jobless Rate & Tankan Indices and Outlooks and All Industry Capex & Labor Cash Earnings & Vehicle Sales, China Manufacturing PMI, Euro-zone and UK Manufacturing PMI's, Italian Unemployment Rate, Euro-Zone Unemployment Rate, US Markit US PMI Final & Construction Spending & ISM Manufacturing and Prices Paid & Vehicle Sales

Wednesday: Japan Loans & Discounts Corp, Australia HIA New Home & Sales Building Approvals & Trade Balance, UK PMI Construction, Euro-Zone PPI, US MBA Mortgage Applications & ADP Employment Change & ISM New York

Thursday: Global Services PMI's & Euro-zone Composite PMI, Euro-Zone Retail Sales, US Challenger Job Cuts & Initial Jobless Claims & Retailers Monthly Sales Figures & Factory Orders

Friday: China HSBC/Markit Services PMI, German Producer Prices, UK Lloyds Employment Confidence, US Employment report, Canada Ivey PMI

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

Monday: Chinese, Hong Kong Markets Closed with Chinese Markets also Closed all week, ECB's Coeure, ECB's Makuch, ECB's Mersch, US Government Funding/Shutdown Deadline

Tuesday: Reserve Bank of Australia Rate Decision and Statement, BoE's Tucker, BoE FPC SEP 18 meeting record release, Japan PM Abe Announces Sales-Tax Decision, BoE's Woods, BoC's Macklem

Wednesday: Fed's Yellen, EU's Van Rompuy, BoE's Fisher, BoE's Adams, European Central Bank Rate Decision and Statement, ECB'S Draghi press conference, BoE's Bailey, Fed's Rosengren, Fed's Bullard, Fed's Bernanke

Thursday: ECB Public Holiday for German Unity Day, Fed's Williams, ECB's Cœuré, Fed's Fisher, Fed's Lockhart, Fed's Powell, Fed's Fisher

Friday: Bank of Japan Rate Decision and Monetary Policy Statement, Italian Senate Panel Hearing on Berlusconi Process, ECB's Costa and Angola's Massano speak, Fed's Fisher, Fed's Dudley, Fed's Stein, Fed's Kocherlakota

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

Monday: UK announcement

Tuesday: Japan

Wednesday: Australia, Germany

Thursday: Spain, France, UK, US announcement

Friday: Australia, ECB announces LTRO repayment

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 in spite of the whipsaw engendered by the FOMC surprise two weeks ago and the somewhat surprising initially constructive response to today's US government shutdown. The net effect of a US equities surge today (not accompanied by the other developed economy equities) was to put December S&P 500 future back up into some key decision levels in the upper-1,680 to mid-1,690 area for a further decision. The importance of that decision not just for equities but other asset classes as well is covered in our video analysis from after the US Close today (<http://bit.ly/1g3c7Em>). We suggest review of that view on the **December S&P 500 future** even if your interest is more specifically in other equities or asset classes, which we mention later on in the video analysis. The timeline of the video begins as always with the **S&P 500 future** with mention of key **macro factors** which may affect the durability of the current rally at 02:20, followed by the **intermediate-term** view of the **S&P 500 price activity** as 03:40, **other equities and asset classes** price activity at 06:20.

The bottom line is that as well as the **December S&P 500 future** acted on a day when many might have expected a further drop on the US government shutdown, it is still only up into the resistance set up by last week's failure back below the Summers' withdrawal Runaway Gap higher back on September 16th. And that classically evolves that 1,288.60-1,295.00 jump higher into an Exhaustion Gap Top. That's just what happens technically when UP Runaway Gaps are fully overrun (i.e. not just simply closed off on a retest) with a Close back below the gap. And it is important in the current context due to the degree to which today's rally may be based on specious assumptions as the brevity of the current US government shutdown, or the idea it will foment a more constructive approach to the looming US Debt Ceiling negotiation. (More on all that in the [Macro-Technical Trend Perspective](#) above, with the links to other analysis.)

The rest of the current market assessment is as reviewed in the video, including the specious basis for some of the bullish sentiment today. The rest remains much as last Thursday's most recent update of **Current Rohr Technical Projections - Key Levels & Select Comments**. Those will updated after Thursday's US Close to reflect any of the extended influence from this week's major bout of central bank-speak noted in the Weekly Calendar and summaries above.

Equities: DJIA (cash): FOMC surprise fizzles after US Congressional confrontation over healthcare funding. Soft back below 15,350 with 15,200 area critical for daily MACD.

