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ROHR-BLOG: Think Implementation & Market Volatility, Quick Take, Calendar

1 message

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[View this email in your browser](#)**Dear Subscribers,**

The hoopla surrounding the US \$2.0T COVID-19 rescue package likely passing the House today was impressive... yet not market trend changing. Think about implementation, especially on the permutations of financial relationships.

We will revisit that shortly, yet feel it is imperative to note global societal support from all manner of healthcare providers. As opposed to firefighters and police, they mostly wait for patients to come to them. The massive pressures and nature of COVID-19 now makes them the same as other first responders... like the folks who run into burning buildings or run toward the sound of gunfire. Bless them all.

Back to markets, we allow that Thursday's 'Changes Mostly as Expected' research note might have sounded a bit smug (which we always try to avoid) in the context of major short-term price swings in US EQUITIES and other asset classes. Yet it is simply a matter of classically 'widening the lens' in this highly volatile situation.

As noted Wednesday morning, the better chance for passage of the US \$2.0T COVID-19 rescue package was seeing the JUNE S&P 500 FUTURE recover above the low-2,400 area... and the next, more major, higher resistance was low 2,600 area.

Obviously we did not know for certain that it would be tested in short order. Yet under current trend volatility conditions it was... and has now failed there.

How could the market go from the best multi-day rally since the 1930s back into significant weakness? Well, first there is sheer volatility, where markets tend to move between major levels and ignore everything in between.

Secondly, there might be second thoughts about just how much the rescue package is going to help the real economy in the face of worsening US COVID-19 epidemic spread.

Yet even beyond any of those already 'known unknowns' (see our January 27th research note) is the 'unknown unknown' of how extensive any resistance to the US government's encouraging instructions might be. This has to do with the benefits and obligations of lenders and borrowers in a major debt-fueled economy.

'Forbearance' is a term the US government has bandied about quite a bit in recent suggestions on how we can all get through the crisis. Fair enough. Sounds very comforting and optimistic. But will it withstand the test of commercial reality?

'Forbearance' has a specific legal definition: refraining from exercising a legal right, especially enforcing the payment of a debt. And of late the US government has told debt holders and landlords owed rent to show forbearance in collecting scheduled payments and rents while their tenants or borrowers have no income.

That's great... but there is no mechanism in the US Code which outlines how to proceed, and therein lies the rub. Here's a real-world example that illustrates the dilemma.

The major US restaurant chain The Cheesecake Factory just informed its landlords that due to having no income, they would be completely suspending rent payments for now. Might the landlord want to show 'forbearance'?

Sure. But does that landlord own the building, or does it have a commercial mortgage? Chances are good it is the latter in most cases; and it likely counts on the rents to make monthly mortgage payments.

So now we move on to whether the lender will show 'forbearance'. Maybe they would like to as well, and major banks are thankfully very well-capitalized and expecting to take an earnings hit.

Yet that might also require that the bank is ready to carry more debt on the books that are non-performing loans (NPL) in the short term. Will they get the latitude to do so from their regulators?

Will there be adjusted guidelines from the Federal Reserve, FDIC, the Securities and Exchange Commission and others? It may be.

Yet all of this illustrates that the lack of any such 'crisis adjusted' legal structures leaves room for local and regional parochial interests to hamstring the otherwise enlightened federal effort at popular and commercial support.

Just to be clear, we are not saying we think the COVID-19 rescue package will fail. It's simply a matter of being ready for volatility where implementation becomes more problematic at the local level... like if a local judge rules a mortgage payment cannot be missed.

Another Courtesy Repeat of Wednesday's Quick Take

[Yep, it's all mostly the same even if markets shifted around the levels]

COVID-19 virus spread had caused US EQUITIES intermediate-term bull psychology to 'crack'. Did this signal a 'breakdown' into a bear trend? The current overall selloff below FRONT MONTH S&P 500 FUTURE 2,600 area being a fresh DOWN Break would speak of that. As bad as US EQUITIES already looked on the violation of key congestion around mid-2019 highs (highlighted in our previous 'Crunch Time' research note), the 'broad' trend support has also now been violated.

