

ROHR INTERNATIONAL

Weekly Report & Event SUMMARY PERSPECTIVE

Tuesday, October 15, 2013

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

▪ **Macro-Technical Trend Perspective: Fed Beige Wednesday trumped by Congress.**

In the face of the latest machinations from Washington DC, we doubt the Federal Reserve Beige Book to be released early Wednesday afternoon will have its typical influence on the markets. If it is still upbeat, that will be brought into question as a realistic forward view. If it already includes concerns not just about the current US government shutdown's economic impact yet also the uncertainty created by the unruly nature of the process, that's already at least partially priced into current market tendencies. And that's for the intermediate term view.

There can be little doubt the short-term market decision will rest almost solely with whether the US is faced with a lack of borrowing ability. Even if there is no technical default as of the end of the day on Wednesday (which is Washington DC terms means midnight), the lack of agreement to hike the Debt Ceiling would send a very negative message. That is why we expect the cooler Republican heads in the Senate will put through a bill early Wednesday that should be simple enough for the House Republicans to accept as a near term compromise.

After all of the opprobrium heaped on the Republicans for essentially creating the government shutdown, we doubt House leadership will allow the party to be tarred with responsibility for a US default... or even a near miss. As we have noted in **Rohr-Blog** (<http://bit.ly/1fln4h9>) **Commentary** posts for two weeks, the Republicans have been totally 'out-politicked'.

And the **December S&P 500 future** held up very well in spite of the late session nerves on that House effort that fortunately failed to produce a bill. Holding inside the Negated Runaway Gap noted in our video after Monday's Close (<http://bit.ly/1bZ138N>) on was a positive sign. For more of the specifics of that key lower support, see the **Concise Market View** below, along with the comments on potential higher resistances if the equities are good. The only other critical activity is the weakness of European govies apparent in support level failures.

▪ **Most Likely Critical Horizons:** It has been another contentious week of US confrontation over the budget and Debt Ceiling. In addition to being a bit mixed, economic data has been less than a critical influence in the face of the US political travails. Weaker in Asia and the US (what little there is) and stronger in Europe on balance, it will also be overshadowed by the onslaught of central bank-speak we have already experienced a bit of early this week. It is the Australia Westpac Leading Index, UK Employment, US NAHB Housing Market Index and TIC Flows on Wednesday culminating in the Fed Beige Book that is followed by ECB's Draghi.

Thursday brings Australia NAB Business Confidence, Euro-Zone Construction Output, UK Retail Sales, US Initial Jobless Claims and Housing data and the Philadelphia Fed along with then lapse of US treasury spending power if there is a Debt Ceiling hike failure, and six different Fed speeches. And that's followed by another five of the same along with Japan Nationwide and Tokyo Department Store Sales, China GDP and Retail Sales and Industrial Production and Fixed Asset Investments along with Canada CPI and US Leading Indicators. Quite a week, yet with so much dependent on the Washington DC confrontation outcome.

This review of the schedule for official economic report releases and other communication, as well as fundamental or technical trend analysis comments, general news, central bank or finance ministers or political meetings, and specific events is strictly for educational purposes. The information is provided without consideration of portfolio requirements, suitability for financial risk or psychological state of any recipient. Any use of this information to implement actual trades or investments is the sole responsibility of the individual or entity authorizing that decision. This waives your right to claim of explicit or incidental liability for financial loss or forgone profit against Rohr International, Inc. or any of its informational contributors under all circumstances. Information contained herein may have already been disseminated to others who may have acted upon it, including principals or employees of the advisor. By review of previous and following pages you agree in whole with all of these various stipulations.

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▪ [Economic Data Highlights:](#)

Monday: China Foreign Direct Investment & CPI & PPI, Australia Home Loans & Investment Lending, Euro-Zone Industrial Production, US Monthly Budget Statement

Tuesday: Australia New Motor Vehicle Sales, Japan Industrial Production and Capacity Utilization, German Import Price Index, UK PPI & CPI & Retail Price Index, Euro-zone ZEW Survey Economic Sentiment, German ZEW Survey Economic Sentiment and Current Situation, US Empire Manufacturing, Canada Existing Home Sales

Wednesday: Australia Westpac Leading Index, Tokyo Condominium Sales, Italian Trade Balance, UK Employment data and earnings, Euro-Zone CPI, US MBA Mortgage Applications & NAHB Housing Market Index & TIC Flows, Canada Manufacturing Shipments

Thursday: Australia NAB Business Confidence & RBA FX Transactions Other, Japan Machine Tool Orders, Euro-Zone Current Account & Construction Output, UK Retail Sales, US Initial Jobless Claims & Housing Starts and Building Permits & Philadelphia Fed

Friday: Japan Nationwide and Tokyo Department Store Sales, China GDP & Retail Sales & Industrial Production & Fixed Asset Investments Ex-Rural, Canada CPI, US Leading Indicators

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

Monday: Japan, Canadian and US Markets Closed for various holidays, Euro Area Finance Ministers Meet in Luxembourg, ECB's Coeure, ECB's Mersch

Tuesday: RBA Policy Meeting Minutes, Fed's Bernanke, EU Finance Ministers Meet in Luxembourg, Fed's Dudley, ECB's Praet,

Wednesday: Fed's Fisher, ECB's Mersch, Fed's Pinalto, Federal Reserve Releases Beige Book, ECB's Draghi,

Thursday: Fed's George, Fed's Fisher, Ostensible US Debt Ceiling Deadline, Fed's Fisher, Fed's Evans, Fed's George, Fed's Kocherlakota

Friday: BoJ's Iwata, RBA's Ellis, RBA's Stevens, BoJ's Kuroda, ECB's Nowotny, Fed's Lacker, Fed's Tarullo, Fed's Evans, Fed's Dudley, Fed's Stein

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

Monday: Germany

Tuesday: Spain,

Wednesday: Japan, Australia, Germany, Portugal

Thursday: Spain, France, 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 and asset classes is no longer fitting at this time. With the pending release of the Beige Book Tomorrow and the extreme reactions to the latest vagaries of the US budget and Debt Ceiling confrontation, it is in a bit of a world of its own. Not that it does provide some influence, but not the main driver even if the govies seem more sensitive again.

