

ROHR REPORT

TRENDVIEW

BRIEF UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Friday, March 13, 2009 (10:00 CDT; 11:00 EDT; 15:00 GMT)

Key Views

- **Very brief again today indeed, as most of the markets are reflecting potentials we had previously discussed. If we need to sum up the rationale for the further rally in equity markets yesterday, we can do it in two words: Ken Lewis. While there have been many other constructive influences in the air on everything from modest modification of mark to market, to more sensible government backstop for disposing of toxic debt securities, to a bit more balance in economic data, if there is one aspect that has most impressed markets it is the recent communication from bankers. As we first heard Citi's Mr. Pandit and then J.P. Morgan's Mr. Dimon, Bank of America's Mr. Lewis saying that they are in good shape and will not need any further money from the US government was enough to finally restore some confidence the crisis is ending. It even temporarily helped bonds. While that does not necessarily make the equities a bull market, the bears were counting on moving from crisis to crisis to provide the next new lows after last week's DJIA failure below 7,000; what they got instead was a near-term technical bottom signal.**
- **Whatever the other news might have done to the markets, we specifically waited today until the economic releases were out in order to be sure there were no nasty surprises. In the event, still weak overall news is actually moderating to some degree, and a sense the banks have passed the crisis entitles equities to sustained near-term upside reaction; even if there may be a drop back to recent lows (or even new lows) if economic influences disappoint later this year. While the other global stock indices are less robust than the US, the prime trend influence remains with the DJIA ability to signal a near-term pattern bottom. Yesterday's extension of Tuesday's gains for a Close above the critical DJIA 7,063 weekly Close from two weeks ago Negated (i.e. canceled out) the DOWNSide Runaway Gap from last week's opening. In a classic example of how Negated technical signals provide momentum in the opposite direction of what was originally projected, a Negated Runaway Gap (i.e. the market closing back through the gap in the opposite direction) evolves into its own form of trend ending signal: Exhaustion Gap. Which is meant to imply the literal meaning that while the initial Runaway Gap (below 7,000 Monday of last week) was an ostensible signal the downtrend could run further in an aggressive manner, it was actually the 'exhaustion' of the bear trend psychology on an overextension near the end of the move. Ergo, reversing it forms the Exhaustion Gap.**
- **What does that mean for the extent of the recovery? As might have been inferred from the discussion above, it means the ostensible 7,000 ceiling is now the 'floor'; with a Tolerance back to congestion in the 6,970-6,900 area. As to the higher resistances that might be tested the bare minimum would seem the November 7,450-7,550 area, with a very good possibility to see extended resistances at 7,800, 8,200 or even mid-8,000 area.**

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- As the US 10-year T-note and 30-year T-bond auctions went very well in spite of strength in equity markets, there is a bit of 'Goldilocks' in the air. That is due to any lack of further crisis possibly creating less of a burden on emergency government crisis spending. Additionally, the long-dated 'govvies' may still be benefiting from a bit of the 'haven' effect in spite of the near-term recovery in equities due to the degree to which many people are still skeptical of equities. It is worth noting that there have been many times across the cycle since the major June 2007 bottom in US government bonds when the bonds went up along with equities at times because they doubted the durability of the equities rally. And it often proved to be the case that the bond markets were prescient in anticipating the next failure of the equities market. With that in mind it is very important to note that both the T-bond and T-note held some important supports at the bottom of their selloff in front of the auctions earlier this week, and those will remain very telling as we move into the March contract expirations next week.

It will be interesting to see how **June T-bond** support in the 124-00 area (significant congestion and the major Fibonacci 0.50 retracement of the entire June 2007-December 2008 swing) that was held prior to Wednesday's rally fares if equities continue to rally to the extent noted above. The higher resistances are in the 128-00 and 129-00 area, based on both the contract and the continuation chart. While it held somewhat better than the T-bond, that still works hand in glove with the **June T-note** not getting below its relatively higher interim support in the 120-16 area, with more major support still down into the mid-119-00 area. As noted in previous, 119-16 is the UP Breakout above which the massive US T-note rally surged in mid-November on its way to 130-00 area; and any failure back below that area would be indicative of a failure of that forceful UP Break psychology. That might be an indication the T-note would need to retest support at the broader underlying 116-00 trend channel, or even washout below it into major Fibonacci and congestion in the 114-00 area. The rub for the aggressive bears is considering at what point the Fed might prove to be more than just talk on purchasing long dated US government securities if a break forces the mortgage rate too high.

- All other analysis remains very much the same as previous in the wake of the **US Dollar Index** sliding back below the .8850 area while remaining a trading market, with more important support back down around the major monthly chart channel .8640 UP Break. More notable is **EUR/GBP** strength propelling it above the low .9100 area again, with potential to retest of .9350 or even .9500 area, the **Short Money** swinging quietly (and perversely in classic intermarket influence the terms) in line with equity market trend, the **April Crude Oil** recovering back above the upper 43.00 area on its way to a likely test of the higher resistances in the 48.00 and 50.50 areas, and the **April Gold** having held once again at the low end of the 900-890 area prior to its current rebound toward the higher resistances into 950, 965 and ultimately back up into the 1,000-1,008 major weekly DOWN CPR resistance.

- Of course, what is most telling about that for consideration of whether equity markets might really be developing a sustainable rally is this is the first time in quite a while the stock markets, energy and Gold are all headed up in tandem. Whatever one may think about whether this is a return to a true bull market in equities (i.e. this week's lows will stand across the cycle), include the weakening of the 'govvies' (especially the drop in Europe) and all that seems to be an incipient indication that any stabilization and growth which does indeed ensue will bring with it inflation implications that the central bankers have not been able to worry about during the crisis triage phase required monetary and fiscal easing. We shall see.

We hope you find this helpful.

-Rohr

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