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**Sent:** Thursday, June 06, 2019 9:44 AM  
**To:** Alan Rohrbach  
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**Dear Subscribers,**

The discussion from the ECB press conference (<http://bit.ly/2WrX8IM>) was a litany of woes. Citing reasons for continued Euro-zone weakness Signore Draghi cited general global trade weakness due to protectionism with higher tariffs looming, Brexit delays, emerging market weakness, etc. In other words all of the problems that the various independent assessment agencies have warned were brewing since last Fall. Those include (among others) the OECD, World Bank and IMF.

On the latter there is an excellent Financial Times article (<http://bit.ly/2KyivdF>) “Global economy enters ‘synchronised slowdown’” today, citing IMF Managing Director Lagarde’s warnings. Both the IMF and others warn, “Sentiment indicators and economic data across advanced and emerging economies have been deteriorating since last autumn...”

This is why we have been skeptical of the extended advances in the US equities, and also remained bullish on govies.

While the ECB President fully discussed the various factors, a question at the end of the Q&A refocused him on market expectations seeming worse than the current economic data or near-term anticipation. He observed that market expectations seem to be discounting the current problems turning

into something more vexing (i.e. the whole being greater than the sum of the negative parts.)

While he was circumspect about that, it is indeed what we are expecting due to the now intractable nature of some of the global trade problems. While the US-Mexico imbroglio may pass soon, the rest will continue to restrain corporate capital investment in a way that will likely weaken economies and equities.

### **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. As JUNE S&P 500 FUTURE pushed above a weekly DOWN Closing Price Reversal from 2,830-36, 2,825-14 and 2,800 along with weekly MA-41 at 2,775 became important support.

2,900-10 area resistance from September was overrun back in late April. That led to the retest of September's 2,947 front month future all-time high into May 1st. Even in the wake of the initial early-May 'Trump dump' 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 previously 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 back up to that 2,890 violated Tolerance into mid-May, but no better.

Recent recovery from 2,836-30 only went up to 2,865 area prior to stalling. Lower key support remained that 2,800 area with the 2,775 weekly MA-41 Tolerance that failed last week (<http://bit.ly/2Moq5KD>.) Much below that supports are 2,722 that was not quite reached on the current selloff, 2,680-70 and the hefty low-2,600 area congestion. And only 2,825-14 and 2,830-36 have been retested so far.

And for a bit of an extended view in light of the Accelerated Uncertaintitus

**(‘itis’ being a medical suffix indicating chronic disease or acute inflammation), what is the potential support if even the low 2,600 area congestion fails to hold?**

**In December the long-term up channel support from that major cyclical March 2009 front month S&P 500 666 trading low was in the 2,400 area with a buffer to the next lower low-2,300 congestion; which held despite the violence of the December selloff. Over the six months heading into June that slow adjusting significant support has moved up into the 2,500 area (<http://bit.ly/2QFY7II>), with a buffer to the low-2,400 area monthly MA-48 and top of that previous congestion.**

**Consistently weak international data recently reinforced by quite a bit of the central banks’ perspective (especially Powell’s Tuesday reference to possible future weakness) 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, Brexit disconnect and Trump’s capricious flip into tariffs as a political weapon: Accelerated Uncertaintitus.**

**All of this is good for the ‘haven’ GOVVIES. Recent weak OECD Composite Leading Indicators were reinforced by the OECD Economic Outlook (<http://bit.ly/2HGYmz7>.) On recent form, the weakness of US EQUITIES seems a classical counterpoint driver for strength in the GOVVIES.**

**The further inflammation of 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; and that is a**

lesson for the current expiration as well (more below.)

Extended resistance in the 168.00 area from mid-2016 has now been exceeded on the surge that has even carried above the 168.86 June 2016 all-time FRONT MONTH BUND FUTURE all-time high right into the JUNE BUND FUTURE expiration. Yet as we have noted for some time, even that is not the most bullish indication for the current trend: The SEPTEMBER BUND FUTURE major 2.50 premium indicated previous even more bullish activity into today's typical early-month June contract expiration (<http://bit.ly/311SQ2Y> weekly chart from last Friday)

Note the use of the slightly longer-term BUND FUTURE continuation chart to illustrate that the BUND never turned into a bear trend on the reaction since 2016 from the bull trend into those highs. As opposed to the T-NOTE (more below) that has indeed been in a bear trend since 2016 (reflecting the different economic prospects), the BUND seems to have only been a reaction in a bull. Now confirming the very likely prospect of a new all-time high after JUNE BUND FUTURE expiration, the SEPTEMBER contract is well above that old 2016 high. It is also above the next extended weekly Oscillator threshold in the 171.00 area, with next historic Oscillator projections not until 172.00-.50 and the 173.50 area.

