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From: ROHR Alert <rohralert@gmail.com>
Sent: Monday, September 02, 2019 10:00 AM
To: undisclosed-recipients:
Subject: ROHR ALERT!! More Tariffs = More Concern

Dear Subscribers,
Higher US and Chinese tariffs are creating more concern, and rightfully so. As the Japanese, European (especially German) and UK Manufacturing PMI's today reinforce the already downbeat global economic activity and outlook, it is important to note that these are based on indications prior to higher tariffs.

And yes, we are in the office this morning because it is not reasonable to take a full holiday despite the US and Canadian Labor Day holidays… there are just too many important developments even beyond the Manufacturing PMI's (...and we allowed ourselves a light day on last Monday's UK Late Summer Bank Holiday.)

So the outlook remains rather downbeat. Yet the US equities remain in rather good shape despite the recent plunges, at least insofar as they recovered last week. This is also interesting in the face of the resilience of global govvies and extended strength of the US Dollar Index into a new 27-month high weekly Close. Considering that, it is reasonable to ask what might continue to drive this overall resilient US equities (and others) activity in the face of expected weakness?

In the first instance, IMF MD Christine Lagarde will be taking over the helm of the ECB from Mario Draghi November 1st. She is generally considered a monetary dove, and has a history of crossing swords with parsimonious Germany (see our marked-up version of a very good Financial Times article http://bit.ly/2lPobpn.)

And while the current political mess in the UK along with its unexpected further Manufacturing PMI slippage below 50.0 has the pound under pressure, that must all be related back to the fear of a 'hard' (i.e. 'no-deal' Brexit October 31st. Yet it is most interesting (according to another interesting FT article http://bit.ly/2lrrvaj) that France is testing an expedited customs system.

That is very import due to the need (as we and others have warned previous) to avoid major merchandise trade bottlenecks once WTO rules come into force. While higher tariffs will still weigh on trade, there might not be the previously anticipated mass losses for tens of thousands of UK and French companies. Yet at least so far it is only France testing a new, expanded digital customs clearance system… and that might still leave a lot of UK-EU trade weakness.

As such, the main consideration that might underpin future positive anticipation for US equities (and the others to a lesser degree) and possibly reverse the global govvies upside trend juggernaut is more likely the upcoming change at the ECB.

This is the critical consideration
After the early June US-Mexico tariffs scare sent front month S&P 500 future back near the 2,722 March trading low, US equities rallied sharply. Lower supports at 2,865, 2,836-30 and 2,825-14 were all reinstated. Higher resistance was 2,900-10 area, with the May 2,938.25-

2,947.50 gap lower from the all-time high Close above; which is just where the rally failed at the rally highs last Thursday.

As those were overrun into mid-June, September S&P 500 future was above historic Oscillator levels at 2,965-70 and 2,985, with the critical 3,015-20 area above that on the continued rise of weekly MA-41. There was also the weekly topping line (http://bit.ly/2lPno7T) it failed to exceed, all of which led to the recent major correction… even if not necessarily predicting its sharpness.

Any reversal needed September S&P 500 future to fail below the 2,938.25-2,947.50 area, with 2,910-00 next. That left key lower support into important weekly MA-41 at 2,796 it so far only traded temporarily below, extending its hopeful rally back above 2,865 into 2,885 to the mid-2,900 area prior to the next negative influences.

Recent data improvement has left it above the repeated 2,900-10 over-under area again, even as it retested it in electronic trade (as pits are closed for the holiday) this morning. Can it return to rallying up into the May 2,938.25-2,947.50 gap, and ultimately push above 2,960 (see the chart on that important area)? Or will either the US or China derail it again on a return to acrimonious trade tirades?

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