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To: alan.rohrbach@rohrintl.com
Subject: ROHR-BLOG: US Employment, Trade Risks, Extended Market Take Repeat

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Dear Subscribers,

We are coming to you quite a bit earlier than usual in the wake of the US Employment report that showed a still strong +201,000 Nonfarm Payrolls (NFP.) While there were weak spots in the Two-Month NFP -50,000 revision and a still weak Participation Rate, the key Monthly Hourly Earnings was an impressive +0.40%. Yet weak US EQUITIES seem quite unimpressed, and we have a good idea why: as noted more pointedly since the end of last week, the more important macro influences on US EQUITIES and other markets are still current trade developments.

The key question is still whether Canada will commit to a renegotiated NAFTA based on the US-Mexico agreement. For more on this see Tuesday's emailed note. As noted previous, that is a key to whether the US-EU negotiations can be pushed forward, in which case the old allies can present a united front in challenging China on its far more contentious issues. And highlighting the importance of US-Canada talks is the major drop in Canadian employment this morning.

Even if the result is positive, there is another threat to US EQUITIES psychology: the meltdown in EMERGING CURRENCIES. While they have stabilized a bit on weaker US EQUITIES raising ideas of a less aggressive Fed, there remains a rightful fear of heightened US tariffs on China as a negative global influence. That is more so now after Thursday's US public

comment deadline has lapsed. And yet for now GOVVIES are also under pressure from the strong US jobs numbers, presenting another concern for US EQUITIES (even if that might be a passing consideration.)

Repeat of Thursday's Extended Market Take (slightly adjusted)

SEPTEMBER S&P 500 FUTURE 2,800-10 area resistance was modestly exceeded into mid-July. Subsequent concerns left only very modest slippage back below that area until the more positive sentiment returned into late July. Higher resistances remained in the 2,840-50 area, reinforced by the late July downside reaction from that area, and seemingly reinstated on the mid-August drop back below it.

Yet not for long, even if subsequent initial recoveries stalling into the low end of that range confirmed its prominence. However, it was exceeded once again on the mid-August surge from the still key 2,810-00 support. It was also higher again early despite USD/TRY strength (see recent emailed notes for more), and held the 2,840-50 range on the politically-driven reaction Wednesday morning, August 15th (see that morning's emailed note for full analysis.)

Higher resistance at the 2,878.50 January all-time high was exceeded last Monday morning, with the next classical weekly Oscillator resistance into 2,895-2,900 also overrun by last Wednesday afternoon (and interestingly rising to 2,905-10 this week.) While we often discount the technical importance of the 'big penny' level, in this case it is meaningful. SEPTEMBER S&P 500 FUTURE has now slipped below 2,895-2,900 recent congestion support into an unsure situation. Next levels are that 2,878.50 January old all-time high it is below again, and supports into 2,850-40 and 2,810-00.

The other DEVELOPED ECONOMY EQUITIES are now concerned enough to slip nominally below supports, like DAX 12,100 with interim support at 11,750 and more major congestion into the 11,500-400 range. FTSE is below the 7,500 area, with next supports into 7,250 and the 7,100-7,000 area. Even stronger sister NIKKEI is backing off from recent tests of the more major 23,000 back into the confluence of weekly MAs in the 22,500 area, with 21,800 the key lower support. That is even as the SHANGHAI COMPOSITE continued to reflect the weakness of the Chinese

economy into recent rallies elsewhere by not recovering very much after nearing its major 2,638 area early 2016 lows two weeks ago.

And not surprisingly GOVVIES that had recovered above lower congestion ranges to near higher resistances, weakened on the recent US EQUITIES surge. Yet as that situation became more fraught of late, they have recovered a bit once again. Strong sister SEPTEMBER BUND FUTURE above the 162.00-.50 range only traded closer to 164.00-.50 resistance than during July prior to slipping again.

However, even more important for the BUND is the September contract expiration on Thursday with a typical big spread in the DECEMBER BUND FUTURE pricing: a discount of 2.50 in the December contract. As such, the 'continuation' price has been displaced into the low 160.00 area since Thursday. Yet that is not a tragedy, as 160.00-159.50 has been consistent 'front month' congestion resistance and support ever since the BUND rally stalled there in early 2015.

The lagging SEPTEMBER T-NOTE FUTURE is still stuck in the 120-00 area, and has still not tested the more important low 121-00 area (now including weekly MA-41) with 119-00 lower support And the SEPTEMBER GILT FUTURE had pushed nicely back above its 122.50-.00 congestion to the low end of its 124.00-.50 congestion resistance prior to softening back toward the lower range.

The DEVELOPED CURRENCY assessment had shifted to the US DOLLAR INDEX push above its 95.00-.50 congestion on a 'haven' bid due to Turkish problems back in August. Yet it could not quite test higher resistance in the mid-upper 97.00 area prior to slipping back quietly below the low end of 95.00-.50 (reinforced by weekly MAs.) Its recent slippage below it might possibly once again be due to sentiment on the international trade situation firming, which would remove the 'haven' bid even if the US economy remains strong sister. Lower interim support is the 93.50 area with 92.50-.00 (including weekly MA-41.)

