

Alan Rohrbach

From: no-reply@vrmailer3.com on behalf of ROHR-BLOG <info@rohr-blog.com>
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To: Alan Rohrbach
Subject: ROHR-BLOG: Still Problematic, Quick Take, Calendar

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Dear Subscribers,

Much still remains in flux despite the current optimistic signs that have kept the bid in US EQUITIES. On the US spending authorization deadline into the end of this week, as noted Tuesday it must be assumed Trump will do the ‘acceptable’ thing (always a hostage to fortune), avoiding another US government shutdown.

That is even though he is being dragged into it screaming about not enough funding for border barriers. Yet the recent shutdown was a clear political loss for him.

There are also more soothing noises on the US-China trade talks, even if here as well it remains problematic. That is due once again to Trump, who has hinted he may or may not allow some additional time after the March 1st deadline for a deal. That will depend on whether there is enough progress to warrant that extension based on what he is hearing from US negotiators.

Even if all of that goes well, the predations from trade uncertainty have already weighed on the global economy in the form of delayed or cancelled corporate capital investment. This is apparent in items already covered this week, like Monday’s latest OECD Composite Leading Indicators (CLI’s

<http://bit.ly/2I5Cz7H>) showing the weakness now also infecting even the relatively stronger US outlook.

That was augmented by BoE Governor Carney's speech (<http://bit.ly/2GnN4Bz>) on Tuesday extending the risks of a 'no-deal' Brexit at the end of next month to the lower overall global trade risks. As he aptly observed, "Contrary to what you might have heard, it is not easy to win a trade war." Mr. Trump please take note.

While it may all end well, the risks even beyond the obvious current deadlines leave the US EQUITIES problematic unless they surmount the more major higher resistance. This is much like the MARCH S&P 500 FUTURE mid-January push above 2,600 that needed additional confirmation above 2,635 to remain bullish.

Other asset classes also hint at the problematic nature of the current upbeat US EQUITIES psychology. If everything is so good, why are the GOVVIES holding so well on reactions (especially Europe) after their recent rallies. This has been reinforced of late by weak UK data and today's contained US CPI. There is also the return to weakness by key EMERGING CURRENCIES like the SOUTH AFRICAN RAND and MEXICAN PESO both slipping back below key support they had recently pushed above.

Market Quick Take

The FRONT MONTH S&P 500 FUTURE pre-December activity above the early 2018 lows is relevant again with MARCH S&P 500 FUTURE back above the 2,600-35 congestion. 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 6-year (more extensive than previous to illustrate the December break was still within a bull trend) weekly

continuation chart (<http://bit.ly/2UXdnSH>) updated through last Friday's Close. That area is now key support.

Also above 2,675-70 area that it had stalled into prior to the last FOMC meeting opened the door to interim previous 2,708 DOWN Break it has now been well above prior to the recent selloff back into loosely holding that area. Higher resistances remain the mid-2,700 area (weekly MA-41) it is now squeezing above, and more prominent low-2,800 area top of the October-early December range that is the real key to any major trend extension.

Consistently weak data (now even some US indications) reinforced by weak serial OECD Composite Leading Indicators along with concerns over the US-China trade talks have also encouraged GOVVIES to push up again. That has 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 was indeed on more of a 'bad news is good news' psychology.

While that had allowed for unconventional mutual EQUITIES-GOVVIES strength, the exception was the US T-NOTE that sold off in the face of the strong US Employment report. Yet they were also firm again in the wake of the subsequent temporary US EQUITIES return to weakness.

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 saw it also above 166.00-.50 major congestion prior to the current reaction. The next interim congestion is as nearby as 167.00, yet with major mid-2016

congestion from 168.00 to the 168.86 all-time high. .

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 the last very strong US Employment report prior to squeezing back above prior to current slippage.

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 into 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 after the US DOLLAR INDEX reacted 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 tested again in both early- and late-January. It is now closer to the mid-upper 97.00 resistance again on the weakness of the EURO and the POUND.

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 in early January. Next support into 1.1250-00 was again neared on the January dip. While well back above 1.1400 recently and even temporarily above the 1.1500 area on recent US DOLLAR weakness, it has now dropped back below the 1.1400 area on the increasingly nervous Brexit implications and generally weak European data to near 1.1250-00 was again. Lower support is 1.10-1.08.

And Brexit concerns that were morphing into a bit of a 'good news is bad news' psychology on the GBP/USD rally back above 1.28-1.30 (never reaching 1.25-1.24 area.) That 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 orderly break to occur on time at the end of March. While still above weekly 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 recent secular US DOLLAR weakness had it recovering modestly above .7200-50 prior to the current drop back below it toward the .7000 area once again.

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. Yet more recent qualms on the lack of US-China trade talk progress are weighing on them once again.

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) which it was recently below to interim 18.70 and ultimately 18.50-.40 (low end.) Now back above 19.20 looks weak for the PESO once again, with next resistance not until back into that 19.50-.60 range (now including weekly MA-13.)

And that was just part of the EMERGING CURRENCY return from weakness prior to the recent pressure. 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 after the recent drop below 13.60-.50 area, which has now been reversed on the push back above it. That said, the 14.00 area remains the more major congestion, and is now reinforced by a confluence of all of the weekly MAs around 13.90.

USD/RUB is an outlier on the current EMERGING CURRENCIES weakness due to the sustained Crude Oil recovery from the depths of the December selloff. It had reacted back down from above 67.00 yet was back above both it and 68.00 on the suffering of the Crude Oil market, 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 up to 65.50 area) 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.

While recently failing below 5.22 on the overall US DOLLAR weakness left it closer to the 5.13 late-November lows, back above 5.22 at present rescues it back into the previous 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 are Monday's OECD Composite Leading Indicators (CLI's <http://bit.ly/2I5Cz7H> noted above), a lot of central bank-speak (BoE's Carney Tuesday morning), and Thursday's US Retail Sales as well as the US-China trade talks to avert a major US tariffs increase. And all of that is into the US Presidents Day full market holiday next Monday.

The Rohr-Blog Research Team

info@rohr-blog.com

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Rohr International, Inc.

300 West Adams Street

Chicago, IL 60606 - USA

