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Sent: Tuesday, March 12, 2019 10:06 AM
To: Alan Rohrbach
Subject: ROHR-BLOG: Brexit Breakthrough? Quick Take, Calendar

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Dear Subscribers,

Well, kind of. Wondering about the overnight ‘pop-n-drop’ in the US EQUITIES? Blame it on Brexit developments. The highly touted ‘breakthrough’ announced by EU and UK governments Monday evening was refuted by an opinion letter from the UK Attorney General overnight into Tuesday morning.

As noted in a highly informed Financial Times article (<http://bit.ly/2u49H6b> for our heavily marked-up version), the dilemma is that the Attorney General could not say the full legal nature of the ‘backstop’ (re: Ireland/Northern Ireland border) had changed at all.

Without getting into the details for our US readers, this is one of the key final aspects preventing a Brexit deal passing the UK Parliament. Yet the AG also noted his ‘political judgement’ was that an alternative to the backstop was likely to be found.

This might assist PM May in suffering only a marginal defeat in the next Brexit vote later today (versus the January slaughter.) That could open the door to a delay on the March 29th UK exit deadline, if the EU has confidence a further minor compromise could result in a mutually

acceptable bargain.

Of course, this is only important to US EQUITIES due to a UK no-deal Brexit crash out of the EU being a further threat to both of those already weak economies. Once again see Monday morning's latest OECD Composite Leading Indicators (CLI <http://bit.ly/2HbyPQR> for our mildly marked-up version), especially on the EU and UK.

That extended insights from last Wednesday's OECD Interim Economic Outlook (<http://bit.ly/2xQTogU> with PowerPoint at <http://bit.ly/2ERjtP2>.) Those factors are also the drivers for the recent weakness of the other DEVELOPED and EMERGING CURRENCIES against the US DOLLAR. They are also responsible for GOVVIES strength, with GILT being an exception today on the better prospects for the UK if a Brexit deal is even slightly more likely.

ECB added to the gloom last Thursday (<http://bit.ly/2yMh99Z> press conference video link.) Note Signore Draghi's answer to the question at 24:30 in that chat. That's followed by this 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, which they are headed back toward at present.

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 has now stabilized from after Friday's weak NFP number), 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 that range on recent constructive 'macro' news keeps the Evolutionary Trend View for US EQUITIES bearish in the near-term despite the current bounce

That also leaves the picture firm for the US DOLLAR and the GOVVIES. The bottom line seems to be that even the removal of key stressors (US-China trade tiff and a no-deal UK Brexit) will not immediately restore previous strong growth (à la 2017.)

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 last Thursday'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 two weeks ago, 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 very strong February 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. Higher interim resistance remains the 123-00 area tested in early January and the more prominent 124-00 historic congestion.

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 has recently also been right back up into 124.00-.50.

And even though the March contract expiration is typical not until late this month, it is important to note the atypical significant premium (full 3.00) in the JUNE GILT FUTURE.

This is obviously a Brexit premium anticipating continued economic weakness if there is no deal, and might change very quickly if a Brexit agreement can be reached. Of note, the same is true for the SEPTEMBER BUND premium to the June contract.

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.

Back above the low-1.2800 area for some time looks firm, and it has even sustained activity above the 1.30 area (including all weekly MAs) 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.

This was not a surprise on current Chinese economic weakness and still somewhat problematic US-China relations, even if late-January 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 current 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 Tuesday's UK Parliament Brexit deal vote, Wednesday morning's OECD Quarterly G20 GDP Growth stats followed by (most interestingly) the UK Chancellor of the Exchequer Spring Statement, and Friday's morning's BoJ rate decision and press conference followed by some key US economic data.

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