

## Alan Rohrbach

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**Sent:** Friday, July 12, 2019 9:13 AM  
**To:** Alan Rohrbach  
**Subject:** ROHR-BLOG: Perverse or Normal? Quick Take, Calendar

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**Dear Subscribers,**

**While the US EQUITIES and GLOBAL GOVVIES rising together until late last week seemed perverse, it was actually normal under the circumstances. Even with still weak international economic data, the US EQUITIES can rise while dovish central bank psychology on non-US weakness drives a bullish GOVVIES psychology.**

**That has gone a bit further into the perverse side this week as Fed Chair Powell has signaled an FOMC rate cut at the end of July despite continued US data strength. It is reminiscent of the 1997-1998 Greenspan approach to global influences (see Thursday's 'Ghost of Greenspan?' research note.)**

**This is especially as it concerns stronger US inflation indications over the past couple of days. And we are coming to you a bit earlier than usual with that last fundamental data of the week now priced in to the markets. This has turned a modest GLOBAL GOVVIES reaction into a more substantial correction of their extended rally since late May (especially the BUND and GILT.)**

**And the global economy is looking like it will weaken further in the near-term, not least because of the continued US-China trade impasse. This came home to roost today in the form of much weaker than expected Chinese**

import numbers, as noted in an excellent Reuters article (<https://reut.rs/2jF2Z4H>.)

Along with many other observations it again reinforces our view that the Trump-Xi rapprochement does not leave the talks back anywhere near the often touted “90% complete.”

It even goes on to note that “...existing tariffs remain in place, producing a long slow burn for the Chinese economy...” and “...the two sides remain at odds over significant issues...” ...as we have noted repeatedly despite short-term positive sounds at times.

As such, US EQUITIES can rise on a bit of almost unnecessary Fed stimulus and a sense they are the ‘last man standing’ in their asset class once again. Watch the resistance they are now testing. Yet we also feel GOVVIES will find a base on this reaction due to the still weak overall global economy.

Courtesy Repeat of Thursday’s Quick Take

FRONT MONTH S&P 500 FUTURE 2,900-10 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 that extended to 2,961. Once lower 2,910-00 support was violated, it was reasonable to expect 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 area.

And even after the early June US-Mexico tariffs scare selloff back near the 2,722 March trading low, US EQUITIES saw a sharp rally. Lower key supports at 2,865, 2,836-30 and 2,825-14 were all reinstated. Higher resistance was again 2,900-10 area, with the early May 2,938.25-2,947.50 gap lower from the all-time high Close above. As those are now overrun, SEPTEMBER S&P 500 FUTURE is above historic Oscillator levels at 2,965-70 and 2,985, with the critical 3,005-10 above that.

Also note the low 3,000 area topping line out of January 2018 on the weekly chart (<http://bit.ly/30rWe6n>) through last Friday’s Close. The question now

would seem to be whether it can push above the critical 3,005-10 Oscillator resistance and somewhat higher topping line into the 3,025 area prior to dropping back below the 2,947-38 gap and old all-time high area from September it has now fully overrun.

Consistently weak international data has continued into the heavier reporting out of last week into this week. This has been reinforced by central banks' perspective, including ECB and FOMC communications, now somewhat moderated in the US by the Employment report.

As repeatedly noted of for months, this is also consistent with serial downbeat OECD indications on a weaker global outlook. We saw more of the same in the most recent (July) OECD Composite Leading Indicators (<http://bit.ly/2SdMtWx>) on Monday

And that outlook continues to be clouded by the US-China situation despite the ostensible 'breakthrough' at the G20 meeting. There is also the continuing Brexit disconnect and Trump's capricious flip into tariffs as a political weapon: Accelerated Uncertainty (see the June 3rd research note) despite some recent US forbearance.

All of this is good for the 'haven' GOVVIES, even if they are reacting from their recent extended rallies. All of the recent weak OECD Composite Leading Indicators were reinforced by May's OECD Economic Outlook (<http://bit.ly/2HGYmz7>.) On recent form, the weakness of US EQUITIES seemed a classical counterpoint driver for strength in the GOVVIES until their dovish central bank-driven strong rally began in early June.

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.

