

# Rohr Report

## **TRENDVIEW**

### **MARKET ALERT: EQUITIES/FIXED INCOME/FOREX**

Wednesday, March 18, 2009 (14:30 CDT; 15:30 EDT; 19:30 GMT)

#### **ALERT: FED GOES QUANTITATIVE & MAKES THE MARKET**

**IT APPEARS THAT THE FED HAS NOT ONLY DECIDED TO SURPRISE EVERYONE WITH AGGRESSIVE QUANTITATIVE EASING THROUGH THE DIRECT PURCHASE OF U.S. TREASURY SECURITIES, BUT ALSO A MAJOR EXPANSION OF AGENCY PAPER PURCHASES THAT MAKES THEM A *DE FACTO* MARKET MAKER.**

**WHILE NOT MEANING TO CRITICIZE A MOVE THAT WE FEEL WAS WAY PAST DUE, WE DO WONDER WHAT EVER HAPPENED TO THE 'TRANSPARENCY' MUCH BELOVED OF FED CHAIRMAN BERNANKE. THE FUNNY PART IS THAT THE GUY WHO WROTE THE 2006 PAPER TAKING ISSUE WITH THAT APPROACH BEING EFFECTIVE DURING TRANSITIONAL PHASES IN THE RATE CYCLE WAS NONE OTHER THAN THEN-NEW YORK FED PRESIDENT GEITHNER. STRANGE WORLD.**

▪ That said, the DJIA has only extended its rally to the 7,500 area resistance so far (with a Tolerance to 7,620), and that is a sign the Fed move was a requisite to prevent an immediate return to weakness instead of a panacea ushering in renewed recovery right away. Which is not to say we have changed our view the DJIA likely holds the next test of the 7,000 area, as the FOMC announcement likely underpins it. More so, this reinforces the degree to which transitional factors have been introduced that encourage a trading affair with an upside bias over the intermediate term, with the full decision on whether the equities are still a bear market kicked well down the road.

▪ While we were circumspect on the **US Dollar Index** on its test of the major .8640 major monthly channel UP Break from last month, the weakness below it would seem to reinforce the process by which it will lose it 'haven' bid. We have extensively explored our reasons for that previous, and refer you back to this morning's **TrendViewGENERAL UPDATE** on that. Back below mid-.8500 area the mid-.8400 support (residual congestion, Fibonacci, moving average and weekly Oscillator) is now critical. In any event, we would now be negative on any loose retest of .8640.

We can hardly wait for the ECB to howl that this is all a canard to weaken the US dollar and hurt their exporters. As noted this morning, their aversion to fully participating in the UK and US stimulus plans has once again left the ECB the Blanche Dubois of capital markets, happy to rely upon the 'kindness of others.' Of course, they will have no issue with the return to some sort of normal US and UK demand for their exporters products, coat tailing renewed economic strength while waving a sanctimonious finger over fiscal profligacy. All other analysis is consistent with this morning's **TrendViewGENERAL UPDATE**.

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- Of course, the long-dated govies have exploded right through resistance, and we would like to let the dust settle prior to reassessing the key technical levels. The **June T-note** back above 123-00 area congestion looks impressive, but in fact stalled back up in the 126-00 area that is a weekly chart gap it will need to deal with as the lead contract once the March contract expires on Friday. That has a Tolerance to the contract high at 126-24, with lower short term support moving up to the lead contract levels at 124-00/123-16. Similar conditions apply in a lesser fashion to the **June T-note** that had pushed up to the 132-00 area, yet has lapsed back to the contract congestion in the 129-00 area; which leaves it back below the continuation chart congestion in the 130-00 area that will become more telling here as well once the March contract expires Friday.

Which raises a basic question, and just to be clear, it is not meant to be rhetorical:

If this is the answer to sustained domestic and international confidence in the US long term bond market, why is the 30-year T-bond so significantly underperforming the 10-year T-note on the response to the FOMC announcement? While subtle compared to the overt explosion in prices, it seems a bit more of the way in which a market would respond to concerns about the quantitative easing being a *de facto* expansion of the fiscal deficit noted this morning.

We hope you find this helpful.

-Rohr  
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