RES: 15,350; 15,500-40; 15,709.50; 15,810 (top line); 16,250 OSC

SUPP: 15,235-180; 15,000-14,945; 14,887.50-14,840; 14,790-50

Government Bond Futures: It still seemed to be a bear market in spite of the sharply bullish short-term response to FOMC "no taper" QE surprise. And yet continued disarray in US and now Italian politics is bringing the 'haven' bid back to primary govvnies for now. Assumptions about the greater likelihood of at least temporary, partial US government shutdown next week has rallied futures up to key resistances (see below), much above which they can all extend another full point or more. Especially previously depressed Bund critical against 140.30 area major failed Fibonacci 0.25 retracement of major bull.

DEC T-note: RES: 126-16/-24; 127-06/-10; 128-00; 128-14; 129-00

SUPP: 126-00/125-21; 124-24/-16; 123-04/-16; 122-30; 122-02

Government Bond Futures (continued):

DEC UK Gilt: RES: 110.20-109.84; 110.50-.70; 111.75-.30; 112.50
SUPP: 109.20-108.75; 108.15; 107.50; 106.50-.20; 105.00-104.60

DEC Bund: RES: 140.10-.30; 141.00; 141.50-.75; 143.30-.50; 144.00-.40
SUPP: 139.60; 139.00; 138.41 (SEP low); 138.00-137.60; 137.00-136.70

June 2015 Short Money Forward Futures:

Eurodollar: RES: 99.20; 99.25-.29; 99.40-.425; 99.47 (all-time hi)
SUPP: 99.12-.14; 99.06-.04; 99.00; 98.93-.87; 98.80; 98.76; 98.68-.66

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 previous FOMC/Bernanke expressions... and more so on last Wednesday's QE "no taper" shock. Summers' gap lower on Monday presaged likelihood it could test the major .8000 area we had been expecting to see, with very little ('dead cat') bounce so far.

RES: .8080-50; .8150-40; .8210-25; .8260; .8300; .8335-55; .8450
SUPP: .8015-00; .7925-15; .7840-10; .7680-50; .7500; .7472-50

EUR/USD: Daily MACD back DOWN after 1.3150 failure, yet July 1.2800 DOWN Break attempt below odd weekly H&S Top Neckline saw very sharp rally. Drop back below 1.3350-00 initial sign of weakness, yet only to 1.3250-00 Tolerance at 1.3150-00 left it ready to rally again. Surge now above 1.3500 leaves that as critical s.t. support.

RES: 1.3450-1.3550; 1.3711; 1.3900; 1.40-1.41; 1.4250; 1.4500-80
SUPP: 1.3350-00; 1.3200-50; 1.3150; 1.3080; 1.2950-1.3000; 1.2860;

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 and even 1.6000 leaves those as support, with 1.6300 major resistance.

RES: 1.6150; 1.6250-80; 1.6300; 1.6379 (JAN hi); 1.6500-50
SUPP: 1.6000-1.5950; 1.5880-1.5900; 1.5700-50; 1.5500-1.5450

USD/JPY: Even with BoJ aggressive QE acceleration, the confirmation Kuroda favors tax increases was likely to bolster the yen. Below 100 and 99 back in June left a 98.30 weekly channel DOWN Break, which was Negated. Of note this week is the muddle between the low 98.00 area and 99.00. Maybe the BoJ is getting its wish of stability around 100.00.

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

Foreign Exchange: US Dollar (continued)

AUD/USD: Bad on weekly MACD DOWN on DOWN Break below .9850-00, with .9581-37 and .9388 major low failures. Yet weekly MACD back UP recently on squeeze above the mid-upper .9200 UP Break & Fib levels; now a buffer below obvious mid-.9300 area.

RES: .9388 (OCT '11 low); .9500; .9581 (MAY 2012 lo); .96.90-.9705

SUPP: .9275-.9307; .9175-56; .9000; .8927; .8867

Foreign Exchange: Cross Rates: Euro currency strength back for now, yet sterling even stronger once again. Watch .8350 low end of EUR/GBP gradual down channel for a sign of just how much. Weak Australian dollar and yen now reversed on recent US dollar weakness, but need to watch AUD/USD into upper-mid .9200 area to monitor the degree. That's important to just how Greater Asian/Emerging Market economies psychology is evolving, and also whether the EUR/JPY finally pushing out above the long-standing (since May) mid 132.00 resistance continues it climb. Also note that EUR/AUD is critical back up into the low-mid 1.4500 area congestion and weekly MAs for more upside there.

EUR/JPY: RES: 134.00; 137.00; 138.50-139.14; 140.00; 141.50; 143.70; 145.00

SUPP: 132.50-80; 130.80; 130.00; 127.94; 125.00-50; 124.00

EUR/GBP: Pound regained strong sister status since summer. Repeated .8800 area euro failures led to drop below .8600 as well. Yet pound has now failed to press advantage on recent euro weakness below .8400 area, and .8350 bottom of channel now very important.

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.

-Rohr

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