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To: Alan Rohrbach
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Dear Subscribers,

This has been our basic position on US EQUITIES (and other markets) psychology since the top of last week. Is the constructive resolution of the US-China trade confrontation (on whatever arrangement might be achieved) enough to return the world to strong growth, or not?

Our view is the latter, in the context of all the signs the global economy has been damaged by the trade tiff and other factors. This is also supported by the continued overall weakness of EMERGING CURRENCIES and select DEVELOPED CURRENCIES (the EURO and AUSTRALIAN DOLLAR) despite the US-China news. It is also why we suspect GOVVIES will be OK in spite of their recent slippage.

US EQUITIES seem to be confirming the background global weakness by their lack of progress above the very important top of the previous trading range (much more on that again below.) That is despite those recent, ostensibly excellent, US-China negotiation indications.

There is the degree to which China itself has weakened substantially, Europe may actually be slipping back into recession, and the Trump administration is going to maintain an aggressive international trade stance with other partners as well. In that regard note the somewhat less important, yet still telling, US administration action on a couple of other

trading partners in today's Financial Times article (<http://bit.ly/2TgjDZ7> for our heavily marked-up version.)

While maybe constructive for US commerce overall, there is no doubt the tariffs regime has exacerbated a natural downturn in the economic cycle elsewhere. We revert back to our markup of the February OECD Composite Leading Indicators (<http://bit.ly/2I5Cz7H>) ahead of their Interim Economic Outlook on Wednesday.

There was also a very interesting CNBC interview of markets guru Kyle Bass (<https://cnb.cx/2C6Eq6L>) this morning. His aggressive views are sometimes wrong. Yet his wide ranging observations are always of note, especially on various global economies from 09:10 onward. Those are consistent with our suspicion that it is now a very weak global economy that might restrain the US as well.

Courtesy Repeat of Monday'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. 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/2NEKA2N>) updated through last Friday. That 2,635-00 area is major lower support, with interim 2,750-40 (including weekly MA-41), the 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. Also 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 surge toward extended resistance at 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 last week 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. And despite recent weak data they are weakening again on the forward view of a constructive end to the US-China trade talks. We shall see how that works out in the context of still weak economic data and outlook.

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 into the 161.50 area, weekly MA-41 is also in the 162.50-.00 area.

That makes any activity down into that area into this Thursday's March Contract expiration 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 not until the 160.00-159.00 range.

And weak sister DECEMBER T-NOTE FUTURE was back above its heftier 120-00 area congestion (also weekly MA-41) 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. While back in the 122-00 area in the wake of weak Retail Sales and other numbers, it is back near 121-12 at present.

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 previous 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 into early February (and even very temporarily above the 1.1500 area), it had dropped back below the 1.1400 area on the increasingly nervous Brexit implications and generally weak European data to the top of the 1.1250-00 area 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 recently 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 problematic 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 its recent partial recovery.

Yet it is also notable that it is not doing better at present if indeed the US-China trade talks are about to conclude on a constructive note. Possibly another sign that the removal of stressors alone at this point will still not foster a return to previous strong growth?

The EMERGING CURRENCIES are still more country-specific trends than previous, even if they enjoyed a bounce on the previous US-China potential rapprochement that somehow does not seem as apparent at present... another global economic performance concern/

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 has also been below interim support at 19.70 as well as more major 19.60-.50 congestion since early January. Next lower congestion areas are in a range from 19.20 (high end which it was also below in January) to interim 18.70 and ultimately 18.50-.40 (low end.) While recently back below 19.20, pushing above it again is a critical factor.

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 above at present, reinforced by a confluence of weekly MA-41 and MA-13 right into the 14.00 area. 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 well back above it. Further support is once again back into 65.00 (including weekly MA-41 up to 65.75 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 is going to be a typically intense early month week, with all of the major scheduled economic data that brings culminating in Friday's slightly delayed US Employment report. In addition after the at least temporary easing of other stressors (Brexit and the US-China tariffs threat), Wednesday morning brings the next OECD Interim Economic Outlook.

That is very useful after the cancellation last Thursday of their Quarterly G20 Trade Statistics due to the US government shutdown data interruption. That has now been deferred until the next scheduled release on May 28th, which leaves the Interim Outlook more important.

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