

Rohr Report

Weekly Overview

Monday, March 16, 2009 (after the US Close)

Key Views

- The G-20 was a mess. A well orchestrated mess; but a mess nonetheless. It also occurred right into a bland, if confident appearance on 60 Minutes by Mr. Bernanke and economic data which remains relatively abysmal. So how was it that the equity markets maintained their bid from last week into early this week? The simple answer is that the seemingly better prospects for financial services is pushing less constructive news out of the market psyche in the near term, as we noted last Thursday. For anyone who missed it, our discussion of that and the DJIA Exhaustion Gap technical signal can be accessed in last Friday's *TrendView* BRIEF UPDATE <http://bit.ly/eVVNc>. In essence, that has transformed the DJIA 7,000 area from resistance into firm near-term support for a likely sustained upside correction to anywhere between 7,800 and the mid-8,000 area.
- Quite a bit likely rests with Wednesday's FOMC statement, and what it has to say about quantitative easing. That will not only affect the equities, but other asset classes as well, along with intermarket influences between asset classes. We will be distributing the next *TrendView* GENERAL UPDATE prior to that Wednesday morning. Yet, pending that influence, other technical considerations underpin trend setter DJIA. Those include last week's lack of a break to major Weekly Oscillator support from last October (which would have required trading into the 6,100 area) prior to recovering. That establishes 'positive divergence' and a higher level of support for future selloffs. In line with previous observations, Weekly MACD has indeed turned DOWN. However, the current recovering will mitigate and possibly reverse that tendency, with Daily MACD already back up (after being down since mid-February.) While DJIA will still need to get convincingly back above the violated 7,500-7,450 support (i.e. post a Close back above 7,620) to extend its overall upside correction to the more major resistances noted above, general background and technical signs are more propitious than at any time since the recovery from the November lows. A picture is worth 1000 words: <http://bit.ly/QdS6n>.
- The reason we are exploring so many technical potentials in this section instead of [SELECT MARKET VIEWS](#) this week is that so much will only be definitive after we see what the FOMC has to say (given that they are not going to 'do' anything with the rates.) That said, it is rather interesting that the long dated 'govvies' have held in so well with equities bottoming. In our view that likely relates to skepticism over whether the DJIA can indeed surmount the 7,500 area on this recovery. In turn, that will likely have much to do with whether the June T-note holds 120-16 and 119-16 areas, the June T-bond holds major 124-00 support (with a tolerance to its 123-04 February reaction low), the US Dollar Index maintains its 'haven' bid by holding the major .8640 monthly channel UP Break, with Japanese yen remaining that much worse if the buck is under pressure, Crude Oil continues to receive positive influence from equities as it reaches resistances in the 50.00 and 55.00 areas, and June Gold continues hold 900-890 support on the reaction.

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Reports & Events

While there are still some very interesting reports during the week and a limited number of government debt auctions, the central bank influence is back after last week's relative lower profile. Yet, even though Mr. Bernanke speaks on community banking on Friday, critical influences culminate into Wednesday's FOMC decision and select speeches.

Daylight Savings Time in US and Canada is still two weeks ahead of UK & Europe.

That means early morning reports in North America will now occur right into lunchtime in Europe and the UK, instead of the typical cycle of shortly afterward for the next two weeks.

Central banks' influence includes many reports and speeches as well as rate decisions.

That began with the rather nebulous statement from the G-20 finance ministers meeting over the weekend right into this morning's Bank of England Quarterly Bulletin. It continues with Tuesday morning's Bank of Japan rate decision and release of the Reserve Bank of Australia policy board minutes from their March 3rd meeting, Wednesday morning's Bank of Japan Monthly Report and the Bank of England monetary Policy Committee minutes of their meeting on March 4th and 5th, followed by the Federal Open Market Committee interest rate decision, with the statement more prominent as usual especially regarding T-bond purchases. There are also interesting speeches from prominent members of the ECB, Bank of England and the Fed.

