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To: Alan Rohrbach
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Dear Subscribers,

The old saying “the devil is in the details” certainly applies to the current US-China trade talks breakdown. While some are hopeful Trump’s several week extension of the negotiating window will lead to a breakthrough, we wonder just what anyone expects to change in the very extensive important details?

And we are coming to you over the weekend because we will be out on holiday all of next week. As such, there is a more expansive Evolutionary Trend View below, including extended technical price levels in case there is any radical market movement due to the fraught situation.

Yet getting back to the conundrum facing the US and China, it seems this is more of a Gordian Knot (<http://bit.ly/2JeE3MU>) than even the original that was subject to rapid release by a swift sword stroke. The dilemma now is that the US ‘ask’ in these negotiations is that China change its entire business model.

Its acquiescence in eliminating intellectual property theft, unfair forced technology sharing in joint ventures and major state support for strategic enterprises seemed to be coming along until last week. Then the Chinese negotiators lobbed in the total revision grenade (<http://bit.ly/2J9VEFM>.)

That was immediately and forcefully (all those tariffs increases) rejected by the US administration. So even though Trump has allowed another several weeks for a resolution that might neuter the impact of the most recent tariffs increases, we wonder what can possibly change enough to create real agreement?

Our sense is that the positions taken by the Chinese negotiators were sharply rejected by the higher powers in China. Are they now going to agree to abandon all of those practices over the next several weeks? We doubt it.

And the implications for each economy and the rest of the world (including markets) remain daunting. This could easily mean more weakness than seen so far for US EQUITIES, with the assumption that GOVVIES will benefit further.

While FOREIGN EXCHANGE remains more nuanced, any sharply diminished economic prospects will likely weigh on EMERGING CURRENCIES again while DEVELOPED ECONOMY CURRENCIES might remain mixed.

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 JUNE S&P 500 FUTURE pushed above a weekly DOWN Closing Price Reversal from 2,830-36, implying more upside was likely.

Higher resistances were the 2,865-80 area it overran in early April, and 2,900-10 from back in September also overran. That was important as the last congestion this side of September's 2,947 front month all-time high. Even though 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 last week, it was only back around 2,910-00 support, with its 2,890 Tolerance.

However, now that this has been violated, it was 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 that have also been retested.

The importance of those holding is obvious on the weekly continuation chart (<http://bit.ly/2VjP8O6> updated through Friday's Close.) More extensive supports in case the recent 'remarkable resilience' (see Friday's ALERT!!) lapses into greater weakness are 2,790-75 (weekly MA-41), 2,720, 2680 and the low 2,600 area major congestion.

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. And that outlook is of course now clouded by the US-China situation, with the next OECD Composite Leading Indicators due out on Monday morning.

The US-China imbroglio 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.

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.)

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 opens the door to a test of those higher resistances once again.

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 recent 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 prior to the current slippage back below it.

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.

While recently back below that until the current modest squeeze, quite a bit likely rests with the US-China trade situation; Europe has a much greater exposure to Chinese exports.

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 recently improved US economic data. That seems to be the case on AUD/USD falling back and showing some slippage below that key .7000 area, even if it has managed to recover to hang around at present. 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 modest 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 been back below both 68.00 and 67.00 (including weekly MA-9 & MA-13) since January 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 in mid-April.

Recent Cruse Oil weakness has assisted USD/RUB recover back above the 64.00 and 65.00 area, yet likely still dependent on the future path of energy prices.

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 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. As such, the recent USD/TRY drop back into the 6.00 area needs to be watched closely for signs this is more than a temporary LIRA recovery.

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 sidebar.

This week sees more relevant economic data with continued extensive of central bank-speak even if no central bank rate decision. Key data begins right from the top of the week with Monday's OECD Composite Leading Indicators into much else every day this week.

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