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To: Alan Rohrbach
Subject: ROHR-BLOG: Yin-Yang Week? Quick Take, Calendar

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Dear Subscribers,

As already noted in previous emailed research notes, there are 'curious' market developments (Monday) into a 'Friendly Fed-ticipation' (Tuesday) for this afternoon. Yet after what will also likely be accommodative communications from the Bank of England on Thursday (early US Time), will all of that be able to sustain what we have continued to note is a lacklustre UP Break in US EQUITIES?

They seemed to deflate on cue Tuesday afternoon (much more below) while the GOVVIES remained very firm. At this point both DEVELOPED and EMERGING CURRENCIES remain more so individual 'country' affairs within the context of a more accommodative Fed taking a bit of the wind out of the US DOLLAR's sails.

While all of the central banks are now engaged in accommodative activity (or at least assumed to be holding off further tightening in the case of the Fed), the reminder from Signore Draghi at the early March ECB meeting is worth revisiting.

The press conference video link is http://bit.ly/2yMh99Z, and his response to the first Q&A inquiry (24:30) included full review of the Governing Council discussion. From 31:30 he notes the potential for a recession is very low, due to governments tackling the current weakness. Yet he further notes

global monetary policy and government action addressing it will take more time due to the global economic slide to date.

And another factor has surfaced. As the Financial Times reported Tuesday morning (http://bit.ly/2W9bdQg), PBoC is finding it harder to foster growth based on stimulus alone due to the looming Chinese bank capital requirements and new lending rules.

That feeds into whether Friday's global Advance PMI's will possibly be weak enough to offset the very likely FOMC and BOE accommodative messages. In any event it leaves open the prospect we are in a 'Yin-Yang Week' in US EQUITIES and elsewhere. As we assume our readers are aware, 'Yin-Yang' is the ancient Chinese philosophical concept of the complimentary nature of opposites (such as positive and negative.)

This important late week data release is also further complicated by the latest EU resistance to any extensive UK Brexit delay (http://bit.ly/2FeBoOz), with the original March 29 deadline only nine days away.

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.

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/2JjX6WH) updated through last Friday. That 2,635-00 area remains major lower support, with interim 2,750-40 (including weekly MA-41) the market has now rallied sharply from after the previous Friday's weak US NFP selloff, the light 2,708 Negated DOWN Break area and 2,675-70 along the way.

Yet JUNE S&P 500 FUTURE pushing above the 2,825 minor bounce high from during the October selloff is a new 5-month high. As noted previous, the weekly Close a mere $5 above it seemed a bit problematic. While it has rallied further, that is still in a subdued manner that leaves it back near

2,825 this morning. This leaves the lower end of 2,825-14 congestion near term support, and 2,800 area a general interim level (including daily MA-9 & MA-18.) If it can sustain higher activity, next resistances are 2,865-80 and the 2,900 area, followed by the 2,947 all-time high.

Consistently weak international data (recently reinforced by more Chinese indications) are consistent with weak serial OECD indications and the ECB recently reinforcing a weaker global outlook. This has encouraged GOVVIES to push up again after their previous 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 the March contract's 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 at the end of February, more weak data and the ECB perspective put it right back up into the 164.00-.50 area. That leaves the burden of proof back on the bears keep it weak below there on the current selloff, 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 slight June contract premium (0-08) is a bit of a bull advantage as we head into March contract expiration today.

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 not until next Wednesday, it is important to note the atypical significant premium (full 3.00) in the JUNE GILT FUTURE that has had it testing the 127.00-.50 resistance of late.

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 even if that next expiration is months away… it speaks of a strong forward psychology.

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 mid-upper 97.00 resistance on previous weakness of the EURO and the POUND, it is back down into midrange on current EURO strength. This might be another manifestation

of friendly Fed-ticipation that will need to be closely watched.

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. Yet it is now recovering closer to 1.1400 once again.

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 currently being tested once again, 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 is not a surprise on recent 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 above 19.20, it is back below it once again. This might possibly be another sign of the Crude Oil strength influence (like the RUBLE.) Next lower support remains the 18.70 area seen on its January selloff.

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 it has been testing over the past couple of weeks and 14.69 (December high.)

USD/RUB remains an outlier on the recent EMERGING CURRENCIES

return to weakness due to the now extensive 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 back then, even if it failed once again at the 70.00 area resistance (just like early September.)

Yet 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 once again back into 65.00 (including weekly MA-41 up to 65.75 area) has now been breached as well, with additional hefty mid-2018 congestion into the 64.00 area. While next support is as nearby as 63.00-62.50 congestion, that is very important due to next support below not being until the 61.50-.00 low end of that April-July 2018 range.

In the meantime, the improvement in the 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 since early February rescues it back into the previous range.

That is very important now with weekly MA-41 now up into the 5.45 area 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 Wednesday afternoon's FOMC rate decision, projections revisions and press conference, Thursday's ECB Monthly Economic Bulletin along with the BoE rate decision and statement only (no press conference), and Friday's global Advance PMI's.

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