2,600 area was the lower US EQUITIES trend support on the longer-term weekly chart channel (<https://bit.ly/2xl5MXe> updated as of Friday's Close) from the major early 2016 1,802 low. That is in addition to FRONT MONTH S&P 500 FUTURE violating the support from the push above the multi-year topping line at 3,070, the 2019 3,030-00 previous all-time high congestion and then leaving late-February's 2,970 DOWN Break below the up channel (from the 2,313 late 2018 low.)

That was recently also below FRONT MONTH S&P 500 FUTURE congestion in the already noted interim 2,850 area followed by the more prominent 2,750 area. That 2,600 area broadest weekly channel support (48-month MA) had a Tolerance to late 2018's 2,413-09 weekly UP Closing Price Reversal (also historic congestion.)

The 2,313 (more historic congestion) extreme low trade of that UP CPR since the late 2016 rally was also violated prior to US rescue package recovery. Therefore, the near-term decision will rest with how well it does from around the low 2,400 area, and especially what happens on any test of the far more major 2,600 area.

Even with previous US consumer-driven improvement, overall weakness of international data on balance continued despite selective previous partial improvement. That is of course now significantly deteriorating.

This was reinforced by central banks' perspective even prior to them understanding the extent of the COVID-19 impact. That includes especially the ECB, with more telling perspective from Mario Draghi's last press conference (<http://bit.ly/2Nda1ll>) and even Christine Lagarde's warning on the need for further structural reform at her first press conference as ECB President (<http://bit.ly/2LNrSpQ>.) Her views at last Thursday's press conference (<http://bit.ly/2vh3dVJ> Statement with presser link on the side) were even far more pointed; including repeated admonitions that coordinated fiscal action needed to be timely to prevent a larger crisis.

While the Fed was more balanced, it was also concerned about global weakness despite previous US strength, as evidenced by its previous rate cuts and now acting on its discussion of being prepared to do what is necessary if the COVID-19 impact spreads in the US.

As previously noted for months, this was also consistent with serial downbeat OECD indications on a weaker global outlook. We saw more of the same in the December OECD Composite Leading Indicators (<http://bit.ly/2RA16VO>.) Even after those were reversed to some degree by the January release (<http://bit.ly/2tbMfa0>), the February indications (<http://bit.ly/2OXkpX1>) were that growth remains below trend and was threatened by the commercial impact of the rapidly spreading COVID-19 virus. And as we noted on March 9th, they summarily cancelled the next release that morning, which is a very radical step that says the future is very uncertain.

All of which was reinforced in a major way by their 'out of normal cycle' (typically not until May) March 2nd Interim Economic Assessment "Coronavirus: The world economy at risk" (<http://bit.ly/3cqTKeY>.)

Of special note in each case are the lower growth prospects for China despite the US-China Phase I deal. As we have noted previous, the trade 'truce' (i.e.

NOT a full peace treaty) avoiding tariff escalation still leaves the earlier economic activity-stifling tariffs in place.

Future economic weakness expectations have also been reinforced in the relatively recent indications outside of the mixed global Manufacturing PMIs. Those include more comprehensive global data, like late-November's OECD G20 International Merchandise Trade Statistics (<http://bit.ly/2rvPCaK>) that are now surely only that much worse. While all of that may improve to some degree once the COVID-19 threat passes, informed observers were already still cautious in any event due to the levels of tariffs that remain despite recent reductions announcements prior to the COVID-19 impact.

Evolutionary Trend View

Moving on now to a very concise critical market assessment in the wake of the US EQUITIES remaining below overall 2,600 trend support from the early-2016 FRONT MONTH S&P 500 FUTURE 1,800 area lows (projected from (from the 2,313 late 2018 low.) After the past month-and-a-half of seeing GLOBAL GOVVIES strength, that has also significantly reversed on the prospect of the major global fiscal stimulus likely weighing on those markets as well.

