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Sent: Thursday, February 21, 2019 9:39 AM
To: Alan Rohrbach
Subject: ROHR-BLOG: Loving Liquidity? Quick Take, Calendar

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Dear Subscribers,

Seemingly US EQUITIES are not loving the greater liquidity implied in the FOMC minutes discussion of policy changes. The degree to which the policy board was explicit on “patience and data dependence” in federal funds rate adjustments, and even more so ready to cease balance sheet reduction sooner than previously expected should be constructive for US EQUITIES. See pages 9 and 11 of our mildly marked-up version of the minutes (<http://bit.ly/2VaI8DK>) for much more.

It is also interesting that the GOVVIIES are back under a bit of pressure on the Fed allowing that global economic conditions are more stressed. Yet that may be a temporary asset selling influence, and EMERGING CURRENCIES remain under some pressure on the weak economic news (more below) and now the US EQUITIES current drop from resistance.

And there was indeed an erratic knee-jerk rally in US EQUITIES Wednesday in response to the idea the Fed would soon make a statement on ending its balance sheet reduction, and that it would indeed cease to shrink it by the end of this year. This would put mean a \$3.6 trillion balance sheet floor versus previous lower expectations. And that means a whole lot more market supporting liquidity and potential economic stimulus.

Yet after that Wednesday afternoon grind to a new rally high, US

EQUITIES are reacting back down again this morning (more below on overall trend parameters.) How could this be with a seeming “bad news is good news” development? Quite simply because the Fed’s less hawkish moments are based on weak US and/or international economic indications and psychology.

Despite more friendly US-China trade talk noises, the current international data (now joined by some US indications) is indeed weakening. Global PMI’s this morning were especially troubling for both Japan and Germany.

Even with other stressors abating, it is thoroughly possible that the general world economic situation leaves US EQUITIES fully priced or even a bit high. See our previous discussions on the OECD indications (FEB 12th) and other observations that include our skepticism on the full range of US-China trade issues being resolved.

Market Quick Take

The FRONT MONTH S&P 500 FUTURE pre-December activity above the early 2018 lows became relevant again after MARCH S&P 500 FUTURE crossed back above 2,600-35 congestion. Along with the low end 2,600 level it has been back above since Tuesday JAN 15, that put 2,675-70 area (including the 2017 Close) back in play.

The importance of that with the recent weekly down channel UP Break (2,600) and key moving averages being exceeded is apparent on the weekly continuation chart (<http://bit.ly/2Im129a>) updated through early Tuesday morning. That 2,635-00 area is major lower support, with interim 2,750-40 (including weekly MA-41), the very light 2,708 Negated DOWN Break and 2,675-70 along the way. That key higher resistance remains the more prominent low-2,800 area top of the October-early December range that held into 2,635-00 prior to the December debacle.

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 had 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 last strong US Employment report. Yet they are also firm again in the wake of weak data and US EQUITIES stalling on the rally.

While the MARCH BUND FUTURE 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. While the next interim congestion is as nearby as 167.00, the higher major mid-2016 congestion is 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. Yet after the recent dips it was also back above it in the wake of weak Retail Sales numbers until the current reaction.

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 into the 124.00-.50 range, it reversed to some degree to retest the 122.00-.50 range prior to moving back up into 124.00-.50 range prior to the current reaction.

Similarly in FOREIGN EXCHANGE, after the recent selloff a 'haven' bid has returned to the US DOLLAR INDEX, just like on the previous US EQUITIES rally. While an easier Fed stance had reinforced weakness in the

greenback, the current global concerns leave it firm once again.

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. After being closer to the mid-upper 97.00 resistance again on the weakness of the EURO and the POUND, it is under some pressure again at present.

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 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. Later moves by PM May to address the Irish border issue that might have allow the orderly breakup to occur on time at the end of March faded temporarily. Now back above weekly MA-13 in the low-1.2800 area looks firm, and it has even pushed above the 1.30 area (including weekly MA-41) on further Brexit hope for an adjusted deal after PM May's recent discussions with EU officials. Next important historic congestion is 1.3250-1.3300. Lower major support remains in the 1.2500 area.

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 previous 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, and is now lapsing back into weakness.

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 below in January) to interim 18.70 and ultimately 18.50-.40 (low end.) Now back above 19.20 again, next resistance is not until back into the 19.50-.60 range (now including weekly MA-13) and lower supports the same as noted.

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 it is once again above, reinforced by a confluence of all of the weekly MAs around 14.00-13.90. That opens the door to a retest of the 14.40-.50 area and 14.69 (December high.)

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 was approaching once again prior to the renewed US DOLLAR strength. 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 Wednesday afternoon's FOMC meeting minutes and today's Global Advance PMI's explored above along with US economic data, and Friday's German GDP and IFO economic sentiment readings.

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