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.

After MARCH T-NOTE FUTURE holding around 121-12 again into early March, 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, had seen it overrun higher interim 123-00/-08 area historic and recent resistance, which it only retested on the mid-April selloff with a Tolerance to the 122-16 area (including weekly MA-13.)

On the upside the more prominent 124-00/-06 historic congestion remained

the key area it pushed above more definitively into mid-May on trade worries. Next resistance above 124-00/-06 was the extended 125-00 area (<http://bit.ly/2WhWuHk>) that was the broadest down trend resistance directly derived from the overall trend trajectory from that 2016 high.

Now above the important 126-00 area congestion as well, next resistance is not until the 127-16/128-00 area congestion and September 2017 rally high. Above that is 129-16/130-00.

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 before an 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-May opened the door to a test of those higher 129.00 and 130.00 area resistances it has now also exceeded.

Higher resistances are the nominal 131.00-.50 range, and the more major mid-2016 132.50 congestion to the 132.98 all-time high.

In FOREIGN EXCHANGE after the previous selloffs a 'haven' bid returned to the US DOLLAR INDEX, just like on the previous US EQUITIES rally. Recent global concerns left the GREENBACK holding into the middle of its recent overall range prior to getting the bid back into

early March and again recently.

Yet it has lost a bit of the bid now, which might seem a bit odd given the global disruptions. However, when the source of problems is the US that might mean weakness coming to the US economy (as is perceived to be the case at present), the US DOLLAR does not attract the typical 'haven' bid from problems occurring elsewhere.

Recent strong US corporate earnings and economic data had assisted the US DOLLAR INDEX 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, recent Trump trade threats had also reinvigorated the bid until the most recent benighted Mexican tariffs threat: Accelerated Uncertainty again.

If it should sustain activity back above the mid-upper 97.00 area at some point, 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.

Yet even as EUR/USD slipped back below 1.2000, the weakness was less pronounced than the Brexit-plagued POUND and AUSSIE DOLLAR weakness on US-China trade concerns. Greenback weakness has assisted it

in swinging back above 1.1200 for now.

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. That was reinforced by Governor Carney's previous Inflation Report press conference comments, and now by the further Trump initiated Accelerated Uncertainty.

This is now reflected in GBP/USD 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. Now below .7000, 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 even though current US DOLLAR weakness has left it up near .7000 once again.**

**While EMERGING CURRENCIES are still more country-specific trends, the recent sustained Crude Oil bid and overall US DOLLAR resurgence was weighing on them once again. Even the current US DOLLAR weakness is not assisting them much, as Accelerated Uncertainty is not a positive factor for the emerging economies.**

**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 recently churning on both sides of the 19.00 area.**

**Yet Trump's tariffs threat has put the PESO back under extreme pressure, with USD/MXN surging right through 19.20 into the major 19.60-.50 congestion once again. Any sustained activity above that would point to another test of the 20.00-20.20 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 has now exceeded once again along with the extended resistance at the 14.69 December high. Next resistance is not until the historic 15.00 and 15.50 areas.**

**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 Crude Oil weakness has assisted USD/RUB recover back above 64.00 and 65.00 prior to slipping back into that range in mid-May even if now modestly above it on the latest bout of Crude Oil weakness.**

**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.**

**As such, the recent USD/TRY drop back below 6.00-5.90 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 even if the LIRA is keeping the bid for now. Next lower supports (LIRA resistance) are 5.65-.60 (January high, weekly MA-41 and up channel from the November 2018 5.13 trading low) and heftier congestion in the 5.50-5.45 area.**

**While still obviously less relevant (as we have been noting for some time and is most 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](http://www.rohr-blog.com) sidebar.

**This week is a classical full calendar week first week of the month. That means the global PMI's (including the weak Manufacturing indications already seen on Monday) along with much other key economic data, and central bank influences that included Powell's speech and Thursday's ECB press conference (right into that JUNE BUND FUTURE expiration.) Of course, it all culminates in Friday's US Employment report along with some other important data.**

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