

ROHR REPORT

TRENDVIEW

BRIEF UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Wednesday, May 27, 2009 (08:30 CDT; 09:30 EDT; 13:30 GMT)

Key Views

- Very brief today indeed, as all market technical projections remain very much the same as last Tuesday's *TrendView* GENERAL UPDATE (<http://bit.ly/3QNhDw>) in spite of some very interesting additions based upon recent trend evolution. While we will be extending markedly upon them tomorrow, the technical outlook remains very much the same as yesterday's full *Weekly Overview*, accessible at <http://bit.ly/m1VZP> for any who missed it.
- Yet, more interesting for right now is whether housing remains the Achilles' heel of the equity markets, with a very interesting psychology into next week. As we saw yesterday in the wake of Korean nukes and missiles and equally damaging US S&P/Case-Shiller Home Price indications, the "psych trumps data" equity trend continued. That was of course due to the strength of US Consumer Confidence; even though that was not surprisingly more so about the outlook than current conditions. However much one may think the equities rally is durable (we do not), the sheer evolution of current fixed income trends is not constructive, and will be critical prior to next week's US employment report.
- One of the reasons we want to wait until tomorrow to expand upon this potential problem area coming back to haunt the equities is the luxury of seeing today's US Existing Home Sales (APR) with its reliable housing market price data, and tomorrow's less prominent New Home Sales (also APR.) That said, a key near-term indication had already degraded markedly last week, as evidenced in this morning's US MBA Mortgage Applications report. The overall index was down 14.2%, with the Purchase Index back up slightly from last week's drop, but the important Refi Index down 18.9%. And all that was based upon rates that did not reflect a sharp markup in US mortgage rates in the wake of significantly higher Treasury yields late last week. Just as Case-Shiller was a disappointment by not being "less negative" this month after last month's modest improvement, if fresh home purchases and refinancings dry up the face of a 30-year mortgage rate back above 5.00%, that is a real problem. There is still room for accelerating foreclosures into weak employment to derail the Bullish Equities Express.
- However, in spite of the sharpness of the yesterday's rally in equities, there has been no change for awhile, with DJIA still holding 8,200, the June S&P 500 future having held 880 once again, and commensurate resilience elsewhere. The far more important driver for future trends is in fixed income. Weakness of June T-note below last November's major 119-16 UP Break has now also violated its 119-06 Tolerance, with 117-16/-00 area next support. As we had been very pointed on the US Dollar Index turning back into a bear after its mid-March failure below .8640, it was not necessarily a huge surprise that its failure below .8400 led to violations of the important .8250 and .8150 area supports. The next big supports are down in the .7900 and .7750 areas (around the mid-March low.)

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