ROHR INTERNATIONAL

Weekly Report & Event SUMMARY PERSPECTIVE

Monday, April 23, 2012

***"Chance favors the prepared mind."* –L. Pasteur**

▪ **Most Likely Critical Horizons**: It's the week that began before it began. The early week economic data has exacerbated nervousness over yesterday's first round of the French presidential election. Frankly, based on the other data from Europe at large, this should not have been all that much of a surprise. And today was a key day at the top of the week for the very reason of those combined influences. That said, the economic data weakness is likely much more troubling for equities (and encouraging for primary government bond markets) than the election results. The next two weeks are going to see so much more economic data that is more critical than whatever might come out of the final round of the French election, it is not going to likely mean much along the way. Especially into the serial critical economic and central bank influences this week. Other than highlighting the two-day FOMC meeting, projections and Bernanke press conference on Wednesday, and the extensive end of week influences on Friday, it is very hard to pick out one or two critical horizons this week.

In fact, there is likely going to be a misguided tendency to put too much emphasis on the results of the May 6th final round of the French election. It is a bit troubling that the current leader is in trouble after a credible job of navigating the troubled waters of the European Sovereign Debt Crisis. And in light of the striking success of the Far Right in garnering close to 20% of the vote, the final decision remains a very fraught affair. However, that very factor is more likely than not to work to Nicolas Sarkozy's benefit. We know for certain that the folks who supported the National Front are most certainly not going to vote for Monsieur Hollande. The post-election polling already shows that somewhere around 50-60% of the right wing voters will grudgingly support President Sarkozy in the runoff. They are basically committed to preventing a Socialist victory even if not enthusiastic supporters of the center. As such, for all the talk of abandoning reforms and returning to profligate spending, France is still far more likely to end up maintaining its commitment to the current crisis mitigation programs.

And that leaves us all back dealing with the most critical horizons this week. In terms of bond auctions, it is tomorrow when Spain, Italy, the UK and US all come to market. After today the most critical economic data is likely US home prices tomorrow, Wednesday's UK GDP, Thursdays Euro-zone confidence indicators and CPI, and Friday all day with Japanese Retail Sales, China's Leading Index and Business Conditions Survey, Bank of Japan's interest rate decision and typically more important statement, German GfK Consumer Confidence, results of the Troika review in Ireland, and all wrapped up in the first look at US Q1 GDP. No respite at all this week, with other central bank reports and finance ministers meetings along the way.

▪ **General Influences**: While easing back a bit from recent weeks, the rhetoric also remains a bit acrimonious in the Middle East over Iranian nuclear ambitions. That now also extends to one of their proxies: the continued deterioration of the situation in Syria. And yet, while each of those might be telling influences at some point for the markets, so far nothing of the sort has been apparent. It likely takes a breakdown in the current negotiations with Iran to foment any sort of more pernicious market influence. Nothing to do but continue to monitor it.

▪ **Economic Data Highlights:**

Monday: HSBC China Manufacturing PMI, European Advance PMIs.

Tuesday: Japan Corporate Service Price, China Leading Economic Index, Canada Retail Sales, US S&P/Case-Shiller Home Price Index, Consumer Confidence, Richmond Fed.

Wednesday: UK GDP & CBI Trends Total Orders & Business Optimism, US Durable Goods.

Thursday: Australia Leading Index, Japan All Industry Activity Index, Euro-zone Economic confidence indicators, German CPI, US Initial Jobless Claims, Kansas City Fed Manufacturing

Friday: UK GfK Consumer Confidence Survey, Japan Household Spending, Tokyo & National CPI, Retail Trade, China Leading Index & MNI Business Conditions Survey, Australia New Home Sales, Japan Construction Orders, German GfK Consumer Confidence, US GDP.

▪ **Central Banks, Finance Ministry & Political influences: Sunday:** First Round of French Presidential Election. **Monday:** ECB's Weidmann. **Tuesday:** EU General Affairs Ministers, EU's Barroso, BoE Asset Purchase Facility Q1 Report, ECB's González-Páramo, Germany's Steffen, Bank of Portugal's Costa, BoC's Carney. **Wednesday:** Italian & Portuguese Markets Closed, Two-Day Euromoney Conference, ECB's Draghi, Bundesbank's Dombret, ECB's Constâncio ECB Annual Report, FOMC decision, statement & projections, Fed Bernanke press conference. **Thursday:** Reserve Bank of New Zealand rate decision and statement, Bank of Portugal Credit Market Survey, ECB's Draghi, ECB's Constâncio presents report in Frankfurt, European Business Summit in Brussels, ECB's Constâncio. **Friday:** Bank of Japan rate decision and statement, end of the Sixth Troika (ECB/EU/IMF) review in Ireland, BoE's Tucker, SNB's Jordan, ECB's Constâncio, Bank of Canada's Carney.

