

ROHR REPORT

Weekly Overview

Tuesday, April 14, 2009

Key Views

- The Ponzi games continue, with New York Fed direct purchases of relatively short term maturities of US T-notes. In and of themselves the amounts and maturities were not that significant, yet reinforced a resilient psychology further out on the yield curve. As we have noted of late, it seems another one of those junctures where there is some counterpoint between equity strength and bond market weakness. Yet, on balance it is impressive how well long dated govies have held up the face of the significant advances of the stock market, especially in the US that is the source of so much fiscal largess (with the UK not so far behind.) The fact that the June T-note as hell so well into 122-00/121-16 and the Bund has held its equivalent level while weak sister gilt managed to ratchet back the other in the wake of the Bank of England statement on quantitative easing last week all indicate the degree to which the long ends still feel the equities rally probably has limited further upside. Central bank support is merely a further boost.
- And consistent with that, one of the important economic indicators that was released (amazingly enough) on Good Friday while everyone was on holiday at the end of last week was OECD Composite Leading Indicators (FEB.) Those remain definitively bearish, with a headline that says they "...continue to signal deep slowdown..." The comment is even more specific: "The picture for all countries remains weak with the outlook in the United States, Canada, Japan and the major non-OECD member economies in particular, further deteriorating since last month." And we remind that this is a six month forward view countering current equities enthusiasm. Full report is at <http://bit.ly/45PZPH>.
- While equities have been quite good since DJIA signal an Exhaustion Gap Bottom in the wake of pushing above 7,063, the recent push above 7,500 and 7,800 is beginning to run into heavier flak. That is in part due to how sharply the market failed below the 8,000 area from February into early March, which means the extended resistance from current levels all the way up to the 9,000 area is daunting; especially atop an accelerated 1,500 point rally. However much it may be easy to like a market that has developed such significant psychological support from various broad international influences and US accounting decisions, DJIA now has resistances at 8,250, 8,350-8,400, 8,500 and 9,000, one of which is likely to stop the market for a major downside correction.
- Along with a weakish US Dollar Index that continues mostly rangebound between .8450 and .8640, all of that is still very consistent with the projections for equities and the other markets in our last *TrendView* GENERAL UPDATE (<http://bit.ly/PdDb4>), along with the expanded discussion of the long dated govies and other odds and in last Tuesday's *TrendView* BRIEF UPDATE (<http://bit.ly/W9n2Q>.) That includes June Crude Oil stalling it no better than 55.00-56.00 area, and June Gold stalling on the rebound at failed support (i.e. its loose head & Shoulders Top DOWN Break) in the 890-900 area.

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Reports & Events

While there are still some interesting debt auctions this week, the main influences come back to selective economic reports and an expanded influence from pronouncements from central bankers. All of which does not even take into account the reports released on Good Friday while everyone was on holiday, the most prominent of which was the OECD Composite Leading Indicators (FEB) that remained extremely downbeat.

Central banks' influence returns with reports and speeches, yet no rate decisions.

While the rate movements have been a bit unpredictable and even erratic at times of late, the primary message from all of the central banks (even the still parsimonious ECB) is that the weakness is heavily ingrained. The issue is the degree to which the banks and their respective governments feel further economic stimulus is productive, as evidenced by the positions at the recent G-20 meeting. It will be very interesting in light of that to hear what the various Fed minions have to say throughout the week, as well as what we see in tomorrow's Beige Book.

It is also of note that President Obama remains the Economic Commentator in Chief.

While his early views while trying to get stimulus packages passed were quite downbeat, it is now his desire to restore some confidence through less dire pronouncements; even sounding hopeful at certain times. This only reinforces the old adage about 'those who choose to lead must also learn how to follow.' His shift of perspective coming after a 1,500 point improvement in the DJIA should be viewed as less 'leading from the rear' than capitalizing upon opportunity to reinforce a natural shift in sentiment. After all, the central banks have been playing the same game with waiting for modest improvements in a particular currency prior to stepping in to really punish the negative speculation against it. Of course, Mr. Obama is the additional advantage of being able to call upon his Treasury Secretary to find clever ways to leverage the Fed's recent commitment to quantitative easing with variations on encouraging public sector participation.

