Rohr Report

TrendView

BRIEF UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Friday, June 5, 2009 (07:00 CDT; 08:00 EDT; 12:00 GMT)

Key Views

- **Mirror, mirror of a gap; who'll be clever, who'll be the sap? The market always has the ability to make participants appear geniuses or fools, and never was that more so the case across most asset classes than at present. The reason for this is the gaps at the top of this week that initiated the recent equity market UP Breaks. As such, we will be dwelling on the equity market contingencies into today's US Employment report (MAY), as one way or another the stock market activity of today into next week is going to be a key arbiter of all trends, whether it is influence is direct or countervailing.**

- **While we will touch on the most salient points below, the overview of the other markets can be accessed in yesterday's *TrendView* BRIEF UPDATE (http://bit.ly/C7P6k), with the implications for long dated government debt June futures contract expiration rollovers covered back in Tuesday's *TrendView* BRIEF UPDATE (http://bit.ly/C7P6k.) While we had expected to switch that analysis over to the September contracts this week, some of the very important lead contract implications required that we maintain the focus on June through this week into the June Bund expiration on Monday. For any more extensive trend perspectives and technical levels, last Friday's *TrendView* GENERAL UPDATE (http://bit.ly/C7P6k) still contains all of the relevant projections.**

- **Yet, most important right now is the decision by the DJIA and June S&P 500 future. Because of a slight variation in the way each market is acting relative to that early week gap, both must be watched closely. While the folks over at Dow Jones still use that rolling opening to give the appearance of smooth market activity, there is little doubt that the DJIA did indeed gap above its previous 8,592 high on Monday. That effectively established a Runaway Gap on the UP Break from what had been a Rectangle pattern during the sideways trading range throughout the month of May. And even on Wednesday's selloff DJIA was not able to fully close that gap on trading when it left a low of the day near 8,598. As such, all of the dynamic upward momentum signals are still intact or DJIA on the upside for now. Yet there are two issues which are a bit vexing, the first of which is the Rectangle pattern minimum Objective at 9,737. As noted yesterday, the question is whether there are grounds for a further rally of that magnitude; or is it more likely the fundamentals will encourage at least a sizable retracement of the current rally (if not indeed a new low in a bear trend, as was the case last May)? The other troubling aspect of this seemingly significant UP Break is the abysmal lack of volume on what should be such a dramatic upside signal. And that is what continues to reinforce the next resistance at 8,800 as such a key level in spite of it being nominal and classical technical terms. If the market has nearly been nervous in the face of today's major US report, then above 8,800 it may well gain more volume/momentum. On the other hand, any failure back below the 8,600 area after holding initially is going to appear very dire.**

▪ The reason is tied back into the mirror image allusion from the top of this report. While they have not failed to perform so far, might this week's top of the week gaps to new high ground be the mirror image of the gaps lower that occurred into the first of March? It is the technical contingency which makes gap so unstable that a Runaway Gap to a new trend extreme can indeed foment an immediate significant extension of an already fairly substantial trend; yet on the other hand, if the market not only closes the gap on trading but swings well back through it in the opposite direction it morphs that extremely strong signal into an actual reversal pattern of the trend (i.e. signals it has ended.) That is quite rightfully referred to as an Exhaustion Gap, as the gap in the direction of the trend is then viewed less as Runaway to new major levels than a last gasp prior to reversal.

▪ And that is where the June S&P 500 future considerations come into play, as it already traded back below its previous 927.70 early May high back on Wednesday. Even though it pushed back above there for its Close of the day, the runaway aspects for that market have already been negated, and any further slippage back below Wednesday's 922.70 low (especially back below last week's 918.00 Close) would create an Exhaustion Gap indication that would also be back below the UP Break from a Triangle pattern (of a different variation than the straight sideways trading in DJIA.) Somewhat similar to the DJIA, it is up around important lead contract resistance in the 942.00 area.

▪ All of which will also have significant implications for the trendsetting June T-note's ability to hold the 116-16 Tolerance of its upper 116-00 area important oscillator support and congestion. While it did not even get down to that level early in the week, as the equities maintained their resilience throughout the week it was not really a huge surprise that it sank to that level late yesterday in anticipation of any sort of further positive equity market activity in the wake of today's report. Next lead contract T-note support is not until the 114-16/-00 area, which would obviously will be heavily discounted September contract even well below that; with similar contingencies facing the June Gilt, and just slightly less daunting negative implications for the Bund into the September contract becoming the lead contract on Monday.

▪ That same counterpoint influence is of course critical for the US Dollar Index that has already seen slippage below its next big support in the .7900 area, yet has held the .7750 area (around the mid-March low.) And in spite of equities stalling temporarily, the June Gold and July Crude Oil pushed above resistances at 970 and 68.00 (resp.), and whether they can maintain their renewed strength also rests with direct influence from equities.

We hope you find this helpful.

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