Rohr Report

TrendView

BRIEF UPDATE: FIXED INCOME/EQUITIES/FOREX/ENERGY

Wednesday, November 26, 2008 (08:00 CST; 09:00 EST; 14:00 GMT)

OVERVIEW

- **The battle now seems fully joined. The psychological tug-of-war between still very weak economic data and hope the new administration will come up with more effective ways to address an economic and market crisis made worse by the ineffectiveness of their predecessors is in full flower. That the news remains abysmal is blatantly clear from the past two days depressing US housing data, with today's New Home Sales (OCT) as the icing on the cake. Yet, in spite of that, US equities remained stabilized around Monday's Closes yesterday in spite of more weak data on US Personal Consumption and the Richmond Fed Manufacturing Index (albeit with a better-than-expected November US Consumer Confidence??!) That said, in the scope of the overall downtrend into late last week, the equity markets basing attempt is still grudging; and that has implications for other markets as well, especially long dated fixed income as well as foreign exchange. Other than the brief comment below on the differential between equities basing an action and the "govvies", all remains the same as yesterday's TrendView GENERAL UPDATE.**

- **That the current officials at Treasury and the Fed are flailing remains very obvious. Yesterday's *Quip of the Day Award* goes to CNBC's Rick Santelli for his observation on the latest machinations on the TARP. After Treasury provided $20 billion of guarantees to the Fed, with indications the Fed could then use that to leverage up its balance sheet for the purpose of extending the impact of the TARP's dwindling funds, Mr. Santelli mentioned at one point in a broader comment (something on the order of) "… now that the Fed is a hedge fund…" Touché. Amidst all the uncertainty we face, one truth stands: about the last thing Mr. Paulson wants to do is head back up the Hill and face the questions engendered by requesting the back half of the $700 billion TARP funding. It is quite striking however that he would encourage the Fed to use its balance sheet again for the purpose of underwriting credit liquidity programs. Overtaxing the capacity of the Fed's balance sheet was the very reason that the TARP was created in the first place, and something even Alan Greenspan found significantly objectionable for various reasons.**

- **As far as the markets are concerned, it is only important to watch whether the better psychological environment in the face of still stale economic data encourages the DJIA to hold 8,200 support, or the 7,900 area at worst. Key short-term resistance is 8,700, with 8,850-9,000 the more important area just above that. The overnight weakness there has assisted the US Dollar Index in holding its .8500-.8450 support for now in a way that might encourage a recovery to retest the .8700-.8750 resistance at which it has struggled of late. The biggest disparity on a recently classical 'differential' response is the degree to which the long dated fixed income has been able to maintain a very aggressive bid even as the equity's attempt to base out. However, recent classic form has seen them focus on the real world weak news until any equity's bottom becomes more exuberant.**

- **Whether December T-note can close above the 122-00 area will be a major key to how much further current upside momentum can carry the long dated fixed income. That is because both it the European long ends are up into important historic weekly oscillator resistances, above which they might extend their current phenomenally strong rallies by as much as another couple of full points in the near-term (i.e. the 124-00 area.) As noted previous, December Bund has some resistance right here in the 121.00 area, yet with not much above that until the 122.50-.65 area. The truly strong sister December Gilt has already pushed above both its major 116.08 January 2006 trading high and the 116.58 June 2003 all-time high, leaving only weekly oscillator resistance and its 117.50 topping line (of its broad daily up channel from the significant June lows) as a guide to levels above the market. Considering how far it has come already, it will be very interesting if it can indeed surge above the weekly oscillator resistance (MA 41 plus 08.00-08.50) that creates a Tolerance into the 118.00 area. Next oscillator resistance is not until MA 41 plus 10.00-10.50, for which we had to go back to the mid-1980s. Given that the recent sustained sharp rise has had the effect on the 41 week moving average of also causing it to rise by 20 points week-to-week, that higher oscillator threshold indicates not much resistance above 118.00 until the 119.50-120.50 range. We shall see.**
- **As noted above, all other analysis of the various markets remains consistent with yesterday's *TrendView* GENERAL UPDATE, and we refer you back to that for further trend views and technical levels.**

We hope you find this helpful.

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