Rohr Report

TrendView

BRIEF UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Friday, March 20, 2009 (09:30 CDT; 10:30 EDT; 14:30 GMT)

Key Views

- **in the wake of the significant evolution of various markets' trends after the radical FOMC statement on Wednesday, there is really not very much more to say for a change. While in some cases that means whole new trends were initiated, in others it merely means existing trends are evolving, or the trading affairs have been reset to new ranges. Especially as we are also going to be out on holiday all of next week, there is not much we either want or need to say after the extensive articulation of our perspectives in yesterday's *TrendView* BRIEF UPDATE. It would seem a propitious time to grab some much-needed R&R, as next week's reporting calendar is rather light in front of the major overlap onslaught from combined late and early month reports into the following week. As there may be a somewhat meaningful market response early next week to the further bank rescue *cum* 'new' Toxic Asset Relief Plan announcement from Mr. Geithner, we will be keeping an eye on the market in case any update of our views is required.**

- **However, other than that, most key aspects of current trends are fairly clear, and we will be lightly revisiting key portions of views not included in yesterday's otherwise fairly comprehensive *TrendView* BRIEF UPDATE, which can be accessed at http://bit.ly/17VcZ4. It includes analysis of the sharp readjustment of the trading range in US long dated govvies (as opposed to taking any firm perspective that they must trend higher due to the Fed's purchase program), and further evolution of our view that equities trendsetter DJIA has put in an intermediate term bottom while not necessarily reversing the major downtrend, whereas the US dollar has almost certainly reversed its intermediate term uptrend on the failure of the US Dollar Index back below .8640, reinforced by the more so inflation sensitive Crude Oil pushing back above 50.00, and especially the Gold once again holding key support in the 900-890 area and recovering sharply back up through the 950 area (even if being partially driven by the sheer degree of US dollar weakness.)**

- **Please note Wednesday's *TrendView* GENERAL UPDATE (http://bit.ly/35QAiO full report, not an excerpt) contains our views on failure of the G-20, the ECB and the AIG imbroglio. It also has the analysis of Short Money forwards (September 2009 contracts) that have done no better than high-end resistances in spite of recent central bank moves, and the European long ends. And while still lagging the US, the European stock indices do appear to actively be following the lead of DJIA; that analysis is included there as well along with the S&P 500 and NASDAQ 100 futures. The real crux of the matter still seems to be that while DJIA has put in an intermediate term bottom from the 7,000 area, the next question is when and why it might choose to push above 7,500-7,620 resistance for a potential extension up to at least 7,800 and possibly the mid-upper 8,000 area. And as noted yesterday June T-note now seems a 126 to 124 range, with a half point Tolerance.**

▪ **Due to it being the most active, and indeed in some ways the most violent trend shift over the past couple of sessions, we repeat yesterday's revised commentary and technical levels for the US dollar trend, with steady analysis and technical projections from Wednesday's *TrendView* GENERAL UPDATE for the cross rate trends below.**

▪ Of course, the implication for the foreign exchange markets was whether the US dollar got to maintain its 'haven' status if equities recovered, or attracted some selling as the fears abated that things being bad in the US have even more dire implications elsewhere (i.e. what if they are not so bad in the US?) Obviously the 'haven' status has been put to rest by the tsunami of US dollar liquidity unleashed by the Fed enabling far greater fiscal deficits and could have possibly been passed through Congress in this environment. As noted above, we are not necessarily against the general nature of the Fed's action; more so how it was implemented. As they say, it's not what you do, it's how you do it. That the Fed move caught the dollar bulls by surprise has been amply demonstrated by the major pounding the **US Dollar Index** has taken back below the generally important .8640 major monthly channel UP Break from last month.