Extended resistance in the 168.00 area from mid-2016 was exceeded on the surge just prior to the early month June contract expiration, and even carried above the 168.86 June 2016 all-time FRONT MONTH BUND FUTURE high.

Yet as we noted extensively prior to that event, that was not the most bullish indication for the trend: The SEPTEMBER BUND FUTURE major 2.50 premium fostered even more bullish activity into that June contract expiration.

Note that the BUND FUTURE never turned into a bear trend on the reaction since 2016 from the bull trend into those highs, as is obvious on the weekly continuation chart updated through last Friday's Close (<http://bit.ly/32aUWC>.) As opposed to the T-NOTE (more below) that had indeed been in a bear trend since 2016 (recently reversing on its late May major channel UP Break), the BUND seems to have only been a reaction in a bull.

It is also Closed the first full week of June above the next extended weekly Oscillator threshold in the 171.00-.50 area, leaving a burden of proof on the bears. The next higher historic projections were not until 173.15-.65 this week with the 174.50 area above that. Yet it has currently dropped back into the key 172.00 congestion that is also an historic weekly Oscillator threshold (MA-41 plus 07.00.) Whether it holds there will likely indicate whether it can become bullish again right away, or will need to at least slide to test the lower 171.00-170.50 support.

After the MARCH T-NOTE FUTURE held 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 125-00 area broadest down trend resistance directly derived from the overall trend trajectory from that 2016 high.**

**That was violated on the late May fresh major 125-00 down channel UP Break (see the weekly continuation chart through last Friday's Close at <http://bit.ly/32gyeEC>), which was an important bullish indication. It also pushed above the important 126-00 area congestion as well as the next resistance is not until the 127-16/128-00 area congestion and September 2017 rally high (128-03.)**

**The SEPTEMBER T-NOTE FUTURE was testing that area prior to Friday's US Employment driven downside reaction. Weekly Oscillator resistance continues to climb on the back of the rising weekly MA-41, extending to 129-00 this week (weekly MA-41 plus 06-00/-16) with next historic congestion not until 129-16/130-00. Now back below 127-16 leaves the next lower support into the 126-00 area congestion (reinforced by weekly MA-13.)**

**The same was true for the MARCH GILT FUTURE that in the wake of more Brexit stress and the general global weakness, 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 had weakened a bit (as expected) on the major Brexit extension. JUNE GILT FUTURE was a bit back below 127.00-.50 after testing higher resistances in the 129.00 and 130.00 areas, yet held 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 also then exceeded.**

**Higher resistances are the nominal 131.00-.50 range the JUNE GILT FUTURE was back up into prior to its expiration. And the typical full point discount in the SEPTEMBER GILT FUTURE left it well back below that range. While the overall strength of GOVVIES remains, the question was whether the SEPTEMBER GILT FUTURE that held the immediate lower support into 130.00 area on all pullbacks since early June was going to push back up into 131.00-.50; as indeed it did on a typical expiration rollover psychology. Next major higher resistances remain into the mid-2016 132.50 congestion to 132.97 all-time high even as it weakens below 131.00 toward the 130.00 and 129.00 congestion areas.**

**In FOREIGN EXCHANGE after the previous selloffs a ‘haven’ bid returned to the US DOLLAR INDEX prior to losing a bit of the bid on the threat to the US economy from the proposed (now suspended) US-Mexico tariffs potential. When the source of problems is the US, the US DOLLAR does not attract the typical ‘haven’ bid from problems occurring elsewhere. Yet now the continued weak data elsewhere compared to some signs of US strength have returned the bid to the US DOLLAR INDEX.**

**While previous strong US corporate earnings and economic data had assisted the US DOLLAR INDEX in overrunning the mid-upper 97.00 resistance, the recent FOMC statement and Powell’s more dovish press conference weakened the GREENBACK once again. This made this week’s Powell testimony particularly interesting, and its dovish tone has weakened it once again.**

**If it ever should sustain activity 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. In the event it strengthened again above lower support in the interim 96.50-.00 range last week on the continued weaker global data outside of the US. If it should weaken below that interim support again, more major support remains into the 95.00 and 94.00 areas.**

**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 had assisted it in swinging well back above 1.1200, and it is no surprise it had extended that rally back up into the 1.1400 area on the previous dovish FOMC influence. Higher resistances remain from the 1.1500 area congestion to the 1.1570 January trading high. However, recent weak European data has left it back near the 1.1200 area once again.