▪ **Government Debt Auctions or Operations: Monday:** Germany. **Tuesday:** Japan, Spain, Italy, UK, US. **Wednesday:** Germany, US. **Thursday:** Japan, Italy, US. **Friday:** Australia, Italy.

Concise Market View

▪ **Market tendencies remain much the same as noted previous, and as updated in Wednesday's Current Rohr Technical Projections - Key Levels & Select Comments available via Rohr-*Blog* (http://bit.ly/gMYZ1p) link near the top of the right-hand column.** The bottom line remains that the **June S&P 500 future** needed to Close above 1,390.20 to reverse the down trend. Otherwise, it was reasonable that it more likely head for a retest of 1,355-50 support. In spite of the sharp swings, these are trading markets again (as expected.) Other than an overnight trade up to that (pre-NFP Close) 1,390.20 top of the gap, it had stalled at expected interim resistance in the mid 1,380 area. The key now is whether it also violates the 1,338 Tolerance of the 1,355-50 support. That was the last early March trading low prior to the push above last summer's 1,367 lead contract high on the way to the low 1,400 area.

Of course, it is obvious that the weaker sister is the **DAX**, rightfully so on extended economic weakness Europe that has been anticipated; and came home to roost this morning in the form of those abysmal Advance Purchasing Managers Indices. That is also most interesting not only in its own right, but in comparison to the allegedly fractured UK economy. The latter has been showing so much better economic data of late, and the British pound has been a strong sister among the otherwise churning foreign exchange markets. All of that said, it is important to keep the bid levels in mind during the sharp price moves. And while the **DAX** has some support into 6,500, major congestion and Negated DOWN Break (from August) await in the 6,335 area.

▪ **And the same sense of things applies to the other asset classes regardless of some significant divergence on the 'country' spreads. Just as that aspect is glaringly apparent in the significantly different trends of European and US equities, the same applies in goodly measure to the primary government bond markets in the weakness of the Gilt.** However, in spite of the significantly different tones in the strong sister **Bund** and weak **Gilt**, the overall trend in govvies seems to remain up as long as the latter holds key support. And the **June T-note** is stuck in the middle after pushing back above 129-20/130-00 and 131-00 area key resistances. And on last couple of weeks' selloffs it did not even get back to the higher level. That would still seem to point to an ability to retest the all-time high at 132-10 from back in February; yet only if equities should weaken for an even more vigorous test of lower support.

And the upside leader is the **June Bund future** once again; no surprise in light of the weaker Euro-zone economy and flight from peripheral sisters that appear suspect once again. It has already been somewhat above the previous lead contract 140.52 all-time high from early March. Weekly oscillator indications and topping lines project a potential to see 143.00 area should it escape its 141.00 lower weekly oscillator resistance and a significant topping line.) Even the much more troubled **June Gilt future** has recovered smartly from a selloff into the lower end of its 114.50-115.00 previously violated resistance (now reinstated support.) The next significant resistance remains in 117.00 area it didn't quite reach two weeks ago. In light of the potential for the German Bund if equities weaken further, that's a reasonable target even for the weak sister.

All of the current volatility might seem strange to some. After the false DOWN signal on the primary government bond markets' mid-March short-term implosion, it might have seemed bond markets would remain more bearish. However, equities weakness and unsettled global political and financial situation remain reasonable drivers for a renewed "haven" bid in the govvies.

▪ **On the whole foreign exchange remains a much more subdued, churning affair for now.** Even weak sisters like the Australian dollar only progressed in an orderly fashion in their recent slide. **AUD/USD** back below 1.0400-1.0335 has held to top of its 1.0258-1.0184 next support for several sessions prior to rebounding over the past couple of days. That said, there would still be heavier resistance up into the 1.0500-50 area. Similarly the recent reversion to strength in the Japanese yen has only seen **USD/JPY** slip below its 82.00 support to the 81.00-80.50 area. Even weaker sister **AUD/JPY** held its retest of lower congestion in the 82.50 area. Yet, it also fails from near its more formidable 85.00 resistance. 81.50 remains the downside Objective.

▪ **One very interesting area remains June Gold future heading down with equities again, ostensibly on a loss of 'inflation premium'.** However, it will also be most interesting once again to see how it performs if the equities should get into any significant trouble. On recent form after getting slammed hard on equities weakness into Wednesday three weeks ago, it rebounded from major 1,615-00 support (Fibonacci, December's Negated DOWN Break and hefty congestion) on Thursday even as equities weakened further. That remains a key area.

As we inquired that Friday, might this mean it could regain a 'crisis' haven bid because of the weakness of equities instead of dropping in line with them? On recent form that seemed to be the case. It had pushed up once again above its interim 1,650 congestion closer to 1,700 area resistance prior to dropping back below 1,650 once again. As we had suggested previous, the situation in Europe will likely be a key component of that answer. Renewed ECB commitment to provide liquidity to troubled sovereign debt markets along with the Fed commitment to underpin economic weakness reinforces our instincts on Gold remaining a bull.

We hope you find this helpful.
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