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**Sent:** Friday, February 22, 2019 9:24 AM  
**To:** Alan Rohrbach  
**Subject:** ROHR-BLOG: Forward View for 'Parked' Markets, Quick Take, Calendar

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**Dear Subscribers,**

**It is wholly consistent with our view at the top of this week that most markets ended up churning around the levels where they began. There was just too much 'fog' (cross currents and important 'macro' factors remaining undecided.) Yet those same issues become more critical into next week. Most important is the March 1st deadline for a US-China trade 'deal' by next Friday.**

**Even after some agreement on merchandise trade, nobody expects a full deal by then. What hangs in the balance is whether China opens on the far thornier issue of its state support for industries it is grooming for international dominance.**

**As noted on Wednesday, brinksmanship means that China is unlikely to budge on this issue (even agreeing to discuss it) until the mid-late part of next week. On the positive side, President Trump likely wants to defer any massive further tariffs.**

**Therefore, despite the FOMC confirmation of a more patient approach (see pages 9 and 11 of our marked-up version of the meeting minutes at <http://bit.ly/2VaI8DK> for much more), that is for good reason of global slowing and risks. This renewed "bad news is good news" psychology is**

**based on weakening global (and now US) economic data that constrains US EQUITIES.**

**It is not surprising that this is still boosting GOVVIES. The international jitters are also still leaving EMERGING CURRENCIES churning toward the lower end of their recent selloffs (except for Crude Oil-driven firmness in the RUSSIAN RUBLE.)**

**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 along with discussion of the still thorny US-China issues (February 14th.) After a planned PM May speech next Tuesday, there could also be another UK parliament Brexit vote next week.**

**And in the midst of all that Fed Chair Powell will provide semi-annual testimony to the Senate and House next Tuesday and Wednesday (respectively.) This will likely once again reinforce Fed patience, yet highlight the weak economic tendencies which drove that recent shift. Maybe the saving grace on major influences from regular data is the US Employment report being deferred until March 8th.**

**Courtesy Repeat of Thursday's 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](http://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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