

ROHR REPORT

TRENDVIEW

GENERAL UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Thursday, April 16, 2009 (09:30 CDT; 10:30 EDT; 14:30 GMT)

Key Views

- **Rather than anything approaching 'upbeat', we would characterize yesterday's Federal Reserve Beige Book as 'somewhat less dire'. That equities took moderation of negativity as a constructive sign reinforces the degree to which the market is currently enthused by somewhat improved fortunes of the financial services sector instead of the continuing negative economic news. What little data there was once again today from Europe remained weak as we headed into this morning's weaker than expected US Housing Starts, Continuing Jobless Claims at a record above 6,000,000 for the first time, and still recessionary yet somewhat improved Philadelphia Fed Manufacturing Index.**
- **Yet even if bank earnings have shown some meaningful improvement, the question remains whether those recent upside leaders are really out of the woods. The dilemma is still much less about current operations than the important legacy bad assets. In that regard, US home foreclosures' negative impact on both bank balance sheets and consumer sentiment are returning with a vengeance, as foreclosure moratoria by both some of the major banks and a select number of states lapse at present. In a report this morning CNBC real estate specialist Diana Olick cited a report by RealtyTrac as well as other sources for the return to housing weakness. She pointed out that not only are foreclosures surging, but (foreclosure precursor) notices of default were up substantially as well. Of course, this is not just about housing, but also consumer sentiment as reflected in weak commercial real estate implications. See her report <http://bit.ly/4Epi9W>.**
- **Any significant increase in foreclosures among prime borrowers (subprimes are gone) is the sort of thing that makes the new US administration's housing relief plan look less than adequate. It also reinforces the depth of the problem, which we still believe will only be resolved by direct offset of negative equity by the US government. We know quite a few of our conservative readers find this abhorrent; yet every other attempted solution failing is demonstrating the degree to which it is the only way to stem the crisis.**
- **As a footnote to the degree to which continued housing weakness will derail any of the other economic support efforts (which is what Lawrence Summers told us at Davos back in January 2008), JP Morgan just announced that they have no interest in participating in the Treasury Department's PPIB (Public/Private Investment Bank) program. This is the only sensible path regarding legacy toxic debt securities that remain impossible to value; not only due to their complexity but also continuing weakness in the underlying asset. Of course, it is also a reflection of the degree to which successful major banks have no interest in encumbrance by a government that has proven capricious. Only in America could government attempt to hand out billions of dollars, yet have so poisoned the well with erratic interventions that previous recipients can hardly wait to give money back.**

This review of economic report releases, general news, market tendencies, and/or specific technical trend contingencies is strictly for educational purposes. This information is provided without specific consideration of the portfolio requirements, suitability for financial risk, or psychological state of any recipient. Any use of this information to implement actual trades or investments is the sole responsibility of the individual or entity authorizing that decision. This waives your right to claim of explicit or incidental liability for financial loss or forgone profit against Rohr International, Inc. or any of its informational contributors under all circumstances. Information contained herein may have already been disseminated to others who may have acted upon it, including principals or employees of the advisor. By review of the previous and following comments you confirm your agreement with these stipulations.

A service of **ROHR INTERNATIONAL, INC.**

© 2009 All international rights reserved. Redistribution strictly prohibited without written consent.

SELECT MARKET OBSERVATIONS

- All of which also works fairly well with the equity markets generally bottoming trend tendencies that are being led by the US being based on what has transpired in the first quarter. As already extensively reviewed in previous analysis, the **DJIA** recovery to Close back above the 7,000 area (specifically the 7,063 Weekly Close from the end of February) into mid-March turned an attempted downside Runaway Gap from the first of the month into an 'Exhaustion Gap' bottom. Even if DJIA should drop back below near-term support at 7,800-7,750 and the 7,500-7,400 area, that 'Exhaustion Gap' should provide solid support from anywhere in the 7,063 area all the way down to even temporary slippage as low as 6,880. However, even if it holds DJIA has resistances all the way up into 8,250, 8,350-8,400, 8,500 and 9,000, one of which is likely to see at stall out for a correction back to the 7,000 area for all the reasons noted above.
- **June T-note** holding previous tests of support at the top of the 122-00/121-16 support area in spite of the extent and duration of the equity market recovery was impressive even before the Fed's treasury note purchases early this week. While the classic counterpoint between the equities and long dated govies seemed to be restored a couple of weeks ago when DJIA first pushed up toward 8,000, the govies now seem to be taking a forward view that the stock market rally is not sustainable in the intermediate term. This is very much akin to the sort of activity which has proved more prescient than not ever since the major June 2007 long dated fixed income lows. As such, while any more extensive DJIA push above the 8,000 area might bring some pressure onto the govies, both that psychology and the likelihood of further Fed intervention reinforce the support at 122-00/121-16. Even if it should slip below there at some point, the Fed intervention factor makes any weakness below more major 120-00/119-00 support almost inconceivable near term. You resistances remain at 124-00/-16 and every two points up, with a presumption that the Bund and Gilt might be somewhat weaker.
- As we noted previous, **US Dollar Index** reversal of the overall uptrend since last July's lows required serial failures back below mid-.8500 and mid-.8400 supports before all the residual congestion, Fibonacci, moving average and weekly Oscillator supports are violated. And that is just what occurred in the immediate wake of the FOMC quantitative easing announcement, as the buck was signaling that the rally is over and it is back into being a bear market. That might seem like somewhat of a strong statement to some. Yet the sharp US dollar rally from July's low only carried up to modestly above 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, including the near-term recovery back above .8450. Lower supports include recently held .8250 area, and roughly every full point down from there to last December's mid-.7770 trading low. Yet 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 many informed observers suggest is possible.

