ROHR REPORT

TRENDVIEW

BRIEF UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Thursday, October 19, 2006 (07:00 CDT; 08:00 EDT; 12:00 GMT)

OVERVIEW

The technical levels and trend views are still very much the same as Tuesday's *TrendView* GENERAL UPDATE and Monday's *Capital Markets Observer*. As such, we refer you back to them for any extended technical level analysis or background. For ease of access, Tuesday's *TrendView* GENERAL UPDATE is now available on the Sample Reports page of our website at www.rohrintl.com.

One additional note on yesterday's observation that for today and tomorrow there is not much influence from continental Europe is that the German economic ministry is due to put through that major upward revision to their annual GDP estimate. The reason we felt the UK influence would be that much greater is tomorrow's release of their Advance Q3 GDP; the first major economy to see this reading in this cycle.

While the German revision is going to be substantial at up to 2.0-2.5 percent from a previous 1.6 percent estimate, we felt that was such common knowledge that it will not necessarily have much impact. Yet, one of the aspects of that which may not yet be so well understood is the impact of the fewer working days in 2006. As such, hypothetically a figure of 2.4 percent for this year would actually be more on the order of 2.6 percent compared to the 2005 calendar. While we feel this is fairly well anticipated, in the event, and especially if the UK numbers are stronger than expected, it may still have quite an impact on fixed income markets which continue to act weak in the face of what should be constructively weak news.

It was very interesting that even though core US CPI (SEP) was right in line with estimates, headline numbers there were also skewed to the downside, as in the previous day's PPI. Today's much stronger than expected Italian Industrial Orders and Sales (AUG) should still not have been enough to restrain the enthusiasm that could have been generated by the mostly as expected UK Retail Sales and better than expected public finance numbers in the wake of much weaker than expected German PPI (SEP.)

Yet, the fixed income markets still feel heavy, with the Euro-zone instruments now joining yesterday's UK weakness. It seems pretty bizarre that weak German inflation numbers on the back of weak ZEW earlier this week should leave the **Bund** languishing around the low end of the low 117.00 support (still with that stubborn 116.80 Tolerance), as well as see weak sister **Gilt** stuck down near very important near term support in the 109.00-108.80 range. Considering the way in which the Gilt can sometimes be the stealth leader of a the trend, its stubborn weakness compared to the rather extensive upward corrections of the T-note and Bund over the summer remains a dilemma for the long dated fixed income.

That said, it does still seem a matter of whether the Bund can indeed violate that lower support prior to the **T-note** Negating its own mid 107-00 resistance prior to any more aggressive sustained trend developing in the fixed income. The alternative to a recovery is for the T-note to follow any Bund failure below 116.80 with its own violation of 106-24 support. And that is likely somewhat of a key element of whether there is any further influence flowing out of that area into the balance of the markets.

This leaves today's US Leading Indicators (SEP) and what was the more than normally influential Philadelphia Fed Index (OCT) last time as more critical influences than usual today. With the **DJIA** remaining above the interim level at 11,950, as important as 12,000 may be psychologically, the next significant resistance is 12,200-250.

The foreign exchange front sees **EUR/USD** remain well through its recent 1.2630 trading low, with the **US Dollar Index** also well above its interim resistance in the .8600-17 range. This opened the door to moves back to next resistances in the 1.2500 and low .8700 areas (with a Tolerance to the .8733 mid-July high), respectively. Yet, those resistances need to be violated for others to fall in line with weakening against further US dollar strength. Indeed those are only the next interim targets for what may be more extensive strength in the US dollar if it begins to look like the Fed is not going to ease anytime soon.

The energy markets remain just plain weak in the wake of the greater than expected US **Crude Oil** stocks build yesterday. The reversion to weak lead contract activity below the 60.00-59.00 range was not reversed to any significant degree by leaked estimates of what OPEC will announce later today. This is likely due to most of the US returning to more moderate seasonal weather after last week's fluke early snow storms. It is also especially important in light of the imminent November contract expiration with the December contract in that 60.00-59.00 range.

We hope you find this helpful.

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