

## Alan Rohrbach

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**Sent:** Thursday, May 09, 2019 8:41 AM  
**To:** Alan Rohrbach  
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**Dear Subscribers,**

**With the US-China trade negotiation failure into last weekend and major US tariffs threat, there was little reason for the US EQUITIES (and others) to feel positive from Monday through this morning... and so it has been.**

**With China seeming to signal that all of the positive changes discussed previous were only ‘aspirational’ rather than commitments to actually change Chinese law, there was little room for any positive anticipation even as their delegation arrives in Washington DC today.**

**In fact, the limited nature of the wide swinging US EQUITIES selloff (and GOVVIES rally) so far this week seems to be nothing more than a sense of the proverbial “hope springs eternal” sentiment. Under the circumstances the JUNE S&P 500 FUTURE ranging below and above key Tolerance of the 2,910-00 support (more below) without Closing below 2,865 next support through Wednesday is a better than expected performance.**

**That is relative to the degree it might have been expected to drop into the lower 2,800 area supports (also more below.)**

**Based on past performance, the one scenario that comes to mind is Donald Trump’s penchant for extending deadlines if the right signals are**

**emanating from the other side of a negotiation.**

**As we doubt the Chinese trade delegation traveled all the way to Washington DC to simply say, “Too bad... that’s our position”, we suspect there will be discussion of previous commitments. Whether that will be enough to forestall the sharp US tariffs hike is anybody’s guess.**

**It may transpire that Trump’s frustration with this taking far longer than he would have liked will lead to him enacting the higher tariffs overnight into Friday morning in any event. The US could easily then tell the Chinese negotiators they can be quickly lifted as and when firmer commitments to full Chinese law changes are provided.**

**As such, we suspect the US EQUITIES could be in for continued wide swinging volatility, with a continued downside bias in the near term unless there is a real surprise. The same is true for further strength in the GOVVIES and the weakness of select other CURRENCIES against the US DOLLAR. Those are the China influenced AUSTRALIAN DOLLAR finally showing weakness below key support (more below), and especially weak sister TURKISH LIRA which has its own domestic reasons for secular weakness even compared to other EMERGING CURRENCIES.**

#### **Market Quick Take**

**It is obvious that the FRONT MONTH S&P 500 FUTURE mid-March surge above the 2,825-14 resistance opened the door to more strength despite weak data. After wild mid-March swings, the MARCH S&P 500 FUTURE left a weekly DOWN Closing Price Reversal from 2,830 (Tolerance 2,836.50.) Yet the June contract late-March weekly Close above 2,830-36 Negated that DOWN CPR for a continued rally.**

**Higher resistances for JUNE S&P 500 FUTURE were the 2,865-80 area it overran in early April, and 2,900-10 from back in September it had recently overrun as well. That was very important as the last congestion and also weekly Oscillator at MA-41 plus 130-135 this side of September’s 2,947 front month all-time high.**

**Even though that Oscillator resistance at 2,935-40 area had been exceeded, back below it and that old 2,947 high looked weaker again. Even in the**

wake of the Trump dump, it was only back around that 2,910-00 support, with its Tolerance at 2,890. However, now that this has been violated, it is reasonable to anticipate a test of lower supports at the violated 2,865 resistance already seen, and the 2,836-30 and 2,825-14 resistances noted above.

The following is a courtesy repeat of Wednesday's Quick Take

Consistently weak international data recently reinforced by quite a bit of the central banks' perspective is consistent with serial downbeat OECD indications on a weaker global outlook. This has 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 saw by late March. This was classic BUND bull trend rollover activity on the second month pushing back up into previous front month levels.

As is apparent on the 5-year weekly continuation chart (<http://bit.ly/2XVQ1OH> through last week Tuesday's Close), the BUND remains a longer-term bull trend that has experienced a significant consolidation phase. As noted repeatedly previous, this is in contrast the overall bear trend in the T-NOTE (see below.)

The extended resistance is not until the 168.00 area from mid-2016. While recently reacting back down, it held well and has rebounded from key 164.50-.00 area support. As also noted previous, this is well-correlated with the levels in the weaker sister T-NOTE and they are both back up into higher resistance; like the JUNE BUND FUTURE 166.00-.50 major congestion.

**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 historic and recent resistance, which it has only retested on the current selloff with a Tolerance to the 122-16 area (including weekly MA-13.)**

**Even though the T-NOTE is in a bear trend overall, as is apparent on the weekly chart (<http://bit.ly/2UR5NbM> through last week Tuesday's Close), that support is well-calibrated with levels in the strong sister BUND.**

**On the upside the more prominent 124-00/-06 historic congestion remains the key area it traded above until the recent reaction, and is back up into on the current trade worries. Next resistance above 124-00/-06 is the extended 125-00 area trend resistance neared in late March and more prominent 126-00 area congestion.**

**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 finally pushed above 124.00-.50. Yet that was the least of it, as the atypical significant premium (full 3.00) in the JUNE GILT FUTURE prior to the late-month March contract expiration was a major bullish sign.**

**This is obviously a Brexit premium anticipating continued economic weakness, and it has weakened a bit (as expected) on the major Brexit extension. JUNE GILT FUTURE recently a bit back below 127.00-.50 after testing higher resistances in the 129.00 and 130.00 areas has lower support**