The economic release calendar sees telling housing, manufacturing and sentiment data.

While some may remain fairly telling, their influence on the equity markets is diminished due to the general improvement in financial services psychology offsetting what are rightfully viewed as rearview mirror indications. Nonetheless it is worth keeping an eye on Tuesday morning's ZEW for Germany and the Euro-zone and UK DCLG House Prices, Wednesday's UK employment and earnings data, US figures on Thursday for Weekly Initial Jobless Claims, the Philadelphia Fed and Leading Indicators, and only telling news on Friday: Euro-zone Construction Output.

Needless to say, influences from additional financial support moves remain critical.

That is where the *ad hoc* administration actions and pronouncements can be very telling. Unfortunately they tend to crop up at times that are as much reactive to events as any preplanned meetings or conferences. The AIG bonus imbroglio is but one good example.

Debt auctions decrease in volume this week after last week's test from heavy offerings.

Other than a bit of Japanese and European paper and the UK Gilt auction on Thursday, the most telling influence will be the US and UK announcements on next week's major auctions.

Discounts in June contracts critical into US long-dated debt futures expiration on Friday.

With June contract discounts of roughly a-point-and-a-half in both the T-note and T-bond, the transposition at expiration of their price into the continuation chart will leave those markets more critical any time the long ends are under pressure; especially if equities continue their rally.

Equities still face another week of waning moon; but does that matter at this time?

As noted last week, once markets get out of synchronization with the moon phases they often become irrelevant until the next cycle. In other words, as equities have already rallied strongly into the waning moon, as long as they hold the next pullback as well as expected that may only be a weak influence into next Thursday; after which the waxing moon may be very positive.

Day-by-Day

This week sees definitive dates for all economic releases. 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. 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.

Monday saw the continuation of the generally weak economic data, beginning with the top-of-the-morning (literally 00:01 GMT) UK Rightmove House Prices (MAR) and the coincident release of the Bank of England Quarterly Bulletin that illustrated why the sort of extreme measures announced previous are still needed. Then it was over to the Far East for its one economic release today in the form of still weak Tokyo Condominium Sales (FEB) prior to popping over to Europe for Italian and Euro-zone Consumer Price Indices (FEB) that came in about as benign as expected, along with weakish Euro-zone Employment (Q4) that was also no surprise, wrapping up with the ECB's Trichet speaking on European Integration in Frankfurt. North American economic indications were also quite weak on Canadian Capacity Utilization Rate (Q4), US Empire Manufacturing (MAR), and some unusually negative figures for US Net Long-term TIC Flows and Total Net TIC Flows (JAN), which were especially troubling after the Chinese concerns about the credibility of US long-dated debt. Weaker than expected US Industrial Production and Capacity Utilization (FEB) were followed by a still very weak US NAHB Housing Market Index (MAR) released into lunchtime; that it was steady with last month's reading of 9 masked new home sales being 48.2 percent lower than last year.

Tuesday begins with the Japanese Tertiary Industry Index (JAN) prior to shifting into some of those important central bank influences this week in the form of the Bank of Japan rate decision (expected to remain at 0.10 percent, with any statement more important), and the Reserve Bank of Australia policy board minutes from their March 3rd meeting. That is followed by Japanese Machine Tool Orders (FEB Final) and a 20-year JGB auction prior to jumping over to the UK for DCLG House Prices (JAN) and the details the Gilt auction to be held on March 25th and Index-linked Gilt auction to be held on March 26th, after which we see the Euro-zone and German ZEW Survey (Economic Sentiment) as well as the German ZEW Survey (Current Situation; all for MAR), and hear from the ECB's Trichet speaking in Paris. North American influences begin with the early morning Weekly ICSC US Same-Store Sales (for the week ending MAR 14), followed by Canadian Manufacturing Shipments (JAN) and Labor Productivity (Q4), US PPI, Housing Starts and Building Permits (all FEB), after which the influence shifts back to Europe as the ECB's Weber speaks in Eltville, Germany and Bank of England Governor Mervyn King delivers a speech to the Worshipful Company of International Bankers, followed by the typical late afternoon release of US ABC Consumer Confidence (for the week ending MAR 15.)

