Rohr Report

TrendView

MARKET ALERT: FIXED INCOME/EQUITIES/FOREX

Wednesday, January 31, 2007 (13:30 CST; 14:30 EST; 19:30 GMT)

ALERT:

WELL, THAT WAS QUITE AN ADJUSTMENT IN THEIR LANGUAGE FROM THE FOMC.

AS OPPOSED TO OUR EXPECTATION OF SOME MINOR FIDDLING WITH THE END OF THE SECOND PARAGRAPH, THERE WERE QUITE A FEW SHIFTS THROUGHOUT THAT LEAVE A BIT MORE DOVISH APPROACH IN SPITE OF MORE UPBEAT ECONOMIC IMPLICATIONS. ON BALANCE, THE SECOND PARAGRAPH'S VIEWS ON THE ECONOMY AND ESPECIALLY HOUSING WERE VERY CONSTRUCTIVE FOR THE U.S. ECONOMIC OUTLOOK, AND THE THIRD PARAGRAPH SEEMS A BIT MORE SANGUINE ON CURRENT INFLATION WHILE LEAVING SOME WIGGLE ROOM IF THE ECONOMY REMAINS STRONG.

AS THAT IS A BIT OF CONTRADICTION, WE SURMISE THE FOMC STATEMENT TAKEN IN THE CONTEXT OF THE U.S. AND OTHER GLOBAL REPORTS FROM EARLIER TODAY IS A GOLDILOCKS ENVIRONMENT FOR EQUITIES, AND LITTLE RED RIDING HOOD (DANGER LURKING IN THE WOODS) SETTING FOR THE FIXED INCOME, WITH THE U.S. DOLLAR STUCK A BIT BETWIXT AND BETWEEN (YET LIKELY TO BENEFIT FROM ANY SUSTAINED FURTHER RALLY IN THE STOCK MARKETS.)

Okay, so we'll need to hit the swaps market to wrap Red Riding Hood's metaphorical wolf in a synthetic derivative bear; if the wolf didn't mind cross-dressing to achieve his aims last time, we can probably get him to put on the bear suit. Yet, the bottom line is that DJIA continues to push up. In spite of seemingly sanguine inflation indications, the influence from any success it has leading the other equity markets still higher by pushing through its 12,650 resistance will allow for a push up to at least 12,750, and possibly up near the 13,000 area.

There is not hard and fast rule that the fixed income must have a definitive counter trend to strong equities. While that was the case during the winter-spring of 2006, after the May-June equity highs and fixed income lows, they did loosely trend up together; as they have done at various times past. Since the early December fixed income highs they have been counter trending once again, seemingly out of respect for the US and world equity markets' strength indicating potentially more robust growth. That has now been substantially confirmed (other than in the residential housing and autos sectors) by recent reports, and now the Fed.

There are more specifics of the statement which are going to require review that is beyond the scope of this timely additional analysis, and which we will cover tomorrow. For now we offer the courtesy redistribution (below) of yesterday's ***TrendView*** **BRIEF UPDATE** for your ease of access to the key long dated fixed income resistance levels.

We hope you find this helpful.

-Rohr
(www.rohrintl.com)

***Courtesy Redistribution*:**

BRIEF UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Tuesday, January 30, 2007 (07:00 CST; 08:00 EST; 13:00 GMT)

Very brief today, there is literally no change at all in the trend views and technical levels noted in yesterday's *Capital Markets Observer* III-5. With the markets rather orderly yesterday, and this morning's economic data releases from Japan and Europe being rather mixed in their impact, look for more of the same until we get to tomorrow's start of the more significant reporting onslaught for the week. The one critical influence which might come from the US today is Consumer Confidence (JAN.)

As but one example of the balance in the news influences so far today, German lander CPI (JAN Preliminary) figures have been just a bit more benign than expected, yet still up markedly from December; with several states left to report, they are mostly back up around or slightly above the ECB's preferred 2.0 percent ceiling. Yet the comments from ECB governing council member Klaus Liebscher this morning remain hawkish: "Overall, we have a very positive picture…" with a global economy that is also "more robust" than previously believed. And then he laid out the hint that reinforces our own instincts that there is at least a nominal possibility the ECB will hike at next week's rate setting meeting: "Monetary policy is well advised to act preemptively," after which he went on to confirm that many fronts still leave the balance of risks toward inflation.

The one point worth further comment is the weakness of the March **T-note** below the bottom of the overall 107-00/106-19 support band left weekly and daily channel DOWN Breaks, violation of weekly MA 41 and the heaviest congestion in the 106-22/-28 range. As such, that is the resistance Tolerance on any bounce back above the failure below 106-19. And unless the equities get into much more trouble than experienced to date, a 'bounce' is all that the fixed income is likely to exhibit in an environment which leaves it trending down as an eroding bear moreso in response to overall economic strength than any particular report. This was in evidence last week, when neither selectively weak news on Thursday nor eye-poppingly strong news on Friday brought anything more than continued orderly erosion.

At this point it is of interest as well that the higher near term T-note resistance is once again very well calibrated to the **Bund** resistance at 115.10-.25 and the **Gilt's** violated trading low and congestion in the 106.40-.60 range; all roughly a half point higher, or just a bit less.

All other analysis remains the same as yesterday's *Capital Markets Observer* III-5, and we refer you back to that for any further trend views or technical levels.

We hope you find this helpful.

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