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) into late February on 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 overall selloff.

Brexit concerns left it retesting the 1.3000 area since late March with only minor bounces. As we had suggested, the 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 UK

**economic uncertainty. That was reinforced by Governor Carney's previous Inflation Report press conference comments.**

**This has been reflected since mid-May 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 was recently even below the 1.2773 February selloff lows, and recent rallies have all failed into the 1.2800 area.**

**Lower key historic supports remain into the 1.2500-1.2430 range late 2018 (2-year) trading lows it had sunk back near in the wake of stronger US economic data prior to the current recovery. Much below that there is some interim 2016-2017 congestion at 1.2360, yet nothing major until the 1.2150-00 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 despite the ostensible G20 'breakthrough'. While late-January secular US DOLLAR weakness had it recovering modestly above .7200-50, it subsequently dropped back below it toward the .7000 area once again prior to subsequent partial recoveries. Recently below the .7000 area, next lower major support is the .6825 area early-2016 10-year trading lows it neared once again in mid-June (just like mid-May.) 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, previous US DOLLAR weakness was assisting them once again. That is partially on central bank accommodation creating more extensive economic hope that would be good for 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 in March and April as well as again of late.**

**Yet Trump's tariffs threat had 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 pointed to another test of the 20.00-20.20 area it neared on the rally two weeks ago. Yet of course the at least temporary withdrawal of the US tariffs threat has seen a substantial PESO rally on USD/MXN dropping back into the 19.20-.00 area.**

**Yet there is no surprise recent central bank accommodation dropped it back below 19.00 once again prior to the recent bounce back to 19.20 that left it stuck in the 19.20-.00 range since early June. However, possibly on better expectations for the Mexican economy on the USMCA agreement and overall US economic strength, it has stabilized no worse than roughly 19.00.**

**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. The 14.00 area remains the more major congestion it has been once again back above since late April.**

**Higher resistance remained in the 14.40-.50 area it had recently exceeded as well along with the extended resistance at the 14.69 December high. Yet it stalled into next resistance in the historic 15.00 area. And the secular US DOLLAR weakness along with dovish central banks dropped it all the way back below 14.50-.40 since mid-June with 14.00 area below that being tested last week and at least modestly violated this week.**

**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.**

**Previous Crude Oil weakness had assisted USD/RUB recover back above 64.00 and 65.00 temporarily prior to slipping back below that range since mid-June. Lower supports at the recent mid-63.00 area lows have been violated, with the market only rebounding to test the 64.00 area on the recent rally. More major supports are not until 62.00 and especially the 61.00 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 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. Sustaining activity above the 5.50 and 5.6230 resistances in late April had seen it rally above the 5.90-6.00 range congestion from summer 2018.**

**This was once again very important, as extended resistance was 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 late-May USD/TRY drop back below 6.00-5.90 area was a major LIRA improvement.**

**Next lower supports (LIRA resistance) are 5.65-.60 (January high and weekly MA-41) tested into early June and barely violated last week prior to Closing near the low end of the range, and the heftier congestion in the 5.50-5.45 area. Yet President Erdogan's dismissal of the central bank Governor Cetinkaya a year prior to the end of his term has raised concerns, with USD/TRY rising as high as 5.7871 this week prior to stabilizing and dropping back toward the 5.65-.60 at present on the general weakening of the GREENBACK.**

**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 brings a lot of central bank influence even though the only rate decision was a broadly anticipated Bank of Canada hold at 1.75% on Wednesday. And we have already seen the latest still generally weak OECD Composite Leading Indicators on Monday morning (<http://bit.ly/2SdMtWx> our marked-up version.)**

**In the context of the Fed being the most important central bank, Chair Powell's semi-annual congressional testimony Wednesday into today has been very accommodative. And along with the many other central bank influences, there is also quite a bit of important economic data throughout the week right into Friday's Chinese Trade numbers, Japanese and Euro-zone Industrial Production and US PPI.**

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