The MARCH T-NOTE FUTURE surging into a new all-time high three weeks ago above the 134-00/-08 summer 2016 previous high was understandable (see the weekly chart through last Friday's Close <https://bit.ly/2J8w41B>.)

As we had based our future expectation on its historic weekly Oscillator activity likely extending its rally at least into the 135-16/136-00 area (MA-41 plus 06-00/-16), which had already been violated two weeks ago. Sustained activity above that zone pointed to the next Oscillator resistance into the 138-00/-16 area (MA-41 plus 08-00/-16) it was already testing back then into its parabolic extension to the weekly Oscillator resistance in the 139-16/140-00 area (MA-41 plus 09-16/10-00) two weeks ago prior to its sharp setback.

In fact, that sharp selloff later that week created a DOWN Closing Price Reversal (CPR) back below the 138-00 area (Tolerance the previous week's 138-16 high.) That is now resistance fully reinforced by Oscillator resistance up to the 139-00 area (MA-41 plus 08-00/-16) with 140-00/-16 area next.

Yet it was recently not a major surprise in the fiscal concerns context that it had sold off from last week's early week test of that 138-00/16 DOWN CPR retest to temporarily back below the 136-16/137-00 area (now MA-41 plus 06-

00/-16) with some temporary slippage back toward the 134-00/-08 lower support prior to recovering to retest 138-16 early this week.

Similarly, the previous strong sister BUND FUTURE had seen the MARCH CONTRACT rally back to fully test and exceed its 177.00-.50 resistance from last summer (weekly chart <https://bit.ly/33FOWym>.) Much above that next resistance was not until 178.50 congestion from back then it hit prior to a week ago Friday's expiration, with a DOWN CPR at 179.20 (Tolerance at 179.67 all-time high) above.

Yet there was a twist here on the typical very early expiration of the MARCH CONTRACT that Friday with the JUNE BUND FUTURE trading almost 3.00 lower. While there was a chance it would be back into or below the 175.60-.00 area, in the event the strength of the uptrend extension in the MARCH BUND FUTURE to test that mid-179.00 resistance left the JUNE BUND FUTURE trading above 175.60-.00. That implied instead of weakening back below it, it was more likely to trend up into the 177.00-.50 resistance and above.

And while we always expect the second month contract to swing back up to front month values if the BUND maintains its up trend, the JUNE BUND FUTURE had done this in record time: literally between becoming the front month two weeks ago Friday into only early afternoon (Central European Time) the following Monday. That push up into the low 179.00 area was once again only a retest of the early September DOWN CPR.

And after that last week it sagged back below the 177.50-.00 area since Tuesday, and had been unable to sustain activity back above it, and even left a fresh DOWN CPR from the previous week's 176.52 Close. As such, despite the strength of the other GLOBAL GOVVIES that weakness carried it below next lower support in the 175.60-.00 range, below the next lower 173.25-.00 support, and even back below the previously staunch 170.50-.00 NEGATED early November DOWN Break support tested extensively over the winter. It is a clear sign of how concerned the BUND is about the necessary fresh fiscal largesse necessary to counter the heavy European COVID-19 impact, it is also

Next lower support was not until back in the major 168.58-.00 area from during the summer 2016 previous all-time high congestion that has held so far on the recent test for a bounce back into the 170.50-.00 area. Much below that next support is 166.50-.00 multiyear congestion.

As far the MARCH GILT FUTURE (expiring at the end of this week) is concerned also at new all-time highs like the T-NOTE saw it overrun the

September 2019 135.26 weekly DOWN Closing Price Reversal (Tolerance to 135.87.) That also overran some historic weekly Oscillator resistance at 137.00-.50 (MA-41 plus 4.00-.50.)

