

Alan Rohrbach

From: no-reply@vrmailer3.com on behalf of ROHR-BLOG <info@rohr-blog.com>
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To: Alan Rohrbach
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Dear Subscribers,

There is obviously a ‘stealth psychology’ on US EQUITIES rising so strongly into the recent troubling global ‘macro’ factors. And we are coming to you quite a bit earlier than usual again today on our return from the US Martin Luther King Jr. Day holiday in order to fully review the most salient aspect.

As noted in Friday’s emailed research note, the US government shutdown’s impact on its economy is deepening. Yet the silver lining there is the lower growth will reasonably restrain the Fed’s current more hawkish tendencies, which many viewed as by far the most significant threat to US EQUITIES.

It even goes beyond that in the context of the shutdown. With some of the key government departments that provide statistical data also closed, there is a current and assumed future lack of data. That includes the Census Bureau’s Retail Sales that was just missed, and the Employment report from the Bureau of Economic Analysis if the shutdown lasts into early February. Add overt slowing which is now apparent, and the FOMC must have some sense of economic weakening; which is also underpinning GOVVIES that had come under some pressure in the face of the EQUITIES rally.

In any event, there will be a delay in it having the statistical ammunition for

another two rate hikes this year. While that may still occur, at the very least it will now likely be on a somewhat more deferred basis than previously presumed by markets. And that is also still in the context of a slowing EU economy (see the recent IMF growth revisions), continuing Brexit stresses, and the US-China trade face off. So, as noted since Friday, there is a ‘bad news is good news’ element in the continued US shutdown, which is now amplified by data disruption.

Courtesy Repeat of Monday’s Quick Take

Ever since the FRONT MONTH S&P 500 FUTURE dropped below the early 2018 lows into mid-December, we skipped a lot of our previous higher level activity discussion that becomes relevant once again as MARCH S&P 500 FUTURE pushes back above the 2,635 resistance (including weekly MA-13.) Along with lower 2,600 congestion it has been back above since Tuesday January 15th, that puts the 2,675-70 area (including the 2017 Close) and failed 2,708 UP Break in play.

At this point it must be noted that the push back above the full 2,600-35 range has both ratcheted the MARCH S&P 500 FUTURE back into the October-early December trading range. The importance of that with the fresh weekly down channel UP Break (2,600) and key moving averages being exceeded is apparent on the 3-year weekly continuation chart (<http://bit.ly/2Dmz3BE>.) Only a failure back below 2,600 area will restore any near-term bearish momentum. Yet there are also key higher resistance levels back up into the Negated 2,708 UP Break, interim mid-2,700 area congestion (also weekly MA-41), and prominent low-2,800 area top of the range.

While the December drop below early-2018 2,529-52 lows was critical due to next significant lower support not being until the major 2,400-low 2,300 area, that held its Tolerance into the early 2017 2,318 congestion area low right after Christmas. This can still be seen on the monthly chart (<http://bit.ly/2VBvb6D>) from the end of last year; it highlights the degree to which broad up trend support was held.

Consistently weak data along with previous sharp EQUITIES weakness had also encouraged GOVVIES to predictably push up again. That recently also exhibited the volatility which seemed to be missing on the previous US

EQUITIES selloffs, even if the recent US EQUITIES surge and strong data has weighed on GOVVIES again to a limited degree.

Combining the remaining Brexit concerns and weaker global data had seen strong sister DECEMBER BUND FUTURE back above the 160.00-.30 area as well as the upper-160.00 area highs on its way to the 162.00-.50 area next resistance. On its Thursday DEC 6 expiration the MARCH BUND FUTURE was trading at a recently unusual 0.85 premium to December contract, and was already above 162.00-.50 area. While it stalled temporarily into more major resistance in the 164.00-.50 area during the holidays, recent weak economic data and EQUITIES stalling into resistance have pushed it back above that range after holding only marginally back below it.

And weak sister DECEMBER T-NOTE FUTURE well back above its 118-10 mid-May trading low also sustained its rally above higher trend resistance in the 119-00/-08 area. That pointed to the heftier 120-00 area congestion (also weekly MA-41) it is also pushed above in early December. That left the 120-24 area highs and previous trading highs into 121-12 area as next resistances it also exceeded on its way to a temporary push above next resistance in the 123-00 area prior to recently dropping only somewhat back below 122-00 at present.

The same was true for DECEMBER GILT FUTURE above 122.00-.50, with next heavy congestion into the 124.00-.50 range it stalled into. That said, the MARCH GILT FUTURE was trading at roughly a 0.60 discount into the late-month December contract expiration. After the top of the year push back up into the 124.00-.50 range, it has now reversed to some degree to retest the top of the 122.00-.50 range.

Similarly in FOREIGN EXCHANGE, a ‘haven’ bid that had returned to the US DOLLAR INDEX on the previous US EQUITIES drop has not been in evidence of late. As noted above, its typical crisis phase ‘haven’ bid can be the opposite if the US is the source of market stress.

