

## Alan Rohrbach

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**Sent:** Monday, April 08, 2019 9:15 AM  
**To:** Alan Rohrbach  
**Subject:** ROHR-BLOG: Divergence Continues, Quick Take, Calendar

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**Dear Subscribers,**

**We are coming to you quite a bit earlier than usual due to the important fundamental indications already being out at the top of a very critical week. US Factory Orders and Durable Goods along with Canadian Housing Starts were as weak as expected after still weak data elsewhere.**

**And this is as should be expected with generally weaker global economic tendencies. Yet the divergence is US EQUITIES remaining strong while GOVVIES have remained firm within their recent overall reaction (much more below), and EMERGING CURRENCIES remain weak despite their recent recovery.**

**And it is not just this morning's (and previous) weak data in play. It is also the major outlook that continues to anticipate further economic slowing, including the US as well. Within that it seems that the US EQUITIES are exhibiting the 'last man standing' attraction for global investor funds noted previous despite a far less constructive outlook than 2018. Regular readers know we have been waiting for this morning's OECD Composite Leading Indicators (<http://bit.ly/2OXv1Uh> our marked up version.) And they are as weak as we had anticipated.**

**Anyone wondering whether that might just be a statistical anomaly should see the Financial Times article (<http://bit.ly/2WUqIf9> also marked up) on the IMF's Lagarde confirming the world has entered a 'synchronized slowdown'. As such, there is little reason to expect growth and inflation will return anytime soon.**

**As a case in point note the limited nature of the recent selloff in the JUNE T-NOTE FUTURE, as evidenced on the weekly chart (<http://bit.ly/2OVhFYX>) as of last Friday's Close. While it failed near the longer term trend channel resistance two weeks ago, unless and until it is back below at least the key near- and longer-term 123-00 area, the current selloff remains a reaction in an up trend. We will hear more on the prospects for the Euro-zone economy at Wednesday's ECB press conference.**

#### **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 in mid-January. The importance of the January weekly down channel UP Break (2,600) also exceeding key moving averages is apparent on the weekly continuation chart (<http://bit.ly/2D0SKyn> updated through last Friday's Close.)**

**It is also obvious that the mid-March surge above the 2,825-14 resistance at the top of October-early December trading range opened the door to more strength despite weak global data. After wild swings three weeks ago, it left a weekly DOWN Closing Price Reversal (CPR) from 2,830 (Tolerance 2,836.50) that seemed to signal an end to the major post-Christmas rally. Yet two weeks ago it could not sustain weakness that is necessary to confirm a 'single period' reversal (like a CPR.)**

**The subsequent weekly Close above 2,830-36 Negated that DOWN CPR. Higher resistances were the 2,865-80 area it has now overrun, and 2,900-10 from back in September it is now approaching. That is the last congestion resistance (also weekly Oscillator resistance) this side of the 2,947 all-time**

**high.**

**Consistently weak international data recently reinforced by all of the central banks' perspective is consistent with serial downbeat OECD indications on a weaker global outlook. This had encouraged GOVVIES to push up again after their previous orderly pullback.**

**The heavily discounted JUNE BUND FUTURE had been well back below the 164.00-.50 area while the MARCH BUND FUTURE early-March expiration neared. Yet after 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 left 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 it has now seen. This is classic BUND bull trend rollover trend activity on the second month pushing back up into previous front month levels, and the extended resistance is not until the 168.00 area from mid-2016. While reacting back down at present, it is as yet nowhere near the 164.50-.00 area support.**

**The MARCH T-NOTE FUTURE took over as front month in mid-December, quickly exceeding its 120-24 area highs and previous trading highs into 121-12 area next resistances. That was on the 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 previous Fed influence until the very strong February US Employment report. Weaker global data, and the central bank harmony on that factor, has seen it overrun higher interim 123-00/-08 area resistance tested in early January, which is now the key trend support.**

**On the upside the more prominent 124-00/-06 historic congestion remains the key area it traded above until the current reaction. Next resistance is the extended 125-08/126-00 area trend resistance (<http://bit.ly/2OVhFYX>)**

weekly chart as of Friday's Close) neared two weeks ago.

The same was true for the MARCH GILT FUTURE above 122.00-.50, with next heavy congestion into the 124.00-.50 range it stalled into in the wake of the 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 early March reaction back down toward 122.00-.50.