This left the next weekly Oscillator resistance at 139.00-.50 (MA-41 plus 6.00-.50) it had already tested three weeks ago and overran temporarily two weeks ago. And much like the T-NOTE, last week's selloff left a DOWN CPR from the previous week's 139.00 area Close (Tolerance right there as well due to that Close being at the high of the week.) Not only did the MARCH GILT FUTURE fall back down into the 137.00 area, but the full point discount in the JUNE GILT FUTURE left it back below the 135.26 violated weekly DOWN Closing Price Reversal support.

That also saw the JUNE GILT FUTURE below the 130.00-.50 FRONT MONTH GILT FUTURE support into next historic low-128.00 congestion it hit temporarily last Thursday prior to the current major rebound into the mid-low 135.00 area.

In FOREIGN EXCHANGE the DEVELOPED CURRENCIES have also seen massive shifts over the past few weeks. As noted previous, even though the US DOLLAR INDEX had a 'haven' bid as recently as three weeks ago, since then it has been under extensive pressure against the other DEVELOPED CURRENCIES (including the recent atypical depression of the other 'haven' JAPANESE YEN.) While the volatility in this area is also historically extreme, previous US DOLLAR weakness was not a surprise with COVID-19 is spreading in the previously 'safe' United States. Yet that is now reversed on worse impacts elsewhere.

Firmer US economic data had assisted the US DOLLAR INDEX last summer in finally fully overrunning the mid-upper 97.00 resistance. That inspired the push above the April-May 98.37 area trading highs which occurred in early August prior to lapsing back into near-term weakness. Next levels were the interim 99.00 area, yet with the more prominent area not until the 99.50-100.00 'big penny' historic congestion at which it failed again on the retest two weeks ago (just like last October.)

After weakening in the end of February it recently failed back below 98.37-.00 (also important cluster of weekly MAs in the upper 97.00 area) on its way to also cracking the 96.50-.00 well-established congestion range support held at the end of last year. With the previous COVID-19 flight to US safety reversed, it was retesting the longer-term congestion in the 96.00-95.84 area (12-month

trading low.) Much below that is the interim congestion into the recently tested 95.00 area it held again this week, with the more major 94.00-93.70 area below.

Yet the recent return of concerns elsewhere has seen it surge back above the 98.37-.00 area, and even above previously tested (February high) 99.50-100.00 and interim 101.30 into the recent retest of the more significant 102.00-.25 (late-2016/early-2017) congestion.

Along with the extreme concerns now affecting the BUND on a fiscal basis, European currencies were under pressure again versus the US DOLLAR. EUR/USD was also under pressure previous early this year due to its still weak economy, the initial response to the COVID-19 spread there took it to 33-month lows below last October's 1.0878 trading low prior to the current sharp recovery. The EURO was strengthening so much against the temporarily weak US DOLLAR due to previous 'greenback avoidance'. The US DOLLAR losing its haven bid had seen EUR/USD surge back above 1.0800 and even the more prominent 1.1000 area as well as the heavy 1.1250-00 area. That was the next lower support, yet with the greenback surging once again it was readily violated.

It has now failed back below it as well as the interim 1.1100 area and even the more prominent 1.1000-1.0950 area. It is now also back below last October's 1.0878 trading low once again. It also weakened below the more prominent historic and recent congestion in the 1.0800 area with a buffer to the weekly chart gap higher from a mid-April 2017 1.0722 weekly Close it weakened below prior to the current modest recovery. Yet that is just part of an entire broader range with interim congestion at 1.0500, a low end into the January 2017 1.0340 more than 17-year trading low (i.e. from the time of the EUR/USD recovery back above 1.0000 after several years of travails following its 1999 inception.)

