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Dear Subscribers,

Is Fed Chair Powell too accommodative or too hawkish? Well, it seems to all depend on your point of view, and that is why the current Fed stance is indeed an extreme parallax. That scientific concept has been known since ancient Greece to mean “...*difference in the apparent position of an object viewed along two different lines of sight...*”
(<https://en.wikipedia.org/wiki/Parallax>.)

So if you're Donald Trump who wants to see any measures that further stimulate the still strong US economy, Powell is a misguided, miserly curmudgeon. On the other hand, in light of the recent significant re-strengthening of US economic data there are some very well-informed folks who see the likely FOMC rate cut today as a bridge too far that will stimulate asset bubbles.

And on the other hand (we guess there can indeed be three hands in this case), this morning's well-rounded Reuters article (<https://reut.rs/2YAeIjL>) explores that and international economic drags driving the Fed to be more accommodative than it might otherwise be.

As covered in Monday's 'US-China Still Driving Global Fears' research note, there does not seem to be any progress on those major issues. The UK-

EU Brexit imbroglio seems likely to end badly, even if that deadline is not until October 31st. That will be a significant drag on already weak UK and especially European economies.

So while global markets beyond US EQUITIES still have ‘That Old Stuck Feeling’ often typical in front of an FOMC decision and press conference (as reviewed in Tuesday’s research note), they also continue to reflect the weak global macroeconomic tendencies. That is especially so for the various ‘country’ tendencies.

And this is why the US DOLLAR INDEX and GLOBAL GOVVIES (with the T-NOTE lagging) are maintaining their overall strength.

Market Quick Take (still the same)

Even after the early June US-Mexico tariffs scare selloff sent the FRONT MONTH S&P 500 FUTURE 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 were overrun into mid-June, SEPTEMBER S&P 500 FUTURE was above historic Oscillator levels at 2,965-70 and 2,985, with the critical 3,015-20 area above that on the continued rise of weekly MA-41. Also note the major topping line out of January 2018 on the weekly chart (<http://bit.ly/2K7Qbx4>) through last Friday’s Close, rising to 3,035 this week. The question now would seem to be whether it can sustain a push above those levels, as the next Oscillator threshold above is not until the 3,065-75 range this week.

The other psychological key in light of current trading levels is the ‘big penny’ psychology: the tendency for markets to treat major round numbers (like 3,000) as significant whether or not they are actual technically important thresholds. In this case 3,000 is not a fine line threshold, yet relates to trend momentum. And that is why the ‘extended’ weekly Oscillator projections and topping line are so important the overall trend

momentum above that psychological 3,000 level.

Consistently weak international data on balance has continued into the heavier reporting out of last week into this lighter week. This has been reinforced by central banks' perspective, including ECB and FOMC communications as we head toward the next ECB rate decision and press conference on Thursday. Yet US dovishness that was moderated by the last Employment report still appears to be on track based on international factors.

As repeatedly noted 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>) three weeks ago.

And that outlook continues to be clouded by the US-China situation despite the ostensible 'breakthrough' at the G20 meeting. Especially note the recent US-China talks degenerating into nothing more than discussion of Chinese agricultural purchases and Huawei relief (see above.) That leaves the broader issues unresolved and tariffs in place.

There is also the continuing Brexit disconnect and Trump's capricious flip into tariffs as a political weapon which has continued into the present: 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 recently reacted from their extended rallies prior to resuming their climb. All of the recent weak OECD Composite Leading Indicators were reinforced by May's OECD Economic Outlook (<http://bit.ly/2HGymz7>.) This is now also reinforced by all of the recent indications: IMF global growth downgrade, weak global Advance Manufacturing PMI's and further weakness in the German IFO survey.

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 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 congestion was not until upper 172.00 area since mid-June with the 174.00 area above that. And even after it dropped back below the key 172.00 congestion three weeks ago, it quickly recovered back above it the following week.

That much is clear on the BUND FUTURE weekly chart through last Friday's Close (<http://bit.ly/2LM7Ptp>.) It also revisits the fact that (as opposed to the T-NOTE) the BUND never turned into a bear trend after its 2016 peak; remaining more so in an extended consolidation.

And the recovery has now extended above the higher recent upper 172.00

congestion, which pointed to a retest of the 174.05 early July all-time high. It is now also up into the next Oscillator resistance in the 174.25-.75 range, with 175.65 above that this week. Those are still increasing by 0.40 each week based on strong upward MA-41 momentum.

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, 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 this month's US Employment driven downside reaction. Yet it held very well without violating the low end of the 128-00/127-16 congestion. However, its relative weakness within the bull trend (see the weekly chart through last Friday's Close <http://bit.ly/2MoiDxC>) is highlighted by its inability to overrun that congestion while the BUND and GILT have pushed up more aggressively. Also note the 127-31 weekly DOWN Closing Price Reversal (CPR) from three weeks ago (solid red line) as further reinforcement for its near-term resistance with a 128-08 Tolerance.

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.

While reacting back down near the 130.00 area in early July, it quickly pushed back above 131.00-.50. Next major higher resistances remain into the mid-2016 132.50 congestion it is now pushing above, with the 132.97 all-time high above that.

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 last 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 has recently strengthened again above lower support in the interim 96.50-.00 range 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. And on recent weaker international economic data it is now also back above the mid-upper 97.00 area once again. The Tolerance is the April-May 98.37 trading highs, with 99.00 and 100.00 above that.

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 when EUR/USD slipped back below 1.2000 from late-April, 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 fomenting rightful concerns over ECB accommodation has left it back below 1.1200 once again into recent 1.1100 area trading lows. Yet more major lower supports are not until the 1.1000-1.0950 area

and 1.0800.

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 slipped below in the wake of stronger US economic data prior to the current stabilization. More sustained activity below that last week has also now led to violation of interim 2016-2017 congestion at 1.2360, with nothing recent until the 1.2150-00 area this side of the 1.1710 major October 2016 34-year trading low. (That’s right, not below 1.1710 since March 1985.)

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 prior to the temporary squeezes, it is now well back below it once again. 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. And it is of note that even with the recent weakness of DEVELOPED CURRENCIES against the GREENBACK the EMERGINGS are holding up fairly well on that same psychology.

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 Mexico on USMCA agreement and overall US economic strength, it has stabilized even if no better than roughly 19.00.

And that was just part of the EMERGING CURRENCY return from weakness prior to the subsequent 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 early 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 exceeded into early June as well as 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.

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 previous rally and up to 63.50 at present. 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 into early July prior to Closing near the low end of the range, and the heftier congestion in the 5.50-5.45 area.

And it seems that even President Erdogan's dismissal of the central bank Governor Cetinkaya a year prior to the end of his term has not weighed too heavily on the LIRA. After USD/TRY recently ranged as high as 5.7871 prior to stabilizing, it has dropped back toward the 5.65-.60 area despite last week's much larger than expected 4.25% rate cut.

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 sidebar.

Despite the light schedule today, as a blended late month into the new month week this is a monster reporting phase. And that is along with major central bank meetings: BoJ Tuesday into the highly anticipated FOMC rate cut Wednesday followed by the Bank of England full Inflation Report meeting with press conference on Thursday. And of course along with that there is all of the heavy late month data into Thursday's Global Manufacturing PMI's, with it all culminating into the next US Employment report on Friday.

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