Yet in the wake of more Brexit stress and the general global weakness, it has recently finally pushed above 124.00-.50. Yet that is the least of it, as the atypical significant premium (full 3.00) in the JUNE GILT FUTURE prior to Wednesday's March contract expiration was a major bullish sign.

This is obviously a Brexit premium anticipating continued economic weakness. It might weaken if a deal is finally agreed despite the highly contentious nature of the current negotiations. Yet JUNE GILT FUTURE pushing above the higher 127.00-.50 next resistance opened the door to a swing into higher resistances in the 129.00 and 130.00 areas it recently tested, with the 132.00-.60 range above that. Much like the other GOVVIES, its current reaction has not even neared lower support in the 127.00-.50 area.

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 holding into the middle of its recent overall range prior to getting the bid back of late.

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 was back down into midrange on recent EURO strength. Yet it is firming once again on EURO

**and POUND 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. While it recently recovered closer to 1.1400 once again, stalling there has left it under pressure again down into the low end of the 1.1250-00 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 weekly MA-13 & MA-41 still in that area) on further hope for a Brexit deal or further deadline delay. Next important historic congestion is 1.3250-1.3300 recently tested once again, with 1.3500-1.3600 above that. That said, the Brexit concerns once again left it resting the 1.3000 area prior to the current bounce.**

**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 previous 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 (now also weekly MA-41) prior to the recent drop back below it toward the .7000 area once again prior to recent partial recoveries. 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 even better at present if indeed US-China trade talks are concluding soon on a constructive note (whatever that may mean.) Is this possibly another sign that removal of stressors alone at this point will still not foster a return to previous strong growth, much like the global views indicated this morning? That certainly seems to be the case in the context of the Fed's more accommodative stance.**

**The EMERGING CURRENCIES are still more country-specific trends than previous, even if they have enjoyed bounces on various signs of potential US-China rapprochement.**

**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 back below 19.20 in mid-March, it was back above it once again after nearing 18.70 area lower support in mid-March last seen on its January selloff. Major 19.60-.50 congestion remains higher resistance this side of 19.90-20.00. Back below 19.20 since late last week now sees it below interim 19.00 congestion.**

**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 14.00. That said, the 14.00 area remains the more major congestion it is once again trading above at present, reinforced by a confluence weekly MA-13 and MA-41 in the 14.10-.00 area.**

**Higher resistance remains in the 14.40-.50 area it had been testing over the past several weeks and the 14.69 December high it was recently challenging again.**

**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.**

**USD/RUB 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 in December, even if USD/RUB failed once again at the 70.00 area resistance in early January (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) had been breached as well into mid-March. However, the additional hefty mid-2018 congestion into the 64.00 area was only violated temporarily two weeks ago.**

**The immediate question was whether it could sustain the recovery back above all of the hefty 65.00 area congestion that has now transpired. Yet it is hard to look for much upside above 65.00 while MAY CRUDE OIL FUTURE (WTI) pushes above 62.00 with next resistance not until the 65.00 area.**

**In the meantime, previous improvement in the TURKISH LIRA had USD/TRY slipping once again from 5.50 late last year, even if it experienced an intraday spike above it to 5.6230 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 rescued it back into the previous range.

That is very important now with weekly MA-41 now up into the 5.52 area as well. Outside of that recent temporary spike higher, the previous 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 on sustained weak Turkish economic indications.

Recently back above that again, the early-January 5.6230 trading high is the key resistance that had been temporarily violated two weeks ago prior to the temporary quasi-intervention spike lower (i.e. LIRA squeeze) two weeks ago. That is the last resistance this side of 5.90-6.00 and the more extended 6.35-6.40 (<http://bit.ly/2HNfvc8> weekly chart as of three weeks ago) last seen during the TURKISH LIRA upturn last September. So how the now weakening again LIRA fares after from the 5.45-5.50 and 5.6230 area remains very critical as it remains the outlier weak sister among emerging currencies.

While still 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](http://www.rohr-blog.com) sidebar.

Yet in the context of the renewed focus on weak global economic tendencies, the regular data releases have become a bit more relevant once again. The most salient aspects this week are this morning's OECD Composite Leading Indicators, the World Bank/IMF Spring Meeting all week, Wednesday's ECB rate decision and press conference followed by the FOMC meeting minutes, and quite a bit more central bank communication through the balance of the week.

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