However, the primary perspective seems to be that without the US problems the equities could easily be quite a bit higher. After the FOMC 'no taper' surprise the lead contract S&P 500 future shot up to the 1,730 weekly oscillator resistance. As it only weakened in anticipation and the fact of failure of the US budget Continuing Resolution, why wouldn't it return to higher levels?

Which is not to say we are unbridled bulls. A return to (or even trading slightly above that 1,730 lead contract (September at the time) high would only put the **December S&P 500 future** up to the oscillator resistance once again (or possibly 1,735 into next week.) And there are also fundamental influences which could easily restrain the equities at higher ground.

While it might only amount to a modest drag on headline economic growth, the current US government shutdown has shaved some growth and even more so rattled confidence. And it is the case that small business is most affected, and it happens to be the engine of employment growth that has been misfiring so badly in the current recovery. This was also apparent in the recent NFIB Small Business Optimism Survey slipping slightly from the previous very low historic levels (see the October 8th Rohr-Blog post for more on that.)

Even if the **December S&P 500 future** should escape 1,735, extended oscillator resistance should kick in around 1,755. And as we saw on today's retracement from the push above 1,700 the lower support, the overrun 1,688-95 Exhaustion Gap Top is now support (with a buffer to the 1,685 area.) While it might still want to test lower support, that would only be under the auspices of a further real failure in Washington DC... and we should know about that into late Wednesday evening (Eastern Time.) As it stands, the Republican right wing had failed to pass a bill out of the House that would have delayed the resolution of the impasse. So now it's with the Senate, and whether the House will pass any relatively 'clean' compromise bill in a timely fashion.

Anyone interested in review of other equities and asset classes please see Monday morning's [TrendView Video](#) analyses (<http://bit.ly/17CIKBk> and <http://bit.ly/19J5QqG>) of all markets.

The rest of the current market assessment remains much as last Thursday's most recent update of **Current Rohr Technical Projections - Key Levels & Select Comments**. Those will be 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 and the potential US Congress failure to hike the Debt Ceiling timely. We shall see.

DEC S&P 500 Future: Similar to DJIA into 1,685 with more critical 1,695 top of Exhaustion Gap above that. 1,673-69 reinstated lower support. Video analysis at <http://bit.ly/19p1XJx>.

RES: 1,685; 1,695; 1,700-04; 1,715; 1,725-30; 1,750-55 (OSC)

SUPP: 1,669-73; 1,652-56; 1,644; 1,630-25; 1,619.50; 1,606-1,594

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 politics around budget process brought the 'haven' bid back to primary govies. Partial US government shutdown fears possibly being reversed now, yet govies still resilient into nearest supports. Important to watch December S&P 500 future support in the 1,673-69 short-term UP Break/congestion. Strong sister T-note holding low end of 126-00/125-21 important, and consistent with Gilt into 109.84 and Bund into 139.60.

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

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

DEC UK Gilt: RES: 110.50-.70; 111.75-.30; 112.50

SUPP: 110.20-109.84; 109.20-108.75; 108.15; 107.50; 106.50-.20

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

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 the recent FOMC QE "no taper" shock. Summers' gap lower presaged likelihood it could test major .8000 area, and now only marginally back above it near minor .8065 bounce high on equities rally.

RES: .8080-50; **.8150-40; .8210-25; .8260; .8300**
SUPP: **.8000-.7950; .7860-10; .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. Recent rally above 1.3450-1.3500 leaves that as critical s.t. support.

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

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 1.6000. Dip below the latter is s.t. DOWN Break critical 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 Abe 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 saw yen weaken after test of 97.00 critical support this side of major mid-93.00s. 98.80 critical resistance again.

RES: **98.80; 100.00; 101.45-25; 103.30-.80; 105.00-.50; 110.00**
SUPP: **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. Yet weekly MACD back UP recently on squeeze above the mid-upper .9200 UP Break & Fibs, which held well on last Monday retest. Looking higher.

RES: **.9500; .9581 (MAY 2012 lo); .96.90-.9705; .9793**
SUPP: **.9415; .9388 (OCT '11 low); .9275-.9307; .9175-56; .9000; .8927**

Foreign Exchange: Cross Rates: Europe weakened against Asia of late, but the bigger decision is yet to be seen. Other currencies strengthening against British pound now that GBP/USD has slipped back below 1.6000. EUR/GBP holding and rebounding from .8350 low end of gradual down channel to Close higher last week left an UP CPR that has fomented a rally. It is also interesting that Asia was strengthening against Europe, and that tendency is critical both technically and in context of recent weaker Euro-zone data.

Foreign Exchange: Cross Rates: (continued)

Weak Australian dollar and yen obviously reversed against recent US dollar weakness, but still need to watch USD/JPY into 97.00 area. EUR/AUD slippage below 1.4500 area congestion and weekly MAs looks bad, reinforced by current failure below 1.4350 area.

EUR/JPY: RES: 132.50-80; 134.00; 137.00; 138.50-139.14; 140.00; 141.50

SUPP: 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. Daily MACD UP means euro might extend rally.

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

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

EUR/AUD: RES: 1.4400-1.4350; 1.4500-50; 1.4725; 1.4927; 1.5016; 1.5100

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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