Rohr Report

TrendView

BRIEF UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Tuesday, April 7, 2009 (10:30 CDT; 11:30 EDT; 15:30 GMT)

Key Views

▪ **The anticipated early week central bank influence was very interesting this morning. Even though Bank of Japan held steady as expected, it did not provide a somewhat significant expansion of money market liquidity encouragement. And the reserve Bank of Australia surprised with a 25 basis point rate cut to 3.00 percent (versus expectations of no change.) In the drama of whether equities and economies can bottom out, Reserve Bank of Australia again played 'anti-ECB'. As its estimable Governor Stevens noted, *"…the contraction in the global economy continued during the first few months of this year, and most assessments of the near-term outlook have been further marked down*." (http://bit.ly/kFGp) Yet the giggle is the equity markets are under pressure once again in spite of a surprise central-bank easing; truly psychological and anticipatory at present.**

▪ **Yet another light reporting day in the US and somewhat improved (i.e. less bad than expected) economic data elsewhere still sees all that at levels signaling continued contraction, even if a bit less so. Due to dauntingly negative opinions on the financial services sector and economy at large that have surfaced in the last couple of days, after recovering late yesterday the equities are back under pressure this morning. It is now a question of whether this is yet another example of early week selloff from the previous week's strong Close that will find support and recover later in the week, or the beginning of a more significant correction. Of course, the difference is that this week is a holiday shortened week, with typical early Closes (12:00 CDT) for fixed income and foreign exchange markets on Thursday (albeit with normal hours at the NYSE.)**

▪ **So, with so much negative sentiment circulating again, what could possibly provide additional psychological (even if not truly economic) encouragement to equity markets that might put them up into a late week rally as predicted by Thursday's full moon? While we cannot know any more than any other market participant, a most interesting factor has been given short shrift into this week: the degree to which IASB is under pressure to follow last week's FASB muting of mark-to-market rules. While it was very quick to a refute any notion it might be considering such a move, there is that little issue of competitive pressure on European banks from the extensive forbearance being shown their US brethren. And with European governments demonstrating their penchant for parsimony (more so consistent with ECB sentiments), there is likely some pressure on IASB to foster healing at the banks in a manner that might require less direct government intervention than would otherwise be the case. Whatever may transpire on that front or others, this can be broken down into a very straightforward technical perspective: if the DJIA can hold no worse than 7,800-7,750, it leaves the door open for a push back above 8,000 area resistance; if it fails, a trip back to at least the 7,500-7,400 area is likely.**

▪ **And that is thoroughly consistent with the technical supports and resistances in all of the other equity markets. Which is especially critical in the wake of recent diversions of other US indices from the DJIA, leaving June S&P 500 future key support into 810-807, and the June NASDAQ 100 future right back near its impressive UP Break above 1275.75 from last Thursday. Similar, if significantly more divergent tendencies, apply to Europe as well. All of which is still very consistent with the projections noted in last Thursday's *TrendView* GENERAL UPDATE (http://bit.ly/PdDb4), and we refer you back to that for further in depth views. Of course, the other aspect of the equity markets decision is their significant influence on other major asset classes. That includes the direct influence on the US dollar and countervailing influence on the fixed income, as each recoups some of their 'haven' status at those times when equities weaken (and Vice versa.) While the relationship with fixed income in particular has quite often been more convoluted than that in recent trading, the classical counterpoint seems to be back in force at present.**

SELECT MARKET OBSERVATIONS

▪ While fixed income markets are recovering during the current two session selloff in equities, that could all change quickly if the stock markets hold the supports and rebound later this week. The key right now is that the long dated govvies have indeed held some reasonably important support levels which we noted previous. Those areas and the next lower (and far more major) supports are worth revisiting along with higher resistances also noted previous. **June T-note** back below the 124-00/123-16 area has revisited the significant 122-00/121-16 support tested by the expired March contract back in February, and has more major support one half point either side of the 120-00 area (major Fibonacci 0.382, weekly MA 41, major continuation pattern UP Break, historic congestion, and 'big penny' psychology, as well as hefty contract congestion down around the early- and late-February lows.) **June Gilt** failing once again at no better than 124.50 had quickly dropped back below both 124.00-123.50 support and even the lower 122.00-121.50 support, and even with equities acting fairly shabby the most issuance burdened of the long dated govvies finds itself near the 120.00-119.50 support it tested during last week's failed auction debacle. Much below that it is easy to imagine it would be capable of retesting its own significant continuation and contracts for back in the 117.50-.00 area, with extended support down towards the 115.50-.00 area. The latter will only likely be hit if the T-note and Bund fail their supports. Speaking of which, **June Bund** stalling on rallies at no better than the 124.50 Tolerance of its meatier 124.00 congestion also slipped back into its 122.00-121.50 lower contract and continuation support, which includes the major early February lead contract correction low set by the now expired March contract. Much below that it would be no surprise if it headed back toward its own major supports in the 120.00 area, with a half point buffer to either side (much like the T-note, if less well reinforced technically.)

▪ Weakness in the equities and the recalcitrant fiscal position by Europe have also caused a couple of other interesting adjustments, including the failure of **EUR/GBP** back below the .9120 area that leaves it likely to revisit .8800-.8750 support once again, the collapse of **June Gold** below the 900-890 support that points toward a retest of 850-840, and failure of **June Crude Oil** from its 55.00-56.00 resistance (as might have been expected.) Of all those shifts, the last might be most readily reversed if equity markets manage to get their footing and push up again, and will almost certainly continue back down to test the 50.00 area if the equities fail below the supports noted above. It seems we are all equities traders once removed at present, restored to a great degree by the lapsing of the 'crisis' atmosphere over the past month.

All other analysis remains consistent with last Thursday's ***TrendView*** **GENERAL UPDATE**, and we refer you back to that for further trend views and technical levels.

We hope you find this helpful.

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