It is bizarre again that the weekend is a crunch point for central bank communication.

After Friday wraps up with Chairman Bernanke speaking at a Fed Conference in Washington into lunchtime, Saturday brings yet more central bank influence that extends throughout the day. Ex-Fed Chairman Volcker speaks on the Economy in Nashville along with the Fed's Kohn on Monetary Policy, the Fed's Dudley on Liquidity Programs, the Fed's Stern on the US Economic Outlook, and the Fed's Lockhart chairing a panel on Banking and Real Estate.

US debt auctions remain relatively light this week, albeit with a few high notes elsewhere.

The real crunch of those comes into Thursday, when we see a broad selection of debt auctions that include Spanish Obligaciones of 10-year (4.60%) and 15-year (4.80%), and French BTAN's of 2-year (3.00%) and 2.5-year (5.00%) and 5-year (2.50%) with OATi/ie of 14-year (2.10%), a 6-year (1.60%) and 31-year (1.80%), all wrapped up by a £4 billion 5-year Gilt (2.25%) auction.

Equity markets' sustained bid is impressive in the wake of last Thursday's full moon.

As noted of late, the equities have been out of synchronization with the moon phases; and that was demonstrated recently as they peaked temporarily three weeks ago in spite of the normally negative influence of a waning moon (into a March 26 New Moon.) A contra-trend occurrence. However, it is usually only a matter of time until they're back in sync. With plenty of congestion resistance at higher levels, it will be interesting to see if DJIA remains strong overall on above 8,000 before a potential peak between the 8,250 and 8,500 areas (or higher) prior to a more meaningful setback than the market has experienced since the early March lows.

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Day-by-Day

While we prefer to have definitive dates for economic releases, Australian NAB Business Confidence (Q1) is only known to be released between today and the 29th of the month. However, in addition to any of the scheduled reports and events, the various pronouncements from government officials on the TARP, TAF, TALF or other economic support or rescue initiatives may occur any time, or on short notice. In fact, there is still a bit of a dilemma with providing any preview of US Treasury Department activity. We appreciate that it is early days and it is operating at quite a bit below full staff numbers (to say the least.) However, its public engagement schedule is no longer updated at the weekend for the following week, and is still displaying last week's after the Close today. As and when that is updated we will be providing further direction. Other than Treasury Department appearances, there are generally quite a few more speeches and testimony this week, and even regular commercial announcements like corporate earnings have been accelerated due to the market psychology. Note the early 'preview' of the release of some bank earnings figures last week.

Monday began with the somewhat weaker than expected Japanese Domestic Corporate Goods Price Index (MAR), and quickly jumped all the way over to North America for a stronger than expected Bank of Canada Senior Loan Officer Survey (Q1), albeit with still very weak Canadian Business Outlook for Future Sales (also Q1.)

Tuesday has seen somewhat better than expected Australian NAB Business Confidence and Conditions (both MAR) along with a 30-year JGB Auction prior to switching over to Europe for the only European economic data in the form of a pretty much as expected French Current Account (FEB) prior to jumping over to the US for continued upbeat (as with the past two weeks as well) Weekly ICSC US Same-Store Sales (for the week ending APR 11), albeit followed by very weak US Advance Retail Sales including the ex-Autos figures (MAR), yet with upward revisions for the previous month. There were also very weak indications for US Producer Price Index (MAR) that may be signaling the extent of the continuing weakness, after which we saw somewhat lower-than-expected US Business Inventories (FEB) that were somewhat impressive for having been on better than expected sales, yet with downward sales revisions to January. That will be followed by a plethora of Fed-speak from later this morning into this afternoon as the Fed's Evans speaks on Risk Management for Banks in Chicago, Fed Chairman Bernanke speaks in Atlanta on the financial crisis and the Fed's Stern also speaks on Risk Management for Banks in Chicago, all followed only by the typical late afternoon ABC Consumer Confidence (for the week ending APR 12.)