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Wednesday sees further important influences in the Far East from Australian Westpac Leading Index (JAN), the Bank of Japan Monthly Report and the Japanese Leading and Coincident Indices (JAN Final) prior to shifting over to Europe for Italian Industrial Production (JAN) and further central bank influence from the Bank of England monetary Policy Committee minutes of their meeting on March 4th and 5th, along with UK employment and earnings data on Jobless Claims Change and Claimant Count Rate (FEB), ILO Unemployment Rate, Average Earnings including bonus and ex-bonus, and Manufacturing Unit Wage Costs (all three month rolling indications for JAN), after which it is back to the Continent for the Italian Current Account (JAN), a €5.0 billion 10-year Bund auction (3.75%) and Spanish 10-year Obligaciones auction (4.60%.) North American influences commence with the US MBA Mortgage Applications (for the week ending MAR 13), and move on to Canadian Wholesale Sales (JAN) with the coincident release of the US Consumer Price Index (FEB) and US Current Account Balance (Q4.) All of which is just the preliminaries in front of the afternoon Federal Open Market Committee interest rate decision (broadly expected to be no change at 0.00-0.25 percent, with the statement more prominent as usual), followed by only the Fed's Cole testifying on Risk Management Oversight.

Thursday begins with Reserve Bank of Australia Assistant Governor Edey giving a speech in Sydney, the Japanese All Industry Activity Index (JAN) as well as typical weekly Japanese Foreign and Domestic Stock/Bond Purchase figures (for the week ending MAR 13) prior to shifting back to Australia for the Westpac-ACCI Survey of Industrial Trends (Q1), New Motor Vehicle Sales (FEB), Dwelling Starts (Q4), Preliminary BoP Imports and Reserve Bank of Australia Foreign Exchange Transactions (both FEB), followed by Japanese Nationwide Department Store Sales and Tokyo Department Store Sales (both FEB) prior to shifting over to Europe for the Italian Trade Balance (JAN) and UK Public Finances (PSNCR) and Public Sector Net Borrowing (both FEB) along with UK M4 Money Supply (FEB Preliminary), Euro-zone Industrial Production (JAN) and French BTAN & OATi auctions. After that we see Canadian Consumer Price Index and Bank of Canada Consumer Price Index Core (FEB) with a quick jump back over to the UK for CBI Industrial Trends (MAR) and a DMO Gilt auction, followed by Canadian International Securities Transactions (JAN), and the coincident release of US Weekly Initial Jobless Claims (for the week ending MAR 14) and Continuing Claims (for the week ending MAR 7), after which it is the US Philadelphia Fed Index (MAR) and Leading Indicators (FEB), and the Fed's Tarullo testifying on Bank Regulation, as well as the US Treasury Department announcement on plans for the \$42 billion 2-year T-note, \$32 billion 5-year T-note and \$24 billion 7-year T-note auctions on March 24th, 25th and 26th, respectively, with a speech by Swiss National Bank Governing Board Member Thomas Jordan to follow.

Friday is a very light reporting day that is void of Far Eastern influence, yet sees some interesting data in Europe on German PPI (FEB), French Wages (Q4 Final), Euro-zone Trade Balance and Construction Output (both JAN), and the Italian Unemployment Rate (Q4) prior to shifting over to Canada for Retail Sales & Retail Sales Less Autos, as well as New Motor Vehicle Sales (all JAN), with no economic releases in the US and the central bankers getting the last word from the ECB's Weber speaking in Berlin, and Fed Chairman Bernanke speaking on *The Financial Crisis and Community Banking* as part of a panel at the Independent Community Bankers of America's National Convention in Phoenix. Hopefully neither one of those proves to be too unsettling at the end of the week.

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We hope you find this helpful.

-Rohr

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