- Considering **June Crude Oil** has maintained an interesting premium to previous contracts, it was no surprise that it was able to achieve a push above the 50.00 area as equities continue to improve into mid-March. That ultimately led to its test of the next significant resistance in the 55.00-56.00 area. Yet continued strength of the equities has not been capable of encouraging a further extension of the rally, and the market may have seen the inventory overhang finally indicate a restraint on further price advances unless the underlying economies strengthen in the near term. That said, extended resistances are at 60.00 and 65.00, with lower supports below the 50.00 area at 47.00, 45.00 and 43.00.
- And all along **June Gold** continued hold intermediate-term contract and continuation support in the 900-890 area until last Monday is gap lower below the area. That also indicated an 894 area DOWN Break from an irregular Head & Shoulders Top with a downside Objective of 778. However, the saving grace for the yellow metal may be both the poor conformance (lack of adherence to classical evolution) of the topping pattern as well as the that temporary tops rarely achieved downside Objectives in long-term bull markets. That said, until the market is at least back above the working Tolerance of the DOWN Break at 918 congestion, and ultimately the formal 970 Tolerance (high of the right shoulder set back on March 20th), it can come under pressure at any time. Lower interim congestion support is in the 865 area that was recently tested and held, with more major supports into 850-840, and 805-792.

EXTENDED MARKET ANALYTICS

Equities

- Please refer back to the [SELECT MARKET OBSERVATIONS](#) above for **DJIA** analysis.
- **June S&P 500 future** also managed to exceed its previous DOWN Runaway Gap below the low 730 area, and similarly evolved into an Exhaustion Gap bottom on the subsequent recovery back above the 731-734 range (the higher of which was the continuation chart level in the wake of the previous expiration of the March contract.) This created the same technical support from that area all the way down to 710 area if the market should stall out on its current rally to the 850 area (i.e. the same lower support as is roughly the case for DJIA in the 7,000 area.) And on the recovery S&P 500 also recovered back above its relatively closer November continuation low at the 739 level, which will also reinforce support on any retest of that general area. Similar resistances to the DJIA 7,500 area at violated supports in the 792-800 area that has also been exceeded, with extended resistances above 850 into the 875 area, with the low 900 area as a likely delimiter of any overall near-term recovery (i.e. similar to DJIA 9,000 area.)
- **June NASDAQ 100 future** is in certain ways wildest of all asset returns to being the most bullish, just as it was into early February (when it actually got back to early January highs while all others were far less buoyant.) While it was weak sister for a bit, in the event the contracts left almost perfect double bottoms into lowball November low Closes, which was 1,043.25 in the June contract. This formed a bona fide Double Bottom that projected back to the 1,275 area January-February highs, with a recent UP Break above that level. Higher resistances are in the 1,365, 1,385, 1,400, and 1,450 areas. Lower interim congestion support levels on any setbacks are 1,275, 1,250, 1,230, 1,150, and the Exhaustion Gap area back into 1,120-1,105.

