

Alan Rohrbach

From: no-reply@vrmailer3.com on behalf of ROHR-BLOG <info@rohr-blog.com>
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Dear Subscribers,

As almost all of the near-term market background remains the same as previous, we will digress into discussion of the broad picture: the proverbial ‘View From 30,000 Feet’.

Prior to that is one additional bit of reinforcement for the weak global growth picture: this morning’s Bank of Japan assessment that global weakness is backlashing into its export-driven economy to potentially put it into negative Q1 growth for the third time in five quarters. See this morning’s very good, concise Financial Times article (<http://bit.ly/2Y2RSSP>) for more.

Yet the US EQUITIES are keeping their bid into (if not above) the key top of the October-early December range (more below.) And this is while the GOVVIES keep their bid, and both DEVELOPED ECONOMY and EMERGING CURRENCIES remain under pressure against the US DOLLAR. Those are normally signs of a weaker economy.

Well, in the broad cycle we have seen this before, and there are both fundamental and technical investment flow reasons for it at this stage of this cycle. On the fundamental weakness, cross currents (Brexit, US-China and other uncertainties) are suppressing one of the most important growth

drivers: capital investment.

If company managers and boards do not know what to expect, they naturally and rightfully defer investment. This affects both purchase of materiel and hiring. It is a key reason non-US economic data has been weakening, and may well continue to do so. See Thursday's emailed research note for links to many previous signs of weakness.

Yet US EQUITIES remaining strong is typical, as international investment managers shift purchases to the 'Last Man Standing'. It at least has a mixed outlook and data, instead of the major weakness seen elsewhere. And so it is on this cycle.

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. We have now switched to JUNE S&P 500 FUTURE to maintain the FRONT MONTH S&P 500 FUTURE picture. This also provides the bulls a minor advantage on the atypical \$5 premium of the June contract to expiring March contract levels.

The importance of the January weekly down channel UP Break (2,600) also above 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 rallied sharply from after last Friday's weak US 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. If and when it is exceeded, next

resistances are 2,865-80 and the 2,900 area.

Consistently weak international data (now reinforced by more Chinese indications) are consistent with weak serial OECD indications and now the ECB reinforcing a weaker global outlook. This 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 weaken very quickly from the 127.00-.50 next resistance if a Brexit agreement is 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.

The Rohr-Blog Research Team

info@rohr-blog.com

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Rohr International, Inc.

300 West Adams Street

Chicago, IL 60606 - USA

