Rohr Report

TrendView

BRIEF UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Wednesday, March 19, 2008 (08:00 CDT; 09:00 EDT; 13:00 GMT)

OVERVIEW

- **While we felt there was not much to say in front of FOMC yesterday, quite a bit was heard afterward. This was not just any easing; it was accompanied by full equity market glee club pep rally. As the stock market faded in the wake of the somewhat disappointing 75 basis point rate cut, President Bush quickly came out of trade talks in Jacksonville, Florida to pronounce, "If there needs to be further action, we'll take it, in a way that does not damage the long-term health of our economy." Wow. First he's a policy expert in his Economic Club of New York speech, and has now figured out a way to pump liquidity without risking damaging levels of inflation. Who knew?**

- **Of course, the problem with pep rallies is that they do not always translate into victory on the field. While the DJIA recovery back above the 12,100-12,000 area was extended to above the 12,300 congestion at last week's high, there is ample further resistance at 12,500, 12,600 and the 12,750 area. Also note that DJIA is straight back down around the 12,300 area in overnight trade. Yet, even if upside leader DJIA were to push higher, there is a dilemma of whether it is ready to return to a true bull market. As noted previous, a Double Bottom UP Break above 12,768 implies an Objective at 13,900, with a very similar indication for an S&P 500 future Close above the 1,400 area; that might be a bit premature just five months into a bear trend. Lower support is likely into 11,800 or 11,635, with extended levels still at 11,500-400 and every 500 down.**

- **The equities being the primary driver for the long dated fixed income is still apparent in the recovery today in spite of what would normally be damagingly strong data on everything from Australian Dwelling Starts to Italian Industrial Orders and Sales and UK Unit Wage Costs. Yet, June T-note remains not much worse than the 119-00 area it slipped below on the Bush-inspired secondary wave of equities strength yesterday, whereas last week it was in the 117-00 area on the DJIA rally to 12,300. While any equities push higher means fixed income might come under more pressure, this amply illustrates the primacy of the intermarket influence at present. Lower T-note support is 118-00, 117-00 and even still as low as 116-00 areas, with 121-00 resistance. The Gilt is still critical in the 111.50-.00 range, with the Bund also needing to hold 117.50-.00,**

- **The US Dollar Index .7300-50 failure turned into a rout below .7250 that remains resistance, with next support into the .7000 area. Upside leader EUR/USD reaction back from a test of 1.5850-1.6000 has so far not even neared the support at 1.5500 previous resistance. GBP/USD is back testing 2.0000-1.9900 again after dovish BoE MPC minutes, and that has allowed the EUR/GBP to move back up to our .7850 target. The depressed USD/JPY failure at 102.50-103.75 led to collapse below 100.00, with 97.00-96.00 next supports this side of 91.00-89.00, 87.00 and 85-84. The Crude Oil reacted from 111-112 major oscillator resistance, yet with 100 the real lower support.**

We hope you find this helpful.

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