- While it has been more so the case for **FTSE** that had held progressively higher levels earlier last month after holding interim 4,000-3,900 support, its failure left it below supports into last year's 3,750-3,650 October-November lows. Lower support at low 3,600 congestion was also temporarily overrun on the way to holding the more major mid-3,400 area congestion support from mid-1995, as might have been expected when the DJIA failed to knock out its 6,500-6,450 interim channel bottom (return line) support. While stalling temporarily after recovering back above 3,750-3,650, that acted as near-term reinstated support, as expected. The encouraging activity in the US equities has now assisted it in recovering back above the higher resistance not surprisingly in the 4,000 area, with 4,150, 4,250, 4,350 and the 4,500 area above that.
- Weaker sister **DAX** led the way down in Europe, yet managed to hold lower support below its previous loose Triple Bottom in the 4,067-4,014 area. That also violated very interesting historic interim congestion area throughout 2004 on its way to lower levels. Yet, important lower DAX supports held in the low-3,600 area pullback low from August 2004, as US equities and FTSE held their critical intermediate-term supports. Much as with the FTSE, DAX recovered back above its violated 4,067-4,014 loose Triple Bottom area, and is now back above 4,250-4,360 area and 4,500. Higher resistances are 4,700, 4,850, and the 5,000-5,100 area.
- All of which works hand in glove with **June NIKKEI futures** progressively failing 7,650 area major weekly UP Closing Price Reversal from back in late October, which had held so well on a series of tests until mid-February. Yet, after failing below the 7,310 November low, the March future managed to hold only minor slippage below its late October 7,030 low prior to rebounding under the leadership of the US market. After the June future recovered above 7,650, lower interim supports were reinstated as well. It is now also back above fairly significant resistances into 8,000, and pushed back above 8,400 area as well. That left next continuation resistances into the 9,000 area (i.e. DJIA 8,000 equivalent) that is now being tested, and the extended resistance (early-November and early-January highs) into the 9,340-9,575 area.

Long Dated Fixed Income

- Please refer back to [SELECT MARKET OBSERVATIONS](#) above for **June T-note** analysis.
- **June Gilt** failing once again at no better than 124.50 two weeks ago quickly dropped back below both 124.00-123.50 support and even the lower 122.00-121.50 support, as this most issuance-burdened of the long dated govies found itself temporarily near the 120.00-119.50 support it tested during the late March failed auction debacle. Much below that it would have been easy to imagine it 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. However, last week's Bank of England statement reinforcing the commitment quantitative easing was a tonic that ratcheted the market back above the 122.00-121.50 support. We now suspect that it will hold either that level, or no worse than the 120.00 area, consistent with the psychology of quantitative easing expressed for the T-note.
- And then there is the June **Bund** that does not have any aggressive central bank threatening to force long rates lower through quantitative easing, or even drop short rates. We suspect it also remains rangebound with a similar 122.00-121.50 support as the other long ends, with the extended support into the 120.00 area. Also similar, yet possibly less likely to be achieved by the weak sister resistance remains in the 124.00-.59 area with extended resistance up into a half point either side of 126.00.

Short Money

▪ As we have noted more than a few times of late, anyone who has been trading it does not need us to tell them how perverse the short money trends have been. The generally prismatic tendencies here are as bad or worse than in the long dated govies, albeit in a different fashion. Seemingly without rhyme or reason at times, this has actually been a reasonable reflection of the fact these markets have decoupled from central-bank control for some time. Especially in the Eurodollar and Short Sterling they were previous gyrating more so based on sentiments of what equity market trends have seemed to mean; which is to say either a return to confidence that reduces rates on the back of improved credit market conditions when equities are firm, a somewhat diminished enthusiasm when they weakened modestly, and ultimately weak short money activity that reflects extensive credit market stresses from the possibility of a general economic failure when equities are under extreme pressure. That is reinforced by the recent improvement in all the short money forwards, which flies in the face of the notion that sustained equities' rallies are any harbinger of real economic improvement anytime soon.

As such, the discussion of what might be driving the trend is so fluid and changeable that we feel it is better to provide simple support and resistance levels than try to discuss the rationale behind moves to specific levels in each of the instruments. We continue to focus on September contracts for our forward view.

