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Dear Subscribers,

The US EQUITIES late Friday recovery was impressively surprising after that morning's very weak US Nonfarm Payrolls number. After other weak global indications (more below) its +20,000 jobs vs. +180,000 estimated was a bit of a shock. Yet this number was inconsistent with overall figures in the US Employment report.

The Unemployment Rate dropped to an unexpectedly low 3.8%, both monthly and annualized Hourly Earnings were stronger than expected, strong Payrolls figures of the previous two months were revised mildly higher, and the Household Survey showed a gain of 255,000 jobs. All in all it is reasonable to suspect the February Payrolls number could be an anomaly based on data distortion during and after the US government shutdown. As we had warned in January, the shutdown might mean a lack of accurate US data until the April releases.

This certainly seems to be how the US EQUITIES interpreted it. By stabilizing back up into a key technical trend area they had violated on Friday's opening and remained below most of the day (more below), they signaled a trend in flux rather than sustained near-term weakness.

That said, broader global weakness remains, reinforced by this morning's latest OECD Composite Leading Indicators (CLI <http://bit.ly/2HbyPQR> for

our mildly marked-up version.) That continues insights from last Wednesday's OECD Interim Economic Outlook (<http://bit.ly/2xQTogU> with PowerPoint at <http://bit.ly/2ERjtP2>.)

The ECB added to the gloomy outlook last Thursday (press conference video link <http://bit.ly/2yMh99Z>.) Signore Draghi's response to the first Q&A inquiry (24:30) included full review of the Governing Council discussion that sounds like chapter and verse on the negative factors we have been citing for the past three weeks.

And the problematic-to-troubling indications continue into this week, first of all on a less solid outlook for near-term solution to the US-China trade negotiation impasse. And the immediate future brings the prospect of Tuesday's next UK Parliament Brexit deal defeat (note the UK in the OECD CLI.)

That's followed by Wednesday's OECD Quarterly G20 GDP Growth figures and some key US data late this week. All in all, the current US EQUITIES bounce still leaves them in a failure from the test of major higher resistance over the previous two weeks. This also still highlights the risks to DEVELOPED CURRENCIES and EMERGING CURRENCIES against the US DOLLAR, and likely continued strength in the GOVVIES.

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. 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/2HrV30r>) updated through last Friday.

That 2,635-00 area remains major lower support, with interim 2,750-40 (including weekly MA-41) that the market now seems to be stabilizing around at present, 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 October selloff. The market failure at the top of the range on recent constructive ‘macro’ news keeps the Evolutionary Trend View for US equities bearish in the near-term despite the current bounce.

The balance of this research note (except for the brief Calendar mention) is another repeat of last Thursday’s observations, as the trends in other markets remain substantially the same despite the US EQUITIES recovery.

Consistently weak data (now even some US indications) reinforced by weak serial OECD indications and now the ECB reinforcing a weaker global outlook has encouraged GOVVIES to push up again after their recent orderly pullback.

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 above that area on the continuation chart picture was unlikely due to the major 2.50 discount in the June contract as it headed toward today’s March contract typically early month expiration. While JUNE BUND FUTURE had been well back below the 164.00-.50 area, glancing the top of the 162.50-.00 range last week, more weak data and the ECB perspective have put it right back up into the 164.00-.50 area. That leaves the burden of proof back on the bears to weaken it below there, or possibly suffer the next surge up into the 166.00-.50 major congestion.

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, which was 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 was back near 121-12 prior to the current rally.

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 recent reaction right back down toward 122.00-.50. Yet it is currently also right back up into 124.00-.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 previous weakness of the EURO and the POUND, it is back up into it on current EURO weakness.

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 20-month trading lows in mid-February. And it is there again now, with next major support not until the 1.10-1.09 area.

Brexit concerns were morphing into a bit of a ‘good news is bad news’ psychology in late-January on 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 a couple of times, 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. Next lower major support is not until the .6825 area early-2016 10-year trading lows.

And 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 (whatever that may mean.) 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. 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.

That is very important now with weekly MA-41 now up into the 5.40 as well. Outside of that recent temporary spike higher, the last two months had 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. Much above that area the early-January 5.6230 trading high is the key resistance this side of 5.90-6.00.

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 aspects are noted in the introductory section of this note above.

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