Even as the US DOLLAR INDEX reacts once again from near its mid-upper 97.00 resistance, it was holding no worse than the mid-96.00 area seen on previous recent dips. Yet the more major support remains into 95.50-.00 area it finally tested last week prior to the present rebound into

the low-96.00 area. The additional major recent and historic congestion support remains into the 94.00 area.

Along with that EUR/USD that had surged back above 1.1400 to near the 1.1500 resistance in thin New Year's Day trading was back marginally below 1.1400 once again early this month. Next support into 1.1250-00 was again neared on the recent dip. While well back above 1.1400 last week and even temporarily above the 1.1500 area on recent US DOLLAR weakness, it has now dropped back into the 1.1400 area. More prominent resistance remains into 1.1600 area.

And the Brexit concerns that had dropped GBP/USD well below 1.28-1.30 toward next major support in the 1.25-1.24 area remain in place. And the 'bad-good' response to the Brexit bill failure (see above) has seen GBP/USD sustain activity well back above 1.2800. Already back above weekly MA-9 & MA-13 in the mid-1.2700 area, the question now is whether it can also surmount 1.3000 congestion well enough to also push above the 1.31 area weekly MA-41?

And despite the US changeability, the previous hint of US-China rapprochement encouraged AUD/USD to squeeze back above its historic .7200-50 area (also weekly MA-9 & MA-13.) However, that same negative early-December Trump 'Tariffs Man' tweet that hit US EQUITIES on the lower chances for US-China trade rapprochement also dropped AUD/USD back from a hopeful early-December test of the .7300-50 area to back below .7200-50. It was recently down into more major .7000 area congestion, with the .6825 nearly 9-year trading low below that. This was not a surprise on current Chinese economic weakness and fraught US-China relations, even if the current potential rapprochement had it recovering toward another test of .7200-50.

And while the EMERGING CURRENCIES are still more country-specific trends than previous, they were also enjoying a bounce from support on US-China potential rapprochement that remains a key influence, and the self-inflicted wounds of the US DOLLAR.

The government change-beleaguered MEXICAN PESO that had seen USD/MXN drop back temporarily below its 20.00-20.20 congestion, had been back up on multiple tests of the 20.50 area prior to sliding back below

20.00 again. It is also now below lower interim support at 19.70 as well as more major 19.60-.50 congestion. Next lower supports are in a range of congestion from 19.20 (high end) it is currently below to interim 18.70 and ultimately 18.50-.40 (low end.)

And that is just part of the EMERGING CURRENCY return from weakness, as USD/ZAR had pushed up from below 14.00 to testing and failing from 14.50 again on its way back below 14.00 in November. Next lower support in the 13.60-.50 area was probed into the beginning of December prior to pushing temporarily back up into 14.40-.50 area and even 14.60 into the holidays prior to dropping back below 14.00 into the beginning of January. Those areas remain current resistance and support.

USD/RUB that had reacted back down from above 67.00 was back there again in the wake of imploding Crude Oil prices with next resistance as nearby as the 68.00 area. Even though the previous early December Fed shift had engendered slippage back below 67.00 there as well the encouragement both it and the OPEC situation had provided, the subsequent suffering of the Crude Oil market had USD/RUB back above 68.00, even if it failed once again at the 70.00 area resistance (just like early September.) It has recently been back below both 68.00 and 67.00 (including weekly MA-9 & MA-13) with support back into 65.00 (including weekly MA-41.) So basically back into the more sustained 3-month trading range areas.

In the meantime, the still improved TURKISH LIRA had USD/TRY slipping once again from 5.50, even if it experienced an intraday spike above it on January 3rd. And on the previous weakness it refused to drop to next support into the 5.00 area, with weekly MA-41 now up into the recent 5.20 area congestion as well. Outside of that recent temporary spike higher, the last two months have still been mostly a trading range affair between 5.45 and 5.22 until the recent US-Turkey Syria disagreement put it back up for a more sustained test of 5.50 once again. If it should sustain activity above it, next minor resistance is the recent 5.6230 spike high, yet with not much above that until the 5.90-6.00 range. However, the US-Turkey dispute over the US military's Syria withdrawal seems to have died down, and US DOLLAR strength along with it.

While more so than ever obviously less relevant (as we have been noting for

some time) on the standard report releases in the midst of more major global trade and political cross currents, this week's Weekly Report & Event Calendar (accessible for Sterling and higher level subscribers) is available via the www.rohr-blog.com sidebar.

While there are obviously no US report releases during today's Martin Luther King, Jr. Day memorial observation, UK Prime Minister May is expected to address parliament with at least the outline of her 'Plan B' Brexit plan after the sharp rejection of her previous bill last Tuesday evening. There are also key central bank meetings this week, especially Thursday's ECB decision and press conference.

The Rohr-Blog Research Team

info@rohr-blog.com

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Rohr International, Inc.
300 West Adams Street

Chicago, IL 60606 - USA