▪ **Short money forwards (September 2009) key technical support and resistance levels:**

Eurodollar: RES: 99.00-.02; 99.06 (CTR HI); 98.15 (OSC) SUPP: 98.92; 98.84-.87; 98.75

Short Sterling: RES: 98.60; 98.68; 98.78 SUPP: 98.52; 98.42-.45; 98.35-.38; 98.30; 98.18

Euribor: RES: 98.77; 98.85; 98.94-.97 (OSC); 99.07-.10 (OSC) SUPP: 98.62; 98.54; 98.45

Foreign Exchange

For the extensive **US Dollar Index** trend analysis see [SELECT MARKET OBSERVATIONS](#) above on the significant intermediate term trend reversal back into a bear market. Also still timely consideration in spite of being published significantly prior to the sharp reaction to the FOMC quantitative easing announcement, we strongly recommended a read of the Financial Times analysis from Mr. Peter Garnham. While ostensibly on the degree to which the 'haven' status of the US dollar will become more suspect across time, that is provided in the context of many other asset classes: <http://bit.ly/12LZ9S>

▪ While we had noted extensively previous there are quite a few country specific implications of an environment that remains nervous enough at times to still reflect unwinding of speculative positions across all asset classes on a global basis, that seemed to be abating. While evidence for that was tentative at first, the fact that **Japanese yen** came under pressure instead of getting its bid back in the wake of the equity market weakness into early March was very telling. The implication would seem to be that all of the carry trade leveraged asset positions have been completely wrung out of the markets in the wake of the serial failures of the equities over the past year. That being the case, there is a *bona fide* consideration that this previous ultra-strong sister is reverting to significant secular weakness; especially in the wake of **USD/JPY** Double Bottom UP Break above 94.60 that has a 102.00 Objective in spite of the weakness of the buck.

- The other major change is the secular weakness of the euro, which seems to be based on the dual considerations of a lack of extensive stimulus by either central banks or governments and the risk to the more fragile economies of Eastern Europe. This has manifested itself in several ways, including the weakness of EUR/USD into no better than 1.3750 resistance on the extreme US Dollar weakness in the wake of the FOMC quantitative easing statement.

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

EUR/USD: RES: 1.3350; 1.35; 1.3750; 1.3850; 1.40 SUPP: 1.31-1.30; 1.2850; 1.27; 1.2500

GBP/USD: RES: 1.50; 1.5350; 1.5650-1.5750 SUPP: 1.4750; 1.4350; 1.40; 1.3650; 1.35

USD/JPY: RES: 99.50-100.00; 102 (OBJ); 103.50; 105 SUPP: 97.00-.50; 95.00; 93.80

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: 1.2250-1.2132; 1.24; 1.2500-50; 1.2750 SUPP: 1.20; 1.1800-1.1750; 1.15

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

Cross Rate Analysis

- Of course, a key feature here is the same secular weakness of the euro noted above. Along the way the activity in its cross rate was very interesting, as previous strength in the euro saw **EUR/GBP** propelled above low .9100 area again. That created the potential for a retest of .9350 that ultimately extended to higher resistance into the .9500 area criers stalling. However, now the relatively more jaundiced view toward weak European economies has left it back down below that same critical lower .9100 area, and its Tolerance to the .9000 area. Lower supports at congestion and Fibonacci levels into .8750, .8640 (the February reaction low), and .8550-00.

Of course, that also informs our view of the euro trend 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, two weeks ago it surmounted the previous several week stall out into 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) meant it had to sustain activity above the serial highs (from last October into mid-December) in the 131.00 area to implement an effective loose Double Bottom UP Break. While that now seems to be the case in spite of euro's somewhat less impressive rally compared to the British pound, daily MACD has now turned back down on the slippage into the 130.00 area. Only back above 131.00 might it be able to overrun interim congestion resistance in the 135.00 area as well 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 still 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: 148.75; 150; 154; 156 (OBJ) SUPP: 146.50; 142; 140; 135.50-.00; 133

EUR/GBP: see extended analysis above.

EUR/AUD: RES: 1.85-1.86; 1.90-1.91; 1.93; 1.95 SUPP: 1.8250; 1.81-1.80; 1.7850-00

AUD/JPY: RES: 74.50-75.00; 77.00-50; 80 SUPP: 72.50; 70.00; -68.30-67.70; 65.00; 62.30

EUR/CHF: RES: 1.5150-1.5250; 1.5350; 1.55; 1.56 SUPP: 1.5080-40; 1.49; 1.4750-00

Energy and Gold

- Please refer back to the [SELECT MARKET OBSERVATIONS](#) above.

We hope you find this helpful.

-Rohr

(www.rohrintl.com)

This analysis is confidential. It may also be legally privileged. If you are not the intended recipient you may not copy, forward, disclose or use any part of it. If you have received this analysis in error, please delete it and all copies from your system and notify sender immediately by e-mail to info@rohrintl.com. Internet access cannot be guaranteed to be timely, secure, or error and virus-free.

While based upon price data and market information from sources believed reliable, the analyst(s) do(es) not accept liability for any errors or omissions, and (do)es not guarantee any profitability or avoidance of loss based upon the content of the foregoing analysis.