**in the (late March) automatically overrun 126.00-125.50 area. Recently back above 127.00-.50 prior to slipping, yet holding back into it still leaves the door open to a retest of the higher resistances on the current push back above 127.00-.50 as long as inflation data remains weak and trade stresses continue.**

**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 into early March and again now.**

**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 toward midrange on recent strength elsewhere.**

**Yet current stronger US corporate earnings and economic data had assisted the greenback in overrunning the mid-upper 97.00 resistance prior to the recent slippage. Yet the FOMC statement and Powell’s less dovish press conference has put a minor bid back in the buck into that mid-upper 97.00 range.**

**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 recovered closer to 1.1400 again into mid-March, stalling there had left it under pressure again into the low end of 1.1250-00**

**area.**

**After a recent minor bounce it was finally below that until the recent modest squeeze back above it. Yet the FOMC press conference has caused it to weaken back below it once again, which also once again looked very weak on the weekly chart (<http://bit.ly/2Vbb5nh> through last week Tuesday's Close) prior to recovering into the 1.1200 area at present.**

**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 allowed the orderly breakup to occur on time at the end of March faded temporarily.**

**Back above the low-1.2800 area for some time looked firm, and it had even sustained activity above the 1.30 area (including all weekly MAs in that area) on further hope for a Brexit deal or further deadline delay. Next important historic congestion was 1.3250-1.3300 tested once again in late March prior to the recent orderly selloff.**

**Brexit concerns left it retesting the 1.3000 area since late March with only minor bounces. As we had suggested, the recent major Brexit extension (October 31st) granted by the EU is not necessarily an economic positive even though it avoided an April 12th 'hard' no-deal Brexit crisis. It only exacerbates both UK and EU economic uncertainty (now reinforced by Governor Carney's Inflation Report press conference comments), as reflected in GBP/USD slipping back below 1.3000 prior to the current recovery to hang around that area.**

**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 subsequently 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 recently it was not doing better (i.e. at least up into .7200-50) when US-China trade talks were expected to conclude constructively. This was possibly another sign that removal of stressors alone at this point will still not foster a return to previous strong growth, even with the recent US economic data. That seems to be the case on AUD/USD falling back and remaining near that key .7000 area, even if it has not yet violated it on the current trade negotiation disruption. Next support at the January 2016 .6826 trading low is a 10-year low.

While EMERGING CURRENCIES are still more country-specific trends, the recent sustained Crude Oil bid and overall US DOLLAR resurgence were weighing on them once again (with the notably obvious exception of the RUSSIAN RUBLE) until the current minor rebound.

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 also 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 of late on its way to 18.70 yet again had seen a quick rebound to test 19.20 prior to currently churning on both sides of the 19.00 area.

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.**

**Higher resistance remains in the 14.40-.50 area it had been testing throughout March and saw again on the last couple of week's rallies. Extended resistance is the 14.69 December high it was challenging again at the end of March. Yet it now remains short-term weak once again on USD/ZAR recovering from its recent nominal drop below 14.00.**

**USD/RUB was a clear outlier on the previous and current EMERGING CURRENCIES return to weakness. That was due to the extensive Crude Oil recovery from the depths of December that is now also fading again with some pressure back on the RUBLE.**

**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 had 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 into mid-March and again into early this week.**

**The question was whether it could sustain the late-March recovery back above all of the hefty 65.00 area congestion. Yet it was hard to look for much upside above 65.00 while MAY CRUDE OIL FUTURE (WTI) pushed above 62.00 toward next resistance in the 65.00 area that was recently exceeded by the JUNE CRUDE OIL FUTURE prior to the current**



**downside reaction.**

**And indeed USD/RUB failed well back below 65.00 and even 64.00 prior to recovering two weeks ago on Crude Oil topping out.**

**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 failing below 5.22 in January on 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 was very important with weekly MA-41 up into the 5.50-5.60 area in April. Outside of that January temporary spike higher, trading until mid-March had been mostly a trading range affair between 5.45 and 5.22.**

**Recently back above that again, the early-January 5.6230 trading high was the key resistance that had been temporarily violated into mid-March prior to the temporary quasi-intervention spike lower (i.e. LIRA squeeze) prior to the election. Recently sustaining activity above the 5.50 and 5.6230 resistances (as seen on the weekly chart <http://bit.ly/2VCnZtP> updated through last week Tuesday's Close) has seen it rally into the 5.90-6.00 range congestion from summer 2018.**

**This was once again very important, as the weekly MA-41 plus 0.4000 resistance is also 6.04 this week, and extended resistance is not until the 6.35-6.40 range last seen during the beginning of the TURKISH LIRA upturn (USD/TRY extended selloff) last September.**

**The sustained LIRA weakness (USD/TRY strength) during the recent overall EMERGING CURRENCIES strength is a continuing sign of its secular weakness. That is now based on ruling party moves to reverse the results of the last election, highlighting the degree to which these are secular Turkish problems.**

**While still obviously less relevant (as we have been noting for some time and is glaringly apparent again this week) 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.

**This week is a classical bit of a post-US Employment report lull, even if there is a goodly bit of central bank-speak. The key data is likely Wednesday's Chinese Trade Balance that was much weaker than expected followed by Friday's similar German figures, UK GDP (and all of the associated data) and US CPI.**

**The Rohr-Blog Research Team**

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