GBP/USD had already held up much better against the US DOLLAR than other DEVELOPED CURRENCIES in the wake of the Brexit vote finally confirming its exit from the EU. While failing from 1.3500 again in December as well as back below the interim 1.3200 congestion, it only worked its way gradually into the historically important 1.3000-1.2800 range. Even on the late February US DOLLAR surge, GBP/USD only dropped to a Close near the bottom of that range.

However, the BoE leading the emergency rate cut efforts spooked the POUND bulls, leaving it back below 1.2800. Since then it Closed below 1.2500-1.2450

last week and even the interim 1.2200 area and major 1.2000-1.1960 September 2019 three-and-a-half year trading low.

It was recently even below the October 2016 post-Brexit political crisis 1.1711 35-year trading low prior to the current modest rebound above it. While it sounds like a long way down, due to the nature of the aggressive 1984-1985 selloff and recovery, next support is not until the 1.1000 area. Yet even that is also relatively minor congestion from that 1984-1985 swing down into and recovery from the 1.0345 February 1985 all-time low.

And despite US-China rapprochement on the Phase I trade and tariffs agreement, AUD/USD remains depressed on the heavier East Asian COVID-19 impact. That is only as expected, even as it has finally seen a minor bounce this week on the US DOLLAR weakness. Yet that is still from well below the .7000 area held in mid-May of last year.

Minor squeezes temporarily back above the .7000 area were only a prelude to slipping more definitively below it last July. Next lower major support was the .6825 area early-2016 10-year trading lows it also slipped below around the same time.

That is important after it slipped below next interim support at .6690-77 in early February on COVID-19 driven weak Chinese economic concerns. The .6500 area was the next support it slipped below along with violating the .6250 area next support. That was the last interim congestion this side of the now also violated .6000 area October 2008 17-year trading low. The 'good' news here it that there is somewhat substantial 1998-2003 congestions at .5720, even if it washed out below that temporarily last Thursday (trading low .5510) prior to the recovery back into the .6000 area. If it should weaken again, the lower supports remain at .5325-15 and near .5000 this side of the major April 2001 .4793 all-time trading low.

In light of the recent more radical swings we are resurrecting our analysis of the USD/JPY. This was the prima facie example of the extreme mid-February 'haven' bid in the US DOLLAR, as the typical fellow 'haven' currency YEN came under heavy pressure on the USD/JPY surge above 110.00 for the first time since May 2019, leading to an immediate rally to the prominent 112.00-.50 area into the end of that week.

Yet here as well, once the US DOLLAR came under pressure on its loss of 'haven' status due to the COVID-19 spread in the previously safe US, at the end of February it 'crashed' back below the 110.00 area to Close into 108.00

again. Yet that did not hold since two weeks ago began on weakness that carried below the interim 106.00 area and once again below the very prominent 105.00-104.50 range (39-month trading low with major tests in March 2018, January 2018 and August 2019.)

Next lower congestion was not until the interim 102.50 area that USD/JPY traded below recently prior to and recovering back above the low 105.00 area as well as 108.00 and now even the 110.00 once again. Higher resistances remain in the 112.00-.50 and 114.00-.50 areas.

And EMERGING CURRENCIES that had been under pressure were recovering to some degree, yet are now back under pressure. The SA RAND has seen USD/ZAR overrun 15.40-.50 and even the 15.69 September 2018 high prior to pulling back previous. Even though it sagged all the way to 15.20 in early March, it was back above 15.40-.50 and the 15.69 resistance a week later. Then it surged above the 16.00 and 16.30 next higher congestion resistances all the way into violating the 16.95 resistance last week.

It has now neared the major January 2016 17.94 all-time high prior to setting back a bit in the wake of the US rescue package. Yet it is important to note the next extreme weekly Oscillator thresholds (from 2008 and 2016) into next week are as nearby as the 18.15 and 18.35 areas.