Wednesday is the first of several very extensive economic data days, kicking off with the top-of-the-morning (literally 23:01 GMT Tuesday evening) UK RICS House Price Balance (MAR), followed by Reserve Bank of Australia Head of Financial Stability Ellis speaking in Melbourne, Australian Westpac Leading Index (FEB), Tokyo Condominium Sales (MAR), and Japanese Industrial Production and Capacity Utilization (FEB Final) prior to heading over to Europe for the German Wholesale Price Index (MAR), Bank of Italy Quarterly Economic Bulletin, the UK DCLG House Prices (FEB), ECB's Weber speaking on 'Ways out of the crisis' and wrapping up with a €7 billion 2-year German Schatz (1.25%) auction. In North America we see US MBA Mortgage Applications (for the week ending APR 9), Bloomberg Global Confidence (APR), Canadian New Motor Vehicle Sales (FEB), the US Consumer Price Index (MAR), Empire (New York state) Manufacturing (APR), the US Net Long-term and Total Net TIC Flows (FEB), US Industrial Production and Capacity Utilization (MAR), the still quite important US NAHB Housing Market Index (APR), the Fed's Beige Book early tomorrow afternoon.

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Thursday begins once again with the early release of UK the top-of-the-morning (literally 23:01 GMT Tuesday evening) UK BRC Retail Sales Monitor (MAR) followed by the typical weekly Japanese Foreign and Domestic Stock/Bond Purchase figures (for the week ending APR 10), Reserve Bank of Australia Foreign Exchange Transactions (MAR), and Japanese Machine Tool Orders (MAR Final.) In Europe we hear from ECB Council Member Liikanen in Helsinki prior to EU 25 New Car Registrations (MAR) and the Italian and Euro-zone Consumer Price Indices (MAR), Euro-zone Industrial Production (FEB), and a broad selection of debt auctions, including Spanish Obligaciones of 10-year (4.60%) and 15-year (4.80%), and French BTAN's of 2-year (3.00%) and 2.5-year (5.00%) and 5-year (2.50%) along with OATi/ie of 14-year (2.10%), 6-year (1.60%) and 31-year (1.80%), all wrapped up by a £4 billion 5-year Gilt (2.25%) auction. Over in North America we see Canadian Manufacturing Shipments (FEB) prior to major influences from the US in the form of Housing Starts and Building Permits, Weekly Initial Jobless Claims (for the week ending APR 11) and Continuing Claims (for the week ending APR 4), Philadelphia Fed Manufacturing Index (APR), and the Fed's Lockhart to speaking on the Financial Crisis at a NY Conference, a Fed TIPS purchase and the evening exposition by the Fed's Yellen on the Economic Crisis in New York City. 0:00

Friday is also loaded with a late day talking-head tsunami, it begins with the Japanese Tertiary Industry Index (FEB), Cabinet Office Monthly Economic Report and Bank of Japan Quarterly Branch Managers Meeting, followed by the Australian Import and Export Price Indices (Q1) prior shifting back over to Japan for an interesting twist as European Central Bank President Trichet speaks in Tokyo, after which we see Japanese Consumer General Confidence and Consumer Confidence Households (MAR), and the Tokyo and Nationwide Department Store Sales (MAR.) European influences begin with the Swiss National Bank's Roth and Raggenbass speaking in Bern, followed by Italian Industrial Orders and Sales (FEB), Euro-zone Trade Balance (FEB), Euro-zone Construction (FEB), and the Italian Current Account (FEB.) that it is over to North America for Canadian Consumer Price (MAR), the Fed's Hoenig speaking at Fed Conference in Washington, University of Michigan Consumer Confidence (APR Preliminary), and wraps up with Fed Chairman Bernanke speaking at the same Fed Conference.

Saturday morning brings yet more central bank influence, as Ex-Fed Chairman Volcker speaks on the economy in Nashville along with the Fed's Kohn on Monetary Policy, the Fed's Dudley on Liquidity Programs, the Fed's Stern on the US Economic Outlook and the Fed's Lockhart chairing a panel on Banking and Real Estate.

We hope you find this helpful.

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