

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,

We are coming to you quite a bit earlier than usual this morning to follow up on Thursday's focus on global macro factors. These once again go beyond this morning's economic data, with China's benefit from the US-NK talks breakdown showing up as stronger US EQUITIES activity.

We have no doubt this is the case in the wake of (on balance) still weak international economic data this morning, especially well below estimate US Personal Income and Spending as well as all components of the US Manufacturing PMI.

As noted yesterday, the lack of agreement from the Trump-Kim Hanoi summit was based on Kim wanting too much sanctions relief in exchange for far too little reduction in North Korea's nuclear and missile programs. And the clear winner from Donald Trump walking away prior to the scheduled end of the summit is Chinese President Xi.

As noted, we assume it was not lost on any of our readers that the Trump announcement of forbearance on the previous March 1st US-China trade talks deadline just prior to the Trump-Kim summit was not a coincidence.

The situation now is that the US needs China more than ever once again in its pressure on Mr. Kim's regime. This is likely to create a much less

demanding near-term US-China trade negotiation stance, which should be good for the global economy that was fearful of more Chinese weakness. This is also a negative for GOVVIES that have finally come back under pressure of late.

However, there is also still concern over current economic weakness that might possibly weigh on US EQUITIES. This is also still weighing on EMERGING CURRENCIES despite the ostensible positive influence for China from the US-NK talks breakdown. This is a bifurcated market psychology, with US EQUITIES and GOVVIES acting like economic factors are improving while EMERGING CURRENCIES are not. Please see Monday's emailed research note for more on that remaining weakness from the OECD indications.

On the data, today's US figures are in stark opposition to yesterday's better than expected first look at US Q4 GDP. That was delayed by a month due to the US government shutdown, and as we have noted previous it may take until April before the US data normalizes. Also disrupted this week due to that shutdown was yesterday's planned release of OECD Quarterly G20 International Trade data. That is delayed until the next release on May 28th. That's a shame.

Also note that the updated Evolutionary Trend View below includes a discussion of the typically early March Bund future expiration next Thursday.

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 mid-January, that put 2,675-70 area (including the 2017 Close) back in play.

The importance of that with January's weekly down channel UP Break (2,600) and key moving averages being exceeded is apparent on the weekly continuation chart (<http://bit.ly/2U5nfd1>) updated through last Friday's Close. 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 area

and 2,675-70 along the way.

Yet the 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. That proven a key obstacle to any further rally since it was tested Monday morning.

As apparent on the chart is the series of highs, the highest of which is the 2,825 minor bounce high during the overall October selloff. Only if that can be exceeded will the market signal it is ready to challenge extended resistance in the 2,865-80 and 2,900 congestion areas, and possibly even the 2,947 all-time high.

Consistently weak data (now even some US indications) reinforced by weak serial OECD Composite Leading Indicators (and others: see Monday's research note) along with concerns over the US-China trade talks had also encouraged GOVVIES to push up again.

It is interesting that even when recent announcements 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.

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 was also temporarily above the 166.00-.50 major congestion prior to the current reaction.

And any further upside progress on the continuation chart picture is unlikely due to the major 2.50 discount in the June contract. That is therefore already well back below the 164.00-.50 area, with the more major 162.50-.00 range more critical after any further weakness. While there is a buffer somewhat below it on the JUNE BUND FUTURE daily chart, weekly MA-41 is also in the 162.50-.00 area.

That makes any activity down into that area from the end of next week onward critical to whether a downside reaction in strong sister BUND still

remains within a bull trend overall. Next even more major support below is still the 160.00-159.00 range.

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 for the MARCH T-NOTE FUTURE, 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 in that area in the wake of weak Retail Sales and other numbers.

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 right back down toward 122.00-.50.

Similarly in FOREIGN EXCHANGE, after the previous selloff a 'haven' bid returned to the US DOLLAR INDEX, just like on the previous US EQUITIES rally. While an easier Fed stance has reinforced weakness in the greenback, recent global concerns left 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 had dropped back below the 1.1400 area on the increasingly nervous Brexit implications and generally weak European data to near 1.1250-00 again prior to the current recovery.

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 currently being tested, with 1.3500-1.3600 above that.

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 still somewhat 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 prior to the current partial recovery.

The EMERGING CURRENCIES are still more country-specific trends than previous, even if they enjoyed a bounce on US-China potential rapprochement that remains a key influence.

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.) Recently back below 19.20 again prior to the current push up leaves it critical in the near-term.

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 trading into on a short-term rally at present, reinforced by a confluence of weekly MA-41 and MA-13 around 14.00-13.95. Higher resistance remains in the 14.40-.50 area and 14.69 (December high.)

USD/RUB remains an outlier on the current EMERGING CURRENCIES return to 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.

That said, this old-month into new-month week contains the typical major data releases, except for US Employment that is deferred until a week from this Friday. The most salient other events still remaining this week are Friday's global Manufacturing PMI's.

The Rohr-Blog Research Team

info@rohr-blog.com

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Rohr International, Inc.
300 West Adams Street
Chicago, IL 60606 - USA