The RUSSIAN RUBLE had seen USD/RUB push above 66.50-67.00 on weak Crude Oil as well (economic weakness driven) prior to dropping back on short-term EQUITIES and CRUDE OIL recovery. Back out above it last week left the bigger resistance not until 69.00-70.00 it began this week pushing sharply above. And historically there is not much resistance again until the 75.00 area (early 2016 congestion) which it has duly tested early this week prior to pulling back nearer to the interim 71.00 area.

Yet here as well the return of economic stresses has seen it rally back up above 75.00 of late as well as trading above higher resistances into the 80.00 area last week prior to Closing the week in that area. While now also weakening a bit, next higher resistance is not until the 85.00 area last seen on the early 2016 surge.

Even the previously more resilient MEXICAN PESO has seen USD/MXN surge through 19.50-.60 on its way to testing the interim 19.95 area prior to slipping back temporarily. Yet it recently exceeded that once again along with its surge above the 20.25 resistance in early March leading to an explosive rally. Here as well PESO weakness continued on the COVID-19 North American impact, with

next resistances at 20.50 and 20.65 sharply overrun of late on the way to also violating the 20.96 June 2018 high (also congestion) on the way to surging above the 22.03 January 2017 all-time high as well.

And the return of the economic stresses and weak Crude Oil prices had seen it surge to a new 24.62 all-time high last week, which had been exceeded on the US rescue package worries leading to another new 25.44 all-time high this week prior to setting back around the mid-24.00 area. Of note, has also been significantly above previous prominent weekly Oscillator resistance (MA-41 plus 2.30) that should have kicked in around 21.60 in early March... time to reassess that once the current surge is over.

Of note, the TURKISH LIRA had been relatively steady through all of the EMERGING CURRENCY turmoil elsewhere. Yet it has been under pressure since USD/TRY held key 5.50-5.45 support and pushed back above 5.65-.60 range along with last July's 5.7871 high from after the central bank governor dismissal. Key resistance at 5.90-5.93 was also exceeded again in January.

USD/TRY has now even strengthened above the 6.00 area that seemed to point to a retest of interim 6.15 area that was also exceeded on the way to a test of the May 2019 crisis 6.25 area 17-month trading high. Compared to the weakness of other EMERGING CURRENCIES this previously left the LIRA a bastion of stability.

Yet recently above the 6.25 area left the door open to a test of the higher September 2018 6.45-6.55 congestion it had exceeded again prior to the current setback into that area at present. The extended higher resistances are 6.72 and 6.83 levels not seen on the current rally, and the 7.10 area all-time high that were all seen during the 2018 LIRA crisis.

While still obviously less relevant (as we have been noting for some time and is most glaringly apparent again at present) on the standard report releases in the midst of more major global trade and political cross currents, the Weekly Report & Event Calendar (accessible for Sterling and higher level subscribers) is available via the www.rohr-blog.com sidebar.

As we have been noting for some time in our research notes, regularly scheduled releases are obviously less relevant in the face of 'macro' factors; and especially (as our anticipatory views into mid-February had highlighted) the highly pernicious impact of the COVID-19 virus. This now extends to the timely or untimely US government response.

That said, there are still some very important economic releases and central bank influences in this once again typically very full week. Even if they will only act as a backdrop for the future COVID-19 impact and other ‘macro’ influences, they will still be important.

After a relatively quiet reporting Monday, Tuesday saw the global Advance PMIs with surprisingly firm manufacturing figures even if services were decidedly weak. That was followed by additional important data today, like still also firm US Durable Goods Orders even if that was the February (pre-COVID-19) number. Thursday brings the next BoE rate announcement and other important information (yet with no scheduled press conference) and the beginning of the late month data flow. That includes dated US Q4 Final GDP data. Friday sees some further ‘rearview mirror’ data.

Also still keep in mind the US is already on Daylight Savings Time this week with Europe and the UK moving their clocks forward on Sunday, March 29th.

And due to the vagaries of the COVID-19 volatility, we maintain our recent classic advice: Keep those seat belts firmly fastened.

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