## Alan Rohrbach

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**To:** Alan Rohrbach
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**Dear Subscribers,**

**What a difference a few weeks makes. From the hopeful statements of May 1st to the present a lot has changed from a constructive FOMC assessment. The meeting minutes (http://bit.ly/2wgBL7c) reflect the same things Chair Powell shared in his somewhat more hawkish than expected press conference.**

**That can be seen in the transcript of that press conference (http://bit.ly/2M5RaSR on page 2), noting "*...weak global growth, particularly in China and Europe; the possibility of a disruptive Brexit; and uncertainty around unresolved trade negotiations. While concerns remain in all of these areas, it appears that risks have moderated somewhat*." Well, guess again.**

**Weak Chinese and European growth have now been reinforced by this Tuesday's OECD Economic Outlook titled "Trade uncertainty dragging down global growth." We suggest review of the Outlook main page (http://bit.ly/2HGYmz7) and sub-pages noted on both Tuesday and Wednesday.**

**Any constructive Brexit resolution has now been totally trashed (at least for the near term), as reviewed in Wednesday's research note. UK PM May's slightly adjusted Brexit bill has now failed, and she is now likely being on**

**the way out.**

**This morning has brought further signs of weakness in Japanese, German and Euro-zone Manufacturing PMI's. While Services PMI's have remained stronger, the OECD pointed out that services strength is unlikely to maintain in an environment of further manufacturing weakness. It all points to the likely further US EQUITIES weakness and GOVVIES strength we have been projecting for some time.**

**While FOREIGN EXCHANGE remains more nuanced, sharply diminished economic prospects are weighing on select currencies. Those include the BRITISH POUND that is not getting any better news on Brexit, and an AUSTRALIAN DOLLAR taking the hit on those US-China trade concerns (more below on each of those.)**

**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. 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. And with the 2,825-14 (October-December range) weekly MA-41 at 2,775 remains important support.**

**Back in late April 2,900-10 area resistance from September was overrun. That was important as the last congestion this side of September's 2,947 front month future all-time high that was retested into the May 1st prior to the current selloff. Even in the wake of the initial Trump dump two weeks ago (May 6th on the China tariffs comments), it was only back around that 2,910-00 support's 2,890 Tolerance.**

**However, once that was violated, it was reasonable to anticipate a test of lower supports at the violated 2,865 resistance, 2,836-30 and 2,825-14 all the way to the 2,800 'big penny'. A round of friendly Trump US-China comments squeezed the bears all the way back up that 2,890 violated Tolerance last week, but no better.**

**This week's recovery from Monday's retest of 2,836-30 only carried up to 2,865 area prior to stalling. As such, the simple Evolutionary Trend View**

**suggests an evolving bearish phase for now as the retest of 2,825-14 has already occurred.**

**Lower key support remains the 2,800 area into 2,775 weekly MA-41, much below which it is back into the broad low-2,800 to low-2,600 October-December range.**

**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 further clouded by the US-China situation and Brexit disconnect. The recent OECD Composite Leading Indicators from last week Monday have now also been wholly reinforced by this week's OECD Economic Outlook (see above.)**

**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 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 above 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 recent 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 above on 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. Back above 127.00-.50 since early this month opened the door to a test of those higher 129.00 and 130.00 area resistances it is probing 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. While the FOMC statement and Powell's less dovish press conference put a minor bid back in the buck into that mid-upper 97.00 range, the recent Trump trade threats have reinvigorated the bid.**

**It is now back above the mid-upper 97.00 after the reaction into mid-May. Next resistances are the interim 99.00 area, and the more prominent 100.00 'big penny' historic congestion.**

**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 above it on a modest squeeze, quite a bit likely rested with the US-China trade situation; Europe has a much greater exposure to Chinese exports. Yet even as EUR/USD slips back below 1.2000, the weakness is less pronounced than the Brexit-plagued POUND and AUSSIE DOLLAR weakness on US-China trade concerns.**

**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 (reinforced by Governor Carney’s previous Inflation Report press conference comments.)**

**This is now reflected in GBP/USD now slipping not just back below 1.3000, but also below the low end of the 1.3000-1.2800 key support range. This is now even below the 1.2773 February selloff lows, with next supports into the 1.2500-1.2430 range late 2018 (2-year) trading lows.**

**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 subsequent partial recoveries. Next lower major support is the .6825 area early-2016 10-year trading lows. Below that the interim**

**supports are .6500 and .6250 this side of the .6000 area October 2008 16-year trading 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 recent modest bounces.**

**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 remained important even after the February drop below 13.60-.50 area, which was 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 rallies into early May and at present. Extended resistance is the 14.69 December high it was challenging**

**again at the end of March.**

**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 64.00 and 65.00 prior to slipping back into that range.**

**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 6.05 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. This is especially in light of reports that the government is engaging in massive short term borrowing to support the LIRA. Historically these sorts of government efforts have rarely succeeded, and the LIRA is now slipping again.**

**While still obviously less relevant (as we have been noting for some time and is glaringly apparent again at present) 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 central bank influences that include various releases of banks minutes from their most recent meetings.**

**As noted previous, the OECD was back in the mix with Tuesday's Economic Outlook and Wednesday's Quarterly National accounts. Whatever the data and central bank communications may seem to mean, we feel the OECD's typically prescient forward view is a relevant trend indication. All of this also leads into the combined UK Spring Bank Holiday and US Memorial Day holiday on Monday.**

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