Rohr Report

TrendView

BRIEF UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Friday, November 3, 2006 (07:00 CDT; 08:00 EDT; 12:00 GMT)

OVERVIEW

Very brief today, as the market views remain very much the same as previous. That Euro-zone employment figures were a bit better than expected was not much of a surprise after yesterday extensive strength in the German numbers. With UK Services PMI also stronger than expected, the question remains generally the same as the markets have been dealing with for months: is the news in the next sharp reversal in the 'reporting cycle oscillation'?

While there are times when that answer evolves on a somewhat more subtle basis, there will likely not be much that is subtle about any hotter or weaker than expected US Employment (OCT) data this morning. The outright Non-farm Payrolls will certainly be as important as usual, with revisions to September's abysmal addition of just 51,000 jobs a significant consideration. Yet, in the wake of yesterday's much stronger than expected Unit Labor Costs depressing Productivity (3Q Preliminary) in a way not seen for a long time, whether the Hourly Earnings component of today's numbers is also stronger than the plus 0.3% estimate will be an important consideration as well.

As noted previous, the US has been the upside leader of the fixed income since the **T-note** recovered back above the 107-00 area last week. If the T-note can escape the important congestion and oscillator resistance in the 108-11/-16 range on a weekly Close, it will be strongest finish on that reading since the last significant spike up into March 2004. If not, then a trip back down to the 107-00/106-24 range is likely.

While it may remain a bear trend across the cycle, any violation of that resistance points to an intermediate term bull psychology taking hold. Initially that may mean no more than a push to the next resistance in the 110-00/-16 range. Yet, the more major trend resistances are not until the mid 112-00 and 114-00 areas. Of course, this would also support further strength in the short money forwards as well, with the September 2007 **Eurodollar** likely to push through recent 95.30 highs, and achieve higher targets in the 95.50 area, or higher. All of which will have a salutary effect on the rest of the fixed income, regardless of (and possibly in conjunction with) the hawkish stance of the other major central banks.

Today's report will likely also have an impact on the equities, which are weaker than previous yet still respecting some important supports. These include **DJIA** 12,000, and a significant consideration of whether the December **S&P 500** recovers sufficiently to Close the week around its important oscillator threshold in the 1,375 area. Their decision likely impacts the balance of the equities, which have also tested important lower supports this week.

On the other hand, at least so far the US dollar is holding without quite reaching its next supports at **EUR/USD** 1.2830, **US Dollar Index** .8500, and **USD/JPY** 116.00. This makes it a tactical challenge for both the bears and especially the bulls. Of course, that may be quickly resolved in the wake of the US numbers today. And last but not least, the energy markets are not likely to be overly influenced by those reports, and remain weak in their own right in spite of OPEC attempts at discipline and the unseasonably cold weather in the northern tier. This is illustrated by **Crude Oil** continuing weak below the 60.00-59.00 support, with next supports in the 55.00 and 53.00 areas.

We hope you find this helpful.

-Rohr
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