And its passing strength was consistent with EUR/USD dropping into and somewhat below its more major 1.1500-1.1400 range without really nearing next support in the 1.1200-1.1100 area prior to pushing back up with next resistance at 1.1750 being tested last week, GBP/USD dropping below the

major 1.3000-1.2800 range without nearing lower support in the 1.2500 area prior to pushing back up into it, and AUD/USD drop below .7350 into a test of the top of next support in the .7200-.7100 range. As the retest of .7350 failed, it remains weaker than the others… likely on China concerns. And fellow 'haven' JAPANESE YEN has remained firm against the greenback with USD/JPY 112.00 remaining next resistance.

The real changes are of course in the EMERGING CURRENCIES even as they firm a bit from recent extended weakness. To begin with the most extreme, the TURKISH LIRA has now been trashed again on the USD/TRY pushing not just back above the mid-August 6.00 hyper-aggressive daily up channel DOWN Break; it is also in the process of Negating the 6.40-6.50 DOWN Closing Price Reversal (CPR) from three weeks ago. This is quite a feat, as the formal Tolerance of that DOWN signal was all the way up at the early August 6.6448 trading high (prior to the following Monday's extreme 7.10 area ultimate trading high as part of DOWN CPR pattern.) Even though recently back below 6.65, only weakness back below the 6.50-6.40 range will signal any potential for sustained weakness.

If not, it points to a likelihood the 7.0984 high from three weeks ago (now reinforced by an extended weekly Oscillator projection) will not end up being the end of the USD/TRY rally. The further extended Oscillator projections are into the 7.30 and 7.45 areas this week on the 0.07 major rise in a normally more gradual longer-term weekly MA-41. What we also know for now is that even if there is any weakness below 6.50-6.40, the Negation of the 6.00 hyper-aggressive up channel DOWN Break (also from three weeks ago) leaves that as near-term support.

USD/ZAR had also ratcheted back above 13.40-.50 to fully above both June's 14.00 high and the 14.50-.60 area not seen since November 2017. Previous recent spikes above that area and its 14.75 August 2016 high Tolerance were temporary, weakening off back below 14.50-.60 area… …until last Thursday. It is now pushing above 14.75 again, and as noted Monday, unless it slipped back below, it would see the mid-August trading high at 15.33 or even the more prominent historic congestion in the 15.50 (both having been vigorously tested on the Tuesday-Wednesday extension of the rally) or the 16.00-.25 area above that.

Interestingly enough, USD/BRL that for some reason had the BRAZILIAN

REAL as the EMERGING CURRENCIES relative tower of strength in only squeezing back up from the mid-3.00 area into the upper-3.00 area finally pushed to a new high above its June-July 3.95 area trading highs out of mid-August. Yet as noted previous, there was 4.06-4.07 congestion with the extended resistance into the 4.16 January 2016 high it has more or less respected so far.

However, a new critical signal was set up on last week's lower Close: a weekly DOWN Closing Price Reversal from the previous Friday's 4.1030 Close, with a Tolerance to that week's 4.1268 high. As such, those previous trading highs are reinforced as resistance, yet with any violation being a near-term additional bullish USD/BRL sign that is stubbornly remaining at present. As above the 4.16 January 2016 high is only the 4.2341 September 2015 all-time high, any sustained violation of that would require reversion to historic weekly Oscillator projection extended thresholds into 4.28 and 4.38.

USD/MXN has also ratcheted up from 18.40-.50 to above 19.00 once again, yet with next resistances in the 19.30-.40 range (including weekly MA-13 back in mid-August) restraining that rally well short of the 19.90-20.20 area next major resistance. Recently below 19.00 (also weekly MA-9 and MA-41) opened the door to a test of mid-18.00 area prior to last Thursday's push back above 19.00. The recent trading high at 19.37 currently being exceeded is both historic congestion and takes on additional import with Weekly MA-13 now down in the 19.20 area. Any sustained strength above 19.37 currently being tested may still point to 19.90-20.20, especially if anything unstrings the recent US-Mexico trade deal optimism (like a potential failure of the US-Canada trade negotiation discussed above.)

The other previous weak sister in addition to the TURKISH LIRA based in part on US sanctions is the RUSSIAN RUBLE. Of course that is also exacerbated by the extended weakness of CRUDE OIL. USD/RUB finally also pushed well back above its 4-month sustained 64.00-62.00 trading range (with temporary aberrations) early last month. Well above the 65.00 area April high since that time has seen it push above resistance in the 66.50-67.00 area as well. Next resistance is not until the 68.50-69.00 area tested at the height of previous recent near-term TURKISH LIRA debacles and again at present, with 71.00-.50 above that.

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