

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,

Of course, the cliché is actually, “So far, so good” to express interim progress. Yet in the current ‘bad news is good news’ US EQUITIES psychology, the more stressed current or prospective things seem, the better it is; and that goes even more so for the international GOVVIES that have weaker economies than the US (where the US GOVVIES are subject to greater setbacks, like last Friday.) This is apparent again today in weaker Asian and European Services PMI’s.

As discussed on Monday, Trump’s State of the Union Address is also coming up this evening. That will likely include surface level entreaties on more collegial cooperation, yet also include his intractable demand for southern border barrier funding. Hello shutdown return, or contentious Presidential state of emergency.

More bad/good news. That is especially after Monday’s ‘informal’ Trump dinner with Fed Chair Powell. It is believable that the economy and trade were discussed with no mention of monetary policy. Why would Trump bother with it when that would have been untoward, and the Fed has moved to a more accommodative stance already?

And as noted in last Thursday’s “Fed-tastic” emailed research note, the

recent Fed shift reinforces the ‘bad news is good news’ psychology.

With US EQUITIES above the incremental resistance they had struggled with prior to the FOMC meeting, the current grind up toward next interim resistance is no surprise (more below.) Of note, the anticipation of further ‘bad’ news is also boosting the GOVVIES. Note how even the US T-NOTE FUTURE is up a bit after its recent spill despite the US EQUITIES rally extension.

While the other global influences remain important, the market response to the State of the Union is the next shoe to fall prior to Thursday’s BoE Inflation Report press conference.

Market Quick Take

The FRONT MONTH S&P 500 FUTURE pre-December activity above the early 2018 lows is relevant once again with MARCH S&P 500 FUTURE back above 2,600-35 resistance. Along with lower 2,600 congestion it has been back above since Tuesday January 15th, that put 2,675-70 area (including the 2017 Close) back in play.

At this point it must be noted that the push back above the full 2,600-35 range had also ratcheted MARCH S&P 500 FUTURE back up into the October-early December trading range. The importance of that with the recent 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/2S5Rcwt>) (including weekly MA-9 & MA-13) updated through last Friday’s Close.

Also above 2,675-70 area last week it had stalled into the previous week-and-a-half opened the door to interim previous 2,708 DOWN Break it is now well above. Higher resistances remain the mid-2,700 area (also weekly MA-41), and prominent low-2,800 area top of the October-early December 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 be seen on the monthly chart (<http://bit.ly/2VBvb6D>) updated through the end of last year; it highlights that the 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 had recently also exhibited the volatility at times which seemed to be missing on the previous US EQUITIES selloffs, even if the recent US EQUITIES extended rally is indeed on more so that 'bad news is good news' psychology.

Once again, this allows for unconventional mutual EQUITIES-GOVVIES strength. The exception now is the US T-NOTE that sold off in the face of strong US data last week.

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, previous weak economic data and EQUITIES stalling into resistance had pushed it back above that range after holding only marginally back below it. Sustained recent activity above it leaves it closer to the 166.00-.50 major higher congestion.

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 early-January push above next resistance in the 123-00 area prior to dropping only somewhat back below 122-00. And after holding around 121-12 again, it was back above 122-00 after the Fed influence until last Friday's next very

strong US Employment report.

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 reversed to some degree to retest the 122.00-.50 range prior to moving back up again now to closer to the 124.00-.50 range.

Similarly in FOREIGN EXCHANGE, a ‘haven’ bid that had returned to the US DOLLAR INDEX on the previous US EQUITIES drop had not been in evidence of late. As noted previous, its typical crisis phase ‘haven’ bid can be the opposite if the US is the source of market stress. And in addition to that the easier Fed stance now also reinforces the weakness of the greenback.

Even as the US DOLLAR INDEX reacts once again from its mid-December rally near mid-upper 97.00 resistance, it was holding no worse than the mid-96.00 area in December. Yet the more major support remains into 95.50-.00 area (including weekly MA-41) it finally tested early this month and is back down into after a rebound into the low-mid 96.00 area. 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 had then dropped back below the 1.1400 area prior to the recent rebound toward 1.1500. More prominent resistance remains into 1.1600 area (including weekly MA-41.)

And the Brexit concerns are currently morphing into a bit of a ‘good news is bad news’ psychology. The GBP/USD rally back above 1.28-1.30 (never reaching 1.25-1.24 area) was on the UK Parliament bills clarifying items that might have led to a Brexit delay. Yet the latest moves by PM May to

address the Irish border issue might allow the break to occur on time at the end of March. While still above weekly MA-9 & MA-13 in the low-1.2800 area, the current drop back into the 1.2800-1.3000 congestion looks weak. Of course, the further question remains whether it can recover back above the 1.30 area (including weekly MA-41) on further Brexit developments? If so, next important historic congestion is as nearby as 1.3250-1.3300.

And despite 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 current secular US DOLLAR weakness had it recovering modestly above .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, along with the self-inflicted wounds of the US DOLLAR on the unruly shutdown and other economic drags that are reinforced by the ‘bad news is good news’ psychology now reinforced by its adoption by the Fed.

The MEXICAN PESO that had seen USD/MXN drop back temporarily below its 20.00-20.20 congestion, had been back up on multiple November-December 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 congestion areas are in a range 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 important even as the current drop below 13.60-.50 area opens the door to a test of the 13.10 and 12.80-.70 areas not seen since July and May of 2018.

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 in December, 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) on the resurgence of Crude Oil from the depths below 50.00 to back above it. The further support is once again back into 65.00 (including weekly MA-41) it is approaching once again at present. So basically back into the more sustained 3-month trading range areas, with additional hefty mid-2018 congestion into the 64.00 area.

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 had still been mostly a trading range affair between 5.45 and 5.22 until the early January US-Turkey Syria disagreement put it back up for a test of 5.50 once again.

Yet recently failing below 5.22 on the overall US DOLLAR weakness leaves it closer to the 5.13 late-November lows that had also not quite reached the heavier previous congestion in the 5.00-4.90 range.

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.

The most salient events this week remain the suspension of the US government shutdown into the response to President Trump's State of the Union speech explored above, the US-China trade talks that have less than a month to run prior to succeeding or seeing major US tariffs increases, and the recent UK Brexit developments also noted above into Thursday's BoE Inflation Report 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

