Alan Rohrbach

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To: Alan Rohrbach
Subject: ROHR-BLOG: Slackticipation, Quick Take, Calendar

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Dear Subscribers,

Yep, 'slackticipation'. That is our term for the US EQUITIES anticipation of weaker key Chinese economic numbers this morning as a driver for Thursday's selloff back below a key near-term range (more below.) And we are coming to you quite a bit earlier than usual in deference to those Chinese numbers (including both weak GDP and Industrial Production) being the last of the critical economic data at the end of this week after other mixed international data.

Even allowing the further impasse in EU-UK Brexit talks only leading to a UK request for a further grace period might have also been an equity market drag, the Chinese situation along with higher US interest rates were the far more likely culprits behind the most recent softening of US EQUITIES.

That is also still consistent with GERMAN and UK GOVVIES keeping their bid on Brexit and Italian budget concerns while US GOVVIES remain weak on global growth confidence, and the US DOLLAR INDEX also keeping its bid on US upside leadership. And we still interpret the resilience of the EMERGING CURRENCIES as a sign of the global growth confidence looking past the typical EMERGINGS being driven by the CHINESE ECONOMIC PSYCHOLOGY.

And in the context of the overall trend, the US EQUITIES selloff remains a modest correction that had not even reached (much less violated) its key lower overall trend support at last week Thursday's sharp selloff low. While it is a bit dated now, Tuesday morning's weekly chart (http://bit.ly/2pV5GyL) is still instructive on just how much further down that broad up channel support remains this week into next week. At least so far US EQUITIES have done no worse than churn around key long term weekly MA-41, even if they might slip further in the near term.

And that is in sharp contrast to the CHINESE EQUITIES that have remained in a sustained down trend after violating their early 2016 4-year lows earlier this month. Since the SHANGHAI COMPOSITE fell below its key 2,638 area it has remained in an extension of the bear trend down to the 2,486 level prior to rebounding to 2,550 today. However, it must sustain a rally back above 2,638 to demonstrate any sort of trend reversal potential.

Market Quick Take

FRONT MONTH S&P 500 FUTURE still had higher resistance into the 2,840-50 area in early August after the rebound from still important 2,800 area support. It was exceeded along with the 2,878.50 January all-time high in late August. Next weekly resistance into 2,895-2,900 was also overrun and remained important after recent rallies failed into higher weekly Oscillator thresholds around 2,930-35.

Those ultimately led to failure back below 2,895-2,900 congestion that was a weak sign pointing to a retest of at least 2,840-50 area and possibly the still important 2,800 hefty congestion area. In the event a 'quadruple whammy' noted last week Thursday really hit near-term psychology, and brought failures below those areas. However, as noted at the time that still left room for subsequent recovery of the bull trend, as apparent on the weekly chart from Tuesday morning (http://bit.ly/2pV5GyL.)

The DECEMBER S&P 500 FUTURE failure below 2,800-2,790 left an intermediate-term channel DOWN Break from 2,835, an area it will need to exceed to fully restore a bull trend. Failure below the weekly MA-41 at 2,770 looked bad yet still allowed for a test of more prominent 2,700 area (major channel and congestion) within a broad bull trend. The current weakness back below 2,800-2,790 area opens the door to further slippage.

And even if it recovers back above that area, the 2,835 intermediate-term channel DOWN Break (reinforced by previously failed 2,840-50 congestion) remains key higher resistance.

While they got a bit of a 'haven' bid last week on EQUITIES weakness, the US GOVVIES have only bounced back to failed supports. The DECEMBER T-NOTE FUTURE is still only trading back up to the area of its failed 7.5-year 118-10 trading low support from back in April, which is still not doing anything to change the overall trend.

Yet in the context of more focused Brexit concerns and continued Italian budget confrontation this week, strong sister DECEMBER BUND FUTURE finally managed to push back above its 159.00-158.72 previously violated Tolerance of its more major 160.00-159.50 failed major congestion area. As noted previous, that higher area remains the overall more trend-decisive threshold (including weekly MA-41) it is back up to challenging at present.

Similarly in FOREIGN EXCHANGE, we had noted the GREENBACK had not lost much of its bid against DEVELOPED ECONOMY CURRENCIES. That is evidenced by the US DOLLAR INDEX only reacting back down to slightly below its 95.50-.00 key congestion it is now back well above, with next resistance into the mid-97.00 area it did not quite reach on its mid-August rally.

And if there was a real economic crisis unfolding, the EMERGING CURRENCIES would likely be much weaker than their recent more resilient activity. In fact, even after the DECEMBER S&P 500 FUTURE neared and rebounded from the more major 2,700 area support last week Thursday, the EMERGINGS have overall strengthened over the past week or more prior to weakening off a bit again today.

We interpret this as a sign the overall global economic performance will remain firm enough in the intermediate term to support even these external capital hungry economies, which (as noted above) seem to have delinked from their classical tie to Chinese economic prospects.

This is especially so for the TURKISH LIRA that is benefitting from an improved US relationship in the wake of the release of US Pastor Andrew Brunson after two years in detention. As such, the USD/TRY drop below

the key 6.00-5.90 range on last week's Close leading to a test of 5.50 next support this week was no surprise.

The SOUTH AFRICAN RAND has also benefitted from the overall global confidence factor, as USD/ZAR that had traded temporarily back above 15.00 again as recently as last week has now slipped back down below the key 14.50-.40 area once again. The question now is whether it can violate the lower key 14.00 congestion in a way that it could not back in August and September.

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