▪ As we noted previous, any strong signal of a reversal of the overall uptrend since last July's lows would also require serial failures back below mid-.8500 and mid-.8400 supports before all the residual congestion, Fibonacci, moving average and weekly Oscillator supports are violated. Well, here we are this morning trading down into the .8300 area, and that means any rallies back to those higher levels are now very suspect. <u>In essence, without even so much as DJIA pushing back above interim resistance at the violated 7,500-7,450 support, the buck is signaling that the rally is over and it is back into being a *bear market*</u>. That might seem like somewhat of a strong statement to some. Yet the sharp US dollar rally from last July's low only carried up to modestly above the broader major downward channel resistance (from the last major high in the 1.2000 area back in February 2002 before the major long-term downtrend ensued; i.e. the broadest retracement resistance that still leaves the market in a bear trend.) That Negation of the .8640 UP Break out of the broad trend resistance is the psychology that restores the full bearish major trend momentum. As such, while it is still quite a long ways off in sheer price terms, there is now a serious question whether the extreme trading low at .7070 last March was actually the end of the dollar bear market. It is not really something we can worry about right now, as there are plenty of interim technical levels which need to be assessed along the way. Yet the major trend flow suggests that all the concerns over the sea of US dollar liquidity already unleashed and yet to come might culminate in the sort of poor scenario for the buck that many informed observers suggest is possible.

▪ Now that the US dollar has established what we feel is a *bona fide* trend reversal, rather than revisit a discussion of the background and tendencies against individual currencies (especially as the cross rate reaction was rather orderly in light of the major secular swing in the buck) below are the technical levels for the US dollar trends:

USD INDEX RES: .8450; .8550; .8640 SUPP: .8250; .8150; .8000-.7960; .7890-50; .7770

EUR/USD: RES: 1.3850; 1.40; 1.41; 1.4350-1.4420 SUPP: 1.3350-00; 1.31-1.30; 1.2850

USD/JPY: RES: 97.00-.50; 99.50-100.00; 102 (OBJ) SUPP: 95.00-94.50; 93.80; 92.50

USD/CHF: RES: 1.1450-1.1500; 1.1750; 1.19; 1.2250 SUPP: 1.13-1.12; 1.10; 1.0750-00

USD/CAD: RES: 1.24; 1.2500-50; 1.2750 SUPP: 1.2250-1.2132; 1.20; 1.1800-1.1750

AUD/USD: RES: .7000-50; .7150; .7250-68; .7460 SUPP: .6850; .6750-25; .6650-30; .6500

Cross Rate Analysis

▪ In that regard, even given major UK economic weakness and banking system problems the **British pound** being back to weak sister is not much of a surprise. **EUR/GBP** strength propelling it above the low .9100 area again created the potential for a retest of .9350 that is currently being challenged, with higher resistances into the .9500 and .9650 areas this side of the .9800 area late December highs. Of course, that also informs our view of the activity of the euro against weak sister Japanese yen. **EUR/JPY** was another example of a false down Break out of in a bearish Triangle pattern below 118.40 back in late January. While it struggled initially to get back above 120.00 area it has recently surmounted the previous several week stall out into the prominent 126.00 congestion. However, even that sort of impressive performance (and weekly MACD is now indeed solidly up after the past two month's rally) leaves the serial highs (from last October into mid-December) in the 131.00 area as critical resistance at an effective loose Double Bottom UP Break threshold. Much above that the market might be ready to overrun interim congestion resistance in the 135.00 area on its way back to bigger retracement levels toward 142.00, with an overall objective for the pattern bottom at 148.50.

▪ The cross rate foreign exchange indications are all over the map, for the very reasons noted in the analysis above. Therefore, it seems productive to fall back on our primary insights to assess near-term news impacts, and provide technical levels for the cross-rate relationships.

▪ **Key cross rate trend technical support and resistance levels are:**

EUR/JPY: see extended analysis above.

GBP/JPY: RES: 140; 142; 146.50-148.00 SUPP: 135.50-.00; 133; 130; 129.20 ('05 low)

EUR/GBP: see extended analysis above.

EUR/AUD: RES: 2.00; 2.03; 2.0591 ('98 high); 2.07 SUPP: 1.95; 1.93; 1.91-1.900; 1.86-1.85

AUD/JPY: RES: 65.00; 67.70-68.30; 70.00 SUPP: 62.30; 60.00-59.50; 57.50; 55.50-.00

EUR/CHF: RES: 1.49; 1.5080-40; 1.5150-1.5250; 1.55; 1.56 SUPP: 1.4750-00; 1.4650; 1.44

We hope you find this helpful.

-Rohr
(www.rohrintl.com)